

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): December 6, 2017

SecureWorks Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

001-37748

(Commission File Number)

27-0463349

(I.R.S. Employer
Identification No.)

One Concourse Parkway NE Suite 500

Atlanta, Georgia

(Address of principal executive offices)

30328

(Zip Code)

(404) 327-6339

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On December 6, 2017, SecureWorks Corp. (the “Company”) issued a press release announcing its financial results for its fiscal quarter ended November 3, 2017, which is the Company’s third quarter of fiscal 2018. A copy of the press release is furnished as Exhibit 99.1 to this report.

In accordance with General Instruction B.2 to Form 8-K, the information contained in this report, including Exhibit 99.1 hereto, is being “furnished” with the Securities and Exchange Commission and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under such section. Furthermore, such information shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, unless specifically identified as being incorporated therein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. The following document is herewith furnished as an exhibit to this report:

| <u>Exhibit No.</u> | <u>Exhibit Description</u> |
|--------------------|--|
| 99.1 | Press release of SecureWorks Corp. dated December 6, 2017. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 6, 2017

SecureWorks Corp.

By:

/s/ R. Wayne Jackson

R. Wayne Jackson
Chief Financial Officer
(Duly Authorized Officer)



Secureworks Reports Third Quarter Fiscal 2018 Results

- Revenue increased 10 percent year-over-year to \$118 million.
- Gross margin increased 270 basis points over last year; non-GAAP gross margin increased 230 basis points over last year.
- Monthly recurring revenue grew 8 percent year-over-year to \$33.4 million.
- GAAP loss per share was \$0.14; non-GAAP loss per share was \$0.06.

ATLANTA, Ga, December 6, 2017 - Secureworks (NASDAQ: SCWX), a leading provider of intelligence-driven information security solutions, today announced financial results for its third quarter of fiscal 2018, which ended November 3, 2017.

“We reported double digit revenue growth and improved margins this quarter. As a recognized leader in cybersecurity, we continue to invest and evolve our business to capture growing demand,” said Michael R. Cote, Chief Executive Officer of Secureworks. “Our holistic solutions protect thousands of clients globally as companies seek to minimize cybersecurity risk in an increasingly digitally connected world.”

Business and operational highlights for the third quarter of fiscal 2018 include the following:

- In September, the Company launched a firewall policy auditing solution designed to help clients prevent successful attacks through proactive and efficient enforcement of firewall security policy best practices.
- The Company developed an enhancement to its iSensor[™], enabling malware detonation and detection capabilities that will provide valuable context to events identified by existing network solutions. The solution is expected to be generally available in the first quarter of fiscal 2019.
- The Company was noted as a Strong Performer in The Forrester Wave[™]: Information Security Consulting Services, Q3 2017 report^[1]. The Company believes that this recognition highlights the value clients place on the seamless integration of Secureworks managed services and consulting delivery teams.
- This quarter, the Company held its research-led Threat Intelligence Summits in EMEA and North America bringing together members of its renowned Counter Threat Unit[™] team and other security experts to share insights into the latest tactics, techniques and procedures used by the most capable espionage and criminal threat groups.

^[1] The Forrester Wave[™]: Information Security Consulting Services, Q3 2017, by Jeff Pollard and Claire O'Malley, September 2017

Third Quarter Fiscal 2018 Financial Results Highlights

- Revenue increased 9.7 percent to \$117.5 million from \$107.1 million in the third quarter of fiscal 2017. Non-GAAP revenue increased 9.6 percent to \$117.7 million from \$107.3 million in the third quarter of fiscal 2017.
- Gross margin was 52.6 percent, up from 49.9 percent in the third quarter of fiscal 2017. Non-GAAP gross margin increased to 55.7 percent from 53.4 percent in the third quarter of fiscal 2017. The increase in GAAP and non-GAAP gross margin percentages was mainly driven by operational efficiencies as the Company continues to leverage its global service delivery model and improve technology and processes.
- Operating loss was \$17.9 million compared to \$14.8 million in the third quarter of fiscal 2017; non-GAAP operating loss was \$7.6 million compared to \$4.4 million in the third quarter of last year.
- Net loss was \$11.6 million, or \$0.14 per share, compared to a net loss of \$7.7 million, or \$0.10 per share, in the third quarter of fiscal 2017. Non-GAAP net loss was \$5.2 million, or \$0.06 per share, compared to a non-GAAP net loss of \$1.2 million, or \$0.02 per share, in the third quarter of fiscal 2017.
- Adjusted EBITDA loss was \$4.2 million, compared to an adjusted EBITDA loss of \$1.8 million in the third quarter of fiscal 2017.
- Cash provided by operating activities for the three months ended November 3, 2017 was \$5.2 million and cash used in operating activities for the nine months ended November 3, 2017 was \$3.2 million.
- The number of weighted average shares outstanding during the third quarter was approximately 80.355 million.
- Monthly recurring revenue as of November 3, 2017 increased 8.4 percent to \$33.4 million from \$30.8 million as of October 28, 2016. The Company's monthly recurring revenue metric represents the monthly value of its subscription contracts, including operational backlog, as of period end.

