

Secureworks®

# Q2 Fiscal Performance Review

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Sep. 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 third 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

Q2 Fiscal 2022

# Performance Highlights

## SOLID 2Q22 RESULTS:

- **Taegis ARR surpasses \$100 million**, representing 24.2% of Total ARR
- **Revenue** of \$134.2 million (-3% Y/Y)
- **Gross margin percentage** of 61% (+140 bps Y/Y)
- **Adjusted EBITDA** of \$3.6 million
- **Earnings per Share** of \$0.01

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**Taegis ARR growth** of 200% y/y

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**Taegis customer count** up +40% Q/Q to 700 customers

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**Raising full fiscal year 2022 Taegis ARR guidance** to at least \$155 million by end of fiscal year 2022.

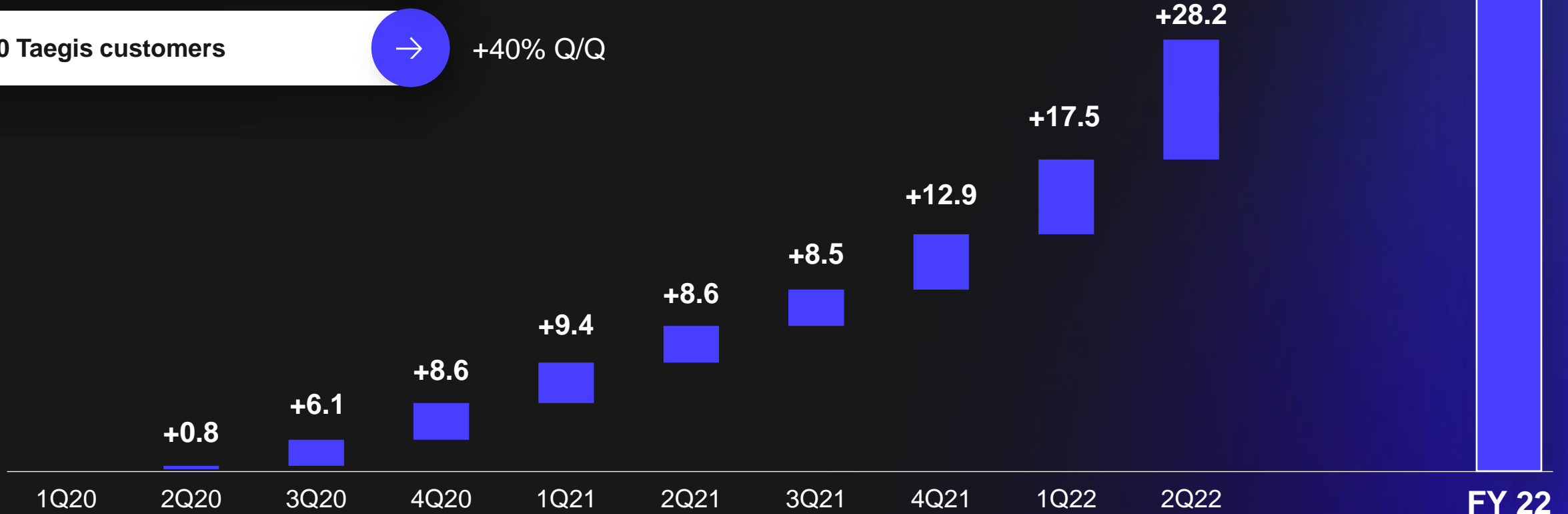
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Secureworks referenced as **No. 8 in The Top 100 Software Companies** of 2021 by The Software Report.

# Taegis Traction & ARR Momentum

- Taegis ARR of \$101M → +39% Q/Q
- 24% of total ARR → +7% Q/Q
- 700 Taegis customers → +40% Q/Q

On track to  
FY22 Guide



Q2 Fiscal 2022

# Consolidated GAAP Results

(\$ in millions)

