

Secureworks®

Q3 Fiscal Performance Review

Dec. 2, 2021

Disclaimers

Non-GAAP Financial Measures

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

Operating Metrics

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

Special Note on Forward Looking Statements

Statements in this material that relate to future results and events are forward-looking statements and are based on SecureWorks Corp.'s current expectations. These forward-looking statements include but are not limited to SecureWorks Corp.'s current expectations regarding GAAP revenue, non-GAAP revenue, GAAP net loss per share and non-GAAP net loss per share for the fourth quarter of fiscal 2022, and GAAP revenue, non-GAAP revenue, Adjusted EBITDA, non-GAAP net loss per share, net loss per share, cash flow from operations, capital expenditures, tax benefit rate, annual recurring revenue and revenue for the Taegis platform for the full year of fiscal 2022. In some cases, you can identify these statements by such forward-looking words as "anticipate," "believe," "could," "estimate," "expect," "intend," "confidence," "may," "plan," "potential," "should," "will" and "would," or similar expressions. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including those discussed in SecureWorks Corp.'s periodic reports filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this presentation. SecureWorks Corp. assumes no obligation to update its forward-looking statements.



Our Vision

To be the essential cybersecurity company for a digitally connected world

Our Purpose

To secure human progress by outpacing and outmaneuvering adversaries

Q3 Fiscal 2022

Performance Highlights

SOLID 3Q22 RESULTS:

- **Taegis ARR grew to \$123 million**, now representing over 30% of Total ARR
- **Total Revenue** of \$133.7 million (-6% Y/Y)
- **Gross margin percentage** of 63.6% (+300 bps Y/Y)
- **Adjusted EBITDA** of \$4.7 million
- **Earnings per Share** of \$0.01

Taegis ARR growth of 193% y/y

Taegis customer count to 800

Record Gross Margin performance GAAP and Non-GAAP gross margins at 60.4% and 63.6%.

Recognized as a **Leader** in the IDC MarketScape: U.S. Managed Detection and Response Services 2021 Assessment*

*IDC MarketScape: U.S. Managed Detection and Response Services 2021 Assessment (doc # US48129921, August 2021)

