

Secureworks®

Q2 FY21 Performance Review

Sept. 9, 2020

Disclaimers

Non-GAAP Financial Measures

This presentation includes information about SecureWorks Corp.'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 income (loss), non-GAAP net income (loss), adjusted EBITDA, and non-GAAP net income per share, which are not measurements of financial performance prepared in accordance with U.S. generally accepted accounting principles. We have provided a reconciliation of the non-GAAP measures to the most directly comparable GAAP measures in the slides captioned "Reconciliation of non-GAAP to GAAP Financial Measures."

Special Note on Forward Looking Statements

Statements in this material that relate to future results and events are forward-looking statements and are based on SecureWorks Corp.'s current expectations. These forward-looking statements include but are not limited to SecureWorks Corp.'s current expectations regarding GAAP revenue, non-GAAP revenue, GAAP net loss per share and non-GAAP net income per share for the third quarter and full year of fiscal 2021, and Adjusted EBITDA, cash flow from operations and capital expenditures for the full year of fiscal 2021. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including those discussed in SecureWorks Corp.'s periodic reports filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this presentation. SecureWorks Corp. assumes no obligation to update its forward-looking statements.

Q2 Fiscal 2021

Consolidated GAAP Results

(\$ in millions)

	Q2 FY21	Q2 FY20	Change
Revenue	138.5	136.6	1.4%
Gross Margin	78.6	73.0	7.6%
GM % of Revenue	56.7%	53.4%	330 bps
R&D	24.1	24.9	-3.0%
S&M	35.6	38.0	-6.4%
G&A	21.8	25.1	-13.3%
Operating Expenses *	81.5	88.1	-7.4%
OpEx % of Revenue	58.9%	64.5%	-560 bps
Operating Loss	(3.0)	(15.0)	-80.3%
OpLoss % of Revenue	-2.1%	-11.0%	890 bps
Interest & Other (Net)	0.0	2.0	-98.5%
I&O % of Revenue	0.0%	1.4%	140 bps
Income Tax	(1.7)	(2.8)	-40.1%
Effective Tax Rate	58%	22%	
Net Loss	(1.2)	(10.3)	-88.0%
NL % of Revenue	-0.9%	-7.5%	660 bps

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

Q2 Fiscal 2021

Consolidated Non-GAAP Results

(\$ in millions)

	Q2 FY21	Q2 FY20	Change
Revenue	138.5	136.6	1.4%
Gross Margin	82.6	77.0	7.3%
GM % of Revenue	59.7%	56.3%	340 bps
R&D	23.0	23.9	-3.6%
S&M	34.7	37.1	-6.4%
G&A	14.9	18.3	-18.4%
Operating Expenses	72.7	79.3	-8.3%
OpEx % of Revenue	52.5%	58.1%	-560bps
Operating Income (Loss)	9.9	(2.4)	-521.5%
OpInc (Loss) % of Revenue	7.2%	-1.7%	890 bps
Net Income (Loss)	8.4	(0.7)	-1368.8%
NI (Loss) % of Revenue	6.0%	-0.5%	650 bps
Adj. EBITDA	13.1	1.3	875.9%
Adj. EBITDA % of Revenue	9.5%	1.0%	850 bps

Q2 Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures

(In thousands, except per
share data)

Three Months Ended

	July 31, 2020	August 2, 2019
GAAP Revenue	\$138,476	\$136,605
Non-GAAP Revenue	\$138,476	\$136,605
GAAP Gross Margin	\$78,576	\$73,010
Amortizations of Intangibles	3,648	3,560
Stock-Based Compensation Expense	398	396
Non-GAAP Gross Margin	\$82,622	\$76,966
GAAP Research and Development Expense	\$24,109	\$24,863
Stock-Based Compensation Expense	(1,097)	(985)
Non-GAAP Research and Development Expenses	\$23,012	\$23,878
GAAP Sales and Marketing Expenses	\$35,624	\$38,047
Stock-Based Compensations Expense	(882)	(917)
Non-GAAP Sales and Marketing Expenses	\$34,742	\$37,130
GAAP General and Administrative Expenses	\$21,800	\$25,146
Amortization of Intangibles	(3,524)	(3,524)
Stock-Based Compensation Expense	(3,330)	(3,311)
Non-GAAP General and Administrative Expenses	\$14,946	18,311

Q2 Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures (Continued)

(In thousands, except per
share data)

	July 31, 2020	August 2, 2019
GAAP Operating Loss	\$(2,957)	\$(15,046)
Amortization of Intangibles	7,172	7,083
Stock-Based Compensation Expense	5,707	5,609
Non-GAAP Operating Income (Loss)	\$9,922	\$(2,354)
GAAP Net Loss	\$(1,227)	\$(10,260)
Amortization of Intangibles	7,172	7,083
Stock-Based Compensation Expense	5,707	5,609
Aggregate Adjustments for Income Taxes	(3,278)	(3,092)
Non-GAAP Net Income (Loss)	\$8,374	\$(660)
GAAP Net Loss	\$(1,227)	\$(10,260)
Interest and Other, Net	(30)	(1,950)
Income Tax Benefit	(1,700)	(2,836)
Depreciation and Amortization	10,386	10,783
Stock-Based Compensation Expense	5,707	5,609
Adjusted EBITDA	\$13,136	\$1,346

Q3 and Full Year Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures (Continued)

(In thousands, except per
share data)

	Three Months Ending October 30, 2020		Fiscal Year Ending January 29, 2021	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 137	\$ 139	\$ 554	\$ 558
GAAP net loss per share	\$ (0.09)	\$ (0.07)	\$ (0.31)	\$ (0.28)
Amortization of intangibles	0.09	0.09	0.35	0.35
Stock-based compensation expense	0.08	0.08	0.30	0.30
Aggregate adjustment for income taxes	(0.04)	(0.03)	(0.15)	(0.15)
Non-GAAP net income per share*	\$ 0.04	\$ 0.06	\$ 0.19	\$ 0.23
GAAP net loss			\$ (25)	\$ (23)
Interest and other, net			(1)	(1)
Income tax benefit			(10)	(9)
Depreciation and amortization			41	41
Stock-based compensation expense			25	25
Adjusted EBITDA*			\$ 29	\$ 33
Other Items				
Effective tax rate				29%
Weighted average shares outstanding (in millions)				81.2
Cash flow from operations				\$55-\$60
Capital expenditures				\$3-\$5

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



THANK YOU

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