	2Q22	2Q21	Change
Subscription	102.4	106.3	(3.6)%
Professional Services	31.7	32.2	(1.5)%
<b>Total Revenue</b>	<b>134.2</b>	<b>138.5</b>	<b>(3.1)%</b>
Subscription	65.4	66.3	(1.4)%
<i>GM % of Revenue</i>	63.8%	62.4%	140 bps
Professional Services	12.3	12.3	0.1 %
<i>GM % of Revenue</i>	38.8%	38.2%	60 bps
<b>Total Gross Margin</b>	<b>77.7</b>	<b>78.6</b>	<b>(1.1)%</b>
<i>GM % of Revenue</i>	57.9%	56.7%	120 bps
R&D	30.4	24.1	26.2 %
S&M	34.7	35.6	(2.6)%
G&A	26.5	21.8	21.5 %
<b>Operating Expenses</b>	<b>91.6</b>	<b>81.5</b>	<b>12.3 %</b>
<i>OpEx % of Revenue</i>	68.3%	58.9%	940 bps
<b>Operating Loss</b>	<b>(13.9)</b>	<b>(3.0)</b>	<b>370.2 %</b>
<i>OpLoss % of Revenue</i>	(10.4)%	(2.1)%	-830 bps
<b>Interest &amp; Other (Net)</b>	<b>(0.6)</b>	<b>0.0</b>	<b>(2137.3)%</b>
<i>I&amp;O % of Revenue</i>	(0.4)%	0.0 %	-40 bps
<b>Income Tax</b>	<b>(2.7)</b>	<b>(1.7)</b>	<b>61.1 %</b>
<i>Effective Tax Rate</i>	18.9 %	58.1 %	
<b>Net Loss</b>	<b>(11.8)</b>	<b>(1.2)</b>	<b>858.7 %</b>
<i>NL % of Revenue</i>	(8.8)%	(0.9)%	-790 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.

Q2 Fiscal 2022

# Consolidated Non-GAAP Results

(\$ in millions)

	2Q22	2Q21	Change
Subscription	102.4	106.3	(3.6)%
Professional Services	31.7	32.2	(1.5)%
<b>Total Revenue</b>	<b>134.2</b>	<b>138.5</b>	<b>(3.1)%</b>
Subscription	69.4	70.1	(1.0)%
<i>GM % of Revenue</i>	<i>67.8%</i>	<i>66.0%</i>	<i>180 bps</i>
Professional Services	12.5	12.5	0.1 %
<i>GM % of Revenue</i>	<i>39.4%</i>	<i>38.8%</i>	<i>60 bps</i>
<b>Total Gross Margin</b>	<b>81.9</b>	<b>82.6</b>	<b>(0.8)%</b>
<i>GM % of Revenue</i>	<i>61.1%</i>	<i>59.7%</i>	<i>140 bps</i>
R&D	28.9	23.0	25.5 %
S&M	33.7	34.7	(3.1)%
G&A	18.1	14.9	21.3 %
<b>Operating Expenses</b>	<b>80.7</b>	<b>72.7</b>	<b>11.0 %</b>
<i>OpEx % of Revenue</i>	<i>60.1%</i>	<i>52.5%</i>	<i>760 bps</i>
<b>Operating Income</b>	<b>1.2</b>	<b>9.9</b>	<b>(87.4)%</b>
<i>OpInc % of Revenue</i>	<i>0.9 %</i>	<i>7.2 %</i>	<i>-630 bps</i>
<b>Net Income (Loss)</b>	<b>0.9</b>	<b>8.4</b>	<b>(89.0)%</b>
<i>NI/NL % of Revenue</i>	<i>0.7 %</i>	<i>6.0 %</i>	<i>-530 bps</i>
<b>Adj. EBITDA</b>	<b>3.6</b>	<b>13.1</b>	<b>(72.4)%</b>
<i>Adj. EBITDA % of Revenue</i>	<i>2.7 %</i>	<i>9.5 %</i>	<i>-680 bps</i>

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

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

## Q3 and Full Year Fiscal 2022

# Financial Guidance

Q3 FY 2022 GUIDANCE RANGES	LOW	HIGH
GAAP and Non-GAAP Revenue	\$132M	\$134M
Non-GAAP net loss per share	\$(0.08)	\$(0.05)

FY 2022 GUIDANCE RANGES	LOW	HIGH
GAAP and Non-GAAP Revenue	\$535M	\$540M
- Taegis ARR	At least \$155M	
- Taegis Revenue	\$90M	\$100M
Adjusted EBITDA	\$(4)M	\$4M
Non-GAAP net loss per share	\$(0.13)	\$(0.06)
Cash flow from operations	\$3M	\$8M
Capital expenditures	\$7M	\$10M

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



**THANK YOU**

# APPENDIX

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## Supplemental GAAP to Non-GAAP Financial Measures