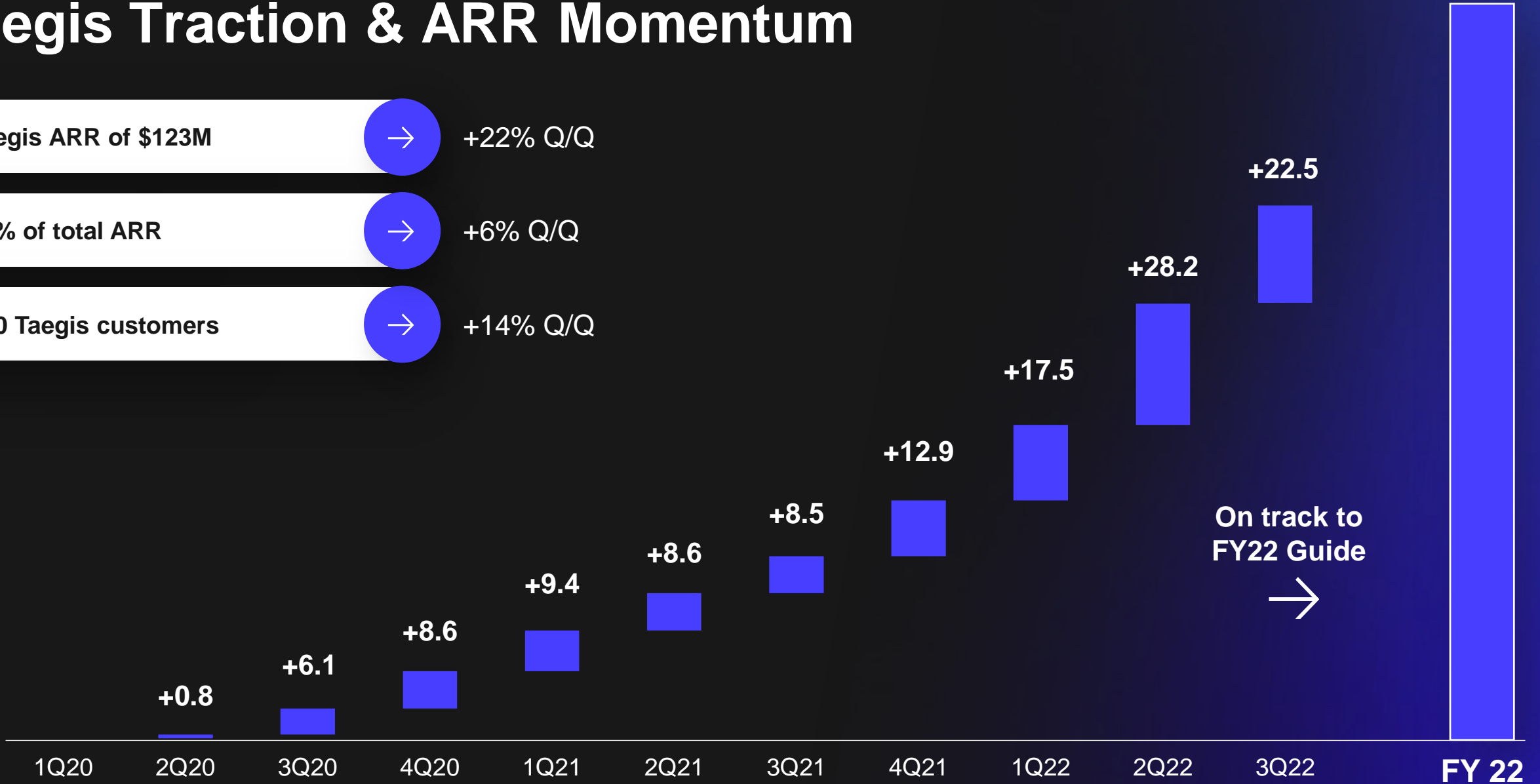
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Taegis Traction & ARR Momentum

• Taegis ARR of \$123M → +22% Q/Q

• 30% of total ARR → +6% Q/Q

• 800 Taegis customers → +14% Q/Q



On track to FY22 Guide



Q3 Fiscal 2022

Consolidated GAAP Results

(\$ in millions)

	3Q22	3Q21	Change
Subscription	103.0	108.3	(4.9)%
Professional Services	30.7	33.4	(8.0)%
Total Revenue	133.7	141.6	(5.6)%
Subscription	68.1	68.2	(0.2)%
<i>GM% of Revenue</i>	66.1%	63.0%	310 bps
Professional Services	12.7	13.8	(8.0)%
<i>GM % of Revenue</i>	41.4%	41.4%	0 bps
Total Gross Profit	80.8	82.0	(1.5)%
<i>GM % of Revenue</i>	60.4%	57.9%	250 bps
R&D	32.8	27.6	18.7 %
S&M	35.0	34.8	0.6%
G&A	28.4	24.5	15.9%
Operating Expenses	96.2	86.9	10.6%
<i>OpEx % of Revenue</i>	71.9%	61.4%	1050 bps
Operating Loss	(15.4)	(4.9)	213.8%
<i>OpLoss % of Revenue</i>	(11.5)%	(3.5)%	-800 bps
Interest & Other (Net)	(0.8)	(0.1)	864.6%
<i>I&O % of Revenue</i>	(0.6)%	0.0 %	-50 bps
Income Tax	(3.3)	(1.4)	138.8%
<i>Effective Tax Rate</i>	20.3%	27.5%	
Net Loss	(12.9)	(3.6)	256.5%
<i>NL % of Revenue</i>	(9.6)%	(2.5)%	-710 bps

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

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

Q3 Fiscal 2022

Consolidated Non-GAAP Results

(\$ in millions)

