



## Mimecast Announces First Quarter 2020 Financial Results

August 5, 2019

### First Quarter Highlights

- Total revenue of \$99.2 million grew 27% yoy on a GAAP basis and 32% in constant currency
- Added 900 net new customers. Total customers 35,300 globally
- Revenue retention rate of 111%
- Gross profit percentage of 74%, Non-GAAP gross profit percentage of 76%
- GAAP EPS of \$(0.07) per diluted share, Non-GAAP EPS of \$0.08 per diluted share

LEXINGTON, Mass., Aug. 05, 2019 (GLOBE NEWSWIRE) -- [Mimecast Limited](#) (NASDAQ: MIME), a leading email and data security company, today announced financial results for the first quarter ended June 30, 2019.

"Our Threat Intelligence Service and our Cyber Alliance Program are enabling customers and partners to leverage the power of the Mimecast platform to gain greater understanding of the threats they face and enhance cyber resilience." stated Peter Bauer, CEO of Mimecast.

Mimecast's CFO, Rafe Brown, commented, "Strong customer retention and sales of additional services resulted in first quarter revenue and adjusted EBITDA that exceeded our guidance."

### First Quarter 2020 Financial Highlights

- **Revenue:** Revenue for the first quarter of 2020 was \$99.2 million, an increase of 27% compared to \$78.4 million of revenue in the first quarter of 2019. Revenue on a constant currency basis increased 32% compared to the first quarter of 2019.
- **Customers:** Added 900 net new customers in the first quarter of 2020, compared to 900 net new customers in the first quarter of 2019. We now serve 35,300 organizations globally.
- **Revenue Retention Rate:** Revenue retention rate was 111% in the first quarter of 2020, compared to 110% in the first quarter of 2019.
- **Gross Profit Percentage:** Gross profit percentage was 74% in the first quarter of 2020, compared to 73% in the first quarter of 2019.
- **Non-GAAP Gross Profit Percentage:** Non-GAAP gross profit percentage was 76% in the first quarter of 2020, compared to 74% in the first quarter of 2019.
- **Net loss:** Net loss was \$4.0 million, or \$(0.07) per diluted share, based on 61.4 million diluted shares outstanding, compared to a net loss of \$3.5 million, or \$(0.06) per diluted share, based on 59.2 million diluted shares outstanding in the first quarter of 2019.
- **Non-GAAP Net Income:** Non-GAAP net income was \$5.0 million, or \$0.08 per diluted share, based on 63.9 million diluted shares outstanding, compared to a non-GAAP net income of \$2.2 million or \$0.04 per diluted share, based on 62.6 million diluted shares outstanding in the first quarter of 2019.
- **Adjusted EBITDA:** Adjusted EBITDA was \$13.5 million, representing an Adjusted EBITDA margin of 13.6%, up from 12.7% in the first quarter of 2019.
- **Operating Cash Flow:** Operating cash flow was \$28.5 million in the first quarter of 2020, compared to \$16.6 million in the first quarter of 2019.
- **Free Cash Flow, Cash and Investments:** Free cash flow was \$19.4 million in the first quarter of 2020, compared to \$9.1 million in the first quarter of 2019. Cash and short-term investments as of June 30, 2019 were \$196.8 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 launched a new Cyber Alliance Program focused on bringing complementary software vendors together to share threat intelligence for the greater good of our joint customers. Powered by Mimecast's broad open API library, partners, vendors, and customers can access a powerful set of tools to build a more comprehensive understanding of the threats organizations face. More information here: <https://www.mimecast.com/tech-connect/>
- Mimecast Threat Intelligence is now available for all customers. This new service is designed to offer easily digestible and actionable insights into threats impacting organizations. The service is accessed, and threats remediated, through the Mimecast Threat Dashboard. Customers can also access this service through our Threat Feed API's for integration with

SIEM, SOAR, and EDR providers.

- Targeted Threat Protection added 1,300 new subscriptions in the first quarter. In total, 24,400 customers now use the service.
- On average, Mimecast customers used 3.2 services in the first quarter of 2020. This represents an increase from the average of 3.0 services used by customers in the first quarter of 2019.
- A total of 46% of customers used Mimecast in conjunction with Microsoft Office 365® during the first quarter of 2020, compared to 34% in the first quarter of 2019. In total, 16,300 customers of all sizes have selected Mimecast to enhance their security, archive their data, and provide uptime assurance for their Office 365 investments.

