

Cyren Announces First Quarter 2019 Financial Results

MCLEAN, Va., May 15, 2019 /PRNewswire/ -- [Cyren](#) (NASDAQ: CYRN) today announced its first quarter 2019 financial results for the period ending March 31, 2019.

During the first quarter, Cyren reported quarterly revenues of \$9.7 million – an increase of 26% over the first quarter of 2018. Annual recurring revenue from Cyren's enterprise business finished the quarter at \$6.8 million compared to \$4.8 million at the end of Q1 2018, representing a 41% annual increase.

"We are pleased with the company's financial results during the first quarter," said Lior Samuelson, Chairman of the Board at Cyren. "We experienced continued demand for Cyren's email security solutions, which translated to solid year-over-year top line growth. More importantly, I feel like we have built a solid foundation for future growth, and look forward to working with Cyren's next CEO to take the company to new heights."

Following Cyren's previously announced CEO transition plan, on April 24, the company announced that Brett Jackson was appointed by Cyren's Board to serve as the company's next CEO, who started in the position on May 6. Mr. Jackson will be introduced by Mr. Samuelson on the company's first quarter financial results conference call on May 15.

First Quarter 2019 Financial Highlights:

- Revenues for the first quarter of 2019 were \$9.7 million, compared to \$7.7 million during the first quarter of 2018, and \$9.5 million last quarter.
- GAAP net loss for the first quarter of 2019 was \$4.6 million, compared to a net loss of \$5.2 million in the first quarter of 2018.
- GAAP loss per basic and diluted share for the first quarter of 2019 was \$0.08, compared to a loss of \$0.10 per basic and diluted share for the first quarter of 2018.
- Non-GAAP net loss for the first quarter of 2019 was \$4.4 million, compared to a Non-GAAP net loss of \$4.8 million for the first quarter of 2018.
- Non-GAAP loss per basic and diluted share was \$0.08 for the first quarter of 2019, compared to a Non-GAAP loss of \$0.09 per share in first quarter of 2018.

- Operating cash flow during the first quarter of 2019 was negative \$1.3 million, compared to operating cash flow of negative \$4.2 million during the first quarter of 2018.
- Net cash flow for the first quarter of 2019 was negative \$5.1 million, compared to negative \$5.7 million during the first quarter of 2018.
- Cash balance as of March 31, 2019 was \$12.4 million, compared to \$17.6 million as of December 31, 2018.

For information regarding the non-GAAP financial measures discussed in this release, please see "Use of Non-GAAP Financial Measures" and "Reconciliation of Selected GAAP Measures to Non-GAAP Measures."

Recent Business Highlights:

- In April, **Cyren announced the appointment of Brett Jackson** as the company's new Chief Executive Officer. Mr. Jackson is an experienced, growth-oriented CEO and has led and scaled multiple companies in the security and analytics markets. He was unanimously approved by Cyren's board of directors.
- Cyren was recently honored in the Cybersecurity Excellence Awards, with its cloud-based Cyren Email Security winning a first-place gold award in the email security category against six other finalists. This is the third year in a row that Cyren products have been recognized in the Cybersecurity Excellence Awards.
- In January, **Cyren announced a partnership with Microsoft** to integrate its web security technology directly into Windows Defender Advanced Threat Protection (ATP). The offering is initially being launched in a private preview with a select set of enterprise customers during the second quarter of 2019, with the goal of reaching general availability for all Windows Defender ATP customers later in the year.

Financial Results Conference Call:

The company will host a conference call at 10 a.m. Eastern Time (5 p.m. Israel Time) on Wednesday, May 15, 2019 to discuss first quarter results.

U.S. Dial-in Number: 1-877-407-0312

Israel Dial-in Number: 1-80-940-6247

International Dial-in Number: 1-201-389-0899

The call will be simultaneously webcast live on the investor relations section of

Cyren's website at <https://ir.cyren.com>, or by using the following link:
<https://webcasts.eqs.com/cyren20190515>.

For those unable to participate in the live conference call, a replay will be available until May 29, 2019. To access the replay, the U.S. dial in number is 1-877-660-6853 and the non-U.S. dial in number is 1-201-612-7415. Callers will be prompted for replay conference ID number 13690390. An archived version of the webcast will also be available on the investor relations section of the company's website at <https://ir.cyren.com/events>.

About Cyren:

More than 1.3 billion users around the world rely on Cyren's 100% cloud security solutions to protect them against cyber attacks and data loss every day. Powered by the world's largest security cloud, Cyren (NASDAQ: CYRN) delivers fast time-to-protection with award-winning email security, cloud sandboxing and DNS filtering services for business, and threat intelligence solutions for service providers and security vendors like Microsoft, Google and Check Point. Learn more at www.cyren.com.

