

Impact of ASC 606 and ASC 340-40 Adoption

Secureworks®

Annual Impact on Fiscal 2018 and Fiscal 2017

SECUREWORKS CORP. (in millions) (unaudited)						
	Fiscal Year Ended February 2, 2018			Fiscal Year Ended February 3, 2017		
	As Reported ASC 605	ASC 606 Adjustment (Preliminary)	ASC 606 Preliminary	As Reported ASC 605	ASC 606 Adjustment (Preliminary)	ASC 606 Preliminary
	GAAP Revenue	\$ 467.9	\$ 0.1	\$ 468.0	\$ 429.5	\$ 3.3
Impact of purchase accounting	0.6	-	0.6	0.9	0.0	0.9
Non-GAAP Revenue	\$ 468.5	\$ 0.1	\$ 468.6	\$ 430.4	\$ 3.3	\$ 433.7
GAAP Gross Margin	\$ 241.2	\$ 1.7	\$ 242.9	\$ 216.9	\$ 3.4	\$ 220.3
Amortization of intangibles	13.6	-	13.6	13.6	-	13.6
Impact of purchase accounting	0.6	-	0.6	1.2	-	1.2
Stock-based compensation expense	0.9	-	0.9	0.5	-	0.5
Non-GAAP Gross Margin	\$ 256.3	\$ 1.7	\$ 258.0	\$ 232.2	\$ 3.4	\$ 235.5
<i>GAAP Gross Margin %</i>	52%		52%	51%		51%
<i>Non-GAAP Gross Margin %</i>	55%		55%	54%		54%
GAAP research and development expenses	\$ 80.2	\$ -	\$ 80.2	\$ 71.0	\$ -	\$ 71.0
Stock-based compensation expense	(3.3)	-	(3.3)	(2.0)	-	(2.0)
Non-GAAP research and development expenses	\$ 76.9	\$ -	\$ 76.9	\$ 69.0	\$ -	\$ 69.0
GAAP sales and marketing expenses	\$ 151.3	\$ (10.8)	\$ 140.6	\$ 125.0	\$ (6.4)	\$ 118.5
Stock-based compensation expense	(0.7)	-	(0.7)	(1.1)	-	(1.1)
Non-GAAP sales and marketing expenses	\$ 150.6	\$ (10.8)	\$ 139.9	\$ 123.9	\$ (6.4)	\$ 117.4
GAAP general and administrative expenses	\$ 92.7	\$ -	\$ 92.7	\$ 86.9	\$ -	\$ 86.9
Amortization of intangibles	(14.1)	-	(14.1)	(14.1)	-	(14.1)
Impact of purchase accounting	(1.0)	-	(1.0)	(0.9)	-	(0.9)
Stock-based compensation expense	-	-	0.0	(5.3)	-	(5.3)
Other	(8.9)	-	(8.9)	(1.2)	-	(1.2)
Non-GAAP general and administrative expenses	\$ 68.7	\$ -	\$ 68.7	\$ 65.4	\$ -	\$ 65.4
Total GAAP Operating Expenses	\$ 324.2	\$ (10.8)	\$ 313.5	\$ 282.9	\$ (6.4)	\$ 276.4
Total Non-GAAP Operating Expenses	\$ 296.2	\$ (10.8)	\$ 285.5	\$ 258.3	\$ (6.4)	\$ 251.8
GAAP Operating Loss	\$ (83.0)	\$ 12.5	\$ (70.6)	\$ (66.0)	\$ 9.8	\$ (56.2)
Non-GAAP Operating Loss	\$ (39.9)	\$ 12.5	\$ (27.5)	\$ (26.1)	\$ 9.8	\$ (16.3)
GAAP operating expenses as a percentage of revenue						
<i>Research and development %</i>	17%		17%	17%		16%
<i>Sales and marketing %</i>	32%		30%	29%		27%
<i>General and administrative %</i>	20%		20%	20%		20%
Non-GAAP operating expenses as a percentage of revenue						
<i>Research and development %</i>	16%		16%	16%		16%
<i>Sales and marketing %</i>	32%		30%	29%		27%
<i>General and administrative %</i>	15%		15%	15%		15%

Fiscal 2018 Quarterly Impact

SECUREWORKS CORP.															
(in millions)															
(unaudited)															
	As Reported ASC 605					ASC 606 Adjustment (Preliminary)					ASC 606 (Preliminary)				
	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)	\$ (2.1)	\$ (3.0)	\$ (4.7)	\$ (10.8)	\$ 36.2	\$ 35.5	\$ 34.3	\$ 34.5	\$ 140.6
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)	\$ (2.1)	\$ (3.0)	\$ (4.7)	\$ (10.8)	\$ 36.0	\$ 35.1	\$ 34.4	\$ 34.3	\$ 139.8
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)	\$ (2.1)	\$ (3.0)	\$ (4.7)	\$ (10.8)	\$ 79.1	\$ 76.3	\$ 76.7	\$ 81.3	\$ 313.5
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)	\$ (2.1)	\$ (3.0)	\$ (4.7)	\$ (10.8)	\$ 71.9	\$ 69.2	\$ 70.2	\$ 74.1	\$ 285.4
GAAP operating loss	\$ (20.4)	\$ (18.7)	\$ (17.9)	\$ (26.1)	\$ (83.0)	\$ 1.4	\$ 2.6	\$ 3.0	\$ 5.5	\$ 12.5	\$ (19.0)	\$ (16.0)	\$ (14.9)	\$ (20.6)	\$ (70.6)
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	\$ 2.6	\$ 3.0	\$ 5.5	\$ 12.5	\$ (8.1)	\$ (5.2)	\$ (4.6)	\$ (9.5)	\$ (27.4)

Fiscal 2017 Quarterly Impact

SECUREWORKS CORP.															
(in millions)															
(unaudited)															
	As Reported ASC 605					ASC 606 Adjustment (Preliminary)					ASC 606 (Preliminary)				
	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)	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (6.4)	\$ 29.3	\$ 29.9	\$ 28.0	\$ 31.3	\$ 118.5
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)	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (6.4)	\$ 29.2	\$ 29.5	\$ 27.6	\$ 31.0	\$ 117.4
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)	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (6.4)	\$ 68.0	\$ 68.9	\$ 66.6	\$ 73.0	\$ 276.4
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)	\$ (1.9)	\$ (1.7)	\$ (1.8)	\$ (6.4)	\$ 62.7	\$ 62.3	\$ 60.0	\$ 66.9	\$ 251.8
GAAP operating loss	\$ (19.0)	\$ (20.0)	\$ (14.8)	\$ (12.1)	\$ (66.0)	\$ 1.4	\$ 2.8	\$ 2.3	\$ 3.3	\$ 9.8	\$ (17.6)	\$ (17.3)	\$ (12.5)	\$ (8.7)	\$ (56.2)
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	\$ 2.8	\$ 2.3	\$ 3.3	\$ 9.8	\$ (8.7)	\$ (6.8)	\$ (2.1)	\$ 1.2	\$ (16.3)