## Business Outlook

Mimecast is providing guidance for the second quarter and fiscal year 2020.

### Second Quarter 2020 Guidance:

For the second quarter of 2020, revenue is expected to be in the range of \$101.1 million to \$102.1 million and constant currency revenue growth is expected to be in the range of 26% to 27%. Adjusted EBITDA for the second quarter is expected to be in the range of \$17.6 million to \$18.6 million. Our revenue guidance for the second quarter is based on exchange rates as of July 31, 2019 and includes an estimated negative impact of \$2.3 million resulting from the strengthening of the U.S. dollar compared to the prior year.

### Fiscal Year 2020 Guidance:

For the full year 2020, revenue is expected to be in the range of \$414.0 million to \$422.6 million and constant currency revenue growth is expected to be in the range of 25% to 27%. Adjusted EBITDA is expected to be in the range of \$71.6 million to \$73.6 million. Our revenue guidance for full year 2020 is based on exchange rates as of July 31, 2019 and includes an estimated negative impact of \$11.1 million resulting from the strengthening of the U.S. dollar compared to the prior year, and a negative foreign exchange impact of \$5.8 million compared to our prior fiscal year 2020 guidance.

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 impairment of long-lived assets, acquisition-related gains and expenses, litigation-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for income taxes and foreign exchange income (expense). Prior to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (ASC 842), on April 1, 2019, Adjusted EBITDA also included rent paid in the period related to locations which had been 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 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-04:00) on August 5, 2019. 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# **5594623**. The call will also be webcast live on the investor relations section of the Company's website <https://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 and (404) 537-3406 for international callers and entering conference ID# **5594623**. In addition, an archive of the webcast will be available on the investor relations section of the Company's website <https://investors.mimecast.com>.

## About Mimecast

Mimecast is a cybersecurity provider that helps thousands of organizations worldwide make email safer, restore trust and bolster cyber resilience. Mimecast's expanded cloud suite enables organizations to implement a comprehensive cyber resilience strategy. From email and web security, archive and data protection to awareness training, uptime assurance and more, Mimecast helps organizations stand strong in the face of cyberattacks, human error and technical failure. [www.mimecast.com](http://www.mimecast.com)

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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 2020, expected revenue from entities reporting in foreign currencies is translated into U.S. dollars using the comparable prior year period's monthly average foreign currency exchange rates.

*Non-GAAP gross profit and Non-GAAP gross profit percentage.* We define non-GAAP gross profit as gross profit, adjusted to exclude: share-based compensation expense and amortization of acquired intangible assets. We define non-GAAP gross profit percentage as non-GAAP gross profit

divided by GAAP revenue. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of non-cash charges for share-based compensation expense and amortization of acquired intangibles 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 gross profit and non-GAAP gross profit percentage versus gross profit and gross profit percentage calculated in accordance with GAAP. For example, as noted above, non-GAAP gross profit and gross profit percentage excludes share-based compensation expense and amortization of acquired intangible assets. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP gross profit and non-GAAP gross profit percentage and evaluates non-GAAP gross profit and non-GAAP gross profit percentage together with gross profit and gross profit percentage calculated in accordance with GAAP.

*Non-GAAP operating expenses and Non-GAAP income from operations.* We provide investors with certain non-GAAP financial measures, including non-GAAP research and development expense, non-GAAP sales and marketing expense, non-GAAP general and administrative expense and non-GAAP income from operations (collectively the “non-GAAP operating financial measures”). These non-GAAP operating financial measures exclude the following, as applicable (as reflected in the reconciliation tables that follow): share-based compensation expense, amortization of acquired intangible assets, impairment of long-lived assets, restructuring expense, acquisition-related gains and expenses and litigation-related expenses. We consider these non-GAAP operating financial measures to be useful metrics for management and investors because it excludes the effect of share-based compensation expense and certain “one-time” charges 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 these non-GAAP operating financial measures versus the applicable financial measures calculated in accordance with GAAP. For example, as noted above, the non-GAAP operating financial measures exclude share-based compensation expense and certain “one-time” charges. In addition, the components of the costs that we exclude in our calculation of non-GAAP operating financial measures 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 operating financial measures and evaluates non-GAAP operating financial measures together with the applicable financial measures calculated in accordance with GAAP.

