

# 4Q FY20 Performance Review

March 27, 2020

Secureworks®

# 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 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 GAAP to Non-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 loss per share and non-GAAP loss per share for the first quarter of fiscal year 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.

# CONSOLIDATED GAAP RESULTS

## 4Q and Full Year Fiscal 2020

### GAAP

	\$ in millions					
	4Q19	4Q20	Change	FY19	FY20	Change
<b>Revenue</b>	<b>130.7</b>	<b>142.0</b>	<b>8.6%</b>	<b>518.7</b>	<b>552.8</b>	<b>6.6%</b>
<b>Gross Margin</b>	<b>69.8</b>	<b>77.2</b>	<b>10.6%</b>	<b>272.6</b>	<b>300.0</b>	<b>10.0%</b>
<i>GM % of Revenue</i>	<i>53.4%</i>	<i>54.4%</i>	<i>100 bps</i>	<i>52.6%</i>	<i>54.3%</i>	<i>170 bps</i>
R&D	21.7	23.4	7.7%	87.6	95.0	8.4%
S&M	35.9	40.7	13.5%	141.8	157.7	11.2%
G&A	22.7	25.6	13.1%	91.9	99.5	8.3%
<b>Operating Expenses</b>	<b>80.2</b>	<b>89.7</b>	<b>11.9%</b>	<b>321.3</b>	<b>352.1</b>	<b>9.6%</b>
<i>OpEx % of Revenue</i>	<i>61.4%</i>	<i>63.2%</i>	<i>180 bps</i>	<i>61.9%</i>	<i>63.7%</i>	<i>180 bps</i>
<b>Operating Loss</b>	<b>(10.4)</b>	<b>(12.5)</b>	<b>20.4%</b>	<b>(48.7)</b>	<b>(52.2)</b>	<b>7.1%</b>
<i>OpLoss % of Revenue</i>	<i>-8.0%</i>	<i>-8.8%</i>	<i>-80 bps</i>	<i>-9.4%</i>	<i>-9.4%</i>	<i>---</i>
<b>Interest &amp; Other (Net)</b>	<b>0.2</b>	<b>(0.1)</b>	<b>-156.6%</b>	<b>2.8</b>	<b>0.9</b>	<b>-69.4%</b>
<i>I&amp;O % of Revenue</i>	<i>0.1%</i>	<i>-0.1%</i>	<i>-20 bps</i>	<i>0.5%</i>	<i>0.2%</i>	<i>-30 bps</i>
<b>Income Tax</b>	<b>1.6</b>	<b>(7.4)</b>	<b>-570.4%</b>	<b>(6.9)</b>	<b>(19.7)</b>	<b>186.9%</b>
<i>Effective Tax Rate</i>	<i>-15%</i>	<i>59%</i>		<i>15%</i>	<i>38%</i>	
<b>Net Loss</b>	<b>(11.8)</b>	<b>(5.2)</b>	<b>-55.6%</b>	<b>(39.1)</b>	<b>(31.7)</b>	<b>-19.0%</b>
<i>NL % of Revenue</i>	<i>-9.0%</i>	<i>-3.7%</i>	<i>530 bps</i>	<i>-7.5%</i>	<i>-5.7%</i>	<i>180 bps</i>

# CONSOLIDATED Non-GAAP RESULTS

## 4Q and Full Year Fiscal 2020

### NON-GAAP

	\$ in millions					
	4Q19	4Q20	Change	FY19	FY20	Change
<b>Revenue</b>	<b>130.7</b>	<b>142.0</b>	<b>8.6%</b>	<b>518.7</b>	<b>552.8</b>	<b>6.6%</b>
<b>Gross Margin</b>	<b>73.2</b>	<b>81.0</b>	<b>10.5%</b>	<b>287.0</b>	<b>315.3</b>	<b>9.8%</b>
<i>GM % of Revenue</i>	<i>56.0%</i>	<i>57.0%</i>	<i>98 bps</i>	<i>55.3%</i>	<i>57.0%</i>	<i>170 bps</i>
R&D	20.5	22.2	8.4%	83.5	90.7	8.6%
S&M	35.3	41.4	17.1%	139.2	156.0	12.1%
G&A	15.9	18.8	18.1%	66.0	73.0	10.7%
<b>Operating Expenses</b>	<b>71.7</b>	<b>82.5</b>	<b>15.0%</b>	<b>288.7</b>	<b>319.7</b>	<b>10.8%</b>
<i>OpEx % of Revenue</i>	<i>54.9%</i>	<i>58.1%</i>	<i>320 bps</i>	<i>55.6%</i>	<i>57.8%</i>	<i>220 bps</i>
<b>Operating Income (Loss)</b>	<b>1.4</b>	<b>(1.5)</b>	<b>-205.4%</b>	<b>(1.6)</b>	<b>(4.4)</b>	<b>173.2%</b>
<i>OpInc (Loss) % of Revenue</i>	<i>1.1%</i>	<i>-1.1%</i>	<i>-220 bps</i>	<i>-0.3%</i>	<i>-0.8%</i>	<i>-50 bps</i>
<b>Net Income</b>	<b>1.5</b>	<b>1.9</b>	<b>24.6%</b>	<b>1.4</b>	<b>0.2</b>	<b>-86.2%</b>
<i>NI % of Revenue</i>	<i>1.2%</i>	<i>1.3%</i>	<i>10 bps</i>	<i>0.3%</i>	<i>0.0%</i>	<i>-30 bps</i>
<b>Adj. EBITDA</b>	<b>4.8</b>	<b>2.3</b>	<b>-51.9%</b>	<b>11.8</b>	<b>10.3</b>	<b>-13.0%</b>
<i>Adj. EBITDA % of Revenue</i>	<i>3.7%</i>	<i>1.6%</i>	<i>-210 bps</i>	<i>2.3%</i>	<i>1.9%</i>	<i>-40 bps</i>

