

27 March 2024

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" the "Company", or the "Group")

Audited results for the year-ended 31 December 2023

Strong financial performance and operational progress, underpinned by a renewed focus on geographic expansion and securing new strategic alliances

Corero Network Security (AIM: CNS) (OTCQB: DDOSF), the specialists in distributed denial of service ("DDoS") protection solutions, announces its audited results for the year ended 31 December 2023 ("FY 2023" or the "Period").

Financial Highlights:

- Annualised Recurring Revenues¹ ("ARR") up 17% to \$16.9 million (FY 2022: \$14.4 million)
- Revenues up 11% to \$22.3 million (FY 2022: \$20.1 million)
- Gross margins of 90% (FY 2022: 87%)
- Adjusted EBITDA² of \$2.2 million (FY 2022: \$1.7 million)
- All company debt repaid during 2023, with net cash³ at 31 December 2023 of \$5.2 million (FY 2022: \$4.4 million)
- Loss before taxation of \$0.2 million (FY 2022: profit before taxation of \$0.4 million)
- Earnings and diluted earnings per share of 0.0 cents (FY 2022: earnings per share of 0.1 cents)

Operational Highlights:

- Secured strategic go-to-market partnership with Akamai Technologies Inc. ("Akamai")
- CEO Carl Herberger appointed in November 2023
- Launched SmartWall ONE™ platform and released a major product update during H2 2023
- Secured \$1 million contract with new channel partner customer, TechEnabler, in Brazil
- Continued growth in the Company's subscription-based products and DDoS Protection-as-a-Service ("DDPaaS") offering, underpinning revenue and earnings predictability

Outlook:

- Strong start to 2024 with robust new business pipeline already delivering results in H1 2024
- Expansion of strategic partnership with Ingecom Ignition ("Ingecom"), enabling European footprint expansion
- DDoS solution demand remains strong driven by the relentless growth in DDOS attacks globally
- Focus on four revenue generating activities:
 - Investment in targeted marketing and sales initiatives to accelerate new business generation
 - Expand sales partnerships and global alliances
 - Upsell opportunities within current installed base
 - Renewals and current customer expansion

Carl Herberger, CEO of Corero, said:

"I am delighted to have joined Corero at such an exciting time, with the business delivering strong growth across all our key metrics in FY 2023, alongside the continued expansion of both our customer base and market reach.

Our new Akamai partnership is already yielding positive contract momentum and the new Brazilian partnership highlights the expansion of Corero's global footprint.

The global demand for DDoS protection remains robust, driven by the ever-growing activity from threat-actors, with 2023 being another record year. Corero expects this trend to continue and is therefore well placed to take advantage of this ever more complex and evolving market.

During 2024, we will continue to build upon the foundations laid in 2023. Our focus on profitability and positive cash-flow generation, whilst delivering both ARR and revenue growth, will allow us to further demonstrate the scalability of the Corero business model as we continue to realise the Company's potential."

¹ 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.

² Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortisation excluding unrealized FX gains/(losses) from an intercompany loan.

³ Net cash is defined as cash at bank less debt.

Investor Presentation

Corero will be conducting an online investor presentation this morning at 10.00 a.m. GMT covering the Company's year-end results, which will be hosted by Carl Herberger, Chief Executive Officer, and Phil Richards, Chief Financial Officer.

The webinar is free and open to all existing and potential shareholders, and questions can be submitted during the presentation to be addressed at the end.

The registration link can be found here:

<https://www.equitydevelopment.co.uk/news-and-events/corero-investor-presentation-27march2024>

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About Corero Network Security

Corero Network Security is a leading provider of DDoS protection solutions, specializing in automatic detection and protection solutions with network visibility, analytics, and reporting tools. Corero's technology protects against external and internal DDoS threats in complex edge and subscriber environments, ensuring internet service availability. With operational centres in Marlborough, Massachusetts, USA, and Edinburgh, UK, Corero is headquartered in London and listed on the London Stock Exchange's AIM market (ticker: CNS) and the US OTCQB market (OTCQB: DDOSF).

For more information, visit www.corero.com, and follow us on [LinkedIn](#) and [Twitter](#).

