

Impact of ASC 606 and ASC 340-40 Adoption



Fiscal 2018 Quarterly Impact

SECUREWORKS CORP.															
(in millions, except per share data)															
(unaudited)															
	As Reported ASC 605					Adjustments for the Adoption of ASC 606					As Adjusted ASC 606				
	1Q 18	2Q 18	3Q 18	4Q 18	FY 18	1Q 18	2Q 18	3Q 18	4Q 18	FY 18	1Q 18	2Q 18	3Q 18	4Q 18	FY 18
GAAP revenue	\$ 113.6	\$ 116.1	\$ 117.5	\$ 120.7	\$ 467.9	\$ 0.1	\$ 0.1	\$ (0.4)	\$ 0.3	\$ 0.1	\$ 113.7	\$ 116.2	\$ 117.1	\$ 121.0	\$ 468.0
Impact of purchase accounting	0.1	0.1	0.1	0.1	0.6	-	-	-	-	-	0.1	0.1	0.1	0.1	0.6
Non-GAAP revenue	\$ 113.7	\$ 116.3	\$ 117.7	\$ 120.8	\$ 468.5	\$ 0.1	\$ 0.1	\$ (0.4)	\$ 0.3	\$ 0.1	\$ 113.8	\$ 116.4	\$ 117.3	\$ 121.1	\$ 468.6
GAAP gross margin	\$ 59.7	\$ 59.8	\$ 61.8	\$ 59.9	\$ 241.2	\$ 0.4	\$ 0.5	\$ -	\$ 0.8	\$ 1.7	\$ 60.1	\$ 60.3	\$ 61.8	\$ 60.7	\$ 242.9
Amortization of intangibles	3.4	3.4	3.4	3.4	13.6	-	-	-	-	-	3.4	3.4	3.4	3.4	13.6
Impact of purchase accounting	0.2	0.2	0.2	0.2	0.6	-	-	-	-	-	0.2	0.2	0.2	0.2	0.6
Stock-based compensation expense	0.2	0.2	0.2	0.2	0.9	-	-	-	-	-	0.2	0.2	0.2	0.2	0.9
Non-GAAP gross margin	\$ 63.4	\$ 63.6	\$ 65.6	\$ 63.7	\$ 256.3	\$ 0.4	\$ 0.5	\$ -	\$ 0.8	\$ 1.7	\$ 63.8	\$ 64.1	\$ 65.6	\$ 64.5	\$ 258.0
GAAP research and development expenses	\$ 19.5	\$ 19.7	\$ 19.5	\$ 21.5	\$ 80.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19.5	\$ 19.7	\$ 19.5	\$ 21.5	\$ 80.2
Stock-based compensation expense	(0.9)	(0.8)	(0.8)	(0.8)	(3.3)	-	-	-	-	-	(0.9)	(0.8)	(0.8)	(0.8)	(3.3)
Non-GAAP research and development expenses	\$ 18.6	\$ 18.9	\$ 18.7	\$ 20.7	\$ 76.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18.6	\$ 18.9	\$ 18.7	\$ 20.7	\$ 76.9
GAAP sales and marketing expenses	\$ 37.2	\$ 37.6	\$ 37.3	\$ 39.3	\$ 151.3	\$ (1.0)	\$ (2.2)	\$ (3.2)	\$ (5.0)	\$ (11.4)	\$ 36.2	\$ 35.4	\$ 34.1	\$ 34.3	\$ 139.9
Stock-based compensation expense	(0.2)	(0.4)	0.1	(0.2)	(0.7)	-	-	-	-	-	(0.2)	(0.4)	0.1	(0.2)	(0.7)
Non-GAAP sales and marketing expenses	\$ 37.0	\$ 37.2	\$ 37.4	\$ 39.0	\$ 150.6	\$ (1.0)	\$ (2.2)	\$ (3.2)	\$ (5.0)	\$ (11.4)	\$ 36.0	\$ 35.0	\$ 34.2	\$ 34.0	\$ 139.2
GAAP general and administrative expenses	\$ 23.4	\$ 21.1	\$ 22.9	\$ 25.3	\$ 92.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23.4	\$ 21.1	\$ 22.9	\$ 25.3	\$ 92.7
Amortization of intangibles	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)	-	-	-	-	-	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)