*Non-GAAP net income.* We define non-GAAP net income as net loss, adjusted to exclude: share-based compensation expense, amortization of acquired intangible assets, impairment of long-lived assets, restructuring expense, acquisition-related gains and expenses, litigation-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 “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 calculated in accordance with GAAP. For example, as noted above, non-GAAP net income excludes share-based compensation expense, certain “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 calculated in accordance with GAAP.

*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, adjusted to exclude: depreciation, amortization, disposals and impairment of long-lived assets, acquisition-related gains and expenses, litigation-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for income taxes and foreign exchange income (expense). Prior to the adoption of ASC 842 on April 1, 2019, Adjusted EBITDA also included rent paid in the period related to locations which had been accounted for as build-to-suit facilities. We define Adjusted EBITDA margin as Adjusted EBITDA over GAAP revenue in the period. We use Adjusted EBITDA as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies, to communicate with our board of directors concerning our financial performance and for establishing incentive compensation metrics for executives and other senior employees.

*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, the efficacy of Mimecast’s Threat Intelligence Service and Cyber Alliance Program, 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 Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, the ability to attract new customers and retain existing customers, competitive conditions, data breaches, compliance with data privacy and data transfer laws and regulations, service disruptions, the impact of acquisitions, the effect of the withdrawal of the United Kingdom from the European Union, risks associated with failure to protect the Company’s intellectual property or claims that the Company infringes the intellectual property of others, the global nature of the Company’s business, including foreign currency exchange rate fluctuations and the other 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)

	<b>Three months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
Revenue	\$ 99,231	\$ 78,404
Cost of revenue	25,467	20,976
Gross profit	73,764	57,428
Operating expenses		
Research and development	19,385	13,100
Sales and marketing	43,370	34,203
General and administrative	15,447	12,214
Total operating expenses	78,202	59,517
Loss from operations	(4,438)	(2,089)
Other income (expense)		
Interest income	982	444
Interest expense	(1,280)	(527)
Foreign exchange income (expense) and other, net	956	(441)
Total other income (expense), net	658	(524)
Loss before income taxes	(3,780)	(2,613)
Provision for income taxes	230	858
Net Loss	\$ (4,010)	\$ (3,471)
Net loss per ordinary share		
Basic and diluted	\$ (0.07)	\$ (0.06)
Weighted-average number of ordinary shares outstanding		
Basic and diluted	61,444	59,175

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

	<b>As of June 30,</b>	<b>As of March</b>
	<b>2019</b>	<b>31,</b>
		<b>2019</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 174,812	\$ 137,576
Short-term investments	22,025	35,941
Accounts receivable, net	68,495	80,953
Deferred contract costs, net	8,802	8,140
Prepaid expenses and other current assets	15,621	25,871
Total current assets	289,755	288,481
Property and equipment, net	65,655	94,202
Operating lease right-of-use assets	133,350	—
Intangible assets, net	29,154	30,623
Goodwill	108,722	107,575
Deferred contract costs, net of current portion	30,103	28,250
Other assets	6,195	5,156
Total assets	\$ 662,934	\$ 554,287
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	\$ 7,411	\$ 9,457
Accrued expenses and other current liabilities	37,438	44,309
Deferred revenue	162,814	163,102
Current portion of finance lease obligations	938	844
Current portion of operating lease obligations	27,846	—

Current portion of long-term debt	4,695	4,059
Total current liabilities	241,142	221,771
Deferred revenue, net of current portion	12,309	12,472
Long-term finance lease obligations	1,122	1,381
Operating lease liabilities	121,330	—
Long-term debt	91,655	92,797
Construction financing lease obligations	—	36,650
Other non-current liabilities	4,268	15,581
Total liabilities	471,826	380,652
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, \$0.012 par value, 300,000,000 shares authorized; 61,728,891 and 61,158,051 shares issued and outstanding as of June 30, 2019 and March 31, 2019, respectively	740	734
Additional paid-in capital	281,130	263,388
Accumulated deficit	(85,470)	(83,632)
Accumulated other comprehensive loss	(5,292)	(6,855)
Total shareholders' equity	191,108	173,635
Total liabilities and shareholders' equity	\$ 662,934	\$ 554,287

