

# Sophos Group PLC

04:45 14 Oct 2019

## Sophos to be taken private by US equity fund Thoma Bravo in £3bn deal

Sophos Group plc (LON:SOPH) is to be taken private in a £3bn deal with San Francisco-based equity fund Thoma Bravo.

Investors in the FTSE 250 cybersecurity company will be offered 583p for each share, a 37% premium on the firm's last close price.

### READ: Sophos CFO exits for private equity-backed firm; swings to loss in first quarter

Thoma, which was co-founded by Puerto Rico's first billionaire Orlando Bravo and oversees a portfolio worth around £5.6bn, is looking to buy Sophos to increase its exposure to the cybersecurity market and accelerate the firm's growth and profitability.

The directors of Sophos are unanimously recommending that shareholders accept the offer, adding that as of 11 October they had received acceptances representing around 27.2% of the company's shares.

Peter Gyenes, chairman of Sophos, said the "compelling offer" would help support the long-term growth of the company and secure the delivery of "future value" for shareholders.

"Under Thoma Bravo's ownership we expect Sophos to accelerate its evolution and leadership in next-generation cybersecurity", he said.

Thoma Bravo's managing partner, Seth Boro, added that the purchase supported the fund's strategy of "investing in and growing software and technology businesses globally".

Assuming it receives the backing of enough investors, Sophos expects the acquisition to complete in the first quarter of 2020.

Analysts at Shore Capital said the offer price looked "fair and reasonable" and that it was likely to secure approval from shareholders.

Meanwhile, in a short trading update accompanying the offer announcement, Sophos said momentum in the business had "remained encouraging" during the first half of its current year and that it expected to report billings growth of 9% in the six months to the end of September as well as 12% growth in subscription billings.

The firm also said it would report a "modest year-on-year improvement" in its net renewal rate and business from new customers.

The group will report its interim results on 6 November.

In early trading on Monday, Sophos shares shot up 37% to 581p, just shy of the offer price and suggesting investors don't see much chance of a higher counter-offer.

### 1 Year Share Price Graph



### Share Information

**Code:** SOPH  
**Listing:** LSE  
**Sector:** Software & services  
**Website:** investors.sophos.com

### Company Synopsis:

*A Proven Global Leader In Delivering Complete IT Security to the Mid-Market&nbsp;We aim to be the best in the world at delivering complete IT security to mid-market&nbsp;enterprises and the channel that serves them.*

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## Takeout makes for "stellar performance" since IPO

With Sophos having joined the market in 2015 with a price of 225p, the offer price means investors who backed the firm during its initial public offering (IPO) will make a 159% return on their investment in four years, a "stellar performance" according to AJ Bell's investment director Russ Mould.

However, the analyst warned that with Sophos' exit UK investors were left with "slim pickings" if they wanted to invest in mid to large technology stocks and would now have to look "further afield" at overseas stocks or rely on a fund manager.

Nicholas Hyett, equity analyst at Hargreaves Lansdown, added that given slower growth and repeated instances of missed guidance in 2018, Sophos investors will be "reasonably happy with the offer" although the volatility in sterling could leave UK shareholders "out of pocket" if a Brexit deal sparked a sterling rally.

"For those unwilling to stomach the volatility and who want to lock in the current price, it might make sense to sell the shares now rather than hold on until the deal completes - even if that does rule out the possibility of a bump in price from any rival bid", he said.

--Adds broker comments and share price--

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