



## Mimecast Announces First Quarter 2019 Financial Results

August 9, 2018

### First Quarter Highlights

- Total revenue of \$78.4 million grew 35% yoy on a GAAP basis and 31% in constant currency
- Added 900 new customers. Total customers 31,300 globally
- Revenue retention rate of 110%
- Gross profit percentage of 73%
- GAAP EPS of \$(0.06) per diluted share, Non-GAAP EPS of \$0.04 per diluted share

LEXINGTON, Mass., Aug. 09, 2018 (GLOBE NEWSWIRE) -- [Mimecast Limited](#) (NASDAQ:MIME), a leading email and data security company, today announced financial results for the first quarter ended June 30, 2018.

"The first quarter was an exciting time for the company. We expanded our platform to offer new services including web security and security awareness training. Additionally, we added leading threat detection capabilities to enhance our efficacy and keep our customers safe from advanced threats." stated Peter Bauer, CEO of Mimecast.

Mimecast's CFO Peter Campbell noted, "We delivered strong results for both revenue and adjusted EBITDA. Our business model continues to show leverage, demonstrating increased profitability as our operations scale."

### First Quarter 2019 Financial Highlights

- **Revenue:** GAAP revenue for the first quarter of 2019 was \$78.4 million, an increase of 35% compared to \$58.2 million of GAAP revenue in the first quarter of 2018. Revenue on a constant currency basis increased 31% compared to the first quarter of 2018.
- **Customers:** Added 900 net new customers in the first quarter of 2019. We now serve over 31,300 organizations globally.
- **Revenue Retention Rate:** Revenue retention rate was 110% in the first quarter of 2019, compared to 111% in the first quarter of 2018.
- **Gross Profit Percentage:** Gross profit percentage was 73% in the first quarter of 2019, compared to 74% in the first quarter of 2018.
- **GAAP Net Loss:** GAAP net loss was \$3.5 million, or \$(0.06) per diluted share, based on 59.2 million weighted-average shares outstanding.
- **Non-GAAP Net Income:** Non-GAAP net income was \$2.2 million, or \$0.04 per share, based on 62.6 million diluted shares outstanding.
- **Adjusted EBITDA:** Adjusted EBITDA was \$10.0 million, representing an Adjusted EBITDA margin of 12.7% up from 8.8% in the first quarter of 2018.
- **Free Cash Flow, Cash and Investments:** Mimecast generated \$9.1 million of free cash flow in the first quarter of 2019. Cash and short-term investments as of June 30, 2018 were \$149.5 million.

Reconciliations of the non-GAAP financial measures provided in this press release to their most directly comparable GAAP financial measures are provided in the financial tables included at the end of this press release. An explanation of these measures and how they are calculated is also included under the heading "Non-GAAP Financial Measures."

### Business Highlights

- Mimecast opened an early adopter program for new web security services. The program provides an easy to deploy and use DNS solution alongside Mimecast's core email offering enabling customers to further simplify IT while providing a wider lens to analyze today's advanced threats across multiple attack vectors.
- With the acquisition of Ataata Inc., Mimecast entered the security awareness training market which is estimated by Gartner to grow to more than \$1.5 billion\* by 2021.
- Mimecast added leading threat detection technology with the acquisition of Israeli-based Solebit LABS, Ltd. This technology will enhance security for our customers and add to Mimecast's ability to detect and prevent cyber-attacks, zero day threats and malware across email and the web in real time.
- On average, Mimecast customers used 3.0 services in the first quarter of 2019. An increase from the average of 2.8 services customers used in the first quarter of 2018.
- A total of 34% of customers used Mimecast in conjunction with Microsoft® Office 365™ during the first quarter compared to 24% in the first quarter of 2018. More than 10,800 customers of all sizes have selected Mimecast to enhance their

security, archive their data, and to provide uptime assurance for their Office 365 investments.

## Business Outlook

Mimecast is providing guidance for the second quarter and fiscal year 2019.