Fourth Quarter and Full Fiscal Year 2018 Guidance

Based on current market conditions and third quarter performance, the Company expects the following results for the fourth quarter and full fiscal year ending on February 2, 2018:

For the fourth quarter, the Company expects:

- Revenue to be in the range of \$117 to \$118 million on both a GAAP and non-GAAP basis.
 - Net loss per share to be in the range of \$0.17 to \$0.18 and non-GAAP net loss per share to be in the range of \$0.08 to \$0.09.
 - Approximately 80.362 million weighted average shares to be outstanding during the fourth quarter of fiscal 2018.
-

For fiscal year 2018, the Company now expects the following results, updating previously announced full year guidance:

- Revenue to be in the range of \$464 to \$465 million and non-GAAP revenue to be in the range of \$465 to \$466 million.
- Net loss to be in the range of \$51 to \$52 million and adjusted EBITDA loss to be in the range of \$22 to \$23 million.
- Net loss per share to be in the range of \$0.64 to \$0.65 and non-GAAP net loss per share to be in the range of \$0.29 to \$0.30.
- Monthly recurring revenue to be in the range of \$34.4 to \$35.0 million at the end of the fourth quarter of fiscal 2018.

In addition, the Company affirmed the following previously provided guidance:

- Approximately 80.282 million weighted average shares to be outstanding during fiscal year 2018.
- Capital expenditures to be approximately \$18 million for the fiscal year 2018.

Conference Call Information

As previously announced, the Company will hold a conference call to discuss its third quarter performance and outlook for its third quarter and full fiscal year 2018 on December 6, 2017, at 8:00 a.m. ET. A live audio webcast of the conference call will be accessible on the company's website at <http://investors.secureworks.com>. The webcast will be archived at the same location for one year.

Non-GAAP Financial Measures

The press release presents information about the Company's non-GAAP revenue, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP operating loss, non-GAAP net loss, non-GAAP net loss per share and adjusted EBITDA, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). A reconciliation of each of the foregoing historical and forward-looking non-GAAP financial measures to the most directly comparable historical and forward-looking GAAP financial measure is provided below for each of the fiscal periods indicated.

Special Note Regarding Forward-Looking Statements

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. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "confidence," "could," "estimate," "expect," "guidance," "intend," "may," "plan," "potential," "outlook," "should," "will" and "would," or similar words or expressions that refer to future events or outcomes. Such forward-looking statements include, but are not limited to, the statements

in this press release with respect to the Company's expectations concerning its GAAP and non-GAAP revenue and GAAP and non-GAAP net loss per share for the fourth quarter of fiscal 2018 and for full year fiscal 2018, net loss and adjusted EBITDA loss for full year fiscal 2018, capital expenditures for full year fiscal 2018, weighted average shares outstanding during the fourth quarter of fiscal 2018 and full year fiscal 2018, and monthly recurring revenue at the end of the fourth quarter of fiscal 2018, all of which reflect the Company's current analysis of existing trends and information. These forward-looking statements represent the Company's judgment only as of the date of this press release.

Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of risks, uncertainties and other factors, including those relating to: the Company's ability to achieve or maintain profitability; the Company's ability to enhance its existing solutions and technologies and to develop or acquire new solutions and technologies; the rapidly evolving market in which the Company operates; the Company's reliance on personnel with extensive information security expertise; fluctuations in the Company's quarterly results and other operating measures; intense competition in the Company's markets; the Company's ability to attract new clients, retain existing clients and increase its annual contract values; the Company's reliance on its largest client and on clients in the financial services industry; the Company's ability to manage its growth effectively; the Company's ability to maintain high-quality client service and support functions; the Company's service level agreements with clients requiring credits for service failures or inadequacies; the Company's ability to continue expansion of its sales force; the Company's long and unpredictable sales cycles; risks associated with the Company's international sales and operations; the Company's ability to expand its key distribution relationships; the Company's technology alliance partnerships; real or perceived defects, errors or vulnerabilities in the Company's solutions or the failure of its solutions to prevent a security breach; the ability of the Company's solutions to interoperate with its clients' IT infrastructure; the Company's ability to use third-party technologies; the effect of evolving information security and data privacy laws and regulations on the Company's business; the Company's ability to maintain and enhance its brand; risks associated with the Company's acquisition of other businesses; the Company's recognition of revenue ratably over the terms of its managed security and threat intelligence contracts; the effect of timing differences between the expensing of sales commissions paid to the Company's strategic and distribution partners and the recognition of associated revenues; estimates or judgments relating to the Company's critical accounting policies; the Company's exposure to fluctuations in currency exchange rates; the effect of governmental export or import controls on the Company's business; the Company's compliance with the Foreign Corrupt Practices Act and similar laws; the Company's ability to maintain effective disclosure controls and procedures; the effect of natural disasters and other catastrophic events on the Company's ability to serve its clients; the Company's reliance on patents to protect its intellectual property rights; the Company's ability to protect, maintain or enforce its non-patented intellectual property rights and proprietary information; claims by third parties of infringement of their proprietary technology by the Company; the Company's use of open source technology; and risks related to the Company's relationship with Dell Technologies Inc. and Dell Inc. and control of the Company by Dell Technologies Inc.

This list of risks, uncertainties and other factors is not complete. The Company discusses these matters more fully, as well as certain risk factors that could affect the Company's business, financial condition, results of operations and prospects, under the caption "Risk Factors" in the Company's annual report on Form 10-K for the fiscal year ended February 3, 2017, as well as in the Company's other SEC filings. Any or all forward-looking statements the Company makes may turn out to be wrong and can be affected by inaccurate assumptions the Company might make or by known or unknown risks, uncertainties and other factors, including those identified in this press release. Accordingly, you should not place undue reliance on the forward-looking statements made in this press release, which speak only as of its date. The Company does not undertake to update, and expressly disclaims any obligation to update, any of its forward-looking statements, whether as a result of circumstances or events that arise after the date the statements are made, new information or otherwise.

About Secureworks

Secureworks[®] (NASDAQ: SCWX) is a leading global cybersecurity company that keeps organizations safe in a digitally connected world. We combine visibility from thousands of clients, artificial intelligence and automation from our industry-leading Secureworks Counter Threat Platform[™], and actionable insights from our team of elite researchers and analysts to create a powerful network effect that provides increasingly strong protection for our clients. By aggregating and analyzing data from any source, anywhere, we prevent security breaches, detect malicious activity in real time, respond rapidly to incidents, and predict emerging threats. We offer our clients a cyber-defense that is Collectively Smarter. Exponentially Safer. [™] www.secureworks.com

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(Tables Follow)

SECUREWORKS CORP.

Condensed Consolidated Statements of Operations and Related Financial Highlights

(in thousands, except per share data and percentages)

(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|---------------------|------------------|---------------------|------------------|
| | November 3, 2017 | October 28, 2016 | November 3, 2017 | October 28, 2016 |
| Net revenue | \$ 117,534 | \$ 107,108 | \$ 347,250 | \$ 310,554 |
| Cost of revenue | 55,726 | 53,637 | 165,993 | 156,393 |
| Gross margin | 61,808 | 53,471 | 181,257 | 154,161 |
| Research and development | 19,501 | 16,963 | 58,673 | 51,933 |
| Sales and marketing | 37,296 | 29,725 | 112,085 | 91,807 |
| General and administrative | 22,896 | 21,626 | 67,438 | 64,311 |
| Total operating expenses | 79,693 | 68,314 | 238,196 | 208,051 |
| Operating loss | (17,885) | (14,843) | (56,939) | (53,890) |
| Interest and other, net | 121 | 1,107 | (953) | 2,323 |
| Loss before income taxes | (17,764) | (13,736) | (57,892) | (51,567) |
| Income tax benefit | (6,163) | (6,018) | (19,937) | (20,171) |
| Net loss | \$ (11,601) | \$ (7,718) | \$ (37,955) | \$ (31,396) |
| Net loss per common share (basic and diluted) | \$ (0.14) | \$ (0.10) | \$ (0.47) | \$ (0.41) |
| Weighted-average common shares outstanding (basic and diluted) | 80,355 | 80,009 | 80,254 | 76,783 |