CHIEF EXECUTIVE OFFICER'S STRATEGIC UPDATE, FINANCIAL AND OPERATIONAL REVIEW

Introduction

The Company delivered a strong performance in FY 2023, underpinned by new business momentum and organic growth. Despite a difficult macro-economic environment, we were able to deliver double digit growth in both revenue and ARR whilst repaying our outstanding bank loan facility and finishing the year cash generative, EBITDA profitable and debt free.

We continued to execute our focused sales strategy during the Period. ARR increased to \$16.9 million as at 1 January 2024, growth of 17% over the prior year (ARR at 1 January 2023: \$14.4 million), driven by continued demand for Corero's subscription-based and DDPaaS products. This strong performance continues to improve earnings visibility for the Company going forward, which, when aligned with the Group's healthy business pipeline built through 2023, ensures Corero remains well positioned for revenue growth in 2024 and beyond.

Our global partnership with Akamai, announced in September 2023, has already significantly expanded Corero's routes to market and we anticipate that the relationship will deliver incremental revenue growth in the medium to long term. We also secured our first major LATAM partnership in the Period, with network solutions distributor TechEnabler supporting our growth in Brazil and the wider region as we aim to broaden our international reach.

Corero has built both a market-leading product and management team to execute the Company's enhanced sales strategy, driven by the following levers:

- Large and high growth addressable market;
- Market-leading proprietary technology with global customer service capability;
- Continued investment in sales and channel resources;
- Scalable and recurring revenue model with high gross margins; and
- Strong base of existing customers and strategic partnerships.

Strategic Progress

As the DDoS market and cybersecurity sector continue to evolve at a fast pace, and with a myriad of new digital threats emerging, the Company continues to focus on ensuring it is best positioned to remain at the forefront of the industry.

The following key strategic pillars have been established to underpin operational and financial progress and drive growth in 2024 and beyond:

- **Increasing our customer base** and market reach, as demonstrated by the addition of TechEnabler to our customer base in the Brazilian market.
- **Growing strategic alliances** by entering into new partnerships, for example our agreement with Akamai to offer complementary technology to Akamai's Prolexic Cloud offering.
- **Better monetisation of our existing services** and introducing new services: we continue to enhance the protection and network security visibility for our customers.
- **Amplifying our demand generation programmes:** increasing on-line advertising and marketing campaigns including webinars and thought leadership speaking opportunities.
- Continuing to **increase our technological innovation leadership** by investing in product development and ensuring we respond rapidly to market trends and technological advancements in DDoS protection technology. The launch of the SmartWall ONE solution during 2023 was a significant milestone for Corero as we cemented our position at the cutting edge of the technological landscape. The SmartWall ONE solution delivers a modular architecture which interfaces with industry-leading routers, increased protection against DNS-based attacks, and a new 100G software appliance solution.

DDoS Addressable Market and Market Drivers

The global DDoS protection market was worth c.\$3.6 billion in 2023 and is expected to reach \$9.1 billion by 2030 at a CAGR of 14%⁴. Corero operates within a significant segment of this overall market and estimates that the total addressable market exceeds \$2.0 billion for its SmartWall ONE solutions.

Cybercriminals are increasingly opting to launch DDoS attacks on corporations, favouring the method over more expensive and higher risk forms of cyberattacks, or even using DDoS as camouflage for ransomware attacks. A growing number of businesses globally are beginning to recognise DDoS attacks as their biggest cybersecurity concern largely due to the considerable reputational damage they can inflict⁵.

Companies across all sectors and of all sizes are vulnerable to DDoS attacks, including those operating in fast-growing markets like satellite communications and cryptocurrency. Alarming, recent market research revealed that attacks on financial services rose a staggering 154% between 2022 and 2023⁶, which, given the increasing digitalisation of banking, puts consumers in great jeopardy if corporations are not safeguarded by DDoS defence and mitigation solutions.

Regionally, EMEA has suffered a sharp increase in DDoS attacks. Cybersecurity commentators believe this spike can be attributed to the geopolitical turmoil and resultant cyber warfare stemming from Russia's invasion of Ukraine, including the emerging trend of hactivism⁷. Strategic regional expansion is integral to Corero's growth strategy, and post-period end, we extended our partnership with cybersecurity solutions specialist and distributor Ingecom to increase our presence and exposure in EMEA.