Blog: <http://blog.cyren.com>

Facebook: www.facebook.com/CyrenWeb

LinkedIn: www.linkedin.com/company/cyren

Twitter: www.twitter.com/CyrenInc

Use of Non-GAAP Financial Measures:

Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude: stock-based compensation expenses, amortization of acquired intangible assets, and deferred taxes related to acquisitions, adjustments to earn-out obligations, and capitalization of technology. The purpose of such adjustments is to give an indication of the company's performance exclusive of non-cash charges and other items that are considered by management to be outside of the company's core operating results. The company's non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP.

Company management regularly uses supplemental non-GAAP financial measures internally to understand, manage and evaluate the business and make operating decisions.

These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. The company believes this

adjustment is useful to investors as a measure of the ongoing performance of the business. The company believes these non-GAAP financial measures provide consistent and comparable measures to help investors understand the company's current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statements of Income. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management uses both GAAP and non-GAAP measures when evaluating the business internally and therefore felt it important to make these non-GAAP adjustments available to investors.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For example, statements in the future tense, and statements including words such as "expect," "plan," "estimate," "anticipate," or "believe" are forward-looking statements. These statements are based on information available at the time of the press release and the company assumes no obligation to update any of them. The statements in this press release are not guarantees of future performance and actual results could differ materially from current expectations as a result of numerous factors, including our CEO transition, business conditions and growth or deterioration in the internet security market, technological developments, products offered by competitors, availability of qualified staff, and technological difficulties and resource constraints encountered in developing new products, as well as those risks described in the company's publicly filed reports, which are available through www.sec.gov.

Company Contact

Mike Myshrall, CFO

Cyren

+1.703.760.3320

mike.myshrall@cyren.com

Media Contact

Matthew Zintel

Zintel Public Relations

+1.281.444.1590

matthew.zintel@zintelpr.com

CYREN LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of U.S. dollars, except per share amounts)

| | Three months ended | |
|-------------------------------|---------------------------|-------------|
| | March 31 | |
| | 2019 | 2018 |
| | Unaudited | Unaudited |
| Revenues | \$ 9,655 | \$ 7,636 |
| Cost of revenues | 4,000 | 3,382 |
| Gross profit | 5,655 | 4,254 |
| Operating expenses: | | |
| Research and development, net | 4,177 | 3,355 |
| Sales and marketing | 3,856 | 4,145 |
| General and administrative | 2,432 | 2,038 |
| Total operating expenses | 10,465 | 9,538 |
| Operating loss | (4,810) | (5,284) |

| | | |
|---|-------------------|-------------------|
| Other income (expense), net | 248 | (2) |
| Financial expense, net | (53) | 4 |
| Loss before taxes | (4,615) | (5,282) |
| Tax benefit | 39 | 46 |
| Net loss | \$ (4,576) | \$ (5,236) |
| Loss per share - basic | \$ (0.08) | \$ (0.10) |
| Loss per share - diluted | \$ (0.08) | \$ (0.10) |
| Weighted average number of shares outstanding: | | |
| Basic | 54,177 | 53,381 |
| Diluted | 54,177 | 53,381 |

CYREN LTD.

RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES

(in thousands of U.S.dollars, except per share amounts)

Three months ended

March 31

2019

Unaudited

2018

Unaudited

| | | | | |
|--|----|---------|----|---------|
| GAAP gross profit | \$ | 5,655 | \$ | 4,254 |
| GAAP gross margin | | 59% | | 56% |
| Plus: | | | | |
| Stock-based compensation | | 29 | | 31 |
| Amortization of intangible assets | | 839 | | 852 |
| Non-GAAP gross profit | | 6,523 | | 5,137 |
| Non-GAAP gross margin | | 68% | | 67% |
| | | | | |
| GAAP operating loss | | (4,810) | | (5,284) |
| Plus: | | | | |
| Stock-based compensation | | 269 | | 323 |
| Amortization of intangible assets | | 963 | | 1,009 |
| Capitalization of technology | | (742) | | (877) |
| Non-GAAP operating loss | | (4,320) | | (4,829) |
| | | | | |
| GAAP net loss | | (4,576) | | (5,236) |
| Plus: | | | | |
| Stock-based compensation expense | | 269 | | 323 |
| Intangible amortization expense | | 963 | | 1,009 |
| Adjustment to earn-out liabilities | | - | | 27 |
| Amortization of deferred tax assets | | (57) | | (64) |
| Gain from an earn-out liability settlement | | (256) | | - |
| Capitalization of technology | | (770) | | (877) |
| Non-GAAP net loss | \$ | (4,427) | \$ | (4,818) |
| | | | | |
| Numerator for non-GAAP EPS calculation | \$ | (4,427) | \$ | (4,818) |
| | | | | |
| Non-GAAP net loss per share | \$ | (0.08) | \$ | (0.09) |

GAAP weighted-average shares
used to

| | | |
|----------------------------|--------|--------|
| compute net loss per share | 54,177 | 53,381 |
|----------------------------|--------|--------|

