

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

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

**For the quarterly period ended July 30, 2021**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-37748

**Secureworks®**

**SecureWorks Corp.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**One Concourse Parkway NE  
Suite 500**

**Atlanta, Georgia**

(Address of principal executive offices)

**27-0463349**

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

**30328**

(Zip Code)

(Registrant's telephone number, including area code): **(404) 327-6339**

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
<b>Class A Common Stock, par value \$0.01 per share</b>	<b>SCWX</b>	<b>The Nasdaq Stock Market LLC (Nasdaq Global Select Market)</b>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 31, 2021, there were 85,349,201 shares of the registrant's common stock outstanding, consisting of 15,349,201 outstanding shares of Class A common stock and 70,000,000 outstanding shares of Class B common stock.

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Except where the content otherwise requires or where otherwise indicated, all references in this report to "Secureworks," "we," "us," "our" and "our Company" to refer to SecureWorks Corp. and our subsidiaries on a consolidated basis.

## Part I. Financial Information

### Item 1. Financial Statements

#### SECUREWORKS CORP.

#### CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited) (in thousands, except for per share data)

	July 30, 2021	January 29, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 196,961	\$ 220,300
Accounts receivable, net of allowances of \$4,459 and \$4,830, respectively	97,835	108,005
Inventories, net	627	560
Other current assets	17,143	17,349
Total current assets	312,566	346,214
Property and equipment, net	13,149	17,143
Operating lease right-of-use assets, net	20,085	22,330
Goodwill	426,149	425,861
Intangible assets, net	146,128	157,820
Other non-current assets	76,516	75,993
Total assets	<u>\$ 994,593</u>	<u>\$ 1,045,361</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 15,446	\$ 16,769
Accrued and other current liabilities	76,415	109,134
Short-term deferred revenue	168,001	168,437
Total current liabilities	259,862	294,340
Long-term deferred revenue	7,418	9,590
Operating lease liabilities, non-current	19,736	22,461
Other non-current liabilities	50,059	51,189
Total liabilities	337,075	377,580
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock - \$0.01 par value: 200,000 shares authorized; — shares issued	—	—
Common stock - Class A of \$0.01 par value: 2,500,000 shares authorized; 14,092 and 12,450 issued and outstanding, respectively.	141	124
Common stock - Class B of \$0.01 par value: 500,000 shares authorized; 70,000 shares issued and outstanding	700	700
Additional paid in capital	925,131	917,344
Accumulated deficit	(247,984)	(229,831)
Accumulated other comprehensive loss	(574)	(660)
Treasury stock, at cost - 1,257 and 1,257 shares, respectively	(19,896)	(19,896)
Total stockholders' equity	657,518	667,781
Total liabilities and stockholders' equity	<u>\$ 994,593</u>	<u>\$ 1,045,361</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(in thousands, except per share data)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 30, 2021</b>	<b>July 31, 2020</b>	<b>July 30, 2021</b>	<b>July 31, 2020</b>
<b>Net revenue:</b>				
Subscription	\$ 102,426	\$ 106,259	\$ 206,496	\$ 212,616
Professional services	31,746	32,217	67,139	67,041
Total net revenue	<u>134,172</u>	<u>138,476</u>	<u>273,635</u>	<u>279,657</u>
<b>Cost of revenue:</b>				
Subscription	37,058	39,989	74,730	82,455
Professional services	19,425	19,911	38,960	40,354
Total cost of revenue	<u>56,483</u>	<u>59,900</u>	<u>113,690</u>	<u>122,809</u>
Gross profit	77,689	78,576	159,945	156,848
<b>Operating expenses:</b>				
Research and development	30,417	24,109	58,569	48,182
Sales and marketing	34,685	35,624	71,090	73,076
General and administrative	26,488	21,800	52,043	49,316
Total operating expenses	<u>91,590</u>	<u>81,533</u>	<u>181,702</u>	<u>170,574</u>
Operating loss	(13,901)	(2,957)	(21,757)	(13,726)
Interest and other, net	(601)	30	(1,508)	1,023
Loss before income taxes	<u>(14,502)</u>	<u>(2,927)</u>	<u>(23,265)</u>	<u>(12,703)</u>
Income tax benefit	(2,739)	(1,700)	(5,112)	(3,940)
Net loss	<u>\$ (11,763)</u>	<u>\$ (1,227)</u>	<u>\$ (18,153)</u>	<u>\$ (8,763)</u>
Loss per common share (basic and diluted)	<u>\$ (0.14)</u>	<u>\$ (0.02)</u>	<u>\$ (0.22)</u>	<u>\$ (0.11)</u>
Weighted-average common shares outstanding (basic and diluted)	<u>82,979</u>	<u>81,417</u>	<u>82,482</u>	<u>81,177</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SECUREWORKS CORP.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 30, 2021</b>	<b>July 31, 2020</b>	<b>July 30, 2021</b>	<b>July 31, 2020</b>
Net loss	\$ (11,763)	\$ (1,227)	\$ (18,153)	\$ (8,763)
Foreign currency translation adjustments, net of tax	(378)	1,736	86	514
Comprehensive (loss)/income	<u>\$ (12,141)</u>	<u>\$ 509</u>	<u>\$ (18,067)</u>	<u>\$ (8,249)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(in thousands)

	Six Months Ended	
	July 30, 2021	July 31, 2020
Cash flows from operating activities:		
Net loss	\$ (18,153)	\$ (8,763)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,863	20,872
Amortization of right of use asset	2,098	2,247
Stock-based compensation expense	13,615	11,594
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	1,344	(1,242)
Income tax benefit	(5,112)	(3,940)
Other non cash impacts	—	150
Provision for credit losses	448	1,314
Changes in assets and liabilities:		
Accounts receivable	9,532	2,352
Net transactions with parent	(8,903)	3,822
Inventories	(67)	41
Other assets	4,418	1,444
Accounts payable	(1,293)	1,507
Deferred revenue	(2,912)	(1,784)
Operating leases, net	(2,970)	(856)
Accrued and other liabilities	(25,185)	(22,735)
Net cash (used)/provided by operating activities	(13,277)	6,023
Cash flows from investing activities:		
Software development costs	(3,218)	—
Capital expenditures	(1,033)	(1,709)
Net cash used in investing activities	(4,251)	(1,709)
Cash flows from financing activities:		
Payment of taxes for equity awards	(9,945)	(4,658)
Proceeds from stock option exercises	4,134	—
Net cash used in financing activities	(5,811)	(4,658)
Net decrease in cash and cash equivalents	(23,339)	(344)
Cash and cash equivalents at beginning of the period	220,300	181,838
Cash and cash equivalents at end of the period	\$ 196,961	\$ 181,494

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SECUREWORKS CORP.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)**

(in thousands, except per share data)

Three Months Ended July 30, 2021

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, April 30, 2021	13,550	\$ 135	70,000	\$ 700	\$ 916,527	\$ (236,221)	\$ (196)	\$ (19,896)	\$ 661,049
Net loss	—	—	—	—	—	(11,763)	—	—	(11,763)
Other comprehensive loss	—	—	—	—	—	—	(378)	—	(378)
Vesting of restricted stock units	57	1	—	—	(1)	—	—	—	—
Exercise of stock options	1,417	14	—	—	4,120	—	—	—	4,134
Common stock withheld as payment of taxes and cost for equity awards	(932)	(9)	—	—	(3,095)	—	—	—	(3,104)
Stock-based compensation	—	—	—	—	7,580	—	—	—	7,580
Balances, July 30, 2021	14,092	\$ 141	70,000	\$ 700	\$ 925,131	\$ (247,984)	\$ (574)	\$ (19,896)	\$ 657,518

Six Months Ended July 30, 2021

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, January 29, 2021	12,450	\$ 124	70,000	\$ 700	\$ 917,344	\$ (229,831)	\$ (660)	\$ (19,896)	\$ 667,781
Net loss	—	—	—	—	—	(18,153)	—	—	(18,153)
Other comprehensive income	—	—	—	—	—	—	86	—	86
Vesting of restricted stock units	1,197	12	—	—	(12)	—	—	—	—
Exercise of stock options	1,417	14	—	—	4,120	—	—	—	4,134
Grant of restricted stock awards	485	5	—	—	(5)	—	—	—	—
Common stock withheld as payment of taxes and cost for equity awards	(1,457)	(14)	—	—	(9,931)	—	—	—	(9,945)
Stock-based compensation	—	—	—	—	13,615	—	—	—	13,615
Balances, July 30, 2021	14,092	\$ 141	70,000	\$ 700	\$ 925,131	\$ (247,984)	\$ (574)	\$ (19,896)	\$ 657,518

The accompanying notes are an integral part of these condensed consolidated financial statements.

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)**  
(in thousands, except per share data)

Three Months Ended July 31, 2020

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, May 1, 2020	12,120	\$ 121	70,000	\$ 700	\$ 898,370	\$ (215,465)	\$ (4,312)	\$ (19,896)	\$ 659,518
Net loss	—	—	—	—	—	(1,227)	—	—	(1,227)
Other comprehensive income	—	—	—	—	—	—	1,736	—	1,736
Vesting of restricted stock units	76	1	—	—	(1)	—	—	—	—
Common stock withheld as payment of taxes and cost for equity awards	(10)	—	—	—	(167)	—	—	—	(167)
Stock-based compensation	—	—	—	—	5,707	—	—	—	5,707
Balances, July 31, 2020	12,186	\$ 122	70,000	\$ 700	\$ 903,909	\$ (216,692)	\$ (2,576)	\$ (19,896)	\$ 665,567

Six Months Ended July 31, 2020

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, January 31, 2020	11,206	\$ 112	70,000	\$ 700	\$ 896,983	\$ (207,929)	\$ (3,090)	\$ (19,896)	\$ 666,880
Net loss	—	—	—	—	—	(8,763)	—	—	(8,763)
Other comprehensive income	—	—	—	—	—	—	514	—	514
Vesting of restricted stock units	918	9	—	—	(9)	—	—	—	—
Grant of restricted stock awards	455	5	—	—	(5)	—	—	—	—
Common stock withheld as payment of taxes and cost for equity awards	(393)	(4)	—	—	(4,654)	—	—	—	(4,658)
Stock-based compensation	—	—	—	—	11,594	—	—	—	11,594
Balances, July 31, 2020	12,186	\$ 122	70,000	\$ 700	\$ 903,909	\$ (216,692)	\$ (2,576)	\$ (19,896)	\$ 665,567

The accompanying notes are an integral part of these condensed consolidated financial statements.



**NOTE 1 — DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION*****Description of the Business***

SecureWorks Corp. (individually and collectively with its consolidated subsidiaries, "Secureworks" or the "Company") is a leading global cybersecurity provider of technology-driven security solutions singularly focused on protecting the Company's customers by outpacing and outmaneuvering adversaries.

On April 27, 2016, the Company completed its initial public offering ("IPO"). Upon the closing of the IPO, Dell Technologies Inc. ("Dell Technologies") owned, indirectly through Dell Inc. and Dell Inc.'s subsidiaries (Dell Inc., individually and collectively with its consolidated subsidiaries, "Dell") all shares of the Company's outstanding Class B common stock, which as of July 30, 2021 represented approximately 83.2% of the Company's total outstanding shares of common stock and approximately 98.0% of the combined voting power of both classes of the Company's outstanding common stock.

The Company has one primary business activity, which is to provide customers with technology-driven information security solutions. The Company's chief operating decision-maker, who is the Chief Executive Officer, makes operating decisions, assesses performance and allocates resources on a consolidated basis. There are no segment managers who are held accountable for operations and operating results below the consolidated unit level. Accordingly, Secureworks operates its business as a single reportable segment.

***Basis of Presentation and Consolidation***

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make assumptions and estimations that affect the amounts reported in the Company's financial statements and notes. The inputs into certain of the Company's assumptions and estimations considered the economic implications of the coronavirus disease 2019 ("COVID-19") pandemic on the Company's critical and significant accounting estimates. The condensed consolidated financial statements include assets, liabilities, revenue and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

Effective with the three months ended July 30, 2021, the Company is presenting Net revenue and Costs of revenue recognized from Subscription and Professional Services offerings, respectively, in the Condensed Consolidated Statement of Operations. Historically, these amounts were presented as a single amount within the Net revenue and Cost of revenue line items, respectively. The Company concluded that the discrete presentation of these revenue streams provides a more meaningful representation of the nature of the revenues generated by our service offerings. Certain prior year amounts have been conformed to the current year presentation.

For the periods presented, Dell has provided various corporate services to the Company in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities-related services. The cost of these services is charged in accordance with a shared services agreement that went into effect on August 1, 2015. For more information regarding the related party transactions, see "Note 10—Related Party Transactions."

During the periods presented in the financial statements, Secureworks did not file separate federal tax returns, as the Company is generally included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expected to be utilized by other members of the Dell consolidated group. See "Note 9—Income and Other Taxes" for more information.

***Fiscal Year***

The Company's fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. The Company refers to the fiscal year ending January 28, 2022 and the fiscal year ended January 29, 2021 as fiscal 2022 and fiscal 2021, respectively. Both fiscal 2022 and fiscal 2021 have 52 weeks, and each quarter has 13 weeks.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. In the Condensed Consolidated Statements of Operations, estimates are used when accounting for revenue arrangements, determining the cost of revenue, allocating cost and estimating the impact of contingencies. In the Condensed Consolidated Statements of Financial Position, estimates are used in determining the valuation and recoverability of

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

assets, such as accounts receivables, inventories, fixed assets, goodwill and other identifiable intangible assets and purchase price allocation for business combinations. Estimates are also used in determining the reported amounts of liabilities, such as taxes payable and the impact of contingencies. All estimates also impact the Condensed Consolidated Statements of Operations. Actual results could differ from these estimates due to risks and uncertainties, including uncertainty in the current economic environment due to the COVID-19 pandemic. The Company considered the potential impact of the COVID-19 pandemic on its estimates and assumptions and determined there was not a material impact to the Company's condensed consolidated financial statements as of and for the three and six months ended July 30, 2021. As the COVID-19 pandemic continues to develop, many of the Company's estimates could require increased judgment and be subject to a higher degree of variability and volatility. As the pandemic continues to evolve, the Company's estimates may change materially in future periods.

