



# Sophos

## Q3 FY17 Update and Acquisition of Invincea

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**SOPHOS**

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# Strong Momentum Continued in Q3 FY17

- Billings increased by over 18%\*
  - Acceleration in enduser, increasing by >20%\*; continued momentum in network
  - Sophos Central a key driver
  - Next-gen endpoint: extremely encouraging maiden contribution from Intercept X
  - Regional strength in Americas and Europe, APJ steady
- Revenue on accelerating trend, rising over 13%\* in Q3
  - Driven by mid-teens growth in subscription revenue
- Cash generation tracking ahead of plan
  - Unlevered free cash flow at \$80.3 million for 9-month period (+136% YoY)
- Strong visibility into future billings and revenue
  - Underpinned by expansion of renewal book and new business
- Improved outlook, with unlevered free cash flow now expected to more than double for the full-year

\* At constant currency

# Acquisition of Invincea: Transaction Details

- Acquisition consideration: \$100 million to be paid immediately on closing, plus a \$20 million earn-out over first 12 months
  - In the twelve months to 31 March 2016, Invincea recorded billings of \$13.4 million, revenue of \$9.8 million and a loss before tax of \$11.8 million
  - The deal to be financed through cash and an extension of existing credit facilities
  - Invincea Labs, a division of Invincea that has been separately managed and operated since 2010, will be demerged prior to the Acquisition and does not form part of this transaction
  - Subject to regulatory approval, Sophos expects to complete the Acquisition around the end of the current fiscal year
  - Sophos will retain Invincea's office in Fairfax, Virginia and Invincea's CEO Anup Ghosh will join Sophos as an executive member of the senior management team

# Acquisition of Invincea

## ABOUT Invincea

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- Invincea was founded in 2009 as part of an advanced research project to create innovative new defenses against cyber attacks
- Headquartered in Fairfax, Virginia with approximately 100 employees
- Invincea has created powerful machine learning (ML) algorithms to protect endpoints without affecting performance
- Powerful protection via neural network-based ML which is more effective (higher detection) and more accurate (lower false positives) than other ML approaches on the market
- Highly-effective pre-execution malicious file detection using fully automated, scalable methods
- Strong presence in US, especially US government, healthcare, and financial services verticals

## DEAL RATIONALE FOR SOPHOS

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- **Next-gen endpoint** protection is a major growth driver for overall endpoint market
- In next-gen endpoint **Sophos Central and Intercept X** are strong drivers for accelerating Sophos enduser security growth
- Adding **Invincea** will further advance Sophos' next-gen endpoint protection strategy and further strengthen Sophos' comprehensive endpoint protection solutions
- Invincea will make Sophos endpoint protection an even more formidable defense against cyber criminals by adding powerful **machine learning** technology to Sophos' robust endpoint IP
- Just as the **SurfRight acquisition** successfully brought next-gen exploit protection to the Sophos Central platform (as **Intercept X**), Invincea will bring next-gen ML technology into Sophos Central to further expand Sophos' next-gen Intercept product line
- Invincea technology will become another critical element of a broad array of advanced protection technologies from Sophos and will become a key element of Sophos' **synchronized security** strategy

# Complete Next-Gen Endpoint Protection

For server or locked-down endpoint environments, app control prevents unknown / unwanted apps from running.

Knowing the source/reputation of a file, URL, email, etc. can prevent an attack before it happens. Includes technologies such as MTD, download reputation, URL filtering, secure email gateway, etc.

The only effective way to set policy to ensure removable media cannot put an organization at risk.

