

Secureworks®

Q3 FY21 Performance Review

Dec. 3, 2020

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, non-GAAP net income, 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 fourth quarter of fiscal 2021, and GAAP revenue, non-GAAP revenue, Adjusted EBITDA, non-GAAP net income per share, GAAP net loss per share, cash flow from operations, capital expenditures, and tax benefit rate for the full year of fiscal 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.

Q3 Fiscal 2021

Consolidated GAAP Results

(\$ in millions)

	Q3 FY21	Q3 FY20	Change
Revenue	141.6	141.3	0.2%
Gross Margin	82.0	79.8	2.8%
GM % of Revenue	57.9%	56.4%	150 bps
R&D	27.6	24.1	14.6%
S&M	34.8	40.7	-14.5%
G&A	24.5	25.1	-2.3%
Operating Expenses *	86.9	89.9	-3.3%
OpEx % of Revenue	61.4%	63.6%	-220 bps
Operating Loss	(4.9)	(10.1)	-51.7%
OpLoss % of Revenue	-3.5%	-7.2%	370 bps
Interest & Other (Net)	(0.1)	(1.3)	-93.7%
I&O % of Revenue	-0.1%	-0.9%	80 bps
Income Tax	(1.4)	(3.5)	-60.7%
Effective Tax Rate	28%	31%	
Net Loss	(3.6)	(7.9)	-88.0%
NL % of Revenue	-2.5%	-5.6%	310 bps

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

Q3 Fiscal 2021

Consolidated Non-GAAP Results

(\$ in millions)

	Q3 FY21	Q3 FY20	Change
Revenue	141.6	141.3	0.2%
Gross Margin	85.9	83.7	2.7%
GM % of Revenue	60.7%	59.2%	150 bps
R&D	26.8	23.1	16.1%
S&M	33.7	40.0	-15.7%
G&A	17.0	18.5	-8.0%
Operating Expenses	77.6	81.6	-5.0%
OpEx % of Revenue	54.8%	57.8%	-300bps
Operating Income	8.4	2.0	309.6%
OpInc % of Revenue	5.9%	1.4%	450 bps
Net Income	6.7	0.8	711.3%
NI % of Revenue	4.7%	0.6%	410 bps
Adj. EBITDA	11.3	5.8	93.8%
Adj. EBITDA % of Revenue	8.0%	4.1%	390 bps

Q3 Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures

(In thousands, except per
share data)

Three Months Ended

	October 30, 2020	November 1, 2019
GAAP Revenue	\$141,641	\$141,332
Non-GAAP Revenue	\$141,641	\$141,332
GAAP Gross Margin	\$82,028	\$79,764
Amortizations of Intangibles	3,646	3,559
Stock-Based Compensation Expense	255	353
Non-GAAP Gross Margin	\$85,929	\$83,676
GAAP Research and Development Expense	\$27,608	\$24,095
Stock-Based Compensation Expense	(793)	(996)
Non-GAAP Research and Development Expenses	\$26,815	\$23,099
GAAP Sales and Marketing Expenses	\$34,810	\$40,726
Stock-Based Compensations Expense	(1,072)	(691)
Non-GAAP Sales and Marketing Expenses	\$33,738	\$40,035
GAAP General and Administrative Expenses	\$24,508	\$25,078
Amortization of Intangibles	(3,524)	(3,524)
Stock-Based Compensation Expense	(3,961)	(3,052)
Non-GAAP General and Administrative Expenses	\$17,023	18,502

Q3 Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures (Continued)

(In thousands, except per
share data)

	October 30, 2020	November 1, 2019
GAAP Operating Loss	\$(4,898)	\$(10,135)
Amortization of Intangibles	7,170	7,083
Stock-Based Compensation Expense	6,081	5,092
Non-GAAP Operating Income	\$8,353	\$2,040
GAAP Net Loss	\$(3,608)	\$(7,908)
Amortization of Intangibles	7,170	7,083
Stock-Based Compensation Expense	6,081	5,092
Aggregate Adjustments for Income Taxes	(2,917)	(3,438)
Non-GAAP Net Income	\$6,726	\$829
GAAP Net Loss	\$(3,608)	\$(7,908)
Interest and Other, Net	79	1,257
Income Tax Benefit	(1,369)	(3,484)
Depreciation and Amortization	10,106	10,869
Stock-Based Compensation Expense	6,081	5,092
Adjusted EBITDA	\$11,289	\$5,826

Q4 and Full Year Fiscal 2021

Reconciliation Non-GAAP to GAAP Financial Measures (Continued)

(In thousands, except per
share data)

	Three Months Ending January 29, 2021		Fiscal Year Ending January 29, 2021	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 138	\$ 139	\$ 559	\$ 560
GAAP net loss per share	\$ (0.13)	\$ (0.11)	\$ (0.28)	\$ (0.26)
Amortization of intangibles	0.09	0.09	0.35	0.35
Stock-based compensation expense	0.08	0.08	0.30	0.30
Aggregate adjustment for income taxes	(0.04)	(0.04)	(0.15)	(0.15)
Non-GAAP net income per share*	\$ 0.00	\$ 0.02	\$ 0.22	\$ 0.24
GAAP net loss			\$ (23)	\$ (21)
Interest and other, net			(1)	(1)
Income tax benefit			(9)	(8)
Depreciation and amortization			41	41
Stock-based compensation expense			24	24
Adjusted EBITDA*			\$ 32	\$ 34
Other Items				
Effective tax rate				28%
Weighted average shares outstanding (in millions)				81.5
Cash flow from operations				\$55-\$60
Capital expenditures				\$3-\$4

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



THANK YOU

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