SOPHOS

Trading Statement for quarter-ended 30 June 2015

Released : 31 Jul 2015

RNS Number : 6464U
Sophos Group Plc
31 July 2015

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London, 31 July 2015. Sophos Group plc (the "Group") a global provider of security solutions, today issues its Trading Statement for the three months to 30 June 2015 ("Q1, FY16").

All billings commentary and percentage growth rates set out herein refer to adjusted constant currency billings ("adjusted billings[1]"), unless otherwise stated.

Highlights

- Continued growth across all three regions and major product groups, with adjusted billings growing 24.7% year over year ("YOY")
- Reported billings[2] of $113.3M (Q1, FY15: $101.6M) were up 11.5% YOY, reflecting significant devaluation of the Euro and Sterling against the US Dollar

	Q1 FY16	Q1 FY15	Growth	
	$M	$M	Reported %	Adjusted %
Billings by Region:				
- Americas	38.0	31.0	22.6%	21.6%
- EMEA	56.6	55.3	2.4%	23.1%
- APJ	18.7	15.3	22.2%	37.5%
	113.3	101.6	11.5%	24.7%
Billings by Product:				
- Network	58.9	49.8	18.3%	33.6%
- Enduser	48.2	46.0	4.8%	16.3%
- Other	6.2	5.8	6.9%	14.8%
	113.3	101.6	11.5%	24.7%

- Total revenue of $113.5M (Q1, FY15: $104.7M) grew 8.4% YOY, reflecting the billings recognised in previous periods[3]
- Cash EBITDA[4] of $16.5M (Q1, FY15: $16.7M), reflecting the YOY change to the phasing of marketing spend to move from a H2 bias in FY15 to a more equalised half-year split in FY16
- LTM weighted average contract length[5] was consistent with the prior year comparative and closed at 28.1 months

Kris Hagerman, Chief Executive Officer, commented:

"We are pleased to report continued strength across all regions and product categories in the first quarter. Given this encouraging start, we remain confident in our expectations for the full financial year as we deliver on our strategy to be the best in the world at delivering complete, enterprise-grade IT security for mid-market organizations and the channel that serves them."

Acquisitions

On 5 June 2015, as previously reported, the Group announced the acquisition of Reflexion Networks Inc., a leader in cloud-based email security, archiving, email encryption and business continuity services, for a cash consideration of $15M. This acquisition enables Sophos to add cloud-based email security to Sophos Cloud, the Group's single, integrated cloud-based management console and will allow Sophos to deliver enterprise-grade email security in one affordable and simple-to-manage solution.

Outlook

In the prior year, quarterly adjusted billings growth was 9% in Q1, 16% in Q2, 18% in Q3 and 24% in Q4.
Q1 FY16 growth of 24.7% was an encouraging start to the year. Given the strength of the comparatives in the rest of the year, the Group is maintaining its full-year guidance to achieve mid-teens adjusted billings growth and cash EBITDA margins no lower than the 21.3% achieved in FY15.

Based on current exchange rates, the currency headwind experienced in Q1 is expected to reduce over the course of the year from approximately 12% for the first half to approximately 8% for the full year.

Cash EBITDA phasing is expected to be approximately one third in the first half and two thirds in the second half; in line with historical trends.

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

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.

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Management will be hosting an analyst conference call to discuss the Interim Management Statement at 08:30am London time; dial-in number +44 (0)1452 541 1003, pin code: 97790857. A replay of the call will also be available for one week after the event on the Company's website.

1. Adjusted billings represent the Group's billings on a constant currency basis excluding disposals and including acquisitions from the point of acquisition plus the billings of any acquired companies on a reported basis for the pre-acquisition period. Adjusted billings are unaudited and are presented to enhance comparability of the Group's results from period to period by excluding the impact of foreign exchange rate fluctuations. The Directors use adjusted billings as a key performance indicator of the Group's business and to provide a supplemental measure of billings performance.
2. 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.
3. 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
4. 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, and realised debt, foreign exchange differences and exceptional items and other adjustments, with billings replacing recognised revenue.
5. Excludes Cyberoam, on a constant currency basis.

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