**Recently Adopted Accounting Pronouncements**

The Company adopted Accounting Standard Update ("ASU") 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," effective February 1, 2021. ASU No. 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocation of consolidated income taxes to separate financial statements of entities not subject to income tax. The adoption of the standard had no material impact on the condensed consolidated financial statements.

**Summary of Significant Accounting Policies**

There have been no significant changes to the Company's significant accounting policies as of and for the six months ended July 30, 2021, as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2021.

**NOTE 2 — LOSS PER SHARE**

Loss per share is calculated by dividing net loss for the periods presented by the respective weighted-average number of common shares outstanding, and excludes any dilutive effects of share-based awards that may be anti-dilutive. Diluted net loss per common share is computed by giving effect to all potentially dilutive common shares, including common stock issuable upon the exercise of stock options and unvested restricted common stock and restricted stock units. The Company applies the two-class method to calculate earnings per share. Because the Class A common stock and the Class B common stock share the same rights in dividends and earnings, earnings per share (basic and diluted) are the same for both classes. Since losses were incurred in all periods presented, all potential common shares were determined to be anti-dilutive.

The following table sets forth the computation of loss per common share (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
<b>Numerator:</b>				
Net loss	\$ (11,763)	\$ (1,227)	\$ (18,153)	\$ (8,763)
<b>Denominator:</b>				
Weighted-average number of shares outstanding:				
Basic and Diluted	82,979	81,417	82,482	81,177
Loss per common share:				
Basic and Diluted	\$ (0.14)	\$ (0.02)	\$ (0.22)	\$ (0.11)
Weighted-average anti-dilutive stock options, non-vested restricted stock and restricted stock units	4,873	6,584	5,449	5,949

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 3 — CONTRACT BALANCES AND CONTRACT COSTS

The Company derives revenue primarily from subscription revenue and professional services. Subscription revenue is derived from (1) Taegis software-as-a-service (“SaaS”) security platform and (2) managed security services. Taegis subscription-based revenue currently includes two applications, Extended Detection and Response (“XDR”), and Vulnerability Detection and Response (“VDR”), along with the add-on managed service to supplement the XDR SaaS application, referred to as Managed Detection and Response (“ManagedXDR”). Subscription-based managed security service arrangements typically include a suite of security services, up-front installation fees and maintenance, and also may include the provision of an associated hardware appliance. Professional services typically include incident response and security and risk consulting solutions.

The following table presents revenue by service type (in thousands):

	Three Months Ended		Six Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Net revenue:				
Taegis Subscription Solutions	\$ 18,503	\$ 7,126	\$ 32,463	\$ 11,579
Managed Security Services	83,923	99,133	174,033	201,037
Total subscription revenue	102,426	106,259	206,496	212,616
Professional Services	31,746	32,217	67,139	67,041
Total net revenue	\$ 134,172	\$ 138,476	\$ 273,635	\$ 279,657

Taegis Subscription Solutions revenue for the three and six months ended July 31, 2020 has been presented for consistency with current period presentation.

The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. The Company invoices its customers based on a variety of billing schedules. During the six months ended July 30, 2021, on average, approximately 58% of the Company's recurring revenue was billed in advance annually or for the entirety of the contract amount, and approximately 42% was billed in advance on either a monthly or a quarterly basis. In addition, many of the Company's professional services engagements are billed in advance of service commencement. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration and invoice timing.

Changes to the Company's deferred revenue during the six months ended July 30, 2021 and July 31, 2020 are as follows (in thousands):

	As of January 29, 2021	Upfront payments received and billings during the six months ended July 30, 2021	Revenue recognized during the six months ended July 30, 2021	As of July 30, 2021
	Deferred revenue	\$ 178,027	\$ 176,529	\$ (179,137)

  

	As of January 31, 2020	Upfront payments received and billings during the six months ended July 31, 2020	Revenue recognized during the six months ended July 31, 2020	As of July 31, 2020
	Deferred revenue	\$ 188,537	\$ 165,081	\$ (167,341)

**Remaining Performance Obligation**

The remaining performance obligation represents the transaction price allocated to contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable contracts that will be invoiced and recognized as revenue in future periods. The remaining performance obligation consists of two elements: (i) the value of remaining services to be provided through the contract term for customers whose services have been activated (“active”); and (ii) the value of subscription-based solutions contracted with customers that have not yet been installed (“backlog”). Backlog is not recorded in revenue, deferred revenue or elsewhere in the consolidated financial statements until the Company establishes a contractual right to invoice, at which point backlog is recorded as revenue or deferred revenue, as appropriate. The Company applies the practical expedient in ASC paragraph 606-10-50-14(a) and does not disclose information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company expects that the amount of backlog relative to the total value of its contracts will change from year to year due to several factors, including the amount invoiced at the beginning of the contract term, the timing and duration of the Company's customer agreements, varying invoicing cycles of agreements and changes in customer financial circumstances. Accordingly, fluctuations in backlog are not always a reliable indicator of future revenue.

As of July 30, 2021, the Company expects to recognize remaining performance obligations as follows (in thousands):

	Total	Expected to be recognized in the next 12 months	Expected to be recognized in 12-24 months	Expected to be recognized in 24-36 months	Expected to be recognized thereafter
Performance obligation - active	\$ 275,890	\$ 152,573	\$ 84,154	\$ 32,789	\$ 6,374
Performance obligation - backlog	11,903	4,344	4,248	3,311	—
<b>Total</b>	<b>\$ 287,793</b>	<b>\$ 156,917</b>	<b>\$ 88,402</b>	<b>\$ 36,100</b>	<b>\$ 6,374</b>

**Deferred Commissions and Fulfillment Costs**

The Company capitalizes a significant portion of its commission expense and related fringe benefits earned by its sales personnel. Additionally, the Company capitalizes certain costs to install and activate hardware and software used in its managed security services, primarily related to a portion of the compensation for the personnel who perform the installation activities. These deferred costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Changes in the balance of total deferred commission and total deferred fulfillment costs during the six months ended July 30, 2021 and July 31, 2020 are as follows (in thousands):

	As of January 29, 2021	Amount capitalized	Amount recognized	As of July 30, 2021
Deferred commissions	\$ 57,888	\$ 7,516	\$ (9,912)	\$ 55,492
Deferred fulfillment costs	11,009	1,039	(2,700)	9,348
	As of January 31, 2020	Amount capitalized	Amount recognized	As of July 31, 2020
Deferred commissions	\$ 62,785	\$ 7,259	\$ (10,834)	\$ 59,210
Deferred fulfillment costs	11,366	3,005	(2,865)	11,506

The Company did not record any impairment losses on the deferred commissions or deferred fulfillment costs during the three and six months ended July 30, 2021 or July 31, 2020.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**NOTE 4 — GOODWILL AND INTANGIBLE ASSETS**

Goodwill relates to the acquisition of Dell by Dell Technologies and represents the excess of the purchase price attributable to Secureworks over the fair value of the assets acquired and liabilities assumed, as well as subsequent business combinations completed by the Company. Goodwill increased \$0.3 million due to foreign currency translation for the six months ended July 30, 2021, as compared to January 29, 2021. Goodwill totaled \$426.1 million as of July 30, 2021 and \$425.9 million as of January 29, 2021. No triggering events have transpired since the last annual impairment test that would indicate a potential impairment occurred during the period through July 30, 2021.

*Intangible Assets*

The Company's intangible assets as of July 30, 2021 and January 29, 2021 were as follows:

	July 30, 2021			January 29, 2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Customer relationships	\$ 189,518	\$ (112,388)	\$ 77,130	\$ 189,518	\$ (105,341)	\$ 84,177
Technology	147,039	(108,159)	38,880	143,821	(100,296)	43,525
Finite-lived intangible assets	336,557	(220,547)	116,010	333,339	(205,637)	127,702
Trade name	30,118	—	30,118	30,118	—	30,118
Total intangible assets	\$ 366,675	\$ (220,547)	\$ 146,128	\$ 363,457	\$ (205,637)	\$ 157,820

Amortization expense related to finite-lived intangible assets was approximately \$7.6 million and \$14.9 million for the three and six months ended July 30, 2021, respectively, and \$7.2 million and \$14.2 million for the three and six months ended July 31, 2020, respectively. Amortization expense is included within cost of revenue and general and administrative expense in the Condensed Consolidated Statements of Operations. There were no impairment charges related to intangible assets during the three and six months ended July 30, 2021 or July 31, 2020.

**NOTE 5 — DEBT****Revolving Credit Facility**

On November 2, 2015, SecureWorks, Inc., a wholly-owned subsidiary of SecureWorks Corp., entered into a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which the Company obtained a \$30 million senior unsecured revolving credit facility. This facility was initially available for a one-year term beginning on April 21, 2016 and was subsequently extended on the same terms for additional one-year terms. During the six months ended July 30, 2021, the facility was amended and restated to extend the maturity date from March 26, 2021 to March 25, 2022 and to increase the annual rate at which interest accrues to the applicable LIBOR plus 1.54%. Under the amended terms, if LIBOR is no longer published on a current basis and such circumstances are unlikely to be temporary, the facility will be amended to replace LIBOR with an alternate benchmark rate. All other terms remained substantially the same.

Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. Amounts under the facility may be borrowed, repaid, and reborrowed from time to time during the term of the facility. The proceeds from loans made under the facility may be used for general corporate purposes. The credit agreement contains customary representations, warranties, covenants and events of default. The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility. There was no outstanding balance under the credit facility as of July 30, 2021 or January 29, 2021.

The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The borrower will be required to repay, in full, all of the loans outstanding, including all accrued interest, and the facility will terminate upon a change of control of SecureWorks Corp. or following a transaction in which SecureWorks, Inc. ceases to be a direct or indirect wholly-owned subsidiary of SecureWorks Corp. The facility is not guaranteed by SecureWorks Corp. or its subsidiaries.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

*Legal Contingencies*—From time to time, the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews the status of such matters at least quarterly and adjusts its liabilities as necessary to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. Whether the outcome of any claim, suit, assessment, investigation or legal proceeding, individually or collectively, could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of factors, including the nature, timing and amount of any associated expenses, amounts paid in settlement, damages or other remedies or consequences. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in accrued liabilities would be recorded in the period in which such a determination is made. As of July 30, 2021, the Company does not believe that there were any such matters that, individually or in the aggregate, would have a material adverse effect on its business, financial condition, results of operations or cash flows.

*Customer-based Taxation Contingencies*—Various government entities ("taxing authorities") require the Company to bill its customers for the taxes they owe based on the services they purchase from the Company. The application of the rules of each taxing authority concerning which services are subject to each tax and how those services should be taxed involves the application of judgment. Taxing authorities periodically perform audits to verify compliance and include all periods that remain open under applicable statutes, which generally range from three to four years. These audits could result in significant assessments of past taxes, fines and interest if the Company were found to be non-compliant. During the course of an audit, a taxing authority may question the Company's application of its rules in a manner that, if the Company were not successful in substantiating its position, could result in a significant financial impact to the Company. In the course of preparing its financial statements and disclosures, the Company considers whether information exists that would warrant disclosure or an accrual with respect to such a contingency. As of July 30, 2021, the Company is under audit with various state taxing authorities in which rulings related to the taxability of certain of our services are in appeals. The Company will continue to appeal these rulings, but should the Company not prevail, there could be obligations to pay additional taxes together with associated penalties and interest for the audited tax period, as well as additional taxes for periods subsequent to the tax audit period, including penalties and interest. An estimated liability in the amount of \$6.3 million was accrued in fiscal 2021 and remains as of July 30, 2021 related to such sales tax matters. While Dell does provide an indemnification for certain state tax issues for tax periods prior to August 1, 2015, it does not cover a material portion of the current estimated liability.

*Indemnifications*—In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to indemnify its customers from certain losses incurred by the customer as to third-party claims relating to the services performed on behalf of the Company or for certain losses incurred by the customer as to third-party claims arising from certain events as defined within the particular contract. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnifications have been immaterial.

*Concentrations*—The Company sells solutions to customers of all sizes primarily through its direct sales organization, supplemented by sales through channel partners. During the three and six months ended July 30, 2021 and July 31, 2020, the Company had no customer that represented 10% or more of its total net revenue.

**NOTE 7 — LEASES**

The Company recorded operating lease cost for facilities of approximately \$1.3 million and \$2.7 million for the three and six months ended July 30, 2021, respectively, and \$1.6 million and \$3.1 million for the three and six months ended July 31, 2020, respectively. Operating lease cost include expenses in connection with variable lease costs of \$64 thousand and \$0.1 million for the three and six months ended July 30, 2021, respectively, and \$0.2 million and \$0.3 million for the three and six months ended July 31, 2020, respectively, which primarily consisted of utilities and common area charges.

For the three and six months ended July 30, 2021, the Company recorded operating lease costs for equipment leases of approximately \$0.1 million and \$0.3 million, respectively, and \$0.4 million and \$1.1 million for the three and six months ended July 31, 2020, respectively. Equipment lease costs included short-term lease costs of \$0.1 million and \$0.2 million for the three and six months ended July 30, 2021 respectively, and \$0.4 million and \$0.9 million for the three and six months ended July 31, 2020, respectively. Lease expense for equipment was included in cost of revenues.

Cash paid for amounts included in the measurement of operating lease liabilities was \$1.7 million and \$3.6 million during the three and six months ended July 30, 2021, respectively, and \$0.9 million and \$1.8 million for the three and six months ended July 31, 2020, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Weighted-average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

	July 30, 2021
Weighted-average remaining lease term	4.8 years
Weighted-average discount rate	5.34 %

The following table summarizes the maturity of the Company's operating lease liabilities as of July 30, 2021 (in thousands):

Fiscal Years Ending	July 30, 2021
2022	\$ 3,336
2023	6,426
2024	6,078
2025	5,258
2026	4,604
Thereafter	4,140
Total operating lease payments	\$ 29,842
Less imputed interest	(3,575)
Total operating lease liabilities	\$ 26,267

The Company's leases have remaining lease terms of 1 month to 5.42 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise.