Impact of purchase accounting	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	-	-	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)
Stock-based compensation expense	(2.3)	(2.1)	(2.1)	(2.4)	(8.9)	-	-	-	-	-	(2.3)	(2.1)	(2.1)	(2.4)	(8.9)
Non-GAAP general and administrative expenses	\$ 17.3	\$ 15.3	\$ 17.0	\$ 19.1	\$ 68.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.3	\$ 15.3	\$ 17.0	\$ 19.1	\$ 68.7
Total GAAP operating expenses	\$ 80.1	\$ 78.5	\$ 79.7	\$ 86.0	\$ 324.2	\$ (1.0)	\$ (2.2)	\$ (3.2)	\$ (5.0)	\$ (11.4)	\$ 79.1	\$ 76.3	\$ 76.5	\$ 81.0	\$ 312.8
Amortization of intangibles	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)	-	-	-	-	-	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)
Impact of purchase accounting	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	-	-	-	-	-	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)
Stock-based compensation expense	(3.4)	(3.3)	(2.7)	(3.5)	(12.9)	-	-	-	-	-	(3.4)	(3.3)	(2.7)	(3.5)	(12.9)
Total Non-GAAP operating expenses	\$ 72.9	\$ 71.4	\$ 73.2	\$ 78.8	\$ 296.2	\$ (1.0)	\$ (2.2)	\$ (3.2)	\$ (5.0)	\$ (11.4)	\$ 71.9	\$ 69.2	\$ 70.0	\$ 73.8	\$ 284.8
GAAP operating loss	\$ (20.4)	\$ (18.7)	\$ (17.9)	\$ (26.1)	\$ (83.0)	\$ 1.4	\$ 2.7	\$ 3.2	\$ 5.8	\$ 13.1	\$ (19.0)	\$ (16.0)	\$ (14.7)	\$ (20.3)	\$ (69.9)
Amortization of intangibles	6.9	6.9	6.9	6.9	27.7	-	-	-	-	-	6.9	6.9	6.9	6.9	27.7
Impact of purchase accounting	0.4	0.4	0.4	0.4	1.6	-	-	-	-	-	0.4	0.4	0.4	0.4	1.6
Stock-based compensation expense	3.6	3.5	2.9	3.7	13.8	-	-	-	-	-	3.6	3.5	2.9	3.7	13.8
Non-GAAP operating loss	\$ (9.4)	\$ (7.8)	\$ (7.6)	\$ (15.1)	\$ (39.9)	\$ 1.4	\$ 2.7	\$ 3.2	\$ 5.8	\$ 13.1	\$ (8.0)	\$ (5.1)	\$ (4.4)	\$ (9.3)	\$ (26.8)
GAAP net (loss) income	\$ (14.2)	\$ (12.1)	\$ (11.6)	\$ 9.9	\$ (28.0)	\$ 0.9	\$ 1.8	\$ 2.2	\$ 12.6	\$ 17.5	\$ (13.3)	\$ (10.3)	\$ (9.4)	\$ 22.5	\$ (10.4)
Amortization of intangibles	6.9	6.9	6.9	6.9	27.7	-	-	-	-	-	6.9	6.9	6.9	6.9	27.7
Impact of purchase accounting	0.4	0.4	0.4	0.4	1.6	-	-	-	-	-	0.4	0.4	0.4	0.4	1.6
Stock-based compensation expense	3.6	3.5	2.9	3.7	13.8	-	-	-	-	-	3.6	3.5	2.9	3.7	13.8
Impact of Tax Cuts and Jobs Act	-	-	-	(27.0)	(27.0)	-	-	-	(8)	(8.0)	-	-	-	(35.0)	(35.0)
Aggregate adjustment for income taxes	(3.2)	(4.1)	(3.9)	(3.9)	(15.1)	-	-	-	-	-	(3.2)	(4.1)	(3.9)	(3.9)	(15.1)
Non-GAAP net (loss) income	\$ (6.5)	\$ (5.4)	\$ (5.3)	\$ (10.0)	\$ (27.0)	\$ 0.9	\$ 1.8	\$ 2.2	\$ 4.6	\$ 9.5	\$ (5.5)	\$ (3.5)	\$ (3.0)	\$ (5.3)	\$ (17.3)
