

22 October 2020

**SHEARWATER GROUP PLC**  
("Shearwater", or the "Group")

**H1 Trading update**

*Resilient performance and continued strategic progress*

Shearwater Group plc (AIM: SWG), the organisational resilience group, is pleased to provide an update on trading for the six months ended 30 September 2020, ahead of the publication of the Group's Interim Results in late November. The Group delivered a resilient performance during the period in line with Board expectations. The period saw Shearwater winning new customers and benefitting from strong cash generation, improving the strength of the balance sheet, while delivering on its strategic roadmap.

While COVID-19 has delayed client corporate decision making processes and has resulted in the commencement of some services contracts being deferred into the second half of the financial year, the Group benefits from little exposure to the sectors most impacted by COVID-19 and continues to see good levels of activity from sectors such as financial services and in the telecoms market as it prepares for the introduction of 5G.

Order intake during the period was in line with the prior year and Management plan, with several multi-million pound renewals and/or expansions with existing customers, alongside new client wins. The weighting of orders towards the end of the period provided for a lower level of recognised revenue, but an increased order book of contracted forward revenue as the Group enters the second half of the year. The Group expects to report H1 FY21 revenue of approximately £11m (H1 FY20: £16.3m) and underlying EBITDA<sup>(1)</sup> of £1m (H1 FY20: £1m), delivering a considerably improved underlying EBITDA margin in comparison to H1 FY20. Improved efficiencies in the Group's Software division continue to deliver an underlying EBITDA margin of circa 40%.

The Group has continued to strengthen its balance sheet, generating high levels of cash, reflecting the increasing quality of earnings resulting in unaudited gross cash as at 30 September of £3.8m, having repaid outstanding legacy loans of circa £4.0m since 31 March 2020. The Group continues to benefit from an undrawn revolving facility of £4.0m, positioning it well for future opportunities.

The Group continues to make good progress towards achieving its goal of becoming the UK's leading organisational resilience provider, expanding its customer base and offering. Investment in research & development has continued, broadening the Group's portfolio in high growth market niches and further developing its managed security service and SaaS based Secure Identity & Access Management Platform, with new products due for launch in the second half of the year.

The Group's executive management team remain engaged with potential M&A targets, in line with its stated strategy, with a healthy number of prospects progressing through the pipeline. The Group is committed to maintaining a strict acquisition discipline, pursuing only those opportunities which have a clear strategic fit and which will have the ability to enhance value for all stakeholders.

**Phil Higgins, Chief Executive Officer**, commented,

*"The robust performance of the Group during a period of significant uncertainty points to the strength and breadth of our customer relationships and continued evolution of our offering as we execute on our strategy to become the UK's leading organisational resilience provider. Many of the world's leading businesses rely on Shearwater to provide critical solutions and infrastructure to help protect, recover and operate their organisations.*

*"While we have seen some delays in the implementation of service contracts and protracted client corporate decision making, we have secured new customers and expanded our existing relationships, while investing in product development to provide us with a wider portfolio of offerings to take to market in the second half of the year. In particular, we believe the opportunity for our SaaS based Identity and Access Management platform is significant, as access management becomes a key contributor in satisfying both security and regulatory requirements within businesses. We continue to progress our M&A discussions, as we seek to bring in new offerings to the Group.*

*“While we remain cognisant of the ongoing disruption to businesses globally caused by COVID-19, we have entered the second half of the year in a strong position, with an increased order book of contracted revenue, and are excited by the opportunity ahead of us.”*

- (1) Underlying EBITDA is defined as profit before tax, before one off exceptional items, share based payment charges, finance charges, impairment of intangible assets, fair value adjustments to deferred consideration, depreciation and amortisation

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*Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014 ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.*

#### **About Shearwater Group plc**

Shearwater Group plc is an award-winning organisational resilience group that provides cybersecurity, advisory and managed security services to help assure and secure businesses in a connected global economy.

The Group's comprehensive cybersecurity solutions and services maintain trust between users, assure the protection of information assets and critical infrastructure, and support organisations' operational effectiveness. Its capabilities include identity and access management and data security, cybersecurity solutions and managed security services, and security governance, risk and compliance.

The Group is headquartered in the UK with offices in the US, UK and Europe, serving customers across the globe who are active in a broad spectrum of industries.

Shearwater shares are listed on the London Stock Exchange's AIM under the ticker "SWG". For more information, please visit [www.shearwatergroup.com](http://www.shearwatergroup.com).