

Secureworks®

Q1 Fiscal Performance Review

Jun. 3, 2021

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 earnings (loss) 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."

Operating Metrics

The Company defines annual recurring revenue (ARR) as the value of its subscription contracts as of a particular date. Because the Company uses recurring revenue as a leading indicator of future annual revenue, it includes operational backlog. Operational backlog is defined as the recurring revenue associated with pending contracts, which are contracts that have been sold but for which the service period has not yet commenced.

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 loss per share for the second quarter of fiscal 2022, and GAAP revenue, non-GAAP revenue, Adjusted EBITDA, GAAP net loss, non-GAAP net loss, GAAP net loss per share, non-GAAP net loss per share, cash flow from operations, capital expenditures, tax benefit rate, annual recurring revenue and revenue for the Taegis platform for the full year of fiscal 2022. 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.



Our Vision

To be the essential cybersecurity company for a digitally connected world



Our Purpose

To secure human progress by outpacing and outmaneuvering adversaries

Q1 Fiscal 2022

Performance Highlights

SOLID 1Q22 RESULTS:

- **Revenue** of \$139.5 million (-1% Y/Y)
- **Total ARR** at \$421.5 million, with **Taegis** now representing **17.2%**
- **Record Gross margin percentage** of 62% (+380bps Y/Y)
- **Adjusted EBITDA** of \$8.1 million (+44% Y/Y)
- **Earnings per Share** of \$0.05

On track to derive **100% of ARR from cloud-native software** over the long-term

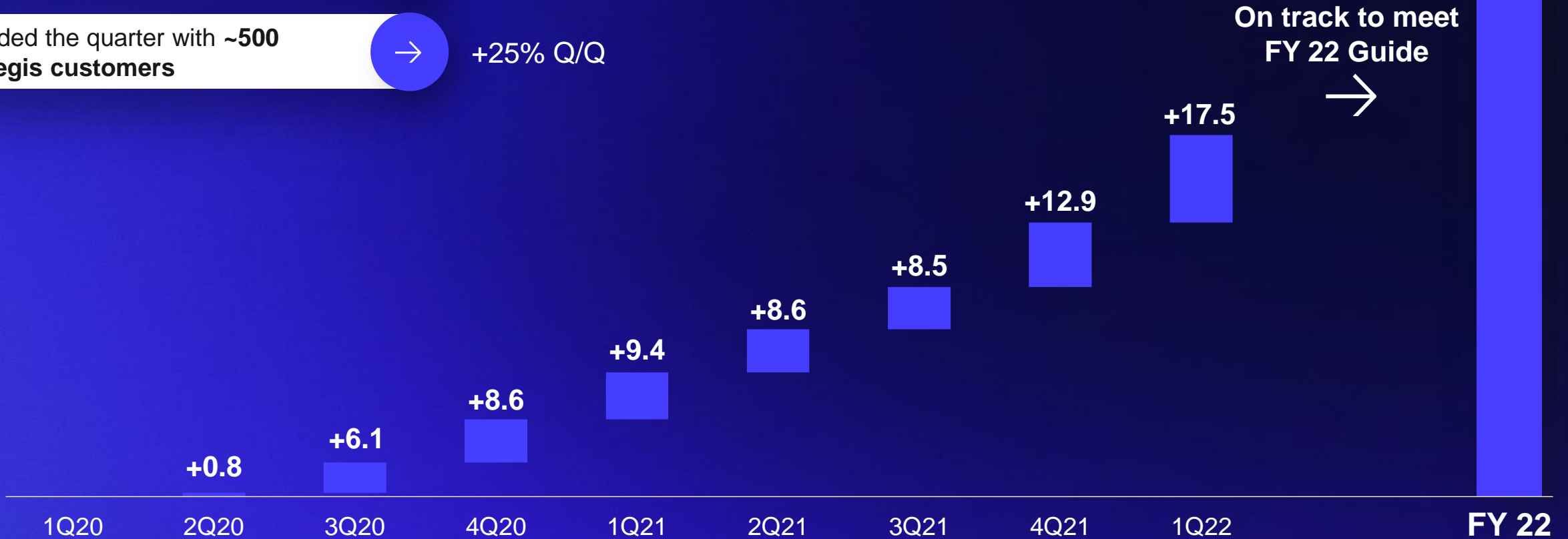
Drove robust **Taegis customer count growth**, up +25% Q/Q