#### NOTE 8 — STOCK-BASED COMPENSATION AND OTHER LONG-TERM PERFORMANCE INCENTIVES

The SecureWorks Corp. 2016 Long-Term Incentive Plan (the "2016 Plan") was adopted effective April 18, 2016. The 2016 Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, unrestricted stock, dividend equivalent rights, other equity-based awards, and cash bonus awards. Awards may be granted under the 2016 Plan to individuals who are employees, officers, or non-employee directors of the Company or any of its affiliates, consultants and advisors who perform services for the Company or any of its affiliates, and any other individual whose participation in the 2016 Plan is determined to be in the best interests of the Company by the compensation committee of the board of directors.

Under the 2016 Plan, the Company granted 509,839 and 2,358,802 restricted stock units during the three and six months ended July 30, 2021, respectively, and 45,300 and 2,473,657 restricted stock units during the three and six months ended July 31, 2020, respectively. The Company granted no restricted stock awards for the three months ended July 30, 2021 and July 31, 2020, and 466,644 and 454,546 restricted stock awards for the six months ended July 30, 2021 and July 31, 2020, respectively. The restricted stock units and restricted stock awards granted during both such periods vest over an average of a three-year period. Approximately 29% and 17% of such awards granted during the six months ended July 30, 2021 and July 31, 2020, respectively, are subject to performance conditions. All restricted stock unit awards made during the three months ended April 30, 2021 were subject to approval by the Company's stockholders at the annual meeting held on June 21, 2021 of an amendment to the 2016 Plan to increase the number of Class A common stock shares issuable under the plan by 5,000,000 shares. Such stockholder approval was obtained and those awards were deemed granted and outstanding for accounting purposes during the three months ended July 30, 2021.

The Company grants long-term cash awards to certain employees under the 2016 Plan. The employees who receive these cash awards do not receive equity awards as part of the long-term incentive program. The majority of the cash awards issued prior to fiscal 2021 were subject to various performance conditions and vest in equal annual installments over a three-year period. The cash awards issued during the three and six months ended July 30, 2021 are not subject to any performance conditions and vest in equal installments over a three-year period. The Company granted cash awards of \$1.5 million and \$9.0 million during the three and six months ended July 30, 2021, respectively, and \$0.1 million and \$8.2 million during the three and six months ended July 31, 2020, respectively. The Company recognized \$1.6 million and \$3.2 million of related compensation expense for the three and six months ended July 30, 2021, respectively, and \$1.6 million and \$3.2 million for the three and six months ended July 31, 2020, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 9 — INCOME AND OTHER TAXES

The Company's loss before income taxes, income tax benefit and effective income tax rate for the three and six months ended July 30, 2021 and July 31, 2020 was as follows (in thousands, except percentages):

	Three Months Ended		Six Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
Loss before income taxes	\$ (14,502)	\$ (2,927)	\$ (23,265)	\$ (12,703)
Income tax benefit	\$ (2,739)	\$ (1,700)	\$ (5,112)	\$ (3,940)
Effective tax benefit rate	18.9 %	58.1 %	22.0 %	31.0 %

During the periods presented in the accompanying Condensed Consolidated Statements of Financial Position, the Company did not file separate federal tax returns as the Company generally was included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits-for-loss approach. Under the benefits-for-loss approach, net operating losses or other tax attributes are characterized as realized by the Company when those attributes are utilized by other members of the Dell consolidated group.

The Company's effective tax benefit rate was 18.9% and 22.0% for the three and six months ended July 30, 2021, respectively, and 58.1% and 31.0% for the three and six months ended July 31, 2020, respectively. The changes in the Company's effective income tax rate between the periods were primarily attributable to both the increase in loss before income taxes for the three months ended July 30, 2021 and the impact of certain discrete adjustments related to stock-based compensation expense of approximately \$0.4 million and \$0.1 million for the three and six months ended July 30, 2021, respectively, and \$(0.7) million and \$(0.4) million for the three and six months ended July 31, 2020, respectively. The changes related specifically to the impact of the vesting of certain equity awards for which the fair value on the vesting date was lower than the grant date fair value for the three and six months ended July 30, 2021 and the fair value on the vesting date was higher than the grant date fair value for the three and six months ended July 31, 2020. The change in fair value, which is measured by the price of the Class A common stock as reported on the Nasdaq Global Select Market, resulted in a lower actual tax deduction for the three and six months ended July 30, 2021 and a higher actual tax deduction for the three and six months ended July 31, 2020 than the amounts deducted for financial reporting purposes.

As of each of July 30, 2021 and January 29, 2021, the Company had \$5.7 million and \$5.3 million, respectively, of deferred tax assets related to net operating loss carryforwards for state tax returns that are not included with those of other Dell entities. These net operating loss carryforwards began expiring in the fiscal year ended January 29, 2021. Due to the uncertainty surrounding the realization of these net operating loss carryforwards, the Company has provided valuation allowances for the full amount as of July 30, 2021 and January 29, 2021. Because the Company is included in the tax filings of other Dell entities, management has determined that it will be able to realize the remainder of its deferred tax assets. If the Company's tax provision had been prepared using the separate return method, the unaudited pro forma pre-tax loss, tax benefit and net loss for the six months ended July 30, 2021 would have been \$23.3 million, \$3.0 million and \$20.3 million, respectively, as a result of the recognition of a valuation allowance that would have been recorded on a significant amount of deferred tax assets as well as certain attributes from the Tax Cuts and Jobs Act of 2017 that would be lost if not utilized by the Dell consolidated group.

Net deferred tax balances are included in other non-current assets and other non-current liabilities in the Condensed Consolidated Statements of Financial Position.

As of July 30, 2021 and January 29, 2021, the Company had \$4.9 million net operating loss receivable from Dell and \$(0.7) million income tax payable to Dell, respectively. The Company had \$3.9 million and \$3.8 million of unrecognized tax benefits as of July 30, 2021 and January 29, 2021, respectively.



**NOTE 10 — RELATED PARTY TRANSACTIONS****Allocated Expenses**

For the periods presented, Dell has provided various corporate services to Secureworks in the ordinary course of business. The costs of services provided to Secureworks by Dell are governed by a shared services agreement between Secureworks and Dell Inc. The total amounts of the charges under the shared services agreement with Dell were \$0.9 million and \$1.9 million for the three and six months ended July 30, 2021, respectively, and \$1.0 million and \$2.0 million for the three and six months ended July 31, 2020, respectively. Management believes that the basis on which the expenses have been allocated is a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented.

**Related Party Arrangements**

For the periods presented, related party transactions and activities involving Dell Inc. and its wholly-owned subsidiaries were not always consummated on terms equivalent to those that would prevail in an arm's-length transaction where conditions of competitive, free-market dealing may exist.

The Company purchases computer equipment for internal use from Dell that is capitalized within property and equipment in the Condensed Consolidated Statements of Financial Position. These purchases were made at pricing that is intended to approximate arm's-length pricing. Purchases of computer equipment from Dell and EMC Corporation, a wholly-owned subsidiary of Dell ("EMC"), totaled \$0.1 million and \$0.3 million for the three and six months ended July 30, 2021, respectively, and \$0.2 million and \$0.5 million for the three and six months ended July 31, 2020, respectively.

EMC maintains a majority ownership interest in a subsidiary, VMware, Inc. ("VMware"), that provides cloud and virtualization software and services. The Company's purchases of annual maintenance services, software licenses and hardware systems for internal use from Dell, EMC and VMware totaled \$0.5 million and \$1.1 million for the three and six months ended July 30, 2021, respectively, and \$1.0 million and \$1.4 million for the three and six months ended July 31, 2020, respectively.

The Company recognized revenue related to solutions provided to VMware that totaled \$0.2 million and \$0.3 million for the three and six months ended July 30, 2021, respectively. In October 2019, VMware acquired Carbon Black Inc., a security business with which the Company had an existing commercial relationship. For the three and six months ended July 30, 2021, purchases by the Company of solutions from Carbon Black totaled \$1.5 million and \$2.6 million, respectively.

The Company recognized no revenue related to security solutions provided to Boomi Inc., a subsidiary of Dell Technologies, for the three and six months ended July 30, 2021 and July 31, 2020, respectively. There were no purchases by the Company from this subsidiary for the three months ended July 30, 2021, and purchases of \$56 thousand for the six months ended July 30, 2021. Purchases by the Company from this subsidiary were \$5 thousand and \$0.1 million for the three and six months ended July 31, 2020, respectively.

The Company also recognized revenue related to solutions provided to significant beneficial owners of Secureworks common stock, which include Michael S. Dell, Chairman and Chief Executive Officer of Dell Technologies, and affiliates of Mr. Dell. The revenues recognized by the Company from solutions provided to Mr. Dell, MSD Capital, L.P. (a firm founded for the purposes of managing investments of Mr. Dell and his family), DFI Resources LLC, an entity affiliated with Mr. Dell, and the Michael and Susan Dell Foundation totaled \$51 thousand and \$0.1 million for the three and six months ended July 30, 2021, respectively, and \$0.1 million and \$0.2 million for the three and six months ended July 31, 2020, respectively.

The Company provides solutions to certain customers whose contractual relationships have historically been with Dell rather than Secureworks, although the Company has the primary responsibility to provide the services. Effective August 1, 2015, in connection with the IPO, many of such customer contracts were transferred from Dell to the Company, forming a direct contractual relationship between the Company and the end customer. For customers whose contracts have not yet been transferred and for contracts subsequently originated through Dell under a reseller agreement, the Company recognized revenues of approximately \$15.2 million and \$30.2 million for the three and six months ended July 30, 2021, respectively, and \$14.6 million and \$29.8 million for the three and six months ended July 31, 2020, respectively. In addition, as of July 30, 2021, the Company had approximately \$1.8 million of contingent obligations to Dell related to outstanding performance bonds for certain customer contracts, which Dell issued on behalf of the Company.

As the Company's customer and on behalf of certain of its own customers, Dell also purchases solutions from the Company. Beginning in the third quarter of the fiscal year ended January 29, 2016, in connection with the effective date of the Company's commercial agreements with Dell, the Company began charging Dell for these services at pricing that is intended to approximate arm's-length pricing, in lieu of the prior cost recovery arrangement. Such revenues totaled approximately \$2.9 million and \$6.2 million for the three and six months ended July 30, 2021, respectively, and \$4.5 million and \$10.4 million for the three and six months ended July 31, 2020, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As a result of the foregoing related party arrangements beginning in the third quarter of the fiscal year ended January 29, 2016, the Company has recorded the following related party balances in the Condensed Consolidated Statements of Financial Position as of July 30, 2021 and January 29, 2021 (in thousands).

	July 30, 2021	January 29, 2021
Related party payable (in accrued and other current liabilities)	\$ 5,563	\$ 13,807
Accounts receivable from customers under reseller agreements with Dell (in accounts receivable, net)	\$ 11,118	\$ 15,625
Net operating loss tax sharing (payable)/receivable under agreement with Dell (payable in accrued and other and receivable in other current assets)	\$ 4,867	\$ (667)

**NOTE 11 — FAIR VALUE MEASUREMENTS**

The Company measures fair value within the guidance of the three-level valuation hierarchy. This hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization of a measurement within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Other observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Significant unobservable inputs

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The assets and liabilities of the Company that are measured at fair value on a recurring basis using the respective input levels as of July 30, 2021 and January 29, 2021 were as follows (in thousands):

	July 30, 2021	January 29, 2021
	Level 1	Level 1
Cash equivalents - Money Market Funds	\$ 40,844	\$ 85,841

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

The carrying amounts of the Company's accounts receivable, accounts payable and accrued expenses approximate their respective fair value due to their short-term nature.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This management's discussion and analysis is based upon the financial statements of Secureworks which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, and should be read in conjunction with our audited financial statements and related notes for the year ended January 29, 2021 included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2021 filed with the SEC on March 25, 2021, which we refer to as the Annual Report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, expected future responses to and effects of the COVID-19 pandemic and other characterizations of future events or circumstances. Our actual results could differ materially from those discussed or implied in our forward-looking statements. Factors that could cause or contribute to these differences include those discussed in "Risk Factors" in Part I, Item 1A of our Annual Report.*

*Our fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. We refer to the fiscal year ending January 28, 2022 and the fiscal year ended January 29, 2021 as fiscal 2022 and fiscal 2021, respectively. Fiscal 2022 and fiscal 2021 each have 52 weeks, and each quarter has 13 weeks. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal periods.*

*Effective with the three months ended July 30, 2021, management decided to separately present Net revenue and Costs of revenue recognized from Subscription and Professional Services offerings, respectively, in the Condensed Consolidated Statement of Operations and within management's discussion and analysis. Historically, these amounts were presented within the Net revenue and Cost of revenue line items, respectively. We concluded that the discrete presentation of these revenue streams provides a more meaningful representation of the nature of the revenues generated by our service offerings. Certain prior year amounts have been conformed to the current year presentation*

*All percentage amounts and ratios presented in this management's discussion and analysis were calculated using the underlying data in thousands.*

*Except where the context otherwise requires or where otherwise indicated, (1) all references to "Secureworks," "we," "us," "our" and "our Company" in this management's discussion and analysis refer to SecureWorks Corp. and our subsidiaries on a consolidated basis, (2) all references to "Dell" refer to Dell Inc. and its subsidiaries on a consolidated basis and (3) all references to "Dell Technologies" refer to Dell Technologies Inc., the ultimate parent company of Dell Inc.*

### Overview

We are a leading global cybersecurity provider of technology-driven security solutions singularly focused on protecting our customers by outpacing and outmaneuvering threat actors.

Our vision is to be the essential cybersecurity company for a digitally connected world by providing the software platform of choice to deliver our holistic approach to security at scale for our customers. We combine considerable experience from securing thousands of customers, deep and machine-learning capabilities in our software platform, and actionable insights from our team of elite researchers, analysts and consultants to create a powerful network effect that provides increasingly strong protection for our customers.

Through our vendor-inclusive approach, we create integrated and comprehensive solutions by proactively managing the collection of "point" products deployed by our customers to address specific security issues and provide solutions to close the gaps in their defenses. We seek to provide the right level of security for each customer's unique situation, which evolves as their organization grows and changes over time.

By aggregating and analyzing data from sources around the world, we offer solutions that enable organizations to:

- prevent security breaches,
- detect malicious activity,
- respond rapidly when a security breach occurs, and
- identify emerging threats.

We have pioneered an integrated approach that delivers a broad portfolio of security solutions to organizations of varying size and complexity. Our flexible and scalable solutions support the evolving needs of the largest, most sophisticated enterprises, as well as small and medium-sized businesses and U.S. state and local government agencies with limited in-house capabilities and resources.