### Second Quarter 2019 Guidance:

For the second quarter of 2019, constant currency revenue growth is expected to be in the range of 28% to 29% and revenue is expected to be in the range of \$80.4 million to \$81.2 million. Our guidance is based on exchange rates as of July 31, 2018 and includes an estimated negative impact of \$0.2 million resulting from the strengthening of the U.S. dollar compared to the prior year. Adjusted EBITDA for the second quarter is expected to be in the range of \$9.6 million to \$10.6 million.

### Fiscal Year 2019 Guidance:

For the full year 2019, revenue is expected to be in the range of \$329.0 million to \$335.9 million or 26% to 29% revenue growth in constant currency. Foreign exchange rate fluctuations are negatively impacting this guidance by an estimated \$1.2 million. Adjusted EBITDA is expected to be in the range of \$47.7 million to \$49.7 million.

GAAP net loss is the most comparable GAAP measure to Adjusted EBITDA. Adjusted EBITDA differs from GAAP net loss in that it excludes depreciation, amortization, disposals and impairments of long-lived assets, acquisition-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for income taxes and foreign exchange (expense) income and includes rent paid in the period related to locations which are accounted for as build-to-suit facilities. Mimecast is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Mimecast has not provided guidance for GAAP net loss or a reconciliation of forward-looking Adjusted EBITDA guidance to GAAP net loss.

### Conference Call and Webcast Information

Mimecast will host a conference call to discuss these financial results for investors and analysts at 4:30 pm EDT (UTC-05:00) on August 9, 2018. To access the conference call, dial (844) 402-0879 for the U.S. and Canada and (478) 219-0767 for international callers and enter conference ID# 4847708. The call will also be webcast live on the investor relations section of the Company's website <http://investors.mimecast.com>. An audio replay of the call will be available two hours after the live call ends by dialing (855) 859-2056 for U.S. and Canada or (404) 537-3406 for international callers, and entering passcode ID# 4847708. In addition, an archive of the webcast will be available on the investor relations section of the company's website <http://investors.mimecast.com>.

\*Gartner, *Magic Quadrant for Security Awareness Computer-Based Training*, 26 October 2017, ("Growth projections for the next several years remain strong, with a Gartner forecast compound annual growth rate (CAGR) of 45% from 2016 to 2021, and revenue reaching over \$1.5 billion in 2021.")

### About Mimecast Limited

Mimecast Limited (NASDAQ:MIME) makes business email and data safer for more than 31,300 customers and millions of employees worldwide. Founded in 2003, the Company's next-generation cloud-based security, archiving and continuity services protect email, and deliver comprehensive email risk management in a single, fully-integrated subscription service. Mimecast reduces email risk and the complexity and cost of managing the array of point solutions traditionally used to protect email and its data. For customers that have migrated to cloud services like Microsoft® Office 365™, Mimecast mitigates single vendor exposure by strengthening security coverage, combating downtime and improving archiving.

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### Non-GAAP Financial Measures

We have provided in this press release financial information that has not been prepared in accordance with GAAP. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures provided in the financial statement tables included below in this press release.

*Revenue Constant Currency Growth Rate.* We believe revenue constant currency growth rate is a key indicator of our operating results. We calculate revenue constant currency growth rate by translating revenue from entities reporting in foreign currencies into U.S. dollars using the comparable foreign currency exchange rates from the prior fiscal period. To determine projected revenue growth rates on a constant currency basis for the second quarter and full year 2019, expected revenue from entities reporting in foreign currencies will be translated into U.S. dollars using the comparable prior year period's monthly average foreign currency exchange rates.

*Adjusted EBITDA and Adjusted EBITDA margin.* We believe that Adjusted EBITDA and Adjusted EBITDA margin are key indicators of our operating results. We define Adjusted EBITDA as net (loss) income, adjusted to exclude: depreciation, amortization, disposals and impairments of long-lived assets, acquisition-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for income taxes and foreign exchange (expense) income predominantly related to the elimination of intercompany balances and includes rent paid in the period related to locations which are accounted for as build-to-suit facilities. We define Adjusted EBITDA margin as Adjusted EBITDA over revenue in the period.

