

Q1 FY21 Performance Review

June 4, 2020

Secureworks[®]

Disclaimers

Non-GAAP Financial Measures

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

Special Note on Forward Looking Statements

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

Q1 Fiscal 2021

Consolidated GAAP Results

(\$ in millions)

(Unaudited)

	Q1 FY21	Q1 FY20	Change
Revenue	141.2	132.8	6.3%
Gross Margin	78.3	70.0	11.8%
GM % of Revenue	55.4%	52.7%	270 bps
R&D	24.1	22.6	6.3%
S&M	37.5	38.2	-1.9%
G&A	27.5	23.6	16.4%
Operating Expenses *	89.0	84.5	5.4%
OpEx % of Revenue	63.1%	63.6%	-50 bps
Operating Loss	(10.8)	(14.5)	-25.6%
OpLoss % of Revenue	-7.6%	-10.9%	330 bps
Interest & Other (Net)	1.0	0.3	270.5%
I&O % of Revenue	0.7%	0.2%	50 bps
Income Tax	(2.2)	(5.9)	-62.3%
Effective Tax Rate	23%	42%	
Net Loss	(7.5)	(8.3)	-8.9%
NL % of Revenue	-5.3%	-6.2%	90 bps

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

Q1 Fiscal 2021

Consolidated Non-GAAP Results

(\$ in millions)

(Unaudited)

	Q1 FY21	Q1 FY20	Change
Revenue	141.2	132.8	6.3%
Gross Margin	82.1	73.7	11.4%
GM % of Revenue	58.1%	55.5%	260 bps
R&D	22.8	21.5	6.1%
S&M	36.7	37.4	-1.9%
G&A	20.5	17.4	17.7%
Operating Expenses	80.0	76.3	4.8%
OpEx % of Revenue	56.7%	57.4%	-70bps
Operating Income (Loss)	2.1	(2.6)	-180.2%
OpInc (Loss) % of Revenue	1.5%	-2.0%	350 bps
Net Income	2.5	(1.9)	-234.2%
NI % of Revenue	1.8%	-1.4%	320 bps
Adj. EBITDA	5.6	0.8	592.7%
Adj. EBITDA % of Revenue	4.0%	0.6%	340 bps

Q1 Fiscal 2021

Reconciliation of Non-GAAP to GAAP Financial Measures

(In thousands, except per share data)
(Unaudited)

Three Months Ended

	May 1, 2020	May 3, 2019
GAAP Revenue	\$141,181	\$132,842
Non-GAAP Revenue	\$141,181	\$132,842
GAAP Gross Margin	\$78,272	\$70,001
Amortizations of Intangibles	3,460	3,410
Stock-Based Compensation Expense	335	260
Gross Non-GAAP Gross Margin	\$82,087	\$73,671
GAAP Research and Development Expense	\$24,073	\$22,642
Stock-Based Compensation Expense	(1,291)	(1,176)
Non-GAAP Research and Development Expenses	\$22,782	\$21,466
GAAP Sales and Marketing Expenses	\$37,452	\$38,193
Stock-Based Compensations Expense	(741)	(781)
Non-GAAP Sales and Marketing Expenses	\$36,711	\$37,412
GAAP General and Administrative Expenses	\$27,516	\$23,638
Amortization of Intangibles	(3,524)	(3,524)
Stock-Based Compensation Expense	(3,500)	(2,699)
Non-GAAP General and Administrative Expenses	\$20,492	17,415

Q1 Fiscal 2021

Reconciliation of Non-GAAP to GAAP Financial Measures (Continued)

(In thousands, except per share data)
(Unaudited)

Three Months Ended

	May 1, 2020	May 3, 2019
GAAP Operating Income (Loss)	\$(10,769)	\$(14,472)
Amortization of Intangibles	6,984	6,934
Stock-Based Compensation Expense	5,887	4,916
Non-GAAP Operation Income (Loss)	\$2,102	\$(2,622)
GAAP Net Income (Loss)	\$(7,536)	\$(8,270)
Amortization of Intangibles	6,984	6,934
Stock-Based Compensation Expense	5,887	4,916
Aggregate Adjustments for Income Taxes	(2,803)	(5,467)
Non-GAAP Net Income (Loss)	\$2,532	\$1,887
GAAP Net Income (Loss)	\$(7,536)	\$(8,270)
Interest and Other, Net	(993)	(268)
Income Tax Expense (Benefit)	(2,240)	(5,934)
Depreciation and Amortization	10,486	10,365
Stock-Based Compensation Expense	5,887	4,916
Adjusted EBITDA	\$5,604	\$809

Q2 FY21 Guidance

Reconciliation of Non-GAAP to GAAP Financial Measures (Continued)

(In millions, except per share data)
(Unaudited)

	Low End of Guidance	High End of Guidance
GAAP Revenue	\$135.0	\$137.0
Impact of Purchase Accounting	-	-
Non-GAAP Revenue	135.0	137.0
GAAP Net Loss Per Share	\$(0.11)	\$(0.10)
Amortization of Intangibles	0.09	0.09
Stock-Base Compensation Expense	0.08	0.08
Aggregate Adjustment for Income Taxes	(0.05)	(0.04)
Non-GAAP Net Income Per Share	\$0.01	\$0.03
Other Items		
Effective Tax Rate		27%
Weight average shares outstanding (in millions)		80.9

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