Percentage of Total Net Revenue

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Gross margin | 52.6 % | 49.9 % | 52.2 % | 49.6 % |
| Research and development | 16.6 % | 15.8 % | 16.9 % | 16.7 % |
| Sales and marketing | 31.7 % | 27.8 % | 32.3 % | 29.6 % |
| General and administrative | 19.5 % | 20.2 % | 19.4 % | 20.7 % |
| Operating expenses | 67.8 % | 63.8 % | 68.6 % | 67.0 % |
| Operating loss | (15.2)% | (13.9)% | (16.4)% | (17.4)% |
| Loss before income taxes | (15.1)% | (12.8)% | (16.7)% | (16.6)% |
| Net loss | (9.9)% | (7.2)% | (10.9)% | (10.1)% |
| Effective tax rate | 34.7 % | 43.8 % | 34.4 % | 39.1 % |

Note: Percentage growth rates are calculated based on underlying data in thousands

SECUREWORKS CORP.
Condensed Consolidated Statements of Financial Position
(in thousands)
(unaudited)

| | November 3, 2017 | February 3, 2017 |
|---|-----------------------------|-------------------------|
| <u>Assets:</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 99,690 | \$ 116,595 |
| Accounts receivable, net | 136,646 | 113,546 |
| Inventories, net | 963 | 1,947 |
| Other current assets | 27,835 | 51,947 |
| Total current assets | 265,134 | 284,035 |
| Property and equipment, net | 33,974 | 31,153 |
| Goodwill | 416,487 | 416,487 |
| Purchased intangible assets, net | 241,118 | 261,921 |
| Other non-current assets | 4,698 | 5,704 |
| Total assets | \$ 961,411 | \$ 999,300 |
| <u>Liabilities and Stockholders' Equity:</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 23,931 | \$ 24,119 |
| Accrued and other | 62,602 | 59,704 |
| Short-term deferred revenue | 124,633 | 119,909 |
| Total current liabilities | 211,166 | 203,732 |
| Long-term deferred revenue | 15,284 | 14,752 |
| Other non-current liabilities | 71,433 | 89,392 |
| Total liabilities | 297,883 | 307,876 |
| Stockholders' equity | 663,528 | 691,424 |
| Total liabilities and stockholders' equity | \$ 961,411 | \$ 999,300 |

SECUREWORKS CORP.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Nine Months Ended | |
|---|--------------------------|-------------------------|
| | November 3, 2017 | October 28, 2016 |
| Cash flows from operating activities: | | |
| Net loss | \$ (37,955) | \$ (31,396) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 31,320 | 29,248 |
| Change in fair value of convertible notes | — | 132 |
| Stock-based compensation expense | 10,092 | 6,389 |
| Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies | 1,368 | (2,180) |
| Income tax benefit | (19,058) | (20,171) |
| Provision for doubtful accounts | 3,525 | 1,994 |
| Excess tax benefit from share-based payment | — | (221) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (27,557) | 6,148 |
| Due to/from parent | 9,415 | (20,027) |
| Inventories | 984 | 829 |
| Other assets | 24,291 | 1,529 |
| Accounts payable | (189) | 1,096 |
| Deferred revenue | 5,249 | 5,876 |
| Accrued and other liabilities | (4,690) | 2,080 |
| Net cash used in operating activities | (3,205) | (18,674) |
| Cash flows from investing activities: | | |
| Capital expenditures | (11,676) | (13,285) |
| Net cash used in investing activities | (11,676) | (13,285) |
| Cash flows from financing activities: | | |
| Proceeds from IPO, net | — | 99,604 |
| Capital contribution from parent, net | — | 9,547 |
| Excess tax benefit from share-based payment | — | 221 |
| Principal payments on financing arrangement with Dell Financial Services | (800) | — |
| Taxes paid on vested restricted shares | (1,224) | — |
| Net cash (used in) provided by financing activities | (2,024) | 109,372 |
| Net (decrease) increase in cash and cash equivalents | (16,905) | 77,413 |
| Cash and cash equivalents at beginning of the period | 116,595 | 33,422 |
| Cash and cash equivalents at end of the period | \$ 99,690 | \$ 110,835 |

