16 April 2020

First Quarter Trading and Covid-19 Update

Avast plc, together with its subsidiaries ('Avast' or 'the Group'), a leading global cybersecurity provider, issues the following scheduled trading update for the first quarter of its current financial year, comprising the period from 1 January 2020 to 31 March 2020.

Summary

- Management has identified four priorities in light of the Covid-19 outbreak:
    - Protecting employee health and wellbeing;
    - Providing continued high levels of user and customer support and engagement;
    - Maintaining financial strength and discipline, with the liquidity position and capital structure well positioned for an extended period of uncertainty; and
    - Positioning the business for long-term success with continued investment in future growth
- Group revenue performance in Q1 in line with expectations. Install, uninstall and retention rates continued to trend positively
- Current FY2020 revenue guidance remains in place

In the light of the escalation in the Covid-19 outbreak, the Group's focus has been on ensuring the health and safety of its employees, together with supporting customers and partners. Avast offices worldwide were closed as a preventative measure on 16 March. Employees are fully equipped to work from home, and Avast's products and services remain unaffected, helping keep people safe and private online.

Current trading and outlook

For the first quarter, Adjusted Revenue of $214.6m was up 6.5% on an organic basis[1], and 1.3% at actual rates. Adjusted EBITDA increased 3.1% to $121.2m, resulting in an Adjusted EBITDA margin[2] of 56.5%.

($'m)	Q1 2020	Q1 2019	Change %	Change % (excluding FX)[3]
Adjusted Revenue	214.6	211.8	1.3	1.5
Adjusted Revenue excl. Acquisitions, Disposals and Discontinued Business[4,5]	**213.1**	**200.4**	**6.4**	**6.5**

Due to an increase in working from home, there has been an improvement in Desktop conversion rates and billings through the latter part of the first quarter. Conversely, lower advertising spend by certain sectors has impacted the performance of both Avast Secure Browser and mobile advertising in the Indirect channel. There have also been weaker trends in SMB and the mobile carrier business, due to disruption to these partner channels. Due to the relative strength and size of the Desktop channel, the net effect has been positive on billings, with billings growth slightly ahead of revenue at the Group level. With the situation evolving quickly, and the duration of the Covid-19 crisis unpredictable, it is difficult to quantify the impact in the months ahead. We therefore maintain previous guidance for FY2020 of mid-single digit organic revenue growth, while continuing to closely monitor market conditions and the impact of the pandemic on our key markets.

Costs are being managed tightly, reflected in the slightly higher first quarter margin, however the Group currently still expects Adjusted EBITDA margin to be broadly flat for the full year.

Post-period end

In early April, Avast extended the right to distribute Google Chrome offers to users of Avast and AVG anti-virus, and CCleaner through to March 31, 2021.

Balance sheet and liquidity

Avast has a strong and liquid balance sheet. At 31 March 2020, the Group's net debt / LTM ("last twelve months") Adjusted EBITDA per the banking covenant was 1.7x, in line with our expectations. The Group's term loan facilities total $1,004.0m, maturing in September 2023.

Annual debt service costs, comprising loan repayment and annual interest expense obligations, total approximately $90m. The Group has minimal working capital requirements, and capex requirements remain low at approximately 2% of revenue. As such, the Board fully expects the company to operate well within its covenants.

While continuing to manage cash and resources prudently, the Group continues to invest in capabilities and skills for the long-term, including recruitment in critical roles.

Dividend and AGM

The business model benefits from recurring subscription revenue and generates significant levels of cash. At quarter-end, the Group had $262.6m in cash on the balance sheet, having already returned the net amount of $71m to Ascential in January. Liquidity is further supported by the availability of an undrawn $40m Revolving Credit Facility, maturing in September 2022.

The board currently retains its recommendation for the payment of a final 2019 dividend of 10.3 cents per share, the equivalent of $105m in total. The scheduled ex-dividend date is 21 May 2020 and the scheduled payment date is 25 June 2020.

The company's AGM is scheduled for 21 May 2020. Webcast facilities will be provided to enable shareholders to follow proceedings. Further details are provided in the separate RNS issued today ('Publication of Notice of 2020 Annual General Meeting') and on the Company website at https://investors.avast.com.

Conclusion

As a leading cybersecurity business, Avast has an important role to play in protecting individuals and communities online at a time of increased reliance on digital communications. With a flexible online sales and distribution model, and a strong balance sheet, the Group is well positioned to navigate this period. Nevertheless, the management team continues to closely monitor the impact of this unprecedented event on the business.

The company's next scheduled update to the market will be the Half Year Report for the six months to 30 June 2020 on Wednesday 12 August 2020.

ENQUIRIES

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Notes:

[1] Organic growth rate excludes the impact of FX, acquisitions, business disposals, and discontinued business. It excludes current period billings and revenue of acquisitions until the first anniversary of their consolidation.

[2] Adjusted EBITDA margin percentage is defined as Adjusted EBITDA divided by Adjusted Revenue.

[3] Growth rate excluding currency impact calculated by restating 2020 actual to 2019 FX rates. Deferred revenue is translated to USD at date of invoice and is therefore excluded when calculating the impact of FX on revenue.

[4] As the company is exiting its toolbar-related search distribution business, which had previously been an important contributor to AVG's revenues and, separately, on 30 January 2020, the Group decided to wind down the operation of its subsidiary Jumpshot Inc. (all together, including the Group's browser clean-up business, referred to above as "Discontinued Business"), the growth figures exclude Discontinued Business, which is negligible in 2020.

[5] To reflect the underlying organic growth performance, figures exclude the impact of the Managed Workplace disposal made at the end of January 2019.