	3Q22	3Q21	Change
Subscription	103.0	108.3	(4.9)%
Professional Services	30.7	33.4	(8.0)%
Total Revenue	133.7	141.6	(5.6)%
Subscription	72.3	71.9	0.4%
<i>GM% of Revenue</i>	70.2%	66.5%	370 bps
Professional Services	12.8	14.0	(8.4)%
<i>GM % of Revenue</i>	41.7%	41.9%	-20 bps
Total Gross Profit	85.1	85.9	(1.0)%
<i>GM % of Revenue</i>	63.6%	60.7%	290 bps
R&D	30.5	26.8	13.7%
S&M	33.5	33.7	(0.7)%
G&A	18.7	17.0	10.0%
Operating Expenses	82.7	77.6	6.7%
<i>OpEx % of Revenue</i>	61.9%	54.8%	710 bps
Operating Income	2.3	8.4	(72.2)%
<i>OpInc % of Revenue</i>	1.7%	5.9%	-420 bps
Net Income (Loss)	1.2	6.7	(81.9)%
<i>NI/NL% of Revenue</i>	0.9%	4.7%	-380 bps
Adj. EBITDA	4.7	11.3	(58.0)%
<i>Adj. EBITDA % of Revenue</i>	3.5%	8.0%	-450 bps

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

Q4 and Full Year Fiscal 2022

Financial Guidance

Q4 FY 2022 GUIDANCE RANGES	LOW	HIGH
Total Revenue	\$128M	\$130M
GAAP net loss per share	\$(0.24)	\$(0.23)
Non-GAAP net loss per share	\$(0.09)	\$(0.07)

FY 2022 GUIDANCE RANGES	LOW	HIGH
Taegis ARR	At least \$155M	
Taegis Revenue	\$90M	\$92M
Total Revenue	\$535M	\$537M
Adjusted EBITDA	\$9M	\$11M
GAAP net loss per share	\$(0.62)	\$(0.60)
Non-GAAP net loss per share	\$(0.02)	\$0.00
Cash flow from operations	\$8M	\$10M
Capital expenditures	\$7M	\$9M