Weighted-average common shares outstanding (basic)	80,056	80,353	80,355	80,357	80,280	80,056	80,353	80,355	80,357	80,280	80,056	80,353	80,355	80,357	80,280
Weighted-average common shares outstanding (diluted)	80,056	80,353	80,355	80,528	80,280	80,056	80,353	80,355	80,357	80,280	80,056	80,353	80,355	80,528	80,280
GAAP net loss per share	\$ (0.18)	\$ (0.15)	\$ (0.14)	\$ 0.12	\$ (0.35)	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.16	\$ 0.22	\$ (0.17)	\$ (0.13)	\$ (0.12)	\$ 0.28	\$ (0.13)
Amortization of intangibles	0.09	0.09	0.09	0.09	0.35	-	-	-	-	-	0.09	0.09	0.09	0.09	0.35
Impact of purchase accounting	0.01	0.01	0.01	0.01	0.02	-	-	-	-	-	0.01	0.01	0.01	0.01	0.02
Stock-based compensation expense	0.05	0.04	0.04	0.05	0.17	-	-	-	-	-	0.05	0.04	0.04	0.05	0.17
Impact of Tax Cuts and Jobs Act	-	-	-	(0.34)	(0.34)	-	-	-	(0.10)	(0.10)	-	-	-	(0.44)	(0.44)
Aggregate adjustment for income taxes	(0.04)	(0.05)	(0.05)	(0.05)	(0.19)	-	-	-	-	-	(0.04)	(0.05)	(0.05)	(0.05)	(0.19)
Non-GAAP net (loss) income per share	\$ (0.08)	\$ (0.07)	\$ (0.06)	\$ (0.12)	\$ (0.34)	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.06	\$ 0.12	\$ (0.07)	\$ (0.04)	\$ (0.04)	\$ (0.07)	\$ (0.22)

Note: Sum of reconciling items may differ from total due to rounding of individual components

Fiscal 2017 Quarterly Impact

SECUREWORKS CORP.															
(in millions, except per share data)															
(unaudited)															
	As Reported ASC 605					Adjustments for the Adoption of ASC 606					As Adjusted ASC 606				
	1Q 17	2Q 17	3Q 17	4Q 17	FY 17	1Q 17	2Q 17	3Q 17	4Q 17	FY 17	1Q 17	2Q 17	3Q 17	4Q 17	FY 17
GAAP revenue	\$ 99.8	\$ 103.7	\$ 107.1	\$ 118.9	\$ 429.5	\$ 0.1	\$ 0.5	\$ 0.2	\$ 2.5	\$ 3.3	\$ 99.9	\$ 104.1	\$ 107.3	\$ 121.5	\$ 432.8
Impact of purchase accounting	0.2	0.2	0.2	0.2	0.9	-	-	-	-	-	0.2	0.2	0.2	0.2	0.9
Non-GAAP Revenue	\$ 100.0	\$ 103.9	\$ 107.3	\$ 119.2	\$ 430.4	\$ 0.1	\$ 0.5	\$ 0.2	\$ 2.5	\$ 3.3	\$ 100.1	\$ 104.4	\$ 107.5	\$ 121.7	\$ 433.6
GAAP gross margin	\$ 49.9	\$ 50.7	\$ 53.5	\$ 62.7	\$ 216.9	\$ 0.4	\$ 0.9	\$ 0.6	\$ 1.5	\$ 3.4	\$ 50.4	\$ 51.6	\$ 54.0	\$ 64.3	\$ 220.3
Amortization of intangibles	3.4	3.4	3.4	3.4	13.6	-	-	-	-	-	3.4	3.4	3.4	3.4	13.6
Impact of purchase accounting	0.3	0.4	0.3	0.3	1.2	-	-	-	-	-	0.3	0.4	0.3	0.3	1.2
Stock-based compensation expense	0.0	0.2	0.2	0.1	0.5	-	-	-	-	-	0.0	0.2	0.2	0.1	0.5
Non-GAAP Gross Margin	\$ 53.6	\$ 54.7	\$ 57.3	\$ 66.6	\$ 232.2	\$ 0.4	\$ 0.9	\$ 0.6	\$ 1.5	\$ 3.4	\$ 54.1	\$ 55.5	\$ 57.9	\$ 68.1	\$ 235.5