Non-GAAP Financial Measures

This press release presents information about the Company's non-GAAP revenue, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP operating loss, non-GAAP net loss, non-GAAP net loss per share and adjusted EBITDA, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with GAAP. The Company believes these non-GAAP financial measures provide useful information to help evaluate its operating results by facilitating an enhanced understanding of its operating performance and enabling more meaningful period-to-period comparisons. There are limitations to the use of the non-GAAP financial measures presented in the press release. These non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in Secureworks' industry, may calculate non-GAAP financial measures differently than the Company does, limiting the usefulness of those measures for comparative purposes.

A reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure is provided below for each of the periods indicated. Investors are encouraged to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, the Company may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in this non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

The Company excludes the following items from one or more of its non-GAAP financial measures:

Impact of purchase accounting. The impact of purchase accounting consists primarily of purchase accounting adjustments related to a change in the basis of deferred revenue for the going-private transaction of Dell Inc. ("Dell"), an indirect parent of the Company, that was completed on October 29, 2013. The Company believes it is useful to exclude such purchase accounting adjustments related to the foregoing transactions as this deferred revenue generally results from multi-year service contracts under which deferred revenue is established upon sale and revenue is recognized over the term of the contract. Pursuant to the fair value provisions applicable to the accounting for business combinations, GAAP requires this deferred revenue to be recorded at its fair value, which is typically less than the book value. In presenting non-GAAP earnings, the Company adds back the reduction in revenue that results from this revaluation on the expectation that a significant majority of these service contracts will be renewed in the future and therefore the revaluation is not helpful in predicting its ongoing revenue trends. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to (1) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making, and (2) compare past and future reports of Secureworks' financial results, as the revenue reduction related to acquired deferred revenue will not recur when related service contracts are renewed in future periods.

Amortization of intangible assets. Amortization of intangible assets consists of amortization of customer relationships and acquired technology. In connection with Dell's going-private transaction, all of the Company's tangible and intangible assets and liabilities were accounted for and recognized at fair value on the transaction date. Accordingly, for periods after October 29, 2013, amortization of intangible assets consists of amortization associated with intangible assets recognized in connection with Dell's going-private transaction.

Stock-based compensation. Non-cash stock-based compensation relates to awards under both the Dell Technologies and Secureworks equity plans. We exclude such expenses when assessing the effectiveness of our operating performance since they do not necessarily correlate with the underlying operating performance of the business.

Other expenses. Other expenses include professional fees incurred by the Company in connection with the Company's initial public offering and amounts expensed in the settlement of a legal matter. The Company excludes these expenses for the purpose of calculating the non-GAAP financial measures because it believes these items are outside the ordinary course of business and do not contribute to a meaningful evaluation of its current operating performance or comparisons to its past operating performance.

Aggregate adjustment for income taxes. The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

As the excluded items can have a material impact on earnings, management compensates for this limitation by relying primarily on GAAP results and using non-GAAP financial measures supplementally. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for revenue, gross margin, research and development expenses, sales and marketing expenses, general and administrative expenses, operating loss or net loss prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

(Tables Follow)

SECUREWORKS CORP.

Reconciliation of GAAP to Non-GAAP Financial Measures

(in thousands, except per share data)