# Reconciliation of GAAP to Non- GAAP Financial Measures

## 4Q and Full Year Fiscal 2020

### SECUREWORKS CORP.

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

	Three Months Ended		Twelve Months Ended	
	January 31, 2020	February 1, 2019	January 31, 2020	February 1, 2019
GAAP revenue	\$ 141,986	\$ 130,710	\$ 552,765	\$ 518,709
Non-GAAP revenue	\$ 141,986	\$ 130,710	\$ 552,765	\$ 518,709
GAAP gross margin	\$ 77,194	\$ 69,804	\$ 299,969	\$ 272,592
Amortization of intangibles	3,560	3,411	14,089	13,642
Stock-based compensation expense	197	12	1,206	780
Gross Non-GAAP gross margin	\$ 80,951	\$ 73,227	\$ 315,264	\$ 287,014
GAAP research and development expenses	\$ 23,364	\$ 21,687	\$ 94,964	\$ 87,608
Stock-based compensation expense	(1,123)	(1,163)	(4,280)	(4,133)
Non-GAAP research and development expenses	\$ 22,241	\$ 20,524	\$ 90,684	\$ 83,475
GAAP sales and marketing expenses	\$ 40,708	\$ 35,854	\$ 157,674	\$ 141,818
Stock-based compensation expense	695	(511)	(1,694)	(2,652)
Non-GAAP sales and marketing expenses	\$ 41,403	\$ 35,343	\$ 155,980	\$ 139,166
GAAP general and administrative expenses	\$ 25,643	\$ 22,663	\$ 99,505	\$ 91,898
Amortization of intangibles	(3,524)	(3,524)	(14,094)	(14,094)
Stock-based compensation expense	(3,305)	(3,209)	(12,368)	(11,805)
Non-GAAP general and administrative expenses	\$ 18,814	\$ 15,930	\$ 73,043	\$ 65,999
GAAP operating income (loss)	\$ (12,521)	\$ (10,400)	\$ (52,174)	\$ (48,732)
Amortization of intangibles	7,083	6,934	28,183	27,736
Stock-based compensation expense	3,931	4,895	19,548	19,370
Non-GAAP operating income (loss)	\$ (1,507)	\$ 1,429	\$ (4,443)	\$ (1,626)

# Reconciliation of GAAP to Non- GAAP Financial Measures (cont.)

4Q and Full Year  
Fiscal 2020

**SECUREWORKS CORP.**  
Reconciliation of GAAP to Non-GAAP Financial Measures  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended		Twelve Months Ended	
	January 31, 2020	February 1, 2019	January 31, 2020	February 1, 2019
GAAP net loss	\$ (5,228)	\$ (11,778)	\$ (31,666)	\$ (39,101)
Amortization of intangibles	7,083	6,934	28,183	27,736
Stock-based compensation expense	3,931	4,895	19,548	19,370
Impact of Tax Cuts and Jobs Act	(1,191)	4,325	(1,191)	4,325
Aggregate adjustment for income taxes	(2,691)	(2,848)	(14,688)	(10,978)
Non-GAAP net income	<u>\$ 1,904</u>	<u>\$ 1,528</u>	<u>\$ 186</u>	<u>\$ 1,352</u>
GAAP net loss	\$ (5,228)	\$ (11,778)	\$ (31,666)	\$ (39,101)
Interest and other, net	111	(196)	(850)	(2,778)
Income tax expense (benefit)	(7,404)	1,574	(19,658)	(6,853)
Depreciation and amortization	10,915	10,335	42,932	41,207
Stock-based compensation expense	3,931	4,895	19,548	19,370
Adjusted EBITDA	<u>\$ 2,325</u>	<u>\$ 4,830</u>	<u>\$ 10,306</u>	<u>\$ 11,845</u>

# Reconciliation of GAAP to Non- GAAP Financial Measures (cont.)

## Q1 FY21 Guidance

### SECUREWORKS CORP.

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

	Three Months Ending May 1, 2020	
	Low End of Guidance	High End of Guidance
GAAP revenue	\$ 133.5	\$ 137.5
Impact of purchase accounting	-	-
Non-GAAP revenue	\$ 133.5	\$ 137.5
GAAP net loss per share	\$ (0.19)	\$ (0.15)
Amortization of intangibles	0.09	0.09
Stock-based compensation expense	0.08	0.08
Aggregate adjustment for income taxes	(0.03)	(0.04)
Non-GAAP net loss per share*	\$ (0.06)	\$ (0.02)
GAAP net loss		
Interest and other, net		
Income tax benefit		
Depreciation and amortization		
Stock-based compensation expense		
Impact of purchase accounting		
Adjusted EBITDA*		
Other Items		
Effective tax rate		28%
Weighted average shares outstanding (in millions)		80.5

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

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