We offer our customers:

- software-as-a-service, or SaaS, solutions,
- managed security services, and
- professional services, including incident response services and security risk consulting.

Our solutions leverage the proprietary technologies, security operations workflows, extensive expertise and knowledge of the tactics, techniques and procedures of the adversary that we have developed over more than 22 years. As key elements of our strategy, we seek to:

- be the cloud-native security software platform of choice,
- broaden our reach with security service providers to deliver our security software platform globally, and
- empower the global security community to beat the adversary at scale.

Our technology-driven security solutions offer an innovative approach to prevent, detect, and respond to cybersecurity breaches. The platforms collect, aggregate, correlate and analyze billions of events daily from our extensive customer base utilizing sophisticated algorithms to detect malicious activity and deliver security countermeasures, dynamic intelligence and valuable context regarding the intentions and actions of cyber adversaries. Through our Taegis applications and managed security services, which are sold on a subscription basis, we provide global visibility and insight into malicious activity, enabling our customers to detect, respond to and effectively remediate threats quickly.

Our proprietary Taegis software platform, which we launched in fiscal 2020, was purpose-built as a cloud-native software platform that combines the power of machine-learning with security analytics and threat intelligence to unify detection and response across endpoint, network and cloud environments for better security outcomes and simpler security operations. The Taegis software platform is a core element for our SaaS applications, which leverage workflows designed using 22 years of security operations expertise and our integrated orchestration and automation capabilities to increase the speed of response actions. We expanded our Taegis SaaS applications with Vulnerability, Detection and Response, or VDR, during fiscal 2021 with our acquisition of Delve Laboratories Inc.

In addition to Taegis applications and managed security services, we also offer a variety of professional services, which include incident response and security and risk consulting, to accelerate adoption of our software solutions. We advise customers on a broad range of security and risk-related matters through both project-based and long-term contracts in addition to our Taegis applications and managed security services.

#### **COVID-19**

In December 2019, a novel strain of the coronavirus, COVID-19, was reported in mainland China. The World Health Organization declared the outbreak to constitute a "pandemic" on March 11, 2020. This led to a significant disruption of normal business operations globally, as businesses, including Secureworks, have implemented modifications to protect employees by restricting travel and directing employees to work-from-home, in some instances as required by federal, state and local authorities. While we instituted a global work-from-home policy beginning in March 2020, we did not incur significant disruptions in our business operations or a material impact on our results of operations, financial condition, liquidity or capital resources for the three and six months ended July 30, 2021. We have experienced a limited reduction in customer demand for our solutions that we believe is attributable to COVID-19, which may impact our results in future periods. Although we are unable to predict the extent and severity of all impacts of COVID-19, the pandemic might further curtail customer spending, lead to delayed or deferred purchasing decisions, lengthen sales cycles and result in delays in receiving customer or partner payments. These effects, individually or in the aggregate, could have a material negative impact on our future results of operations and financial condition.

In light of these considerations, we continue to actively monitor the impacts and potential impacts of the COVID-19 pandemic in all aspects of our business. The extent of the impact of COVID-19 on our future operational and financial performance will depend on various developments, including the duration and spread of the virus, effectiveness of vaccines deployed to contain the virus, impact on our employees, customers and vendors, impact on our customers' liquidity and our volume of sales, and length of our sales cycles, all of which remain uncertain and cannot be predicted, but which could have a material negative effect on our business, results of operations or financial condition. Due to our subscription-based business model, any such effect of COVID-19 may not be fully reflected in our results of operations until future periods.

## **Key Factors Affecting Our Performance**

We believe that our future success will depend on many factors, including the adoption of our Taegis solutions by organizations, continued investment in our technology and threat intelligence research, our introduction of new solutions, our ability to increase sales of our solutions to new and existing customers and our ability to attract and retain top talent. Although these areas present significant opportunities, they also present risks that we must manage to ensure our future success. For additional information about these risks, refer to “Risk Factors” in Part I, Item 1A of our Annual Report. We operate in an intensely competitive industry and face, among other competitive challenges, pricing pressures within the information security market as a result of action by our larger competitors to reduce the prices of their security prevention, detection and response solutions, as well as the prices of their managed security services. We must continue to manage our investments in an efficient manner and effectively execute our strategy to succeed. If we are unable to address these challenges, our business could be adversely affected.

**Adoption of Technology-Driven Solution Strategy.** The evolving landscape of applications, modes of communication and IT architectures makes it increasingly challenging for organizations of all sizes to protect their critical business assets, including proprietary information, from cyber threats. New technologies heighten security risks by increasing the number of ways a threat actor can attack a target, by giving users greater access to important business networks and information and by facilitating the transfer of control of underlying applications and infrastructure to third-party vendors. An effective cyber defense strategy requires the coordinated deployment of multiple products and solutions tailored to an organization’s specific security needs. Our integrated suite of solutions, including our new Taegis offerings, is designed to facilitate the successful implementation of such a strategy, but continuous investment in, and adaptation of, our technology will be required as the threat landscape continues to evolve rapidly. The degree to which prospective and current customers recognize the mission-critical nature of our technology-driven information security solutions, and subsequently allocate budget dollars to our solutions, will affect our future financial results.

**Investment in Our Technology and Threat Intelligence Research.** Our software platforms constitute the core of our technology-driven security solutions. They provide our customers with an integrated perspective and intelligence regarding their network environments and security threats. Our software platforms are augmented by our Counter Threat Unit research team, which conducts exclusive research into threat actors, uncovers new attack techniques, analyzes emerging threats and evaluates the risks posed to our customers. Our performance is significantly dependent on the investments we make in our research and development efforts, and on our ability to be at the forefront of threat intelligence research, and to adapt these software platforms to new technologies as well as to changes in existing technologies. This is an area in which we will continue to invest, while leveraging a flexible staffing model to align with solutions development. We believe that investment in our Taegis software platform and solutions will contribute to long-term revenue growth, but it may continue to adversely affect our prospects for near-term profitability.

**Introduction of New Security Solutions.** Our performance is significantly dependent on our ability to continue to innovate and introduce new information security solutions, such as our Taegis solutions, that protect our customers from an expanding array of cybersecurity threats. We continue to invest in solutions innovation and leadership, including hiring top technical talent and focusing on core technology innovation. In addition, we will continue to evaluate and utilize third-party proprietary technologies, where appropriate, for the continuous development of complementary offerings. We cannot be certain that we will realize increased revenue from our solutions development initiatives. We believe that our investment in solutions development will contribute to long-term revenue growth, but such investment may continue to adversely affect our prospects for near-term profitability.

**Investments in Expanding Our Customer Base and Deepening Our Customer Relationships.** To support future sales, we will need to continue to devote resources to the development of our global sales force. We have made and plan to continue to make significant investments in expanding our go-to-market efforts with direct sales, channel partners and marketing. Any investments we make in our sales and marketing operations will occur before we realize any benefits from such investments. The investments we have made, or intend to make, to strengthen our sales and marketing efforts may not result in an increase in revenue or an improvement in our results of operations. Although we believe our investment in sales and marketing will help us improve our results of operations in the long term, the resulting increase in operating expenses attributable to these sales and marketing functions may continue to affect adversely our profitability in the near term. The continued growth of our business also depends in part on our ability to sell additional solutions to our existing customers. As our customers realize the benefits of the solutions they previously purchased, our portfolio of solutions provides us with a significant opportunity to expand these relationships.

**Investment in Our People.** The difficulty in providing effective information security is exacerbated by the highly competitive environment for identifying, hiring and retaining qualified information security professionals. Our technology leadership, brand, exclusive focus on information security, customer-first culture, and robust training and development program have enabled us to attract and retain highly talented professionals with a passion for building a career in the information security

industry. These professionals are led by a highly experienced and tenured management team with extensive IT security expertise and a record of developing successful new technologies and solutions to help protect our customers. We will continue to invest in attracting and retaining top talent to support and enhance our information security offerings.

### Key Operating Metrics

In recent years, we have experienced broad growth across our portfolio of technology-driven information security solutions being provided to all sizes of customers. We have achieved much of this growth by providing solutions to large enterprise customers, which generate substantially more average revenue than our small and medium-sized business, or SMB, customers, and by continually expanding the volume and breadth of the security solutions that we provide to all customers. Execution of this strategy has resulted in steady growth in our average revenue per customer. This growth has required ongoing investment in our business, resulting in net losses. We believe these investments are critical to our success, although they may continue to impact our profitability.

We believe the operating metrics described below provide further insight into the long-term value of our subscription agreements and our ability to maintain and grow our customer relationships. Relevant key operating metrics are presented below as of the dates indicated and for the six months ended July 30, 2021 and July 31, 2020:

	July 30, 2021	July 31, 2020
Taegis subscription customer base	700	200
Managed security subscription customer base	3,100	3,900
Total subscription customer base	3,600	4,000
Total customer base	5,200	5,500
Taegis annual recurring revenue (in millions)	\$ 100.6	\$ 33.5
Managed security annual recurring revenue (in millions)	314.4	407.7
Total annual recurring revenue (in millions)	\$ 415.0	\$ 441.1
Taegis average subscription revenue per customer (in thousands)	\$ 148.6	\$ 165.7
Managed security average subscription revenue per customer (in thousands)	\$ 101.8	\$ 105.9
Total average subscription revenue per customer (in thousands)	\$ 116.5	\$ 112.0
Net revenue retention rate	95 %	96 %

*Taegis Subscription Customer Base and Managed Security Subscription Customer Base.* We define our Taegis subscription customer base and managed security subscription customer base as the number of customers who have a subscription agreement to that respective offering as of a particular date. Some customers may have subscription agreements to both security offerings to address their current security needs.

*Total Subscription Customer Base.* We define our total subscription customer base as the number of unique customers who have a subscription agreement to our Taegis solutions and/or managed security services as of a particular date. We believe that growing our existing customer base and our ability to grow our average subscription revenue per customer represent significant future revenue opportunities for us.

*Total Customer Base.* We define total customer base as the number of customers that subscribe to our Taegis SaaS applications and managed security services and customers that buy professional and other services from us, as of a particular date.

*Total Annual Recurring Revenue.* We define total annual recurring revenue as of the measurement date. Changes to recurring revenue may result from the expansion of our offerings and sales of additional solutions to our existing customers, as well as the timing of customer renewals.

*Total Average Subscription Revenue Per Customer.* Total average subscription revenue per customer is primarily related to the persistence of cyber threats and the results of our sales and marketing efforts to increase the awareness of our solutions. Our customer composition of both enterprise and small and medium-sized business provides us with an opportunity to expand our professional services revenue. For each of the six months ended July 30, 2021 and July 31, 2020, approximately 61% and 67% of our professional services customers subscribed to our Taegis solutions or managed security services.

*Net Revenue Retention Rate.* Net revenue retention rate is an important measure of our success in retaining and growing revenue from our subscription-based customers. To calculate our revenue retention rate for any period, we compare the annual

recurring revenue of our subscription-based customers at the beginning of the fiscal year (base recurring revenue) to the same measure from that same cohort of customers at the end of the fiscal year (retained recurring revenue). By dividing the retained recurring revenue by the base recurring revenue, we measure our success in retaining and growing installed revenue from the specific cohort of customers we served at the beginning of the period. Our calculation includes the positive revenue impacts of selling and installing additional solutions to this cohort of customers and the negative revenue impacts of customer or service attrition during the period. The calculation, however, does not include the positive impact on revenue from sales of solutions to any customers acquired during the period. Our net revenue retention rates may increase or decline from period to period as a result of various factors, including the timing of solutions installations and customer renewal rates.

### **Non-GAAP Financial Measures**

We use supplemental measures of our performance, which are derived from our financial information, but which are not presented in our financial statements prepared in accordance with generally accepted accounting principles in the United States of America, referred to as GAAP. Non-GAAP financial measures presented in this management's discussion and analysis include non-GAAP subscription cost of revenue, non-GAAP professional services cost of revenue, non-GAAP gross profit, 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), non-GAAP earnings (loss) per share and adjusted EBITDA. We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe these non-GAAP financial measures provide useful information to help evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling more meaningful period-to-period comparisons.

There are limitations to the use of the non-GAAP financial measures presented in this management's discussion and analysis. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

The non-GAAP financial measures we present, as defined by us, exclude the items described in the reconciliation below. As the excluded items can have a material impact on earnings, our 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 income (loss), net income (loss), earnings (loss) per share and EBITDA prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

### **Reconciliation of Non-GAAP Financial Measures**

The table below presents a reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measure. We encourage you 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, we 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 our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

The following is a summary of the items excluded from the most comparable GAAP financial measures to calculate our non-GAAP financial measures:

- *Amortization of Intangible Assets.* Amortization of intangible assets consists of amortization of customer relationships and technology. In connection with the acquisition of Dell by Dell Technologies in fiscal 2014 and our acquisition of Delve Laboratories Inc. in fiscal 2021, all of our tangible and intangible assets and liabilities were accounted for and recognized at fair value on the transaction date. Accordingly, amortization of intangible assets consists of amortization associated with intangible assets recognized in connection with each such transaction.
- *Stock-based Compensation Expense.* Non-cash stock-based compensation expense relates to both the Dell Technologies and Secureworks equity plans. We exclude such expense when assessing the effectiveness of our operating performance since stock-based compensation does not necessarily correlate with the underlying operating performance of the business.
- *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.

