

17 January 2023

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Corero Network Security plc
("Corero" or the "Company")

Trading Update

Corero Network Security plc (AIM: CNS), a leading provider of real-time, high-performance, automatic Distributed Denial of Service (DDoS) cyber defence solutions, provides the following trading update for the year ended 31 December 2022¹.

Order intake², which reflects revenues recognised over the lifetime of each of the contracts, was \$23.9 million for the year ended 31 December 2022 with growth of 13% over the prior year (2021: \$21.2 million). Encouragingly, new customer order intake increased 38% over the prior year. This, coupled with a customer support contract renewal rate of 98% (2021: 96%), demonstrates the strength and quality of Corero's market-leading solutions, supported by continued investment in product development.

Annualised Recurring Revenues³ ("ARR") increased to \$14.4 million as at 1 January 2023, an increase of 13% over the prior year (ARR at 1 January 2022: \$12.8 million), driven by strong demand for Corero's subscription-based and DDoS Protection as-a-service ("DDPaaS") products, which underpins higher levels of earnings predictability for the Company going forward. The pipeline built through 2022 in combination with the increase in ARR will ensure Corero is well positioned for growth in 2023 and beyond.

During the final quarter of the year Corero had a number of important customer wins for its SmartWall® DDoS protection solutions including additional purchases from existing customers, a number of new customer wins and a significant multi-year support renewal for an existing customer, which will benefit revenues in 2023 and subsequent years.

Corero added 32 new customers in 2022 (2021: 44 new customers), with the average contract value per new customer increasing by 44% year on year. Corero continued to make progress with strategic alliances, notably expanding the Juniper partnership to the PTX router product line and expanding the Company's reach and business with GTT, a global Tier 1 internet network operator, enabling the Corero DDoS solution to be more widely adopted by GTT customers.

Notwithstanding the growth in order intake and ARR, revenue for the year ending 31 December 2022 is expected to be approximately \$20.1 million (2021: \$20.9 million), and therefore below market guidance. This shortfall in revenue can be attributed primarily to delays in customer decision making and buying cycles being extended which has affected customer order timing.

Adjusted EBITDA⁴ for the year ending 31 December 2022 is now expected to be in the range of \$1.4 - \$1.8 million (2021: \$3.9 million which included non-recurring income from the forgiveness of a US Payment Protection Plan (PPP) loan of \$0.6 million).

Cash at 31 December 2022 was \$5.6 million (31 December 2021: \$11.2 million). Net cash, taking into account borrowings, at 31 December 2022 was \$4.4 million (31 December 2021: \$8.4 million).

An announcement regarding the date of publication of the Company's audited full year results will be made

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Lionel Chmilewsky, Corero's CEO, said:

"Whilst it is disappointing to report revenues lower than previous guidance, I am encouraged by the increase in order intake and ARR, as well as the strong growth in new customer order intake, all achieved against a challenging macro-economic backdrop in the second half of 2022.

"Our investment across 2022 in sales and marketing initiatives has been focused on building a stronger go-to-market organisation and implementing demand generation initiatives to expand our market coverage and increase sales of Corero's solutions to new customers.

"The demand for DDoS protection remains robust. Throughout 2022 we observed DDoS attacks becoming increasingly sophisticated while at the same time the DDoS attack surface is expanding. With the number of recorded attacks on the rise and significant shifts in attackers' motives and goals, 2023 will require organisations to ensure they have robust DDoS defences in place.

"Encouragingly, we start 2023 with a solid pipeline of new business opportunities. Our focus for 2023 is to leverage our investment in sales and marketing and capitalise on our market-leading SmartWall® solutions and SecureWatch® services to drive revenue growth."

¹ All numbers for year ending 31 December 2022 disclosed within this announcement are management estimates based on current information and are unaudited.

² Order intake is defined as orders received from customers in the period.

³ ARR is defined as the normalised annualised recurring revenues and includes recurring revenues from contract values of annual support, software subscriptions including terms greater than one year, and from DDoS Protection-as-a-Service (DDPaaS) contracts.

⁴ Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortisation excluding unrealised gains/(losses) on an intercompany loan.

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About Corero Network Security

Corero Network Security plc is a global leader in real-time, high-performance, automatic DDoS cyber defense solutions. Both Service and Hosting providers, alongside digital enterprises across the globe rely on Corero's award winning cybersecurity technology to eliminate the threat of Distributed Denial of Service (DDoS) to their digital environment through automatic attack detection and mitigation, coupled with network visibility, analytics and reporting. Corero's industry leading SmartWall and SecureWatch technology provides scalable protection capabilities against external DDoS attackers and internal DDoS botnets in the most complex edge and subscriber environments, while enabling a more cost-effective economic model than previously available. Corero's key operational centers located in Marlborough, Massachusetts, USA and Edinburgh, UK, with the Company's headquarters in London, UK. The Company is listed on the London Stock Exchange's AIM market under the ticker CNS. For more information, visit www.corero.com

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