

Sophos Group plc Q1 FY20 Update

12 July 2019

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Financial Highlights

Nick Bray

Chief Financial Officer

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Financial Highlights

- Revenue increased by 7% at constant currency to \$180.2 million*
 - Driven by 10% growth in subscription revenue at constant currency
 - Increasing contribution from MSP, with a 78% increase in ARR to \$32 million
- Billings grew by 9% to \$183.1 million
 - Sophos Central +49%, and next-gen product portfolio billings +43%
 - Modest improvement in the renewal rate to 118%
 - Enduser billings grew by 17%, with healthy renewals and benefit from EDR
 - Network billings flat, with subscription growth offset by hardware decline
 - Return to growth in new business, driven by MSP
- Reported Operating Profit at breakeven; primarily impacted by a one-off exceptional restructuring charge
 - Adjusted operating profit of \$24.1 million up 10% YOY
- Cash flow continued to be strong in the quarter
 - Operating cash flow of \$54.4 million, helped by timing differences of working capital

* All growth rates shown at constant currency

Business Update

Kris Hagerman
Chief Executive Officer

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Summary

- Encouraging start to the year in Q1
 - Underpins confidence in our prospects for the full year
- Transition to next-gen accelerated
 - Strong performance from Sophos Central, Intercept X endpoint, XG Firewall, and MSP business
 - Next-gen product billings increased by 43% YOY, representing more than 54% of total billings
 - Enduser particularly strong in the period, with EDR gaining traction
 - Network saw growth in subscriptions, with XG Firewall performing well
- Growing contribution from MSP
 - ARR now at \$32 million, compared to \$27 million at the year end, growing 78% YOY
- Investment in innovation
 - APIs – EAP for SophosLabs Intelix now underway on AWS marketplace
 - MDR and XG Firewall v18 on track for release in FY20
 - Continued investment in Sophos Central and integrations with MSPs
- Well-positioned for future growth
 - Demand environment remains strong
 - We have a highly effective and differentiated next-gen product portfolio

Q&A

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Cybersecurity evolved.