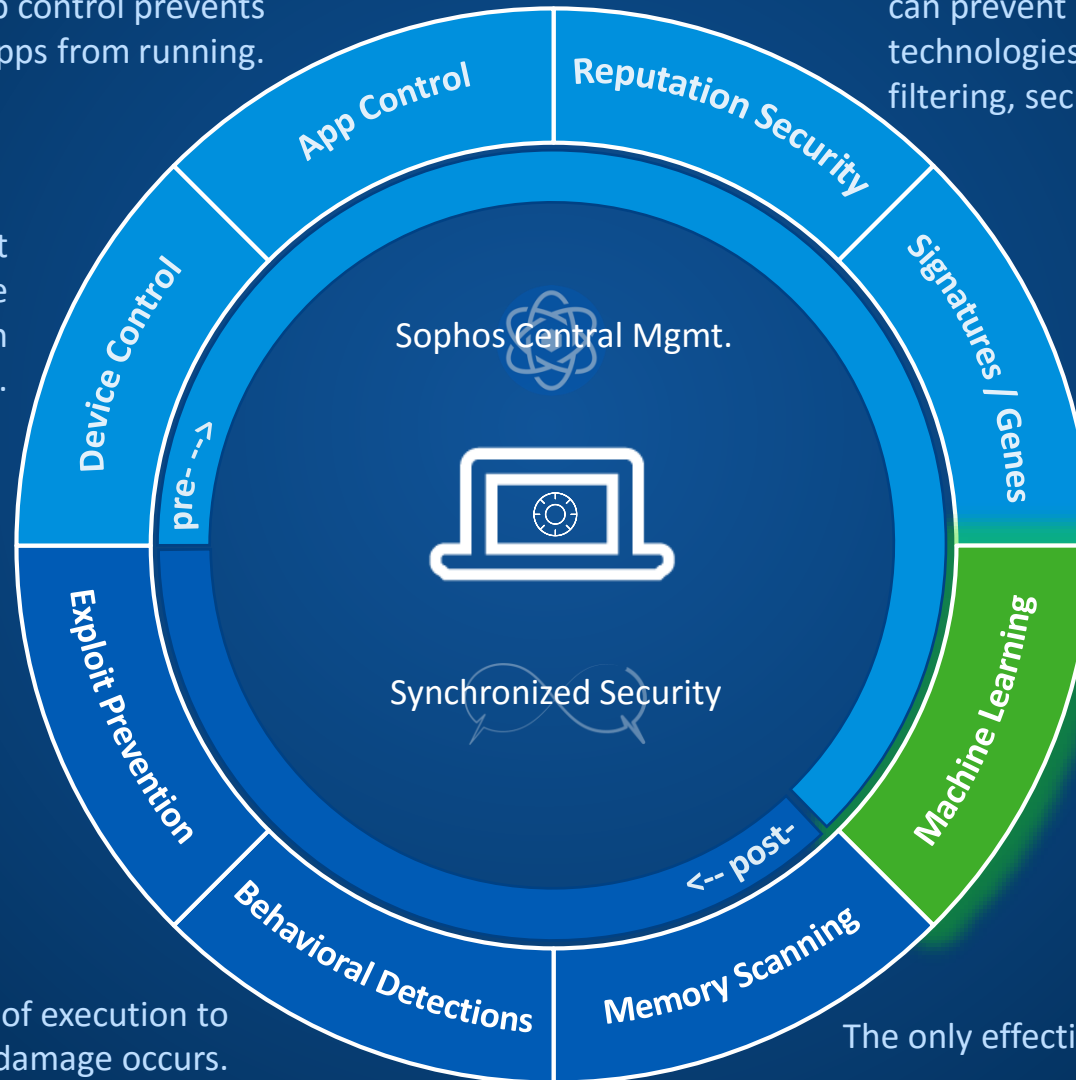
Provides reliable detection of script, document, and macro malware, and an efficient first line of defense against known executable variants.

Effective for run-time prevention of exploit-based malware such as ransomware. **Sophos Intercept X** delivers highly-effective next-gen exploit prevention capabilities.

Via Invincea, pre-execution malware prevention that is highly scalable, fast, and effective, especially against zero-day threats. Ion's pioneering ML technology delivers high detection rates and very low FP rates, which is unique.

Heuristic detections based on the behaviors of execution to stop evasive malware before damage occurs.

The only effective defense against in-memory malware.



-  .exe Malware
-  Non-.exe Malware  
(.doc, .xls, .pdf)
-  Script-based Malware
-  Phishing Attacks

-  Malicious URLs
-  Exploits
-  Removable Media
-  Unauthorized Apps

# What Others Are Saying About Invincea

Invincea scored high marks for performance and protection. Invincea had one of the best performance scores we have ever seen in our tests to date. And, for protection, Invincea blocked 100% of attacks from 64 malicious websites. **No other signature-less endpoint protection product provided 100% detection and blocking** for this category in previous tests... We are pleased that they have earned the AV-TEST Certified Seal of Approval.



- Maik Morgenstern, CTO, AV-TEST

A significant malware attack got past my other defenses, but Invincea caught it. I believe it **saved us more than a million dollars** for just that one attack.



- Christopher Walsh, First VP & Info Sec Officer

Invincea allows our people to **accomplish mission-critical tasks securely** everyday, **without impacting performance and usability.**



- Former CERT Director

**It's my #1 product.** I would give this product up last.



- Paul Calatayud, CISO

X by Invincea protects our company and **has stopped hundreds of attacks**, saving our IT team time, resources, and headaches, all while being un-obtrusive to our employees. Any CIO should take a look at X by Invincea to see how it fits into their overall security program.



- Jamie Ryan, CIO

# Summary

- Strong momentum continued in Q3 FY17
- Improved outlook, with unlevered free cash flow now expected to more than double for the full-year
- **Acquisition of Invincea**
  - Leading neural network based machine learning next-gen endpoint technology
  - Strengthens Sophos' leading next-gen endpoint offering
  - Similar approach to SurfRight and Intercept X: we expect to deliver first new Sophos product incorporating Invincea technology in calendar year 2017
  - Sold via our global channel of >26K partners, represents a significant growth opportunity for Sophos



# Q&A

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Security made simple.