Increased the average Taegis revenue per customer to ~\$143K, *lifting the **total average revenue per customer to the highest in company history***

Signed Dell to MSSP track, with momentum expected to build in 2H FY22

Taegis Traction & ARR Momentum

- Taegis ARR of ~\$72M → +32% Q/Q
- \$17.5M ARR added → +35% Q/Q
- Ended the quarter with ~500 Taegis customers → +25% Q/Q



Q1 Fiscal 2022

Consolidated GAAP Results

(\$ in millions)

	1Q22	1Q21	Change
Revenue	139.5	141.2	-1.2%
Gross Margin	82.3	78.3	5.1%
<i>GM % of Revenue</i>	<i>59.0%</i>	<i>55.4%</i>	<i>360 bps</i>
R&D	28.2	24.1	16.9%
S&M	36.4	37.5	-2.8%
G&A	25.6	27.5	-7.1%
Operating Expenses	90.1	89.0	1.2%
<i>OpEx % of Revenue</i>	<i>64.6%</i>	<i>63.1%</i>	<i>150 bps</i>
Operating Loss	(7.9)	(10.8)	-27.0%
<i>OpLoss % of Revenue</i>	<i>-5.6%</i>	<i>-7.6%</i>	<i>200 bps</i>
Interest & Other (Net)	(0.9)	1.0	-191.3%
<i>I&O % of Revenue</i>	<i>-0.7%</i>	<i>0.7%</i>	<i>-140 bps</i>
Income Tax	(2.4)	(2.2)	5.9%
<i>Effective Tax Rate</i>	<i>27%</i>	<i>23%</i>	
Net Loss	(6.4)	(7.5)	-15.2%
<i>NL % of Revenue</i>	<i>-4.6%</i>	<i>-5.3%</i>	<i>70 bps</i>

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

* See supplemental slides in Appendix for reconciliation of GAAP to Non-GAAP measures.

Q1 Fiscal 2022

Consolidated Non-GAAP Results

(\$ in millions)

	1Q22	1Q21	Change
Revenue	139.5	141.2	-1.2%
Gross Margin <i>GM % of Revenue</i>	86.4 61.9%	82.1 58.1%	5.2% 380 bps
R&D	27.1	22.8	18.8%
S&M	35.7	36.7	-2.8%
G&A	18.1	20.5	-11.5%
Operating Expenses <i>OpEx % of Revenue</i>	80.9 58.0%	80.0 56.7%	1.1% 130 bps
Operating Income <i>OpInc (Loss) % of Revenue</i>	5.5 4.0%	2.1 1.5%	162.7% 250 bps
Net Income <i>NI % of Revenue</i>	4.0 2.9%	2.5 1.8%	57.6% 110 bps
Adj. EBITDA <i>Adj. EBITDA % of Revenue</i>	8.1 5.8%	5.6 4.0%	44.5% 180 bps

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Q2 and Full Year Fiscal 2022

Financial Guidance

Q2 FY 2022 GUIDANCE RANGES	LOW	HIGH	COMMENTARY
GAAP and Non-GAAP Revenue	\$134M	\$136M	
Non-GAAP net loss per share	(\$0.03)	\$0.00	

FY 2022 GUIDANCE RANGES	LOW	HIGH	COMMENTARY
GAAP and Non-GAAP Revenue	\$540M	\$550M	<ul style="list-style-type: none"> Shifting from partner-led service delivery model to cloud-based security platform
- Taegis ARR	At least \$150M		
- Taegis Revenue	\$90M	\$100M	
Adjusted EBITDA	(\$5M)	\$5M	<ul style="list-style-type: none"> Incremental FY22 investment to extend the Taegis platform, expand our Partner Program and promote Taegis.
Non-GAAP net loss per share	(\$0.13)	(\$0.04)	<ul style="list-style-type: none"> Anticipate some pandemic-related costs coming back and strategic investments
Cash flow from operations	\$0M	\$10M	<ul style="list-style-type: none"> Use of cash in Q1, driven by our annual performance payouts, offset by cash from operations in later quarters
Capital expenditures	\$7M	\$10M	

* See supplemental slides in Appendix for reconciliation of GAAP to Non-GAAP measures.