DDoS attacks, however, are prevalent across the globe, with North America estimated to account for 39% of the global DDoS protection and mitigation market growth until 2027⁸. Corero's partnership with Akamai, together with our investment in US sales and marketing initiatives and strategic North American recruitment, has ensured the Company remains well positioned to capitalise on new mandate opportunities within the US market. This is reflected by the geographic mix of the Group's customer wins across 2023, where Corero secured contracts with a significant number of US and Canadian based companies.

⁴ MarketsandMarkets - DDoS Protection and Mitigation Security Market Report, <https://shorturl.at/qsCKX>.

⁵ T&T - 2023 Cybersecurity Insights Report, <https://www.itprotoday.com/attacks-and-breaches/ddos-not-ransomware-top-business-concern-edge-networks>.

⁶ FS-ISAC/Akamai - DDoS: Here to Stay Report, <https://shorturl.at/hMY28>.

⁷ Europol - Cyber Attacks: The Apex of Crime-as-a-Service, <https://sofiaglobe.com/2023/09/13/europol-russias-war-on-ukraine-led-to-significant-boost-in-ddos-attacks-on-eu-targets/>.

⁸ Technavio - DDoS Protection Mitigation Market by Component, Application, and Geography - Forecast and Analysis 2023-2027, <https://www.technavio.com/report/ddos-protection-mitigation-market-analysis>.

Outlook

Corero expects demand for the Company's market-leading DDoS protection and mitigation solutions to continue to increase as more and more companies proactively seek trusted providers to help combat the fast-growing rise in these highly disruptive attacks.

In 2024, Corero will build upon the robust foundations established in 2023. We are highly focused on continuing our new business and partnership momentum and are actively pursuing prudent regional expansion objectives.

Our focus on profitability and positive cash-flow generation, whilst delivering both ARR and revenue growth, will enable us to further demonstrate the scalability of our business model. This will be supported, in part, by continued investment in R&D as we aim to roll-out new product features and innovative service enhancements.

With the strong performance in FY 2023 and positive start to 2024, the Board is confident the Company can deliver on its growth prospects by growing Corero's market share and reinforcing its reputation as the go-to DDoS protection solutions provider.

Carl Herberger

Chief Executive Officer

26 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
Continuing operations		
Revenue	22,349	20,121
Cost of sales	(2,164)	(2,576)
Gross profit	20,185	17,545
Operating expenses	(20,201)	(16,869)
Consisting of:		
Operating expenses before depreciation and amortisation	(18,428)	(14,926)
Depreciation and amortisation of intangible assets	(1,773)	(1,943)
Operating (loss)/profit	(16)	676
Finance income	44	7
Finance costs	(181)	(279)
(loss)/Profit before taxation	(153)	404
taxation (charge)/credit	(17)	150
(loss)/profit after taxation	(170)	554
(loss)/profit after taxation attributable to equity owners of the parent	(170)	554
Basic and diluted earnings/(loss) per share		
	Cents	Cents
Basic earnings per share	0.0	0.1
Diluted earnings per share	0.0	0.1
EBITDA	1,757	2,619
Adjusted EBITDA - for unrealised foreign exchange differences on intercompany loan	2,186	1,658

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Year ended 31 December 2023 \$'000	Year ended 31 December 2022 \$'000
(loss)/Profit for the year	(170)	554
Other comprehensive income/(expense):		
items reclassified subsequently to profit or loss upon derecognition:		
Foreign exchange differences	628	(1,087)
Other comprehensive income/(expense) for the year net of taxation attributable to the equity owners of the parent	458	(1,087)
total comprehensive income/(expense) for the year attributable to the equity owners of the parent	458	(533)

Consolidated Statement Of Financial Position

As at 31 December 2023

	As at 31 December 2023 \$'000	As at 31 December 2022 \$'000
Assets		
Non-current assets		
Goodwill	8,991	8,991
intangible assets	4,820	4,502
Property, plant and equipment - owned assets	633	604
leased right of use assets	309	62
	14,753	14,159
Current assets		
inventories	96	164
trade and other receivables	8,427	6,865
Cash and cash equivalents	5,160	5,646