	Three Months Ended		Six Months Ended	
	July 30, 2021	July 31, 2020	July 30, 2021	July 31, 2020
	(in thousands, except per share data)			
GAAP net revenue <sup>(1)</sup>	\$ 134,172	\$ 138,476	\$ 273,635	\$ 279,657
GAAP subscription cost of revenue	\$ 37,058	\$ 39,989	\$ 74,730	\$ 82,455
Amortization of intangibles	(4,044)	(3,648)	(7,863)	(7,108)
Stock-based compensation expense	(15)	(219)	(117)	(448)
Non-GAAP subscription cost of revenue	\$ 32,999	\$ 36,122	\$ 66,750	\$ 74,899
GAAP professional services cost of revenue	\$ 19,425	\$ 19,911	\$ 38,960	\$ 40,354
Stock-based compensation expense	(176)	(179)	(372)	(304)
Non-GAAP professional services cost of revenue	\$ 19,249	\$ 19,732	\$ 38,588	\$ 40,050
GAAP gross profit	\$ 77,689	\$ 78,576	\$ 159,945	\$ 156,848
Amortization of intangibles	4,044	3,648	7,863	7,108
Stock-based compensation expense	190	398	489	753
Non-GAAP gross profit	\$ 81,923	\$ 82,622	\$ 168,297	\$ 164,709
GAAP research and development expenses	\$ 30,417	\$ 24,109	\$ 58,569	\$ 48,182
Stock-based compensation expense	(1,542)	(1,097)	(2,640)	(2,388)
Non-GAAP research and development expenses	\$ 28,875	\$ 23,012	\$ 55,929	\$ 45,794
GAAP sales and marketing expenses	\$ 34,685	\$ 35,624	\$ 71,090	\$ 73,076
Stock-based compensation expense	(1,016)	(882)	(1,748)	(1,623)
Non-GAAP sales and marketing expenses	\$ 33,669	\$ 34,742	\$ 69,342	\$ 71,453
GAAP general and administrative expenses	\$ 26,488	\$ 21,800	\$ 52,043	\$ 49,316
Amortization of intangibles	(3,523)	(3,524)	(7,047)	(7,047)
Stock-based compensation expense	(4,832)	(3,330)	(8,738)	(6,830)
Non-GAAP general and administrative expenses	\$ 18,133	\$ 14,946	\$ 36,258	\$ 35,439
GAAP operating loss	\$ (13,901)	\$ (2,957)	\$ (21,757)	\$ (13,726)
Amortization of intangibles	7,567	7,172	14,910	14,155
Stock-based compensation expense	7,580	5,707	13,615	11,594
Non-GAAP operating income	\$ 1,246	\$ 9,922	\$ 6,768	\$ 12,023
GAAP net loss	\$ (11,763)	\$ (1,227)	\$ (18,153)	\$ (8,763)
Amortization of intangibles	7,567	7,172	14,910	14,155
Stock-based compensation expense	7,580	5,707	13,615	11,594
Aggregate adjustment for income taxes	(2,463)	(3,278)	(5,460)	(6,081)
Non-GAAP net income	\$ 921	\$ 8,374	\$ 4,912	\$ 10,905
GAAP loss per share	\$ (0.14)	\$ (0.02)	\$ (0.22)	\$ (0.11)
Amortization of intangibles	0.09	0.08	0.18	0.17
Stock-based compensation expense	0.09	0.07	0.16	0.14
Aggregate adjustment for income taxes	(0.03)	(0.04)	(0.07)	(0.07)
Non-GAAP earnings per share *	\$ 0.01	\$ 0.10	\$ 0.06	\$ 0.13
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>				
GAAP net loss	\$ (11,763)	\$ (1,227)	\$ (18,153)	\$ (8,763)
Interest and other, net	601	(30)	1,508	(1,023)
Income tax benefit	(2,739)	(1,700)	(5,112)	(3,940)
Depreciation and amortization	9,945	10,386	19,863	20,872
Stock-based compensation expense	7,580	5,707	13,615	11,594
Adjusted EBITDA	\$ 3,624	\$ 13,136	\$ 11,721	\$ 18,740

<sup>(1)</sup> Historically the Company has presented non-GAAP net revenue as a financial measure. There are no such adjustments that give rise to non-GAAP net revenue for any of the periods presented. GAAP net revenue is inclusive of both subscription and professional services revenue.



## Our Relationship with Dell and Dell Technologies

On April 27, 2016, we completed our IPO. Upon the closing of our IPO, Dell Technologies owned, indirectly through Dell Inc. and Dell Inc.'s subsidiaries, all shares of our outstanding Class B common stock, which as of July 30, 2021 represented approximately 83.2% of our total outstanding shares of common stock and approximately 98.0% of the combined voting power of both classes of our outstanding common stock.

As a majority-owned subsidiary of Dell, we receive from Dell various corporate services in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities related services. The costs of these services have been charged in accordance with a shared services agreement that went into effect on August 1, 2015, the effective date of our carve-out from Dell. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 10—Related Party Transactions" in our condensed consolidated financial statements included in this report.

During the periods presented in the condensed consolidated financial statements included in this report, Secureworks did not file separate federal tax returns, as Secureworks was generally included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expected to be utilized by other members of the Dell consolidated group. For more information, see "Notes to Condensed Consolidated Financial Statements—Note 9—Income and Other Taxes" in our condensed consolidated financial statements included in this report.

Additionally, we participate in various commercial arrangements with Dell under which, for example, we provide information security solutions to third-party customers with which Dell has contracted to provide our solutions, procure hardware, software and services from Dell, and sell our solutions through Dell in the United States and some international jurisdictions. In connection with our IPO, effective August 1, 2015 we entered into agreements with Dell that govern these commercial arrangements. These agreements generally were initially effective for up to one to three years and include extension and cancellation options. To the extent that we choose to or are required to transition away from the corporate services currently provided by Dell, we may incur additional non-recurring transition costs to establish our own stand-alone corporate functions. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 10—Related Party Transactions" in our condensed consolidated financial statements included in this report.

## Components of Results of Operations

### Revenue

We generate revenue from the sales of our subscriptions and professional services.

- *Subscription Revenue.* Subscription revenue primarily consists of subscription fees derived from our Taegis SaaS security platform solutions and managed security services. Taegis subscription-based revenue currently includes two applications, Extended Detection and Response, or XDR, and Vulnerability Detection and Response, or VDR, along with the add-on managed service to supplement the XDR SaaS application, referred to as Managed Detection and Response, or ManagedXDR. Managed security service subscription-based arrangements typically include a suite of security services, up-front installation fees and maintenance, and also may include the provision of an associated hardware appliance. Our subscription contracts typically range from one to three years and, as of July 30, 2021, averaged approximately two years in duration. The revenue and any related costs for these deliverables are recognized ratably over the contract term, beginning on the date on which service is made available to customers.
- *Professional Services Revenue.* Professional services revenue consists primarily of incident response solutions and security and risk consulting. Professional services engagements are typically purchased as fixed-fee and retainer-based contracts. Professional services customers typically purchase solutions pursuant to customized contracts that are shorter in duration. Revenue from these engagements is recognized under the proportional performance method of accounting. Revenue from time and materials-based contracts is recognized as costs are incurred at amounts represented by the agreed-upon billing rates. In general, these contracts have terms of less than one year.

The fees we charge for our solutions vary based on a number of factors, including the solutions selected, the number of customer devices covered by the selected solutions, and the level of management we provide for the solutions. In the second quarter of fiscal 2022, approximately 76% of our revenue was derived from subscription-based arrangements, attributable to Taegis solutions and managed security services, while approximately 24% was derived from professional services engagements. As we respond to the evolving needs of our customers, the relative mix of subscription-based solutions and

professional services we provide our customers may fluctuate. International revenue, which we define as revenue contracted through non-U.S. entities, represented approximately 33% of our total net revenue in the second quarter of fiscal 2022 and 29% of our total net revenue in the second quarter of fiscal 2021. Although our international customers are located primarily in the United Kingdom, Japan, Australia and Canada, we provide our SaaS applications or managed security services to customers across 78 countries as of July 30, 2021.

Over all of the periods presented in this report, our pricing strategy for our various offerings was relatively consistent, and accordingly did not significantly affect our revenue growth. However, we may adjust our pricing to remain competitive and support our strategic initiatives.

### **Cost of Revenue**

Our cost of revenue consists of costs incurred to provide subscription and professional services.

- *Cost of Subscription Revenue.* Cost of subscription revenue consists primarily of personnel-related expenses associated with maintaining our platform and delivering managed services to our subscription customers, as well as hosting costs for these platforms. Personnel-related expenses consist primarily of salaries, benefits and performance-based compensation. Also included in cost of subscription revenue are amortization of equipment and costs associated with hardware utilized as part of providing subscription services, amortization of technology licensing fees, amortization of intangible assets, maintenance fees and overhead allocations. As our business grows, the cost of subscription revenue associated with our solutions may fluctuate.
- *Cost of Professional Services.* Cost of professional services revenue consists primarily of personnel-related expenses, such as salaries, benefits and performance-based compensation. Also included in cost of professional services revenue are fees paid to contractors who supplement or support our solutions, maintenance fees and overhead allocations. As our business grows, the cost of professional services revenue associated with our solutions may fluctuate.

### **Gross Profit and Margin**

Gross Margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the mix between our existing solutions, introduction of new solutions, personnel-related cost and cloud hosting cost. We expect our gross margins to fluctuate depending on these factors, but increase over time with expected growth and higher mix of Taegis subscription solutions revenue compared to managed security services and professional services revenue. However, as we balance revenue growth and continue to invest in initiatives to drive the efficiency of our business, gross margin as a percentage of total revenue may fluctuate from period to period.

### **Operating Costs and Expenses**

Our operating costs and expenses consist of research and development expenses, sales and marketing expenses and general and administrative expenses.

- *Research and Development, or R&D, Expenses.* Research and development expenses include compensation and related expenses for the continued development of our solutions offerings, including a portion of expenses related to our threat research team, which focuses on the identification of system vulnerabilities, data forensics and malware analysis. R&D expenses also encompass expenses related to the development of prototypes of new solutions offerings and allocated overhead. Our customer solutions have generally been developed internally. We operate in a competitive and highly technical industry. Therefore, to maintain and extend our technology leadership, we intend to continue to invest in our R&D efforts by hiring more personnel to enhance our existing security solutions and to add complementary solutions.
- *Sales and Marketing, or S&M, Expenses.* Sales and marketing expenses include salaries, sales commissions and performance-based compensation, benefits and related expenses for our S&M personnel, travel and entertainment, marketing and advertising programs (including lead generation), customer advocacy events, and other brand-building expenses, as well as allocated overhead. As we continue to grow our business, both domestically and internationally, we will invest in our sales capability, which will increase our sales and marketing expenses in absolute dollars.
- *General and Administrative, or G&A, Expenses.* General and administrative expenses include primarily the costs of human resources and recruiting, finance and accounting, legal support, information management and information security systems, facilities management, corporate development and other administrative functions, and are partially offset by allocations of information technology and facilities costs to other functions.

***Interest and Other, Net***

Interest and other, net consists primarily of the effect of exchange rates on our foreign currency-denominated asset and liability balances and interest income earned on our cash and cash equivalents. All foreign currency transaction adjustments are recorded as foreign currency gains (losses) in the Condensed Consolidated Statements of Operations. To date, we have had minimal interest income or expense.

***Income Tax Benefit***

Our effective tax benefit rate was 18.9% and 22.0% for the three and six months ended July 30, 2021, respectively, and 58.1% and 31.0% for the three and six months ended July 31, 2020, respectively. The change in effective tax rate between the periods was primarily attributable to the increase of loss before income taxes, the impact of certain discrete adjustments related to the vesting of stock-based compensation awards and results of foreign operations.

We calculate a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. We provide valuation allowances for deferred tax assets, where appropriate. We file U.S. federal returns on a consolidated basis with Dell and we expect to continue doing so until such time (if any) as we are deconsolidated for tax purposes with respect to the Dell consolidated group. According to the terms of the tax matters agreement between Dell Technologies and Secureworks that went into effect on August 1, 2015, Dell Technologies will reimburse us for any amounts by which our tax assets reduce the amount of tax liability owed by the Dell group on an unconsolidated basis. For a further discussion of income tax matters, see "Notes to Condensed Consolidated Financial Statements—Note 9—Income and Other Taxes" in our consolidated financial statements included in this report.

## Results of Operations

### Three and six months ended July 30, 2021 compared to the three and six months ended July 31, 2020

The following tables summarize our key performance indicators for the three and six months ended July 30, 2021 and July 31, 2020.

	Three Months Ended				Six Months Ended			
	July 30, 2021		July 31, 2020		July 30, 2021		July 31, 2020	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
(in thousands, except percentages)								
<b>Net revenue:</b>								
Subscription	\$ 102,426	76.3 %	\$ 106,259	76.7 %	\$ 206,496	75.5 %	\$ 212,616	76.0 %
Professional services	31,746	23.7 %	32,217	23.3 %	67,139	24.5 %	67,041	24.0 %
Total net revenue	\$ 134,172	100.0 %	\$ 138,476	100.0 %	\$ 273,635	100.0 %	\$ 279,657	100.0 %
<b>Cost of revenue:</b>								
Subscription	\$ 37,058	27.6 %	\$ 39,989	28.9 %	\$ 74,730	27.3 %	\$ 82,455	29.5 %
Professional Services	19,425	14.5 %	19,911	14.4 %	38,960	14.2 %	40,354	14.4 %
Total cost of revenue	\$ 56,483	42.1 %	\$ 59,900	43.3 %	\$ 113,690	41.5 %	\$ 122,809	43.9 %
Total gross profit	\$ 77,689	57.9 %	\$ 78,576	56.7 %	\$ 159,945	58.5 %	\$ 156,848	56.1 %
<b>Operating expenses:</b>								
Research and development	\$ 30,417	22.7 %	\$ 24,109	17.4 %	\$ 58,569	21.4 %	\$ 48,182	17.2 %
Sales and marketing	34,685	25.9 %	35,624	25.7 %	71,090	26.0 %	73,076	26.1 %
General and administrative	26,488	19.7 %	21,800	15.7 %	52,043	19.0 %	49,316	17.6 %
Total operating expenses	\$ 91,590	68.3 %	\$ 81,533	58.9 %	\$ 181,702	66.4 %	\$ 170,574	61.0 %
Operating loss	\$ (13,901)	(10.4)%	\$ (2,957)	(2.1)%	\$ (21,757)	(7.9)%	\$ (13,726)	(4.9)%
Net loss	\$ (11,763)	(8.8)%	\$ (1,227)	(0.9)%	\$ (18,153)	(6.6)%	\$ (8,763)	(3.1)%
<b>Other Financial Information <sup>(1)</sup></b>								
<b>GAAP net revenue:</b>								
Subscription	\$ 102,426	76.3 %	\$ 106,259	76.7 %	\$ 206,496	75.5 %	\$ 212,616	76.0 %
Professional services	31,746	23.7 %	32,217	23.3 %	67,139	24.5 %	67,041	24.0 %
Total GAAP net revenue	\$ 134,172	100.0 %	\$ 138,476	100.0 %	\$ 273,635	100.0 %	\$ 279,657	100.0 %
<b>Non-GAAP cost of revenue:</b>								
Non-GAAP Subscription	\$ 33,000	24.6 %	\$ 36,122	26.1 %	\$ 66,750	24.4 %	\$ 74,898	26.8 %
Non-GAAP Professional Services	19,249	14.3 %	19,732	14.2 %	38,588	14.1 %	40,050	14.3 %
Total Non-GAAP cost of revenue <sup>(1)</sup>	\$ 52,249	38.9 %	\$ 55,854	40.3 %	\$ 105,338	38.5 %	\$ 114,948	41.1 %
Non-GAAP gross profit	\$ 81,923	61.1 %	\$ 82,622	59.7 %	\$ 168,297	61.5 %	\$ 164,709	58.9 %
<b>Non-GAAP operating expenses:</b>								
Non-GAAP research and development	\$ 28,875	21.5 %	\$ 23,012	16.6 %	\$ 55,929	20.4 %	\$ 45,794	16.4 %
Non-GAAP sales and marketing	33,669	25.1 %	34,742	25.1 %	69,342	25.3 %	71,453	25.6 %
Non-GAAP general and administrative	18,133	13.5 %	14,946	10.8 %	36,258	13.3 %	35,439	12.7 %
Total Non-GAAP operating expenses	\$ 80,677	60.1 %	\$ 72,700	52.5 %	\$ 161,529	59.0 %	\$ 152,686	54.6 %
Non-GAAP operating income	1,246	1.0 %	9,922	7.2 %	6,768	2.5 %	12,023	4.3 %
Non-GAAP net income	\$ 921	0.7 %	\$ 8,374	6.0 %	\$ 4,912	1.8 %	\$ 10,905	3.9 %
Adjusted EBITDA	\$ 3,624	2.7 %	\$ 13,136	9.5 %	\$ 11,721	4.3 %	\$ 18,740	6.7 %