THANK YOU

APPENDIX



Supplemental GAAP to Non-GAAP Financial Measures

Q1 Fiscal 2022

Reconciliation GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

	Three Months Ended	
	April 30, 2021	May 1, 2020
GAAP revenue	\$ 139,463	\$ 141,181
Non-GAAP revenue	\$ 139,463	\$ 141,181
GAAP gross margin	\$ 82,256	\$ 78,272
Amortization of intangibles	3,819	3,460
Stock-based compensation expense	299	355
Gross Non-GAAP gross margin	\$ 86,374	\$ 82,087
GAAP research and development expenses	\$ 28,152	\$ 24,073
Stock-based compensation expense	(1,098)	(1,291)
Non-GAAP research and development expenses	\$ 27,054	\$ 22,782
GAAP sales and marketing expenses	\$ 36,405	\$ 37,452
Stock-based compensation expense	(732)	(741)
Non-GAAP sales and marketing expenses	\$ 35,673	\$ 36,711
GAAP general and administrative expenses	\$ 25,555	\$ 27,516
Amortization of intangibles	(3,524)	(3,524)
Stock-based compensation expense	(3,906)	(3,500)
Non-GAAP general and administrative expenses	\$ 18,125	\$ 20,492
GAAP operating income (loss)	\$ (7,856)	\$ (10,769)
Amortization of intangibles	7,343	6,984
Stock-based compensation expense	6,035	5,887
Non-GAAP operating income (loss)	\$ 5,522	\$ 2,102
GAAP net income (loss)	\$ (6,390)	\$ (7,536)
Amortization of intangibles	7,343	6,984
Stock-based compensation expense	6,035	5,887
Aggregate adjustment for income taxes	(2,997)	(2,803)
Non-GAAP net income (loss)	\$ 3,991	\$ 2,532
GAAP earnings (loss) per share	\$ (0.08)	\$ (0.09)
Amortization of intangibles	0.09	0.09
Stock-based compensation expense	0.07	0.07
Aggregate adjustment for income taxes	(0.04)	(0.03)
Non-GAAP earnings (loss) per share *	\$ 0.05	\$ 0.03
GAAP net income (loss)	\$ (6,390)	\$ (7,536)
Interest and other, net	907	(993)
Income tax expense (benefit)	(2,373)	(2,240)
Depreciation and amortization	9,918	10,486
Stock-based compensation expense	6,035	5,887
Adjusted EBITDA	\$ 8,097	\$ 5,604

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

Q2 and Full Year Fiscal 2022

Reconciliation GAAP to Non-GAAP Financial Measures (Continued)

(In millions, except per
share data)

	Three Months Ending July 30, 2021		Fiscal Year Ending January 28, 2022	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 134	\$ 136	\$ 540	\$ 550
GAAP net loss	\$ (12)	\$ (11)	\$ (57)	\$ (48)
Amortization of intangibles	7	7	29	29
Stock-based compensation expense	7	7	30	30
Aggregate adjustment for income taxes	(4)	(3)	(13)	(14)
Non-GAAP net loss*	\$ (2)	\$ 0	\$ (10)	\$ (3)
GAAP net loss per share	\$ (0.15)	\$ (0.13)	\$ (0.70)	\$ (0.59)
Amortization of intangibles	0.09	0.09	\$ 0.36	0.36
Stock-based compensation expense	0.08	0.08	\$ 0.36	0.36
Aggregate adjustment for income taxes	(0.05)	(0.04)	\$ (0.15)	(0.17)
Non-GAAP net loss per share*	\$ (0.03)	\$ 0.00	\$ (0.13)	\$ (0.04)
GAAP net loss			\$ (57)	\$ (48)
Interest and other, net			1	1
Income tax benefit			(18)	(16)
Depreciation and amortization			39	39
Stock-based compensation expense			30	30
Adjusted EBITDA*			\$ (5)	\$ 5
Other Items				
Effective tax rate				24%
Weighted average shares outstanding (in millions)				82.1
Cash flow from operations				Breakeven to \$10
Capital expenditures				\$7-\$10

* 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

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