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

	<b>Three months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
Net loss	\$ (4,010)	) \$ (3,471)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,442	6,926
Share-based compensation expense	10,034	5,181
Amortization of deferred contract costs	2,116	1,386
Amortization of debt issuance costs	157	—
Amortization of operating lease right-of-use assets	7,677	—
Other non-cash items	(42)	) (19)
Unrealized currency gains on foreign denominated transactions	(856)	) (111)
Changes in assets and liabilities:		
Accounts receivable	11,927	6,079
Prepaid expenses and other current assets	8,856	1,569
Deferred contract costs	(4,806)	) (3,835)
Other assets	(638)	) (98)
Accounts payable	(808)	) 108
Deferred revenue	1,295	2,521
Operating lease liabilities	(5,145)	) —
Accrued expenses and other liabilities	(4,675)	) 398
Net cash provided by operating activities	28,524	16,634
<b>Investing activities</b>		
Purchases of strategic investments	(3,025)	) —
Maturities of investments	14,000	17,000
Purchases of property, equipment and capitalized software	(9,161)	) (7,575)
Net cash provided by investing activities	1,814	9,425
<b>Financing activities</b>		
Proceeds from issuance of ordinary shares	8,870	5,904
Withholding taxes related to net share settlement of restricted share units	(1,137)	) —
Payments on debt	(625)	) —
Payments on finance lease obligations	(166)	) (203)
Payments on construction financing lease obligations	—	) (413)
Net cash provided by financing activities	6,942	5,288
Effect of foreign exchange rates on cash	(44)	) (2,156)

Net increase in cash and cash equivalents	37,236	29,191
Cash and cash equivalents at beginning of period	137,576	78,339
Cash and cash equivalents at end of period	\$ 174,812	\$ 107,530

### 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,		
	2019	2018	
	(dollars in thousands)		
Revenue constant currency growth rate (1)	32	% 31	%
Revenue retention rate (2)	111	% 110	%
Total customers (3)	35,300	31,300	
Gross profit percentage	74	% 73	%
Adjusted EBITDA (1)	\$ 13,503	\$ 9,958	

(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.

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. This revenue includes renewed revenue contracts as well as additional

(2) revenue derived from the sale of additional seat licenses as well as additional services sold to these 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.

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

(3) 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:

	Three months ended June 30,		
	2019	2018	
	(dollars in thousands)		
<b>Reconciliation of Revenue Constant Currency Growth Rate:</b>			
Revenue, as reported	\$ 99,231	\$ 78,404	
Revenue year-over-year growth rate, as reported	27	% 35	%
Estimated impact of foreign currency fluctuations	5	% (4)	)%
Revenue constant currency growth rate	32	% 31	%
<i>Exchange rate for period</i>			
USD	1.000	1.000	
ZAR	0.070	0.079	
GBP	1.286	1.362	
AUD	0.700	0.757	

The following tables present a reconciliation of selected GAAP results to Non-GAAP results (in thousands):

	Three months ended June 30,		
	2019	2018	
	(dollars in thousands)		
<b>Reconciliation of Non-GAAP Gross Profit:</b>			
GAAP gross profit	\$ 73,764	\$ 57,428	
GAAP gross profit percentage	74	% 73	%

Plus:			
Share-based compensation expense	787	404	
Amortization of acquired intangible assets	625	39	
Non-GAAP gross profit	\$ 75,176	\$ 57,871	
Non-GAAP gross profit percentage	76	% 74	%

	<b>Three months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
GAAP research and development	\$ 19,385	\$ 13,100
Less:		
Share-based compensation expense	2,549	1,330
Amortization of acquired intangible assets	—	—
Acquisition-related expenses	—	—
Litigation-related expenses	—	—
Non-GAAP research and development	\$ 16,836	\$ 11,770

	<b>Three months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
GAAP sales and marketing	\$ 43,370	\$ 34,203
Less:		
Share-based compensation expense	3,782	1,831
Amortization of acquired intangible assets	30	4
Acquisition-related expenses	—	—
Litigation-related expenses	—	—
Non-GAAP sales and marketing	\$ 39,558	\$ 32,368