<sup>(1)</sup> See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for more information about these non-GAAP financial measures, including our reasons for including the measures, material limitations with respect to the usefulness of the measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. Non-GAAP financial measures as a percentage of revenue are calculated based on Total GAAP net revenue.

## Revenue

The following table presents information regarding our revenue for the three and six months ended July 30, 2021 and July 31, 2020.

	Three Months Ended		Change		Six Months Ended		Change	
	July 30, 2021	July 31, 2020	\$	%	July 30, 2021	July 31, 2020	\$	%
(in thousands, except percentages)								
<b>Net revenue:</b>								
Taegis Subscription Solutions	\$ 18,503	\$ 7,126	\$ 11,377	159.7 %	\$ 32,463	\$ 11,579	\$ 20,884	180.4 %
Managed Security Services	83,923	99,133	(15,210)	(15.3)%	174,033	201,037	(27,004)	(13.4)%
Total Subscription revenue	\$ 102,426	\$ 106,259	\$ (3,833)	(3.6)%	\$ 206,496	\$ 212,616	\$ (6,120)	(2.9)%
Professional services	31,746	32,217	(471)	(1.5)%	67,139	67,041	98	0.1 %
Total net revenue	\$ 134,172	\$ 138,476	\$ (4,304)	(3.1)%	\$ 273,635	\$ 279,657	\$ (6,022)	(2.2)%

**Subscription Revenue.** For the three and six months ended July 30, 2021, subscription revenue decreased \$3.8 million, or 3.6%, and \$6.1 million, or 2.9%, respectively. The revenue decrease reflects our continued focus on reducing non-strategic service offerings and prioritizing the growth of our Taegis subscription solutions, which includes reselling Taegis offerings to our current managed security services customer base.

**Professional Services Revenue.** For the three months ended July 30, 2021, professional services revenue decreased \$0.5 million, or 1.5%, compared to the three months ended July 31, 2020. The slight decrease was primarily driven by a decline in the number of billable hours compared to the same period in 2020.

For the six months ended July 30, 2021, professional services revenue slightly increased \$0.1 million, or 0.1%, compared to the six months ended July 31, 2020. The modest increase was due to an increase in the number of engagements performed during the period.

Revenue for certain services provided to or on behalf of Dell under our commercial agreements with Dell totaled approximately \$2.9 million and \$6.2 million for the three and six months ended July 30, 2021, respectively, and \$4.5 million and \$10.4 million for the three and six months ended July 31, 2020, respectively. Approximately 60% of these net revenue amounts were derived from professional services while approximately 40% were derived from subscription services for each period presented. For more information regarding these commercial agreements, see "Notes to Condensed Consolidated Financial Statements—Note 10—Related Party Transactions" in our condensed consolidated financial statements included in this report.

We primarily generate revenue from sales in the United States. However, for the three months ended July 30, 2021, international revenue, which we define as revenue contracted through non-U.S. entities, increased to \$44.5 million, or 10.1%, and \$89.4 million, or 10.4%, of our total revenue from the three and six months ended July 31, 2020. Currently, our international customers are primarily located in the Australia, United Kingdom, Japan and Canada. We are focused on continuing to grow our international customer base in future periods.

## Cost of Revenue

The following table presents information regarding our cost of revenue for the three and six months ended July 30, 2021 and July 31, 2020.

	Three Months Ended		Change		Six Months Ended		Change	
	July 30, 2021	July 31, 2020	\$	%	July 30, 2021	July 31, 2020	\$	%
(in thousands, except percentages)								
<b>Cost of revenue:</b>								
Subscription	\$ 37,058	\$ 39,989	\$ (2,931)	(7.3)%	\$ 74,730	\$ 82,455	\$ (7,725)	(9.4)%
Professional Services	19,425	19,911	(486)	(2.4)%	38,960	40,354	(1,394)	(3.5)%
Total cost of revenue	<u>\$ 56,483</u>	<u>\$ 59,900</u>	<u>\$ (3,417)</u>	(5.7)%	<u>\$ 113,690</u>	<u>\$ 122,809</u>	<u>\$ (9,119)</u>	(7.4)%
<b>Other Financial Information</b>								
Non-GAAP Subscription	\$ 33,000	\$ 36,122	\$ (3,122)	(8.6)%	\$ 66,750	\$ 74,898	\$ (8,148)	(10.9)%
Non-GAAP Professional Services	19,249	19,732	(483)	(2.4)%	38,588	40,050	(1,462)	(3.7)%
Total Non-GAAP cost of revenue <sup>(1)</sup>	<u>\$ 52,249</u>	<u>\$ 55,854</u>	<u>\$ (3,605)</u>	(6.5)%	<u>\$ 105,338</u>	<u>\$ 114,948</u>	<u>\$ (9,610)</u>	(8.4)%

<sup>(1)</sup> See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

**Subscription Cost of Revenue.** For the three months ended July 30, 2021, Subscription cost of revenue decreased \$2.9 million, or 7.3%. As a percentage of revenue, subscription cost of revenue decreased 130 basis points to 27.6%. On a non-GAAP basis, subscription cost of revenue as a percentage of revenue decreased 150 basis points to 24.6%. The decrease in subscription cost of revenue was primarily attributable to lower employee-related expenses.

For the six months ended July 30, 2021, subscription cost of revenue decreased \$7.7 million, or 9.4%. As a percentage of revenue, subscription cost of revenue decreased 220 basis points to 27.3%. On a non-GAAP basis, subscription cost of revenue as a percentage of revenue decreased 240 basis points to 24.4%. The decrease in subscription cost of revenue was primarily attributable to lower employee-related expenses.

**Professional Services Cost of Revenue.** For the three months ended July 30, 2021, professional services cost of revenue decreased \$0.5 million, or 2.4%. As a percentage of revenue, professional services cost of revenue decreased 10 basis points to 14.5%. On a non-GAAP basis, professional services cost of revenue as a percentage of revenue decreased 10 basis points to 14.3%. The decrease in professional services cost of revenue was primarily attributable to reduced cost associated with the utilization of third-party consultants.

For the six months ended July 30, 2021, professional services cost of revenue decreased \$1.4 million, or 3.5%. As a percentage of revenue, professional services cost of revenue decreased 20 basis points to 14.2%. On a non-GAAP basis, professional services cost of revenue as a percentage of revenue decreased 20 basis points to 14.1%. The decrease in professional services cost of revenue was primarily attributable to reduced cost associated with the utilization of third-party consultants.

## Gross Profit and Gross Margin

The following table presents information regarding our gross profit and gross margin for the three and six months ended July 30, 2021 and July 31, 2020.

	Three Months Ended		Change		Six Months Ended		Change	
	July 30, 2021	July 31, 2020	\$	%	July 30, 2021	July 31, 2020	\$	%
(in thousands, except percentages)								
<b>Gross Profit:</b>								
Subscription	\$ 65,368	\$ 66,270	\$ (902)	(1.4)%	\$ 131,766	\$ 130,161	\$ 1,605	1.2 %
Professional Services	12,321	12,306	\$ 15	0.1 %	28,179	26,687	1,492	5.6 %
Total Gross Profit	<u>\$ 77,689</u>	<u>\$ 78,576</u>	<u>\$ (887)</u>	(1.1)%	<u>\$ 159,945</u>	<u>\$ 156,848</u>	<u>\$ 3,097</u>	2.0 %
<b>Gross Margin:</b>								
Subscription	63.8 %	62.4 %	1.4 %		63.8 %	61.2 %	2.6 %	
Professional Services	38.8 %	38.2 %	0.6 %		42.0 %	39.8 %	2.2 %	
Total Gross Margin	57.9 %	56.7 %	1.2 %		58.5 %	56.1 %	2.4 %	

**Subscription Gross Margin.** For the three and six months ended July 30, 2021, subscription gross margin increased primarily due to our continued focus on delivering comprehensive higher-value security solutions and driving scale and operational efficiencies associated with reducing non-strategic service offerings and prioritizing the growth of our Taegis subscription solutions.

Subscription gross margin on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. On a non-GAAP basis, excluding these adjustments, gross margin increased 1.8% and 2.9% for the three and six months ended July 30, 2021, respectively.

**Professional Services Gross Margin.** For the three months ended and six months ended July 30, 2021, professional services gross margin increased primarily due reduced cost associated with the utilization of third-party consultants.

Professional services gross margin on a GAAP basis includes stock-based compensation expense. On a non-GAAP basis, excluding that adjustment, gross margin increased 0.6% and 2.2% for the three and six months ended July 30, 2021, respectively.

## Operating Expenses

The following table presents information regarding our operating expenses for the three and six months ended July 30, 2021 and July 31, 2020.

	Three Months Ended		Change		Six Months Ended		Change	
	July 30, 2021	July 31, 2020	\$	%	July 30, 2021	July 31, 2020	\$	%
(in thousands, except percentages)								
<b>Operating expenses:</b>								
Research and development	\$ 30,417	\$ 24,109	\$ 6,308	26.2 %	\$ 58,569	\$ 48,182	\$ 10,387	21.6 %
Sales and marketing	34,685	35,624	(939)	(2.6)%	71,090	73,076	(1,986)	(2.7)%
General and administrative	26,488	21,800	4,688	21.5 %	52,043	49,316	2,727	5.5 %
<b>Total operating expenses</b>	<b>\$ 91,590</b>	<b>\$ 81,533</b>	<b>\$ 10,057</b>	<b>12.3 %</b>	<b>\$ 181,702</b>	<b>\$ 170,574</b>	<b>\$ 11,128</b>	<b>6.5 %</b>
<b>Other Financial Information</b>								
Non-GAAP research and development	\$ 28,875	\$ 23,012	\$ 5,863	25.5 %	\$ 55,929	\$ 45,794	\$ 10,135	22.1 %
Non-GAAP sales and marketing	33,669	34,742	(1,073)	(3.1)%	69,342	71,453	(2,111)	(3.0)%
Non-GAAP general and administrative	18,133	14,946	3,187	21.3 %	36,258	35,439	819	2.3 %
<b>Non-GAAP operating expenses <sup>(1)</sup></b>	<b>\$ 80,677</b>	<b>\$ 72,700</b>	<b>\$ 7,977</b>	<b>11.0 %</b>	<b>\$ 161,529</b>	<b>\$ 152,686</b>	<b>\$ 8,843</b>	<b>5.8 %</b>

<sup>(1)</sup> See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

**Research and Development Expenses.** For the three months ended July 30, 2021, R&D expenses increased \$6.3 million, or 26.2%. As a percentage of revenue, R&D expenses increased 530 basis points to 22.7%. On a non-GAAP basis, R&D expenses as a percentage of revenue increased 490 basis points to 21.5%. The increase in R&D expenses was primarily attributable to increased compensation and benefits resulting from the addition of R&D personnel associated with the continued development of our Taegis software platform and SaaS applications.

For the six months ended July 30, 2021, R&D expenses increased \$10.4 million, or 21.6%. As a percentage of revenue, R&D expenses increased 420 basis points to 21.4%. On a non-GAAP basis, R&D expenses as a percentage of revenue increased 400 basis points to 20.4%. The increase in R&D expenses was primarily attributable to increased compensation and benefits associated with the addition of R&D personnel resulting from the continued development of our Taegis software platform and SaaS applications.

**Sales and Marketing Expenses.** For the three months ended July 30, 2021, S&M expenses decreased \$0.9 million, or 2.6%. As a percentage of revenue, S&M expenses decreased 20 basis points to 25.9%. On a non-GAAP basis, S&M expenses as a percentage of revenue remained at 25.1%. The decrease in S&M expenses was primarily attributable to \$2.6 million of lower commission expense, partially offset by an increase in marketing program expense of \$1.7 million related to our Taegis platform offerings.

For the six months ended July 30, 2021, S&M expenses decreased \$2.0 million, or 2.7%. As a percentage of revenue, S&M expenses decreased 10 basis points to 26.0%. On a non-GAAP basis, S&M expenses as a percentage of revenue decreased 30 basis points to 25.3%. The decrease in S&M expenses was primarily attributable to \$4.7 million of lower commission expense, partially offset by an increase in marketing program expense of \$2.7 million related to our Taegis platform offerings.

**General and Administrative Expenses.** For the three months ended July 30, 2021, G&A expenses increased \$4.7 million, or 21.5%. As a percentage of revenue, G&A expenses increased 400 basis points to 19.7%. On a non-GAAP basis, G&A expenses as a percentage of revenue increased 270 basis points to 13.5%. The increase in G&A expenses was primarily attributable to higher employee-related costs.