(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------|---------------------|---------------------|---------------------|
| | November 3, 2017 | October 28, 2016 | November 3, 2017 | October 28, 2016 |
| GAAP revenue | \$ 117,534 | \$ 107,108 | \$ 347,250 | \$ 310,554 |
| Impact of purchase accounting | 146 | 221 | 438 | 663 |
| Non-GAAP revenue | \$ 117,680 | \$ 107,329 | \$ 347,688 | \$ 311,217 |
| GAAP gross margin | \$ 61,808 | \$ 53,471 | \$ 181,257 | \$ 154,161 |
| Amortization of intangibles | 3,410 | 3,410 | 10,231 | 10,231 |
| Impact of purchase accounting | 156 | 271 | 468 | 888 |
| Stock-based compensation expense | 205 | 157 | 646 | 332 |
| Non-GAAP gross margin | \$ 65,579 | \$ 57,309 | \$ 192,602 | \$ 165,612 |
| GAAP research and development expenses | \$ 19,501 | \$ 16,963 | \$ 58,673 | \$ 51,933 |
| Stock-based compensation expense | (809) | (692) | (2,382) | (1,462) |
| Non-GAAP research and development expenses | \$ 18,692 | \$ 16,271 | \$ 56,291 | \$ 50,471 |
| GAAP sales and marketing expenses | \$ 37,296 | \$ 29,725 | \$ 112,085 | \$ 91,807 |
| Stock-based compensation expense | 135 | (363) | (490) | (768) |
| Non-GAAP sales and marketing expenses | \$ 37,431 | \$ 29,362 | \$ 111,595 | \$ 91,039 |
| GAAP general and administrative expenses | \$ 22,896 | \$ 21,626 | \$ 67,438 | \$ 64,311 |
| Amortization of intangibles | (3,525) | (3,524) | (10,572) | (10,571) |
| Impact of purchase accounting | (257) | (240) | (769) | (646) |
| Stock-based compensation expense | (2,055) | (1,812) | (6,574) | (3,827) |
| Other | — | — | — | (1,164) |
| Non-GAAP general and administrative expenses | \$ 17,059 | \$ 16,050 | \$ 49,523 | \$ 48,103 |
| GAAP operating loss | \$ (17,885) | \$ (14,843) | \$ (56,939) | \$ (53,890) |
| Amortization of intangibles | 6,935 | 6,934 | 20,803 | 20,802 |
| Impact of purchase accounting | 413 | 511 | 1,237 | 1,534 |
| Stock-based compensation expense | 2,934 | 3,024 | 10,092 | 6,389 |
| Other | — | — | — | 1,164 |
| Non-GAAP operating loss | \$ (7,603) | \$ (4,374) | \$ (24,807) | \$ (24,001) |
| GAAP net loss | \$ (11,601) | \$ (7,718) | \$ (37,955) | \$ (31,396) |
| Amortization of intangibles | 6,935 | 6,934 | 20,803 | 20,802 |
| Impact of purchase accounting | 413 | 511 | 1,237 | 1,534 |
| Stock-based compensation expense | 2,934 | 3,024 | 10,092 | 6,389 |
| Other | — | — | — | 1,164 |
| Aggregate adjustment for income taxes | (3,897) | (3,990) | (11,253) | (11,409) |
| Non-GAAP net loss | \$ (5,216) | \$ (1,239) | \$ (17,076) | \$ (12,916) |

| | | | | | | | | |
|---------------------------------------|----|--------|----|--------|----|--------|----|--------|
| GAAP net loss per share | \$ | (0.14) | \$ | (0.10) | \$ | (0.47) | \$ | (0.41) |
| Amortization of intangibles | | 0.09 | | 0.09 | | 0.26 | | 0.27 |
| Impact of purchase accounting | | 0.01 | | 0.01 | | 0.02 | | 0.02 |
| Stock-based compensation expense | | 0.04 | | 0.04 | | 0.13 | | 0.08 |
| Other | | — | | — | | — | | 0.02 |
| Aggregate adjustment for income taxes | | (0.05) | | (0.05) | | (0.14) | | (0.15) |
| Non-GAAP net loss per share * | \$ | (0.06) | \$ | (0.02) | \$ | (0.21) | \$ | (0.17) |

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

| | | | | | | | | |
|----------------------------------|----|----------|----|---------|----|----------|----|----------|
| GAAP net loss | \$ | (11,601) | \$ | (7,718) | \$ | (37,955) | \$ | (31,396) |
| Interest and other, net | | (121) | | (1,107) | | 953 | | (2,323) |
| Income tax benefit | | (6,163) | | (6,018) | | (19,937) | | (20,171) |
| Depreciation and amortization | | 10,654 | | 9,826 | | 31,320 | | 29,248 |
| Stock-based compensation expense | | 2,934 | | 3,024 | | 10,092 | | 6,389 |
| Impact of purchase accounting | | 146 | | 221 | | 438 | | 663 |
| Other | | — | | — | | — | | 1,164 |
| Adjusted EBITDA | \$ | (4,151) | \$ | (1,772) | \$ | (15,089) | \$ | (16,426) |

SECUREWORKS CORP.