GAAP research and development expenses	\$ 17.6	\$ 17.4	\$ 17.0	\$ 19.1	\$ 71.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.6	\$ 17.4	\$ 17.0	\$ 19.1	\$ 71.0
Stock-based compensation expense	(0.1)	(0.7)	(0.7)	(0.6)	(2.0)	-	-	-	-	-	(0.1)	(0.7)	(0.7)	(0.6)	(2.0)
Non-GAAP research and development expenses	\$ 17.5	\$ 16.7	\$ 16.3	\$ 18.5	\$ 69.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.5	\$ 16.7	\$ 16.3	\$ 18.5	\$ 69.0
GAAP sales and marketing expenses	\$ 30.3	\$ 31.8	\$ 29.7	\$ 33.1	\$ 125.0	\$ (1.0)	\$ (2.0)	\$ (1.8)	\$ (1.9)	\$ (6.7)	\$ 29.3	\$ 29.8	\$ 27.9	\$ 31.2	\$ 118.3
Stock-based compensation expense	(0.0)	(0.4)	(0.4)	(0.3)	(1.1)	-	-	-	-	-	(0.0)	(0.4)	(0.4)	(0.3)	(1.1)
Non-GAAP sales and marketing expenses	\$ 30.2	\$ 31.5	\$ 29.4	\$ 32.8	\$ 123.9	\$ (1.0)	\$ (2.0)	\$ (1.8)	\$ (1.9)	\$ (6.7)	\$ 29.2	\$ 29.5	\$ 27.6	\$ 30.9	\$ 117.2
GAAP general and administrative expenses	\$ 21.1	\$ 21.6	\$ 21.6	\$ 22.6	\$ 86.9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21.1	\$ 21.6	\$ 21.6	\$ 22.6	\$ 86.9
Amortization of intangibles	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)	-	-	-	-	-	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)
Impact of purchase accounting	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)	-	-	-	-	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)
Stock-based compensation expense	(0.2)	(1.8)	(1.8)	(1.5)	(5.3)	-	-	-	-	-	(0.2)	(1.8)	(1.8)	(1.5)	(5.3)
Other	(1.2)	-	-	-	(1.2)	-	-	-	-	-	(1.2)	-	-	-	(1.2)
Non-GAAP general and administrative expenses	\$ 16.0	\$ 16.1	\$ 16.1	\$ 17.3	\$ 65.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16.0	\$ 16.1	\$ 16.1	\$ 17.3	\$ 65.4
Total GAAP operating expenses	\$ 68.9	\$ 70.8	\$ 68.3	\$ 74.8	\$ 282.9	\$ (1.0)	\$ (2.0)	\$ (1.8)	\$ (1.9)	\$ (6.7)	\$ 67.9	\$ 68.8	\$ 66.5	\$ 72.9	\$ 276.2
Amortization of intangibles	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)	-	-	-	-	-	(3.5)	(3.5)	(3.5)	(3.5)	(14.1)
Impact of purchase accounting	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)	-	-	-	-	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)
Stock-based compensation expense	(0.3)	(2.8)	(2.9)	(2.4)	(8.4)	-	-	-	-	-	(0.3)	(2.8)	(2.9)	(2.4)	(8.4)
Other	(1.2)	-	-	-	(1.2)	-	-	-	-	-	(1.2)	-	-	-	(1.2)
Total Non-GAAP operating expenses	\$ 63.7	\$ 64.2	\$ 61.7	\$ 68.7	\$ 258.3	\$ (1.0)	\$ (2.0)	\$ (1.8)	\$ (1.9)	\$ (6.7)	\$ 62.7	\$ 62.2	\$ 59.9	\$ 66.8	\$ 251.6
