

# Sophos Group plc Q1 FY19 Update

26 July 2018

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# Safe Harbour

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# Financial Highlights

Nick Bray, CFO

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# Financial Highlights

- Q1 FY19 Billings +6% (+2% at constant currency)
  - Challenging prior-year comparison
  - Headwind from a reduction in net renewal rate from to 114%, from 141% a year ago
    - This is a lower renewal rate than we see as the sustainable norm
    - Lower levels of cross-selling activity in Enduser security than expected, in part due to accelerated demand in FY18 driven by the global Wannacry outbreak
    - Renewal rate also impacted by a product transition in Network security
- Double-digit growth in new customer billings
- Strong performance from Sophos Central and Intercept X
- Revenue +24% (+19% at constant currency); driving adjusted operating profit up strongly to \$22 million and a positive statutory operating result
- Strong cash performance: both operating cash flow and uFCF up by >30%
- The reduction in Cash EBITDA reflects the lower than anticipated billings growth and a planned increase in annualized R&D and S&M expenses

# Business Update

Kris Hagerman, CEO

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# Outlook

- Continuing to execute against our highly differentiated, core strategy
  - To deliver innovative, simple, and highly-effective cybersecurity solutions to IT professionals and the channel that serves them
  - All managed through Sophos Central, a single integrated cloud platform
  - Products that actively communicate and deliver better, synchronized security
  - Delivered 100% through the channel
- We expect a return to our mid-teens growth trajectory as we head into H2
  - The demand environment remains robust
  - The prior-year comparison becomes more favourable in H2
  - The temporary effects of the product transition in Network are expected to diminish
  - The net renewal rate is expected to improve to a more sustainable norm
  - These factors, combined with expected strong growth in future subscription renewal book into FY20, underpin our confidence in the outlook

**Q&A**

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Cybersecurity made simple.