Q2 Fiscal 2022

# Reconciliation GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

	Three Months Ended		
	July 30, 2021	July 31, 2020	May 1 2020
Subscription Revenue	\$ 102,426	\$ 106,259	\$ 106,357
Professional Services Revenue	31,746	32,217	34,824
GAAP & NON GAAP Revenue	\$ 134,172	\$ 138,476	\$ 141,181
GAAP subscription cost of revenue	\$ 37,058	\$ 39,989	\$ 42,466
Amortization of intangibles	(4,044)	(3,648)	(3,460)
Stock-based compensation expense	(15)	(219)	(229)
Non-GAAP subscription cost of revenue	\$ 32,999	\$ 36,122	\$ 38,777
GAAP professional services cost of revenue	\$ 19,425	\$ 19,911	\$ 20,443
Stock-based compensation expense	(176)	(179)	(126)
Non-GAAP professional services cost of revenue	\$ 19,249	\$ 19,732	\$ 20,317
GAAP gross profit	\$ 77,689	\$ 78,576	\$ 78,272
Amortization of intangibles	4,044	3,648	3,460
Stock-based compensation expense	190	398	355
Non-GAAP gross profit	\$ 81,923	\$ 82,622	\$ 82,087
GAAP research and development expenses	\$ 30,417	\$ 24,109	\$ 24,073
Stock-based compensation expense	(1,542)	(1,097)	(1,291)
Non-GAAP research and development expenses	\$ 28,875	\$ 23,012	\$ 22,782
GAAP sales and marketing expenses	\$ 34,685	\$ 35,624	\$ 37,452
Stock-based compensation expense	(1,016)	(882)	(741)
Non-GAAP sales and marketing expenses	\$ 33,669	\$ 34,742	\$ 36,711
GAAP general and administrative expenses	\$ 26,488	\$ 21,800	\$ 27,516
Amortization of intangibles	(3,523)	(3,524)	(3,524)
Stock-based compensation expense	(4,832)	(3,330)	(3,500)
Non-GAAP general and administrative expenses	\$ 18,133	\$ 14,946	\$ 20,492
GAAP operating income (loss)	\$ (13,901)	\$ (2,957)	\$ (10,769)
Amortization of intangibles	7,568	7,172	6,984
Stock-based compensation expense	7,580	5,707	5,887
Non-GAAP operating income (loss)	\$ 1,247	\$ 9,922	\$ 2,102
GAAP net income (loss)	\$ (11,763)	\$ (1,227)	\$ (7,536)
Amortization of intangibles	7,568	7,172	6,984
Stock-based compensation expense	7,580	5,707	5,887
Aggregate adjustment for income taxes	(2,463)	(3,278)	(2,803)
Non-GAAP net income (loss)	\$ 922	\$ 8,374	\$ 2,532
GAAP earnings (loss) per share	\$ (0.14)	\$ (0.02)	\$ (0.09)
Amortization of intangibles	0.09	0.08	0.09
Stock-based compensation expense	0.09	0.07	0.07
Aggregate adjustment for income taxes	(0.03)	(0.04)	(0.03)
Non-GAAP earnings (loss) per share *	\$ 0.01	\$ 0.10	\$ 0.03
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>			
GAAP net income (loss)	\$ (11,763)	\$ (1,227)	\$ (7,536)
Interest and other, net	601	(30)	(993)
Income tax expense (benefit)	(2,739)	(1,700)	(2,240)
Depreciation and amortization	9,945	10,386	10,486
Stock-based compensation expense	7,580	5,707	5,887
Adjusted EBITDA	\$ 3,624	\$ 13,136	\$ 5,604

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

## Q3 and Full Year Fiscal 2022

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

(In millions, except per  
share data)

	Three Months Ending October 29, 2021		Fiscal Year Ending January 28, 2022	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 132	\$ 134	\$ 535	\$ 540
GAAP net loss	\$ (20)	\$ (18)	\$ (61)	\$ (54)
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*	\$ (7)	\$ (4)	\$ (11)	\$ (5)
GAAP net loss per share	\$ (0.24)	\$ (0.21)	\$ (0.73)	\$ (0.66)
Amortization of intangibles	0.09	0.09	\$ 0.36	0.36
Stock-based compensation expense	0.13	0.13	\$ 0.40	0.40
Aggregate adjustment for income taxes	(0.05)	(0.05)	\$ (0.16)	(0.17)
Non-GAAP net loss per share*	\$ (0.08)	\$ (0.05)	\$ (0.13)	\$ (0.06)
GAAP net loss			\$ (61)	\$ (54)
Interest and other, net			2	2
Income tax benefit			(18)	(16)
Depreciation and amortization			39	39
Stock-based compensation expense			33	33
Adjusted EBITDA*			\$ (4)	\$ 4
Other Items				
Effective tax rate				22%
Weighted average shares outstanding (in millions)				82.9
Cash flow from operations				\$3 to \$8
Capital expenditures				\$7 to \$10

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



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