	13,683	12,675
total assets	28,436	26,834
liabilities		
Current liabilities		
trade and other payables	(3,902)	(3,956)
lease liabilities	(164)	(78)
Deferred income	(4,992)	(3,323)
Borrowings	-	(971)
	(9,058)	(8,328)
Net current assets	4,625	2,776
Non-current liabilities		
trade and other payables	-	(100)
lease liabilities	(151)	-
Deferred income	(2,491)	(2,285)
Borrowings	-	(237)
	(2,642)	(2,622)
Net assets	16,737	15,884
Capital and reserves attributable to the equity owners of the parent		
Share capital	6,999	6,980
Share premium	82,430	82,284
Capital redemption reserve	7,051	7,051
Share options reserve	2,007	1,777
Foreign exchange translation reserve	(1,965)	(2,593)
Accumulated profit and loss reserve	(79,785)	(79,615)
total shareholders' equity	16,737	15,884

Consolidated Statement of Cash Flows

For the Year ended 31 December 2023

Year
ended 31
December
2023
\$'000

Year
ended 31
December
2022
\$'000

Operating activities

(loss)/Profit before taxation for the year	(153)	404
Adjustments for movements:		
Amortisation of acquired intangible assets	2	2
Amortisation of capitalised development expenditure	1,504	1,732
Depreciation - owned assets	423	497
Depreciation - leased assets	116	82
Assets redesignated from PPE to Cost of Sales	30	-
Finance income	(44)	(7)
Finance expense	164	268
Finance lease interest costs	17	11
Share based payments expense	233	386
Cash generated from operating activities before movement in working capital	2,292	3,375
movement in working capital:		
(increase)/decrease in inventories and sales evaluation assets	68	(26)
(increase)/decrease in trade and other receivables	(1,248)	(3,867)
Increase/(decrease) in trade and other payables	2,035	(1,361)
Net movement in working capital	855	(5,254)
Cash generated from/(used in) operating activities	3,147	(1,879)
Taxation (paid) / received	(17)	150
Net cash (used in)/generated from operating activities	3,130	(1,729)
Cash flows from investing activities		
investment in development expenditure	(1,823)	(1,704)
Purchase of property, plant and equipment	(813)	(420)
Finance income	44	7
Net cash used in investing activities	(2,592)	(2,117)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	166	228
lease liability payments	(126)	(104)
Finance expense	(78)	(158)
Repayments of borrowings	(1,317)	(1,364)

Net cash (used in)/generated from financing activities	(1,355)	(1,398)
(Decrease)/increase in cash and cash equivalents	(835)	(5,244)
effects of exchange rates on cash and cash equivalents	349	(311)
Cash and cash equivalents at 1 January	5,646	11,201
Cash and cash equivalents at 31 December	5,160	5,646

Consolidated Statement Of Changes In Equity

For the Year ended 31 December 2023

	Share capital \$000	Share premium account \$000	Capital redemption reserve \$000	Share options reserve \$000	Foreign exchange translation reserve \$000	Accumulated profit and loss reserve \$000	total attributable to equity owners of the parent \$000
1 January 2022	6,914	82,122	7,051	1,490	(1,506)	(80,268)	15,803
Profit for the year	-	-	-	-	-	554	554
Other comprehensive income	-	-	-	-	(1,087)	-	(1,087)
total comprehensive expense for the year	-	-	-	-	(1,087)	554	(533)
Contributions by and distributions to owners							
issue of share capital - exercise of options	66	162	-	-	-	-	228
Fully exercised share options	-	-	-	(99)	-	99	-
Share based payments	-	-	-	386	-	-	386
total contributions by and distributions to owners	66	162	-	287	-	99	614
31 December 2022 and 1 January 2023	6,980	82,284	7,051	1,777	(2,593)	(79,615)	15,884
(loss)/Profit for the year	-	-	-	-	-	(170)	(170)
Other comprehensive income	-	-	-	-	628	-	628
total comprehensive income for the year	-	-	-	-	628	(170)	458
Contributions by and distributions to owners							
issue of share capital - exercise of options	19	146	-	-	-	-	165
Fully exercised share options	-	-	-	(3)	-	-	(3)
Share based payments	-	-	-	233	-	-	233
total contributions by and distributions to owners	19	146	-	230	-	-	395
31 December 2023	6,999	82,430	7,051	2,007	(1,965)	(79,785)	16,737

The share capital comprises the nominal values of all shares issued.