Reconciliation of GAAP to Non-GAAP Financial Measures

(in thousands)

(unaudited)

| Percentage of Total Net Revenue | Three Months Ended | | Nine Months Ended | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | November 3, 2017 | October 28, 2016 | November 3, 2017 | October 28, 2016 |
| GAAP gross margin | 52.6 % | 49.9 % | 52.2 % | 49.6 % |
| Non-GAAP adjustment | 3.1 % | 3.5 % | 3.2 % | 3.6 % |
| Non-GAAP gross margin | 55.7 % | 53.4 % | 55.4 % | 53.2 % |
| GAAP research and development expenses | 16.6 % | 15.8 % | 16.9 % | 16.7 % |
| Non-GAAP adjustment | (0.7)% | (0.6)% | (0.7)% | (0.5)% |
| Non-GAAP research and development expenses | 15.9 % | 15.2 % | 16.2 % | 16.2 % |
| GAAP sales and marketing expenses | 31.7 % | 27.8 % | 32.3 % | 29.6 % |
| Non-GAAP adjustment | 0.1 % | (0.4)% | (0.2)% | (0.3)% |
| Non-GAAP sales and marketing expenses | 31.8 % | 27.4 % | 32.1 % | 29.3 % |
| GAAP general and administrative expenses | 19.5 % | 20.2 % | 19.4 % | 20.7 % |
| Non-GAAP adjustment | (5.0)% | (5.2)% | (5.2)% | (5.2)% |
| Non-GAAP general and administrative expenses | 14.5 % | 15.0 % | 14.2 % | 15.5 % |
| GAAP operating loss | (15.2)% | (13.9)% | (16.4)% | (17.4)% |
| Non-GAAP adjustment | 8.7 % | 9.8 % | 9.3 % | 9.7 % |
| Non-GAAP operating loss | (6.5)% | (4.1)% | (7.1)% | (7.7)% |
| GAAP net loss | (9.9)% | (7.2)% | (10.9)% | (10.1)% |
| Non-GAAP adjustment | 5.5 % | 6.0 % | 6.0 % | 5.9 % |
| Non-GAAP net loss | (4.4)% | (1.2)% | (4.9)% | (4.2)% |

SECUREWORKS CORP.

Reconciliation of GAAP to Non-GAAP Financial Measures
(in millions, except per share data)
(unaudited)

| | Low End of Guidance | | High End of Guidance | |
|---------------------------------------|---------------------|------------------|----------------------|------------------|
| | Three Months Ending | Full Year Ending | Three Months Ending | Full Year Ending |
| | February 2, 2018 | February 2, 2018 | February 2, 2018 | February 2, 2018 |
| GAAP revenue | \$ 117 | \$ 464 | \$ 118 | \$ 465 |
| Impact of purchase accounting | — | 1 | — | 1 |
| Non-GAAP revenue | \$ 117 | \$ 465 | \$ 118 | \$ 466 |
| GAAP net loss per share | \$ (0.18) | \$ (0.65) | \$ (0.17) | \$ (0.64) |
| Amortization of intangibles | 0.09 | 0.35 | 0.09 | 0.35 |
| Impact of purchase accounting | 0.01 | 0.02 | 0.01 | 0.02 |
| Stock-based compensation expense | 0.04 | 0.17 | 0.04 | 0.17 |
| Aggregate adjustment for income taxes | (0.05) | (0.19) | (0.05) | (0.19) |
| Non-GAAP net loss per share* | \$ (0.09) | \$ (0.30) | \$ (0.08) | \$ (0.29) |
| GAAP net loss | | \$ (52) | | \$ (51) |
| Interest and other, net | | 1 | | 1 |
| Income tax benefit | | (28) | | (28) |
| Depreciation and amortization | | 42 | | 42 |
| Stock-based compensation expense | | 13 | | 13 |
| Impact of purchase accounting | | 1 | | 1 |
| Adjusted EBITDA* | | \$ (23) | | \$ (22) |

* Sum of reconciling items may differ from total due to rounding of individual components
Sum of quarterly guidance may differ from full year guidance due to rounding