For the six months ended July 30, 2021, G&A expenses increased \$2.7 million, or 5.5%. As a percentage of revenue, G&A expenses increased 140 basis points to 19.0%. On a non-GAAP basis, G&A expenses as a percentage of revenue increased 60 basis points to 13.3%. The increase in G&A expenses was primarily attributable to higher employee-related costs, which was offset by lower professional services and consulting related costs.



**Operating Income (Loss)**

Our operating loss for the three months ended July 30, 2021 and July 31, 2020 was \$(13.9) million and \$(3.0) million, respectively. As a percentage of revenue, our operating loss was (10.4)% and (2.1)% for the three months ended July 30, 2021 and July 31, 2020, respectively. The increase in our operating loss was primarily due to higher operating expenses, as previously described.

Our operating loss for the six months ended July 30, 2021 and July 31, 2020 was \$(21.8) million and \$(13.7) million, respectively. As a percentage of revenue, our operating loss was (7.9)% and (4.9)% for the six months ended July 30, 2021 and July 31, 2020, respectively. The increase in our operating loss was primarily due to higher operating expenses, as previously described.

Operating income on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. On a non-GAAP basis, excluding these adjustments, our non-GAAP operating income was \$1.2 million and \$6.8 million for the three and six months ended July 30, 2021, respectively, compared to a non-GAAP operating income of \$9.9 million and \$12.0 million for the three and six months ended July 31, 2020, respectively.

**Interest and Other, Net**

Our interest and other, net was \$(0.6) million and \$(1.5) million for the three and six months ended July 30, 2021, respectively, compared with \$30 thousand and \$1.0 million for the three and six months ended July 31, 2020, respectively. The changes primarily reflected the effects of foreign currency transactions and related exchange rate fluctuations.

**Income Tax Benefit**

Our income tax benefit was \$2.7 million, or 18.9%, and \$5.1 million, or 22.0%, of our pre-tax loss during the three and six months ended July 30, 2021, respectively, and \$1.7 million, or 58.1%, and \$3.9 million, or 31.0%, of our pre-tax loss during the three and six months ended July 31, 2020, respectively. The changes in the effective tax benefit rate were primarily attributable to both the increase of loss before income taxes and the impact of certain discrete adjustments related to stock-based compensation awards.

**Net Income (Loss)**

Our net loss of \$(11.8) million increased \$10.5 million, for the three months ended July 30, 2021. For the six months ended July 30, 2021, our net loss of \$(18.2) million increased \$(9.4) million. Net income on a non-GAAP basis for the three months ended July 30, 2021 was \$0.9 million compared to a non-GAAP net income of \$8.4 million for the three months ended July 31, 2020, and non-GAAP net income for the six months ended July 30, 2021 was \$4.9 million compared to a non-GAAP income of \$10.9 million for the six months ended July 31, 2020. The changes on both a GAAP and non-GAAP basis were attributable to increased operating expenses, the effect of which was offset in part by the higher income tax benefit recognized in the current period.

## Liquidity and Capital Commitments

### Overview

We believe that our cash and cash equivalents together with our accounts receivable will provide us with sufficient liquidity to fund our business and meet our obligations for at least 12 months and for the foreseeable future thereafter. Our future capital requirements will depend on many factors, including our rate of revenue growth, the rate of expansion of our workforce, the timing and extent of our expansion into new markets, the timing of introductions of new functionality and enhancements to our solutions, potential acquisitions of complementary businesses and technologies, continuing market acceptance of our solutions, and general economic and market conditions. We may need to raise additional capital or incur indebtedness to continue to fund our operations in the future or to fund our needs for less predictable strategic initiatives, such as acquisitions. In addition to our \$30 million revolving credit facility from Dell, described below, sources of financing may include arrangements with unaffiliated third parties, depending on the availability of capital, the cost of funds and lender collateral requirements.

### Selected Measures of Liquidity and Capital Resources

As of July 30, 2021, our principal sources of liquidity consisted of cash and cash equivalents and accounts receivable. Our cash and cash equivalents balance as of July 30, 2021 included \$40.8 million invested in money market funds pending their use in our business.

Selected measures of our liquidity and capital resources are as follows:

	July 30, 2021	January 29, 2021
	(in thousands)	
Cash and cash equivalents	\$ 196,961	\$ 220,300
Accounts receivable, net	\$ 97,835	\$ 108,005

We invoice our customers based on a variety of billing schedules. During the six months ended July 30, 2021, on average, approximately 58% of the Company's recurring revenue was billed in advance annually or for the entirety of the contract amount, and approximately 42% was billed in advance on either a monthly or a quarterly basis. Invoiced accounts receivable are generally collected over a period of 30 to 120 days. The decrease in accounts receivable as of July 30, 2021 reflected increased collection activity. We regularly monitor our accounts receivable for collectability, particularly in markets where economic conditions remain uncertain, and continue to take actions to reduce our exposure to credit losses. As of July 30, 2021 and January 29, 2021, the provision for credit losses was \$4.5 million and \$4.8 million, respectively. Based upon our assessment, we believe we are adequately reserved for credit risk.

### Revolving Credit Facility

SecureWorks, Inc., our wholly-owned subsidiary, is party to a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which we have obtained a \$30 million senior unsecured revolving credit facility. Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The proceeds from loans made under the facility may be used for general corporate purposes. The facility is not guaranteed by us or our subsidiaries. There was no outstanding balance under the facility as of July 30, 2021 or January 29, 2021 and we did not borrow any amounts under the facility during the six months ended July 30, 2021. Effective March 25, 2021, the facility was amended and restated to extend the maturity date to March 25, 2022 and to modify the annual rate at which interest accrues to the applicable LIBOR plus 1.54%.

Amounts under the facility may be borrowed, repaid and reborrowed from time to time during the term of the facility. The borrower will be required to repay in full all of the loans outstanding, including all accrued interest, and the facility will terminate upon a change of control of us or following a transaction in which SecureWorks, Inc. ceases to be a direct or indirect wholly-owned subsidiary of our Company. The credit agreement contains customary representations, warranties, covenants and events of default. The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility.

## Cash Flows

The following table presents information concerning our cash flows for the six months ended July 30, 2021 and July 31, 2020.

	Six Months Ended	
	July 30, 2021	July 31, 2020
	(in thousands)	
<i>Net change in cash from:</i>		
Operating activities	\$ (13,277)	\$ 6,023
Investing activities	(4,251)	(1,709)
Financing activities	(5,811)	(4,658)
Change in cash and cash equivalents	<u>\$ (23,339)</u>	<u>\$ (344)</u>

**Operating Activities** — Cash (used)/provided by operating activities totaled \$(13.3) million and \$6.0 million for the six months ended July 30, 2021 and July 31, 2020, respectively. The increased use of our operating cash was primarily driven by the decrease in our net transactions with Dell and accounts payables. We expect that our future transactions with Dell will continue to be a source of cash over time as we anticipate that our charges to Dell will continue to exceed Dell's charges to us, although the timing of charges and settlements may vary from period to period.

**Investing Activities** — Cash used in investing activities totaled \$4.3 million and \$1.7 million for the six months ended July 30, 2021 and July 31, 2020, respectively. For the periods presented, investing activities consisted primarily of capitalized expenses related to the development of our Taegis software platform and SaaS applications, as well as capital expenditures to support our facilities infrastructure.

**Financing Activities** — Cash used in financing activities totaled \$5.8 million and \$4.7 million for the six months ended July 30, 2021 and July 31, 2020, respectively. The use of cash flows for the six months ended July 30, 2021 reflected employee tax withholding payments paid by us of \$7.2 million on restricted stock-based awards, offset by \$1.4 million of proceeds from stock option exercises.

### **Off-Balance Sheet Arrangements**

As of July 30, 2021, we were not subject to any obligations pursuant to any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

### **Critical Accounting Policies**

The unaudited condensed consolidated financial statements included elsewhere in this report have been prepared in accordance with GAAP for interim financial information and the requirements of the SEC. Accordingly, they do not include all of the information and disclosures required by GAAP for a complete financial statement presentation. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments consisting of normal recurring accruals and disclosures considered necessary for a fair interim presentation have been included. All inter-company accounts and transactions have been eliminated in consolidation.

As described in "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation," management assessed the critical accounting policies as disclosed in our Annual Report and determined that there were no changes to our critical accounting policies or our estimates associated with those policies during the three and six months ended July 30, 2021.

### **Recently Issued Accounting Pronouncements**

See "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation" in our condensed consolidated financial statements included in this report for a description of recently issued accounting pronouncements and our expectation of their impact, if any, on our financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our results of operations and cash flows have been and will continue to be subject to fluctuations because of changes in foreign currency exchange rates, particularly changes in exchange rates between the U.S. dollar and the Euro, the British Pound, the Romanian Leu, the Japanese Yen, the Australian Dollar and the Canadian Dollar, the currencies of countries where we currently have our most significant international operations. Our expenses in international locations are generally denominated in the currencies of the countries in which our operations are located.

As our international operations grow, we may begin to use foreign exchange forward contracts to partially mitigate the impact of fluctuations in net monetary assets denominated in foreign currencies.

### **Item 4. Controls and Procedures**

#### ***Limitations on Effectiveness of Disclosure Controls and Procedures***

In designing and evaluating our disclosure controls and procedures, as defined below under SEC rules, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their cost.

#### ***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange of 1934, or Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of July 30, 2021. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of July 30, 2021.

#### ***Changes in Internal Control over Financial Reporting***

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures which (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

There were no changes in our internal control over financial reporting that occurred during the quarter ended July 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1A. Risk Factors

We have discussed risks affecting us under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 29, 2021 filed with the SEC on March 25, 2021. The risks described in our Annual Report are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that may also materially adversely affect our business, financial condition or operating results.

## Item 6. Exhibits

Secureworks hereby files or furnishes the following exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1*	<a href="#">Separation Agreement and Release, dated as of June 1, 2021, between SecureWorks Corp. (the "Company") and Michael R. Cote (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 3, 2021) (Commission File No. 001-37748).</a>
10.2*	<a href="#">SecureWorks Corp. 2016 Long-Term Incentive Plan, as amended and restated as of June 21, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 22, 2021) (Commission File No. 001-37748).</a>
10.3*	<a href="#">Form of Restricted Stock Unit Agreement for Executives under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.4*	<a href="#">Form of Performance Stock Unit Agreement for Executives under the SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.5*	<a href="#">Form of Restricted Stock Unit Agreement for Non-Employee Directors under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
31.1	<a href="#">Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</a>
31.2	<a href="#">Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</a>
32.1	<a href="#">Certifications of Chief Executive Officer and Chief Financial Officer of the Company pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document, which is contained in Exhibit 101).

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\* Management contracts or compensation plans or arrangements in which directors or executive officers participate.

**SIGNATURE**

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, thereunto duly authorized.

SecureWorks Corp.

By: \_\_\_\_\_  
/s/ Paul M. Parrish  
Paul M. Parrish  
Chief Financial Officer  
(Duly Authorized Officer)

Date: September 2, 2021

**SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
EXECUTIVE FORM  
COVER SHEET**

SecureWorks Corp., a Delaware corporation (the “**Company**”), hereby grants restricted stock units (the “**RSUs**”) relating to shares of the Company’s Class A common stock, par value \$0.01 per share (the “**Stock**”), to the Grantee named below, subject to the vesting conditions set forth below. Additional terms and conditions of the RSUs are set forth on this cover sheet and in the attached Restricted Stock Unit Agreement (together, the “**Agreement**”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “**Plan**”).

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Number of Shares of Stock Covered by  
the RSUs: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined in the Agreement) on each applicable vesting date, the RSUs shall vest in [ ] equal annual installments on each of the [ ] anniversaries of the Grant Date.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first vesting date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment

*This is not a stock certificate or a negotiable instrument.*



**SECUREWORKS CORP.**  
**2016 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AGREEMENT**  
**EXECUTIVE FORM**

<b>Restricted Stock Units</b>	This Agreement evidences an Award of RSUs in the number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.
<b>Transferability</b>	Your RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your RSUs.
<b>Vesting</b>	<p>Your RSUs shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable vesting date.</p> <p>The determination of the number of RSUs that may vest on each applicable vesting date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.</p> <p>You may not vest in more than the number of shares of Stock covered by your RSUs, as set forth on the cover sheet of this Agreement.</p> <p>Notwithstanding your vesting schedule or any other provision of this Agreement to the contrary, the RSUs shall become 100% vested upon your termination of Service due to your death or Disability. Subject to the Change in Control provisions of this Agreement, no additional portion of your RSUs shall vest after your Service has terminated for any other reason.</p> <p>Notwithstanding the Plan definitions of “Service” and “Service Provider,” for purposes of this Agreement, “Service” shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee’s employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.</p>
<b>Leaves of Absence</b>	For purposes of this Agreement, your Service does not terminate when you go on a <i>bona fide</i> leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

**Change in Control**

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control, if assumed or substituted for, the RSUs shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

“**Involuntary Termination**” means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested RSUs**

Unless the termination of your Service triggers accelerated vesting or other treatment of your RSUs pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested RSUs in the event your Service terminates for any reason.

**Forfeiture of Rights** You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested RSUs shall immediately and automatically expire; and (ii) if you have vested in any RSUs during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, “**Conduct Detrimental to the Company**” means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).

For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;

- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;
- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or
- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Qualys, Tenable, Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

**Delivery** Delivery of the shares of Stock represented by your vested RSUs shall be made as soon as practicable after the date on which your RSUs vest and, in any event, by no later than March 15th of the calendar year after your RSUs vest.

**Evidence of Issuance** The issuance of the shares of Stock with respect to the RSUs shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book-entry registration or (ii) issuance of one or more share certificates.

**Withholding** You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the RSUs or the issuance of shares of Stock with respect to the RSUs. In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the RSUs or the issuance of shares of Stock with respect to the RSUs, and you have not made acceptable arrangements to make such payment, the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”), whereby you irrevocably elect to sell a portion of the shares of Stock to be delivered in connection with the RSUs to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested shares of Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

**Trading  
Restrictions**

If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on the date a distribution would otherwise be made pursuant to this Agreement, such distribution shall instead be made as of the earlier of (i) the first date you are not subject to any such policy or restriction and (ii) the later of (A) the last day of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.

