

Q3 FY16 Trading Statement

Released : 09 Feb 2016

RNS Number : 4388O

Sophos Group Plc

09 February 2016

Sophos Group plc
Trading Statement for the third quarter-ended 31 December 2015

Oxford, U.K., 9 February 2016 Sophos Group plc (the "Group" / LSE: SOPH), a leading provider of cloud enabled enduser and network security solutions, today issues its Trading Statement for the three-month period to 31 December 2015.

Highlights

- Q3 like-for-like billings^{1,2} were up 17.4 percent year-over-year ("YOY") with growth across all major regions and product categories, notwithstanding stronger quarterly comparatives
- Reported billings grew 10.6 percent YOY, reflecting significant currency headwinds including the devaluation of the Euro and Sterling against the US Dollar

	Q3 FY16	Q3 FY15	Growth	
			Reported %	Like-for-like %
	\$M	\$M		
Non-GAAP measures:				
Billings by Region:				
- Americas	46.2	38.9	18.8	16.0
- EMEA	72.7	72.6	0.1	10.9
- APJ	22.4	16.2	38.3	48.1
Billings	141.3	127.7	10.6	17.4
Billings by Product:				
- Network	72.2	58.2	24.1	31.6
- Enduser	62.7	62.0	1.1	8.0
- Other	6.4	7.5	-14.7	-13.5
Billings	141.3	127.7	10.6	17.4
Cash EBITDA ³	34.8	33.0	5.5	16.3
GAAP measures:				
Revenue ⁴	121.4	115.9	4.7	11.9

- Q3 Reported revenue of \$121.4M (Q3, FY15: \$115.9M) up 4.7 percent YOY, 11.9 percent growth at constant currency
- Q3 Reported cash EBITDA of \$34.8M (Q3, FY15: \$33.0M) up 5.5 percent YOY, 16.3 percent growth at constant currency
- LTM weighted average contract length⁵ closed at **28.5** months, a modest increase on the prior-year comparative of 28.0 months following a small number of longer-term deals in Japan

Kris Hagerman, Chief Executive Officer, commented:

"Strong demand for comprehensive IT security continues to drive our business. We saw sustained growth across all regions in the third quarter and continue to grow faster than the market in both our network and enduser product groups. We also delivered on several important product development initiatives, including the first step of our vision for synchronized security with Sophos Security Heartbeat™, which directly links next-generation network security with next-generation endpoint security. We are pleased to reaffirm our full-year outlook of like-for-like billings growth in the high teens to 20 percent range. The strength we experienced in the first half has continued through the third quarter as we remain focused on our strategy to be the best in the world at delivering complete, enterprise-grade IT security for mid-market organizations and the channel partners that serve them."

Acquisitions

As previously reported, on 3 December 2015, the Group acquired, for a cash consideration of \$31.8M, 100 percent of the share capital of SurfRight B.V., a leader in the prevention, detection and remediation of zero-day and sophisticated attacks. This acquisition, which had an insignificant impact on the results of the quarter, enables Sophos to integrate the SurfRight technology into its line of endpoint security solutions and further enhance the effectiveness of Sophos' synchronized security strategy.

Outlook

At the time of our first-half results announcement, we upgraded our outlook for FY16 like-for-like billings growth to be in the range of high teens to 20 percent. After an encouraging third quarter, with continued strong demand for our products across all regions and

major product groups, we are now pleased to reaffirm this guidance. We remain confident that full-year cash EBITDA margins will be slightly in excess of the 21.3 percent achieved in the prior period.

About

The Sophos Group is a leading global provider of cloud-enabled enduser and network security solutions, offering organisations end-to-end protection against known and unknown IT security threats through products that are easy to install, configure, update and maintain. For further information please visit: www.sophos.com. The Group has over 30 years of experience in enterprise security and has built a portfolio of products that protects over 200,000 organisations and over 100 million endusers in 150 countries across a variety of industries.

Forward-looking Statements

Certain statements in this announcement constitute "forward-looking statements". These forward-looking statements involve risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the security industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. The Group undertakes no obligation to update or revise any forward-looking statement to reflect any change in expectations or any change in events, conditions or circumstances.

Contact

Sophos Group plc
Tel: +44 (0) 1235 559 933
Kris Hagerman, Chief Executive Officer
Nick Bray, Chief Financial Officer

Brunswick Group
Tel: +44 (0) 20 7404 5959
Sarah West
Katie Ioanilli

Management will be hosting an analyst conference call to discuss the Trading Statement at 08:30am London time; dial-in number +44 (0) 2071 928000, pin code: 35154223. A replay of the call will also be available for one week after the event on the Company's website.

1. Billings represents the value of products and services invoiced to customers after receiving a purchase order from the customer and delivering products and services to them, or for which there is no right to a refund for undelivered items. Billings does not equate to statutory revenue.
2. Like-for-like billings represent billings on a constant currency basis excluding disposals and including acquisitions from the point of acquisition plus the pre-acquisition billings of any acquired companies on a reported basis. Like-for-like billings are presented to enhance comparability.
3. Cash earnings before interest, taxation, depreciation and amortisation ("Cash EBITDA") is defined as the Group's operating (loss)/ profit adjusted for depreciation and amortisation charges, any gain or loss on the sale of tangible and intangible assets, stock option charges, unrealised foreign exchange differences and exceptional items, with billings replacing recognised revenue. Like-for-Like Cash EBITDA is presented on a constant currency basis but does not adjust for pre-acquisition profits.
4. The majority of billings are for license subscriptions which are recognised as revenue over the period of the contract, revenue growth is primarily a function of prior period billings and hence will not yet reflect the improved billings performance of the current period. Like-for-Like revenue is presented on a constant currency basis but does not adjust for pre-acquisition revenue.
5. Constant currency billings excluding Cyberoam, Reflexion and SurfRight.

This information is provided by RNS
The company news service from the London Stock Exchange

END

TSTUWOBRRNAURAR