	<b>Three months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
GAAP general and administrative	\$ 15,447	\$ 12,214
Less:		
Share-based compensation expense	2,916	1,616
Amortization of acquired intangible assets	—	—
Acquisition-related expenses	—	730
Litigation-related expenses	350	—
Non-GAAP general and administrative	\$ 12,181	\$ 9,868

	<b>Three months ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	
GAAP loss from operations	\$(4,438	) \$(2,089	)
Plus:			
Share-based compensation expense	10,034	5,181	
Amortization of acquired intangible assets	655	43	
Acquisition-related expenses	—	730	
Litigation-related expenses	350	—	
Non-GAAP income from operations	\$ 6,601	\$ 3,865	

The following table presents a reconciliation of net loss to Non-GAAP net income (in thousands, except per share amounts):

	<b>Three months ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	
<b>Reconciliation of Non-GAAP Net Income:</b>			
Net loss	\$(4,010	) \$(3,471	)
Share-based compensation expense	10,034	5,181	

Amortization of acquired intangible assets	655	43
Acquisition-related expenses (1)	—	730
Litigation-related expenses (2)	350	—
Income tax effect of Non-GAAP adjustments	(2,066	) (275
Non-GAAP net income	\$ 4,963	\$ 2,208
Non-GAAP net income per ordinary share - basic	\$ 0.08	\$ 0.04
Non-GAAP net income per ordinary share - diluted	\$ 0.08	\$ 0.04
Weighted-average number of ordinary shares used in computing Non-GAAP net income per ordinary share:		
Basic	61,444	59,175
Diluted	63,871	62,584

(1) Acquisition-related expenses relate to costs incurred for acquisition activity in the year ended March 31, 2019. See Note 10 of the notes to our consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

(2) Litigation-related expenses relate to amounts accrued for loss contingencies. See Note 13 of the notes to our consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

The following table presents a reconciliation of Net loss to Adjusted EBITDA (in thousands):

	Three months ended June 30,	
	2019	2018
<b>Reconciliation of Adjusted EBITDA:</b>		
Net loss	\$ (4,010	) \$(3,471
Depreciation, amortization and disposals of long-lived assets	7,455	6,926
Rent expense related to build-to-suit facilities	—	(890
Interest expense, net	298	83
Provision for income taxes	230	858
Share-based compensation expense	10,034	5,181
Foreign exchange (income) expense	(854	) 541
Acquisition-related expenses (1)	—	730
Litigation-related expenses (2)	350	—
Adjusted EBITDA	\$ 13,503	\$ 9,958

(1) Acquisition-related expenses relate to costs incurred for acquisition activity in the year ended March 31, 2019. See Note 10 of the notes to our consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

(2) Litigation-related expenses relate to amounts accrued for loss contingencies. See Note 13 of the notes to our consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further details.

The following table presents a reconciliation of Net cash provided by operating activities to Free Cash Flow (in thousands):

	Three months ended June 30,	
	2019	2018
<b>Reconciliation of Free Cash Flow:</b>		
Net cash provided by operating activities	\$ 28,524	\$ 16,634
Purchases of property, equipment and capitalized software	(9,161	) (7,575
Free Cash Flow	\$ 19,363	\$ 9,059

Share-based compensation expense for the three months ended June 30, 2019 and 2018 (in thousands):

	Three months ended June 30,	
	2019	2018
Cost of revenue	\$ 787	\$ 404
Research and development	2,549	1,330
Sales and marketing	3,782	1,831
General and administrative	2,916	1,616
Total share-based compensation expense	\$ 10,034	\$ 5,181

Amortization of acquired intangible assets for the three months ended June 30, 2019 and 2018 (in thousands):

Three months ended June 30,



	<b>2019</b>	<b>2018</b>
Cost of revenue	\$ 625	\$ 39
Sales and marketing	30	4
Total amortization of acquired intangible assets	\$ 655	\$ 43

#### **Mimecast Social Media Resources**

- LinkedIn: [Mimecast](#)
- Facebook: [Mimecast](#)
- Twitter: [@Mimecast](#)
- Blog: [Cyber Resilience Insights](#)

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Source: Mimecast Limited