**Stockholder Rights**

You have no rights as a stockholder with respect to the RSUs unless and until shares of Stock relating to the RSUs have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company’s books. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:

Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

**No Right to  
Continued  
Employment or  
Other Service**

This Agreement and the RSUs evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.

**Corporate Activity**

Your RSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.

**Clawback**

The RSUs are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company “clawback” or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the RSUs earned or accrued during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Governing Law & Venue**

You understand and agree that the Company is a Delaware corporation with global operations and that your RSUs may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws**

Local foreign exchange laws may affect your RSUs or the vesting of your RSUs. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of the RSUs.

**The Plan**

The text of the Plan is incorporated into this Agreement by reference.

***All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the RSUs. Any prior agreements, commitments, or negotiations concerning the RSUs are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Disclaimer of Rights**

The grant of RSUs under this Agreement will in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to you. You will have no rights under this Agreement or the Plan other than those of a general unsecured creditor of the Company. RSUs represent unfunded and unsecured obligations of the Company, subject to the terms and conditions of the Plan and this Agreement.

**Data Privacy**

As a condition of the grant of the RSUs, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“Data”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.



**Notice Delivery** By accepting the RSUs, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A** The grant of RSUs under this Agreement is intended to comply with the short-term deferral exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

To the extent that the RSUs constitute “deferred compensation” under Section 409A, a termination of Service occurs only upon an event that would be a Separation from Service within the meaning of Section 409A. If, at the time of your Separation from Service, (i) you are a “specified employee” within the meaning of Section 409A, and (ii) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the “**Delay Period**”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of RSUs that vest under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

**SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
PERFORMANCE STOCK UNIT AGREEMENT  
EXECUTIVE FORM  
COVER SHEET**

SecureWorks Corp., a Delaware corporation (the “**Company**”), hereby grants performance stock units (the “**PSUs**”) relating to shares of the Company’s Class A common stock, par value \$0.01 per share (the “**Stock**”), to the Grantee named below, subject to the vesting conditions set forth below. Additional terms and conditions of the PSUs are set forth on this cover sheet and in the attached Performance Stock Unit Agreement (together with all exhibits, the “**Agreement**”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “**Plan**”).

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Target Number of Shares of Stock Covered by the PSUs: \_\_\_\_\_

Performance Period: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined in this Agreement) on each applicable vesting date, your Earned PSUs, if any, shall vest in [ ] equal annual installments on each of [ ] (each, a “**Vesting Date**”). Notwithstanding the preceding, if the Certification Date follows the first (1<sup>st</sup>) anniversary of the Grant Date and if you are in Service on the first (1<sup>st</sup>) anniversary of the Grant Date, you shall be treated as in Service on the Certification Date for purposes of determining your Earned PSUs, if any, and the level of your vesting in any such Earned PSUs.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first Vesting Date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_  
(Signature)

Date: \_\_\_\_\_

Company: \_\_\_\_\_  
(Signature)

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment  
This is not a stock certificate or a negotiable instrument.

SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
PERFORMANCE STOCK UNIT AGREEMENT  
EXECUTIVE FORM

**Performance Stock Units** This Agreement evidences an Award of PSUs in the target number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.

The number of PSUs, if any, that may be earned pursuant to the terms of this Agreement (the “**Earned PSUs**”) will be calculated based on the attainment, as determined by the Committee, of the performance goals described in **Exhibit A** to this Agreement (the “**Performance Goals**”) over the Performance Period set forth on the cover sheet, which number of Earned PSUs may be equal to all or a portion, including none, of the Maximum Number of PSUs set forth in **Exhibit A**. If the Performance Goals are not achieved during the Performance Period, you will forfeit all of your PSUs as of the end of the Performance Period, except as otherwise provided in this Agreement.

Promptly following the completion of the Performance Period, and no later than seventy-five (75) days following the end of the Performance Period (the date of such certification, the “**Certification Date**”), the Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved and (ii) the number of PSUs that will become Earned PSUs. Such certification will be final, conclusive, and binding. Notwithstanding the foregoing or anything in this Agreement to the contrary, the Committee reserves the right to adjust the number of Earned PSUs based on the achievement of the Performance Goals downward, including to zero, in its sole discretion.

You will forfeit to the Company all of the PSUs to the extent the specified Performance Goals have not been achieved, and the number of PSUs that will become Earned PSUs are also subject to downward adjustment irrespective of the satisfaction of Performance Goals, in each case as determined by the Committee, effective as of the Certification Date.

You will forfeit to the Company all of the PSUs if your service (as defined herein) terminates for any reasons prior to the last day of the Performance Period.

Notwithstanding the Plan definitions of “Service” and “Service Provider,” for purposes of this Agreement, “Service” shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee’s employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.

**Transferability of PSUs** Your PSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the PSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your PSUs.

**Vesting of Earned PSUs** Your Earned PSUs, if any, shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable Vesting Date. You may not vest in more than the number of shares of Stock covered by your Earned PSUs, and the number of Earned PSUs may not exceed [ ]% of your Target Number of PSUs as set forth on the cover sheet of this Agreement.

The determination of the number of Earned PSUs that may vest on each applicable Vesting Date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.

Notwithstanding your vesting schedule or any other provision of this Agreement to the contrary, the Earned PSUs, if any, shall become 100% vested upon your termination of Service on or following the last day of the Performance Period due to your death or Disability. Subject to the Change in Control provisions of this Agreement, no additional portion of your PSUs (or Earned PSUs) shall vest after your Service has terminated for any other reason.

**Leaves of Absence** For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

**Change in Control**

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control prior to the Certification Date, if assumed or substituted for, the PSUs shall become (i) earned based upon the greater of (A) deemed attainment of the Performance Goals at target or (B) actual attainment of the Performance Goals as of the Change in Control and (ii) 100% vested, in each case upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control on or following the Certification Date, if assumed or substituted for, the Earned PSUs shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

**“Involuntary Termination”** means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested Earned PSUs**

Unless the termination of your Service triggers accelerated vesting or other treatment of your Earned PSUs pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested Earned PSUs in the event your Service terminates for any reason.

## Forfeiture of Rights

You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested PSUs (including unvested Earned PSUs) shall immediately and automatically expire; and (ii) if you have vested in any Earned PSUs during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, “**Conduct Detrimental to the Company**” means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).

For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;
- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;

- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or
- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Qualys, Tenable, Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

**Delivery**

Delivery of the shares of Stock represented by your vested Earned PSUs shall be made as soon as practicable after the date on which your Earned PSUs vest and, in any event, by no later than March 15th of the calendar year after the applicable Vesting Date.

**Evidence of Issuance**

The issuance of the shares of Stock with respect to the vested Earned PSUs shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book-entry registration or (ii) issuance of one or more share certificates.

**Withholding**

You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the PSUs or the issuance of shares of Stock with respect to the vested Earned PSUs. In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the PSUs or the issuance of shares of Stock with respect to the vested Earned PSUs, and you have not made acceptable arrangements to make such payment, the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”), whereby you irrevocably elect to sell a portion of the shares of Stock to be delivered in connection with the vested Earned PSUs to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested shares of Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

**Trading Restrictions**

If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on the date a distribution would otherwise be made pursuant to this Agreement, such distribution shall instead be made as of the earlier of (i) the first date you are not subject to any such policy or restriction and (ii) the later of (A) the last day of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.



**Stockholder Rights**

You have no rights as a stockholder with respect to the PSUs unless and until shares of Stock relating to the vested Earned PSUs have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company's books. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:

Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

**No Right to Continued Employment or Other Service**

This Agreement and the PSUs evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.

**Corporate Activity**

Your PSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.

**Clawback**

The PSUs are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company "clawback" or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the vested Earned PSUs during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Governing Law & Venue**

You understand and agree that the Company is a Delaware corporation with global operations and that your PSUs may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws**

Local foreign exchange laws may affect your PSUs or the vesting of your Earned PSUs. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of the PSUs.

**The Plan**

The text of the Plan is incorporated into this Agreement by reference.

***All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the PSUs. Any prior agreements, commitments, or negotiations concerning the PSUs are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Disclaimer of Rights**

The grant of PSUs under this Agreement will in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to you. You will have no rights under this Agreement or the Plan other than those of a general unsecured creditor of the Company. PSUs represent unfunded and unsecured obligations of the Company, subject to the terms and conditions of the Plan and this Agreement.

**Data Privacy**

As a condition of the grant of the PSUs, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested ("**Data**"). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery**

By accepting the PSUs, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A**

The grant of PSUs under this Agreement is intended to comply with the short-term deferral exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

To the extent that the PSUs constitute “deferred compensation” under Section 409A, a termination of Service occurs only upon an event that would be a Separation from Service within the meaning of Section 409A. If, at the time of your Separation from Service, (i) you are a “specified employee” within the meaning of Section 409A, and (ii) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the “**Delay Period**”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of PSUs that vests under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
COVER SHEET

SecureWorks Corp., a Delaware corporation (the “Company”), hereby grants restricted stock units (the “RSUs”) relating to shares of the Company’s Class A common stock, par value \$0.01 per share (the “Stock”), to the Grantee named below, subject to the vesting conditions set forth below. Additional terms and conditions of the RSUs are set forth on this cover sheet and in the attached Restricted Stock Unit Agreement (together, the “Agreement”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “Plan”).

Grant Date: \_\_\_\_\_  
Name of Grantee: \_\_\_\_\_  
Number of Shares of Stock Covered by  
the RSUs: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined in the Agreement), the RSUs shall vest in full on the first (1<sup>st</sup>) anniversary of the Grant Date.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Standard Time, five business days prior to the first vesting date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment  
This is not a stock certificate or a negotiable instrument

**SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT**

<b>Restricted Stock Units</b>	This Agreement evidences an Award of RSUs in the number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.
<b>Transferability</b>	Your RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your RSUs.
<b>Vesting</b>	<p>Your RSUs shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on the applicable vesting date.</p> <p>You may not vest in more than the number of shares of Stock covered by your RSUs, as set forth on the cover sheet of this Agreement.</p> <p>Notwithstanding your vesting schedule or any other provision of this Agreement to the contrary, the RSUs shall become 100% vested upon your termination of Service due to your death or Disability. No additional portion of your RSUs shall vest after your Service has terminated for any other reason.</p> <p>Notwithstanding the Plan definitions of “Service” and “Service Provider,” for purposes of this Agreement, “Service” shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary.</p>
<b>Forfeiture of Unvested RSUs</b>	Unless the termination of your Service triggers accelerated vesting or other treatment of your RSUs pursuant to the terms of this Agreement, the Plan, a written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary, otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested RSUs in the event your Service terminates for any reason.
<b>Delivery</b>	Delivery of the shares of Stock represented by your vested RSUs shall be made as soon as practicable after the date on which your RSUs vest and, in any event, by no later than March 15 of the calendar year after your RSUs vest.

**Evidence of Issuance**

The issuance of the shares of Stock with respect to the RSUs shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book-entry registration or (ii) issuance of one or more share certificates.

**Withholding**

You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the RSUs or the issuance of shares of Stock with respect to the RSUs.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

**Trading Restrictions**

If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on the date a distribution would otherwise be made pursuant to this Agreement, such distribution shall instead be made as of the earlier of (i) the first date you are not subject to any such policy or restriction and (ii) the later of (A) the last day of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including a Restricted Period generally applicable to service providers or groups of service providers.

**Stockholder Rights**

You have no rights as a stockholder with respect to the RSUs unless and until shares of Stock relating to the RSUs have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company's books. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:

Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

**No Right to Continued Service**

This Agreement and the RSUs evidenced by this Agreement do not give you the right to expectation of Service with, or to continue in the Service of, the Company or a Subsidiary. The Company or a Subsidiary, as applicable, or their applicable stockholders reserve the right to terminate your Service relationship with the Company or a Subsidiary at any time and for any reason.

**Corporate Activity**

Your RSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.

**Clawback**

The RSUs are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company "clawback" or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.



**Governing Law & Venue** You understand and agree that the Company is a Delaware corporation with global operations and that your RSUs may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws** Local foreign exchange laws may affect your RSUs or the vesting of your RSUs. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of the RSUs.

**The Plan** The text of the Plan is incorporated into this Agreement by reference.

***All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the RSUs. Any prior agreements, commitments, or negotiations concerning the RSUs are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Disclaimer of Rights**

The grant of RSUs under this Agreement will in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to you. You will have no rights under this Agreement or the Plan other than those of a general unsecured creditor of the Company. RSUs represent unfunded and unsecured obligations of the Company, subject to the terms and conditions of the Plan and this Agreement.

**Data Privacy**

As a condition of the grant of the RSUs, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, compensation, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“**Data**”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan. You understand that these recipients may be located in the European Economic Area or elsewhere, such as the United States. You authorize them to receive, possess, use, retain, and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery**

By accepting the RSUs, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its directors.

**Code Section 409A**

The grant of RSUs under this Agreement is intended to comply with the short-term deferral exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

To the extent that the RSUs constitute “deferred compensation” under Section 409A, a termination of Service occurs only upon an event that would be a Separation from Service within the meaning of Section 409A. If, at the time of your Separation from Service, (i) you are a “specified employee” within the meaning of Section 409A, and (ii) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the “**Delay Period**”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of RSUs that vest under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

***By accepting this Agreement, you agree to all the terms and conditions described above and in the Plan.***

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
OF THE COMPANY PURSUANT TO RULE 13a-14(a)  
OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE  
ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael R. Cote, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 2, 2021

/s/ Michael R. Cote  
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Michael R. Cote  
*President and Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
OF THE COMPANY PURSUANT TO RULE 13a-14(a)  
OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE  
ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul M. Parrish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 2, 2021

/s/ Paul M. Parrish  
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Paul M. Parrish  
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER OF THE COMPANY  
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
AND 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of SecureWorks Corp. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The quarterly report on Form 10-Q of the Company for the quarter ended July 30, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 2, 2021

/s/ Michael R. Cote

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Michael R. Cote  
*President and Chief Executive Officer*

Date: September 2, 2021

/s/ Paul M. Parrish

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Paul M. Parrish  
*Chief Financial Officer*