*Non-GAAP net income.* We define non-GAAP net income as net (loss) income less share-based compensation expense, amortization of acquired

intangible assets, impairment of long-lived assets, restructuring expenses, acquisition-related expenses and the income tax effect of non-GAAP adjustments. We consider this non-GAAP financial measure to be a useful metric for management and investors because it excludes the effect of share-based compensation expense, certain other “one-time” charges and related income tax effects so that our management and investors can compare our recurring core business net results over multiple periods. There are a number of limitations related to the use of non-GAAP net income versus net (loss) income calculated in accordance with GAAP. For example, as noted above, non-GAAP net income excludes share-based compensation expense, certain other “one-time” charges and related income tax effects. In addition, the components of the costs that we exclude in our calculation of non-GAAP net income may differ from the components that our peer companies exclude when they report their non-GAAP results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and evaluating non-GAAP net income together with net (loss) income calculated in accordance with GAAP.

*Free cash flow.* We define free cash flow as net cash provided by operating activities minus capital expenditures. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property, equipment and capitalized software, can be used for strategic opportunities, including investing in our business, and strengthening the balance sheet. Analysis of free cash flow facilitates management’s comparisons of our operating results to competitors’ operating results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating our company is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it excludes cash used for capital expenditures during the period. Management compensates for this limitation by providing information about our capital expenditures on the face of the cash flow statement and in the liquidity and capital resources discussion included in our annual and quarterly reports filed with the Securities and Exchange Commission.

### Safe Harbor for Forward-Looking Statements

Statements in this press release regarding management’s future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, Mimecast’s new service offerings, web security and security awareness training, and their future success, Mimecast’s acquisition of Solebit Labs Ltd., Mimecast’s profitability and scaling of operations, and Mimecast’s future financial performance on both a GAAP and non-GAAP basis under the heading “Business Outlook” above, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements containing the words “predicts,” “plan,” “expects,” “anticipates,” “believes,” “goal,” “target,” “estimate,” “potential,” “may,” “might,” “could,” “see,” “seek,” “forecast,” and similar words. Mimecast intends all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including those risks, uncertainties and factors detailed in Mimecast’s filings with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, Mimecast’s actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. Mimecast is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### MIMECAST LIMITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share amounts) (unaudited)

	Three months ended June 30,	
	2018	2017
Revenue	\$ 78,404	\$ 58,158
Cost of revenue	20,976	15,252
Gross profit	57,428	42,906
Operating expenses		
Research and development	13,100	7,921
Sales and marketing	34,203	27,559
General and administrative	12,214	8,537
Total operating expenses	59,517	44,017
Loss from operations	(2,089)	(1,111)
Other income (expense)		
Interest income	444	239
Interest expense	(527)	(31)
Foreign exchange expense and other, net	(441)	(540)
Total other income (expense), net	(524)	(332)
Loss before income taxes	(2,613)	(1,443)
Provision for income taxes	858	457
Net loss	\$ (3,471)	\$ (1,900)
Net loss per ordinary share		
Basic and diluted	\$ (0.06)	\$ (0.03)
Weighted-average number of ordinary shares outstanding:		
Basic and diluted	59,175	56,292

**MIMECAST LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share amounts)  
(unaudited)

	As of June 30, 2018	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 107,530	\$ 78,339
Short-term investments	41,958	58,871
Accounts receivable, net	56,677	65,392
Deferred contract costs, net	5,530	—
Prepaid expenses and other current assets	13,300	15,302
Total current assets	224,995	217,904
Property and equipment, net	124,117	123,822
Intangible assets, net	8,557	9,819
Goodwill	5,602	5,631
Deferred contract costs, net of current portion	19,817	—
Other assets	1,463	1,222
Total assets	\$ 384,551	\$ 358,398
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	\$ 4,530	\$ 6,052
Accrued expenses and other current liabilities	33,145	33,878
Deferred revenue	120,612	123,057
Current portion of capital lease obligations	1,154	1,125
Total current liabilities	159,441	164,112
Deferred revenue, net of current portion	12,002	18,045
Long-term capital lease obligations	2,142	2,390
Construction financing lease obligation	69,613	67,205
Other non-current liabilities	4,300	4,954
Total liabilities	247,498	256,706
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, \$0.012 par value, 300,000,000 shares authorized; 59,599,656 and 58,949,644 shares issued and outstanding as of June 30, 2018 and March 31, 2018, respectively	715	707
Additional paid-in capital	223,891	212,839
Accumulated deficit	(80,102)	(106,507)
Accumulated other comprehensive loss	(7,451)	(5,347)
Total shareholders' equity	137,053	101,692
Total liabilities and shareholders' equity	\$ 384,551	\$ 358,398

