This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

31 March 2023

Shearwater Group PLC

("Shearwater", or the "Group")

Trading Update

Shearwater Group plc, the cybersecurity, advisory and managed security services group, announces an update on trading for the financial year ended 31 March 2023[1] ("FY23").

As guided at the half year, trading is traditionally weighted to the second half. Having started Q3 with stronger momentum, macroeconomic challenges impacted customers in Q4 more than could have been anticipated, with customers deferring investment decisions and in some cases extending spending freezes. As a result, the Group expects FY23 revenue to be in the region of £27.0m (FY22: £35.9m) with Adjusted EBITDA[2] at around breakeven (FY22: £4.4m) significantly behind market expectations. The key trading drivers impacting the current year reflect delays in orders being finalised with customers in our Services and Software businesses, as well as the recent move by some key customers to one year deals providing more reliable revenue mix in the future.

As reported at the half year, FY23 has also been impacted by a one-off FX impact of c£0.8m following the significant movement in the US$ to GBP. The Group now has in place the necessary hedging to mitigate future exposures.

The Group continues to maintain a strong balance sheet with unaudited year end net cash expected to be in the region of £3.4m which is c.£2.5m higher than the cash position at the half year, reflecting strong cash generation in the second half largely driven by a focus on working capital management.

Looking forward the Group retains a strong pipeline on which to deliver sustainable revenue, with profits moving forward as we deliver deals to our loyal customer base, including banks and telecoms businesses. We continue to take steps to address under-performing areas in the Group and looking forward the Group has a firm foundation on which to deliver solid, sustainable revenues and profits.

The Group expects to publish its FY23 full year financial results in July 2023.

The Company considers current consensus market expectations, ahead of this trading update, for the year ended 31 March 2023 are for revenues of £37.7m and Adjusted EBITDA of £4.4m.

1 All figures are subject to finalisation following the year end and are unaudited.

2 Adjusted 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, other income, depreciation and amortisation.

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About Shearwater Group plc

Shearwater Group plc is an award-winning group providing cyber security, managed security and professional advisory solutions to help create a safer online environment for organisations and their end users.

The Group's differentiated full service offering spans identity and access management and data security, cybersecurity solutions and managed security services, and security governance, risk and compliance. Its growth strategy is focused on building a scalable group that caters to the entire spectrum of cyber security and managed security needs, through a focused buy and build approach. The Group is headquartered in the UK, serving customers across the globe across 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.

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