GAAP operating loss	\$ (19.0)	\$ (20.0)	\$ (14.8)	\$ (12.1)	\$ (66.0)	\$ 1.4	\$ 2.9	\$ 2.4	\$ 3.4	\$ 10.1	\$ (17.6)	\$ (17.2)	\$ (12.5)	\$ (8.7)	\$ (55.9)
Amortization of intangibles	6.9	6.9	6.9	6.9	27.7	-	-	-	-	-	6.9	6.9	6.9	6.9	27.7
Impact of purchase accounting	0.5	0.5	0.5	0.5	2.0	-	-	-	-	-	0.5	0.5	0.5	0.5	2.0
Stock-based compensation expense	0.4	3.0	3.0	2.5	8.9	-	-	-	-	-	0.4	3.0	3.0	2.5	8.9
Other	1.2	-	-	-	1.2	-	-	-	-	-	1.2	-	-	-	1.2
Non-GAAP Operating Loss	\$ (10.1)	\$ (9.6)	\$ (4.4)	\$ (2.1)	\$ (26.1)	\$ 1.4	\$ 2.9	\$ 2.4	\$ 3.4	\$ 10.1	\$ (8.6)	\$ (6.7)	\$ (2.0)	\$ 1.3	\$ (16.1)
GAAP net loss	\$ (11.6)	\$ (12.1)	\$ (7.7)	\$ (6.8)	\$ (38.2)	\$ 0.9	\$ 1.9	\$ 1.5	\$ 2.2	\$ 6.5	\$ (10.7)	\$ (10.2)	\$ (6.2)	\$ (4.6)	\$ (31.7)
Amortization of intangibles	6.9	6.9	6.9	6.9	27.6	-	-	-	-	-	6.9	6.9	6.9	6.9	27.6
Impact of purchase accounting	0.5	0.5	0.5	0.5	2.0	-	-	-	-	-	0.5	0.5	0.5	0.5	2.0
Stock-based compensation expense	0.4	3.0	3.0	2.5	8.9	-	-	-	-	-	0.4	3.0	3.0	2.5	8.9
Other	1.2	-	-	-	1.2	-	-	-	-	-	1.2	-	-	-	1.2
Aggregate adjustment for income taxes	(3.4)	(4.0)	(4.0)	(4.7)	(16.1)	-	-	-	-	-	(3.4)	(4.0)	(4.0)	(4.7)	(16.1)
Non-GAAP net (loss) income	\$ (6.0)	\$ (5.7)	\$ (1.3)	\$ (1.6)	\$ (14.6)	\$ 0.9	\$ 1.9	\$ 1.5	\$ 2.2	\$ 6.5	\$ (5.1)	\$ (3.8)	\$ 0.2	\$ 0.6	\$ (8.1)
Weighted-average common shares outstanding (basic)	70,330	80,009	80,009	80,009	80,280	70,330	80,009	80,009	80,009	80,280	70,330	80,009	80,009	80,009	80,280
Weighted-average common shares outstanding (diluted)	70,330	80,009	80,009	80,009	80,280	70,330	80,009	80,009	80,009	80,280	70,330	80,009	80,152	80,062	77,635
GAAP net loss per share	\$ (0.17)	\$ (0.15)	\$ (0.10)	\$ (0.09)	\$ (0.49)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.08	\$ (0.15)	\$ (0.13)	\$ (0.08)	\$ (0.06)	\$ (0.41)
Amortization of intangibles	0.10	0.09	0.09	0.09	0.36	-	-	-	-	-	0.10	0.09	0.09	0.09	0.36
Impact of purchase accounting	0.01	0.01	0.01	0.01	0.03	-	-	-	-	-	0.01	0.01	0.01	0.01	0.03
Stock-based compensation expense	0.01	0.04	0.04	0.03	0.11	-	-	-	-	-	0.01	0.04	0.04	0.03	0.11
Other	0.02	-	-	-	0.01	-	-	-	-	-	0.02	0.00	0.00	0.00	0.01
Aggregate adjustment for income taxes	(0.06)	(0.06)	(0.05)	(0.06)	(0.21)	-	-	-	-	-	(0.06)	(0.06)	(0.05)	(0.06)	(0.21)
Non-GAAP net (loss) income per share	\$ (0.09)	\$ (0.07)	\$ (0.02)	\$ (0.02)	\$ (0.19)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.08	\$ (0.07)	\$ (0.05)	\$ 0.00	\$ 0.01	\$ (0.10)

Note: Sum of reconciling items may differ from total due to rounding of individual components