**MIMECAST LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Three months ended June 30, 2018	2017
<b>Operating activities</b>		
Net loss	\$ (3,471)	\$ (1,900)

Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	6,926		3,609
Share-based compensation expense	5,181		2,646
Amortization of deferred contract costs	1,386		—
Other non-cash items	(19	)	84
Unrealized currency (gain) loss on foreign denominated transactions	(111	)	383
Changes in assets and liabilities:			
Accounts receivable	6,079		4,429
Prepaid expenses and other current assets	1,569		436
Deferred contract costs	(3,835	)	—
Other assets	(98	)	(6
Accounts payable	108		1,276
Deferred revenue	2,521		2,244
Accrued expenses and other liabilities	398		(1,563
Net cash provided by operating activities	16,634		11,638
<b>Investing activities</b>			
Purchases of investments	—		(15,531
Maturities of investments	17,000		15,500
Purchases of property, equipment and capitalized software	(7,575	)	(7,730
Net cash provided by (used in) investing activities	9,425		(7,761
<b>Financing activities</b>			
Proceeds from issuance of ordinary shares	5,904		3,445
Payments on debt	—		(533
Payments on capital lease obligations	(203	)	—
Payments on construction financing lease obligation	(413	)	—
Net cash provided by financing activities	5,288		2,912
Effect of foreign exchange rates on cash	(2,156	)	881
Net increase in cash and cash equivalents	29,191		7,670
Cash and cash equivalents at beginning of period			
	78,339		51,319
Cash and cash equivalents at end of period	\$ 107,530		\$ 58,989

### Key Performance Indicators

In addition to traditional financial metrics, such as revenue and revenue growth trends, we monitor several other non-GAAP financial measures and non-financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key performance indicators that we monitor are as follows:

	Three months ended June 30,			
	2018		2017	
	(dollars in thousands)			
Revenue constant currency growth rate (1)	31	%	43	%
Revenue retention rate (2)	110	%	111	%
Total customers (3)	31,300		27,300	
Gross profit percentage	73	%	74	%
Adjusted EBITDA (1)	\$ 9,958		\$ 5,144	

(1) Adjusted EBITDA and revenue constant currency growth rates are non-GAAP measures. For a reconciliation of Adjusted EBITDA and revenue constant currency growth rates to the nearest comparable GAAP measures, see "Reconciliation of Non-GAAP Financial Measures" below.

(2) We calculate our revenue retention rate by annualizing constant currency revenue recorded on the last day of the measurement period for only those customers in place throughout the entire measurement period. We include add-on, or upsell, revenue from additional employees and services purchased by existing customers. We divide the result by revenue on a constant currency basis on the first day of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is the trailing twelve months. The revenue on a constant currency basis is based on the average exchange rates in effect during the respective period.

(3) Reflects the customer count on the last day of the period rounded to the nearest hundred customers. We define a customer as an entity with an active subscription contract as of the measurement date. A customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly.

### Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of revenue growth rate, as reported to revenue constant currency growth rate:



Purchases of property, equipment and capitalized software	(7,575	)	(7,730	)
Free Cash Flow	\$ 9,059		\$ 3,908	

**Share-based compensation expense for the three months ended June 30, 2018 and 2017 (in thousands):**

	<b>Three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Cost of revenue	\$ 404	\$ 206
Research and development	1,330	682
Sales and marketing	1,831	948
General and administrative	1,616	810
Total share-based compensation expense	\$ 5,181	\$ 2,646

**Mimecast Social Media Resources**

- LinkedIn: [Mimecast](#)
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- Twitter: [@Mimecast](#)
- Blog: [Challenging Complexity](#)

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