The share premium account comprises the amounts subscribed for share capital in excess of the nominal value, net of issuance costs.

The capital redemption reserve comprises the amount transferred from deferred shares on redemption of the deferred shares.

The share options reserve represents the cost to the Group of share options.

The foreign exchange translation reserve arises on retranslating the net assets of UK operations into US dollars.

The retained earnings are all other net gains and losses and transactions with owners not recognised elsewhere.

1. General Information

This results announcement is presented in US Dollars ("\$\$") rounded to the nearest '\$000 unless otherwise stated which represents the presentation currency of the Group. The average \$-GBP sterling ("GBP") exchange rates used for the conversion of the Consolidated Income Statement for the year ended 31 December 2023 were between 1.21-1.29 (2022: 1.20-1.36). The closing \$-GBP exchange rate used for the conversion of the Group's assets and liabilities at 31 December 2023 was 1.27 (2022: 1.21).

This results announcement has been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period (IP) completion day (end of transition period), including where the Company also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The consolidated financial statements have been prepared under the historical cost

convention.

The financial statements have been prepared on a going concern basis.

The Directors have prepared detailed income statement, balance sheet and cash flow projections for the period to 30 June 2025 ("going concern assessment period"). The cash flow projections have been subjected to sensitivity analysis of the revenue, cost and combined revenue and cost levels which demonstrate that the Group and Company will maintain a positive cash balance through the going concern assessment period. As part of the sensitivity analysis, the Directors have noted that should the forecasted revenues not be achieved, mitigating actions can be taken to address any cash flow concerns. These actions include the deferral of capital expenditure, reduction in marketing and other variable expenditure alongside a hiring freeze.

The Directors are also not aware of any significant matters in the remainder of calendar 2025 that occur outside the going concern period that could reasonably possibly impact the going concern conclusion.

The Directors have also considered the geo-political environment, including rising inflation in some of our key markets and the conflict in Ukraine, and whilst the impact on the Group is currently deemed minimal, the Directors remain vigilant and ready to implement mitigation action in the event of a downturn in demand or an impact on operations.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

The financial information set out above does not constitute the Company's Annual Report and Accounts for the year ended 31 December 2023. The Annual Report and Accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered shortly. The auditor's report for the Company's 2023 Annual Report and Accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 498 of the Companies Act 2006.

Whilst the financial information included in this results announcement has been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with UK adopted international accounting standards.

The Annual Report and Accounts for the year ended 31 December 2023 are available on the Company's website <https://www.corero.com/about/investor-relations>.

The information in this results announcement was approved by the Board on 26 March 2024.

2. Segment reporting and revenue

The Group is managed according to one business unit, Corero Network Security, which makes up the Group's reportable operating segment. This business unit forms the basis on which the Group reports its primary segment information to the Board, which management consider to be the Chief Operating Decision maker for the purposes of IFRS 8 Operating Segments.

The Group's revenues from external customers for the country of the Group's domiciles and each individually material country (those over 10% of Group revenues) are as follows:

	2023	2022
	\$'000	\$'000
United States	15,855	13,527
United Kingdom	2,122	2,307
Others	4,372	4,286
Total	<u>22,349</u>	<u>20,121</u>

Revenues from external customers are identified on the basis of invoicing systems and adjusted to take into account the difference between invoiced amounts and deferred revenue adjustments as required by IFRS.

The revenue is analysed for each revenue category as:

2023	2022
\$'000	\$'000

Software licence and appliance revenue	8,186	8,107
DDoS Protection-as-a-Service revenue	5,599	4,854
Maintenance and support services revenue	8,564	7,160
Total	22,349	20,121

The revenue is analysed by timing of delivery of goods or services as:

	2023	2022
	\$'000	\$'000
Point-in-time delivery	8,186	8,107
Over time	14,163	12,014
Total	22,349	20,121

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