CYREN LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

March 31 December 31

2019 2018

Unaudited Audited

Assets

Current Assets:

| | | |
|--|-----------|-----------|
| Cash and cash equivalents | \$ 12,444 | \$ 17,571 |
| Trade receivables, net | 3,024 | 3,658 |
| Deferred commissions | 909 | 887 |
| Prepaid expenses and other receivables | 1,472 | 778 |
| Total current assets | 17,849 | 22,894 |
| Long-term deferred commissions | 1,783 | 1,880 |
| Lease deposits | 812 | 821 |
| Operating lease right-of-use assets | 9,675 | - |
| Severance pay fund | 541 | 503 |
| Property and equipment, net | 4,692 | 4,608 |
| Intangible assets, net | 8,554 | 8,802 |

| | | |
|------------------------|-----------|-----------|
| Goodwill | 20,262 | 20,519 |
| Total long-term assets | 46,319 | 37,133 |
| Total assets | \$ 64,168 | \$ 60,027 |

Liabilities and Shareholders' Equity

Current Liabilities:

| | | |
|--|-----------|-----------|
| Trade payables | \$ 1,270 | \$ 1,668 |
| Employees and payroll accruals | 3,375 | 3,959 |
| Accrued expenses and other liabilities | 1,343 | 910 |
| Operating lease liabilities | 1,277 | - |
| Earn-out consideration | - | 2,926 |
| Deferred revenues | 5,498 | 5,773 |
| Total current liabilities | 12,763 | 15,236 |
| Deferred revenues | 3,242 | 503 |
| Convertible notes | 10,000 | 10,000 |
| Long-term operating lease liabilities | 8,724 | - |
| Deferred tax liability | 1,045 | 1,130 |
| Accrued severance pay | 677 | 598 |
| Other liabilities | 347 | 700 |
| Total long-term liabilities | 24,035 | 12,931 |
| Shareholders' equity | 27,370 | 31,860 |
| Total liabilities and shareholders' equity | \$ 64,168 | \$ 60,027 |

CYREN LTD.

CONDENSED CONSOLIDATED CASH FLOW DATA

(in thousands of U.S. dollars)

| | Three months ended | |
|--|--------------------|------------|
| | March 31 | |
| | 2019 | 2018 |
| Cash flows from operating activities: | Unaudited | Unaudited |
| Net loss | \$ (4,576) | \$ (5,236) |
| <u>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</u> | | |
| Loss on disposal of property and equipment | 1 | - |
| Depreciation | 461 | 455 |
| Stock-based compensation | 269 | 323 |
| Amortization of intangible assets | 966 | 1,009 |
| Amortization of deferred commissions | (332) | 242 |
| Amortization of operating lease right-of-use assets | 351 | - |
| Interest on convertible notes | 140 | - |
| Other expenses (income) related to the earn-out consideration | (256) | 27 |
| Deferred taxes, net | (69) | (47) |
| <u>Changes in assets and liabilities:</u> | | |
| Trade receivables | 678 | 587 |
| Prepaid expenses and other receivables | (738) | (659) |
| Deferred commissions | 407 | (359) |
| Change in long-term lease deposits | 20 | (3) |

| | | | | |
|--|------------------|------------------|--|--|
| Trade payables | (405) | (39) | | |
| Employees and payroll accruals, accrued expenses and other liabilities | (274) | (252) | | |
| Deferred revenues | 2,463 | (509) | | |
| Accrued severance pay, net | 41 | 8 | | |
| Operating lease liabilities | (365) | - | | |
| Other long-term liabilities | (111) | 61 | | |
| Net cash provided by (used in) operating activities | (1,329) | (4,392) | | |
| Cash flows from investing activities: | | | | |
| Capitalization of technology, net of grants received | (627) | (662) | | |
| Purchase of property and equipment | (544) | (822) | | |
| Net cash used in investing activities | (1,171) | (1,484) | | |
| Cash flows from financing activities: | | | | |
| Payment of earnout liability | (2,680) | - | | |
| Proceeds from options exercised | 189 | 19 | | |
| Net cash provided by (used in) financing activities | (2,491) | 19 | | |
| Effect of exchange rate changes on cash | (126) | 36 | | |
| Increase (decrease) in cash, cash equivalents and restricted cash | (5,117) | (5,821) | | |
| Cash, cash equivalents and restricted cash at the beginning of the period | 18,156 | 24,228 | | |
| Cash, cash equivalents and restricted cash at the end of the period | \$ 13,039 | \$ 18,407 | | |

Reconciliation of cash, cash equivalents and restricted cash as shown in the consolidated statements of cash flow:

| | | | | |
|---|-----------|---------------|-----------|---------------|
| Cash and cash equivalents | \$ | 12,444 | \$ | 17,940 |
| Restricted cash included in long-term restricted lease deposits | 595 | | 467 | |
| Total cash, cash equivalents and restricted cash | \$ | 13,039 | \$ | 18,407 |



View original content to download multimedia:<http://www.prnewswire.com/news-releases/cyren-announces-first-quarter-2019-financial-results-300850451.html>

SOURCE Cyren