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

THANK YOU

APPENDIX



Supplemental GAAP to Non-GAAP Financial Measures

Q3 Fiscal 2022

Reconciliation GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

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

	Three Months Ended		Nine Months Ended	
	October 29, 2021	October 30, 2020	October 29, 2021	October 30, 2020
Subscription Revenue	\$ 102,992	\$ 108,265	\$ 309,488	\$ 320,881
Professional Services Revenue	30,707	33,376	97,846	100,417
GAAP & NON GAAP Revenue	\$ 133,699	\$ 141,641	\$ 407,334	\$ 421,298
GAAP subscription cost of revenue	\$ 34,888	\$ 40,051	\$ 109,423	\$ 122,506
Amortization of intangibles	(4,109)	(3,646)	(11,972)	(10,754)
Stock-based compensation expense	(41)	(84)	(159)	(532)
Non-GAAP subscription cost of revenue	\$ 30,738	\$ 36,321	\$ 97,292	\$ 111,220
GAAP professional services cost of revenue	\$ 18,002	\$ 19,562	\$ 57,157	\$ 59,916
Stock-based compensation expense	(103)	(171)	(474)	(476)
Non-GAAP professional services cost of revenue	\$ 17,899	\$ 19,391	\$ 56,683	\$ 59,440
GAAP gross profit	\$ 80,809	\$ 82,028	\$ 240,754	\$ 238,876
Amortization of intangibles	4,109	3,646	11,972	10,754
Stock-based compensation expense	144	255	633	1,008
Non-GAAP gross profit	\$ 85,062	\$ 85,929	\$ 253,359	\$ 250,638
GAAP research and development expenses	\$ 32,767	\$ 27,608	\$ 91,336	\$ 75,790
Stock-based compensation expense	(2,268)	(793)	(4,908)	(3,181)
Non-GAAP research and development expenses	\$ 30,499	\$ 26,815	\$ 86,428	\$ 72,609
GAAP sales and marketing expenses	\$ 35,008	\$ 34,810	\$ 106,098	\$ 107,886
Stock-based compensation expense	(1,493)	(1,072)	(3,241)	(2,695)
Non-GAAP sales and marketing expenses	\$ 33,515	\$ 33,738	\$ 102,857	\$ 105,191
GAAP general and administrative expenses	\$ 28,404	\$ 24,508	\$ 80,447	\$ 73,824
Amortization of intangibles	(3,524)	(3,524)	(10,571)	(10,571)
Stock-based compensation expense	(6,157)	(3,961)	(14,895)	(10,791)
Non-GAAP general and administrative expenses	\$ 18,723	\$ 17,023	\$ 54,981	\$ 52,462
GAAP operating income (loss)	\$ (15,370)	\$ (4,898)	\$ (37,127)	\$ (18,624)
Amortization of intangibles	7,633	7,170	22,543	21,325
Stock-based compensation expense	10,062	6,081	23,677	17,675
Non-GAAP operating income (loss)	\$ 2,325	\$ 8,353	\$ 9,093	\$ 20,376
GAAP net income (loss)	\$ (12,863)	\$ (3,608)	\$ (31,016)	\$ (12,371)
Amortization of intangibles	7,633	7,170	22,543	21,325
Stock-based compensation expense	10,062	6,081	23,677	17,675
Aggregate adjustment for income taxes	(3,613)	(2,917)	(9,073)	(8,998)
Non-GAAP net income (loss)	\$ 1,219	\$ 6,726	\$ 6,131	\$ 17,631
GAAP earnings (loss) per share	\$ (0.15)	\$ (0.04)	\$ (0.37)	\$ (0.15)
Amortization of intangibles	0.09	0.09	0.27	0.26
Stock-based compensation expense	0.12	0.08	0.28	0.22
Aggregate adjustment for income taxes	(0.04)	(0.04)	(0.11)	(0.11)
Non-GAAP earnings (loss) per share *	\$ 0.01	\$ 0.08	\$ 0.07	\$ 0.22
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>				
GAAP net income (loss)	\$ (12,863)	\$ (3,608)	\$ (31,016)	\$ (12,371)
Interest and other, net	762	79	2,270	(944)
Income tax expense (benefit)	(3,269)	(1,369)	(8,381)	(5,309)
Depreciation and amortization	10,051	10,106	29,914	30,978
Stock-based compensation expense	10,062	6,081	23,677	17,675
Adjusted EBITDA	\$ 4,743	\$ 11,289	\$ 16,464	\$ 30,029

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

Q4 and Full Year Fiscal 2022

Reconciliation GAAP to Non-GAAP Financial Measures (Continued)

(In millions, except per
share data)

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

	Three Months Ending January 28, 2022		Fiscal Year Ending January 28, 2022	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 128	\$ 130	\$ 535	\$ 537
GAAP net loss	\$ (20)	\$ (19)	\$ (51)	\$ (50)
Amortization of intangibles	8	8	30	30
Stock-based compensation expense	10	10	33	33
Aggregate adjustment for income taxes	(4)	(4)	(14)	(14)
Non-GAAP net loss*	\$ (8)	\$ (6)	\$ (2)	\$ (0)
GAAP net loss per share	\$ (0.24)	\$ (0.23)	\$ (0.62)	\$ (0.60)
Amortization of intangibles	0.09	0.09	\$ 0.36	0.36
Stock-based compensation expense	0.11	0.11	\$ 0.40	0.40
Aggregate adjustment for income taxes	(0.05)	(0.05)	\$ (0.17)	(0.17)
Non-GAAP net loss per share*	\$ (0.09)	\$ (0.07)	\$ (0.02)	\$ (0.00)
GAAP net loss			\$ (51)	\$ (50)
Interest and other, net			3	3
Income tax benefit			(14)	(14)
Depreciation and amortization			39	39
Stock-based compensation expense			33	33
Adjusted EBITDA*			\$ 9	\$ 11
Other Items				
Effective tax rate				22%
Weighted average shares outstanding (in millions)				82.9
Cash flow from operations				\$8 to \$10
Capital expenditures				\$7 to \$9

* Sum of reconciling items may differ from total due to rounding of individual components
Sum of quarterly guidance may differ from full year guidance due to rounding

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