

Secureworks®

# Q1 Fiscal 2023 Performance Review

---

Jun. 2, 2022

# Disclaimers

## Non-GAAP

This presentation includes information about the Company's non-GAAP revenue, non-GAAP gross margin, non-GAAP subscription cost of revenue, non-GAAP professional services cost of revenue, non-GAAP gross profit, non-GAAP subscription gross profit, non-GAAP subscription gross margin, non-GAAP professional services gross profit, non-GAAP professional services 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), non-GAAP earnings (loss) per share and adjusted EBITDA, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). A reconciliation of each of the foregoing non-GAAP financial measures to the most directly comparable GAAP financial measure is provided below for each of the fiscal periods indicated.

## 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, the statements in this press release with respect to the Company's expectations regarding revenue, GAAP net loss per share, and non-GAAP net loss per share for the second quarter of fiscal 2023, and revenue, GAAP net loss, GAAP net loss per share, non-GAAP net loss, non-GAAP net loss per share, Adjusted EBITDA, cash flow from operations, capital expenditures and annual recurring revenue for its Taegis platform for full year fiscal 2023, all of which reflect the Company's current analysis of existing trends and information. 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

Q1 Fiscal 2023

# Performance Highlights

## SOLID RESULTS:

- **Taegis ARR grew to \$180 million**, now representing 49% of Total ARR
- **Total Q1 Revenue** of \$121 million (-13% y/y)
- **GAAP and non-GAAP gross margins grew 10 bps and 120 bps y/y**, respectively
- **Adjusted EBITDA** of \$(8) million

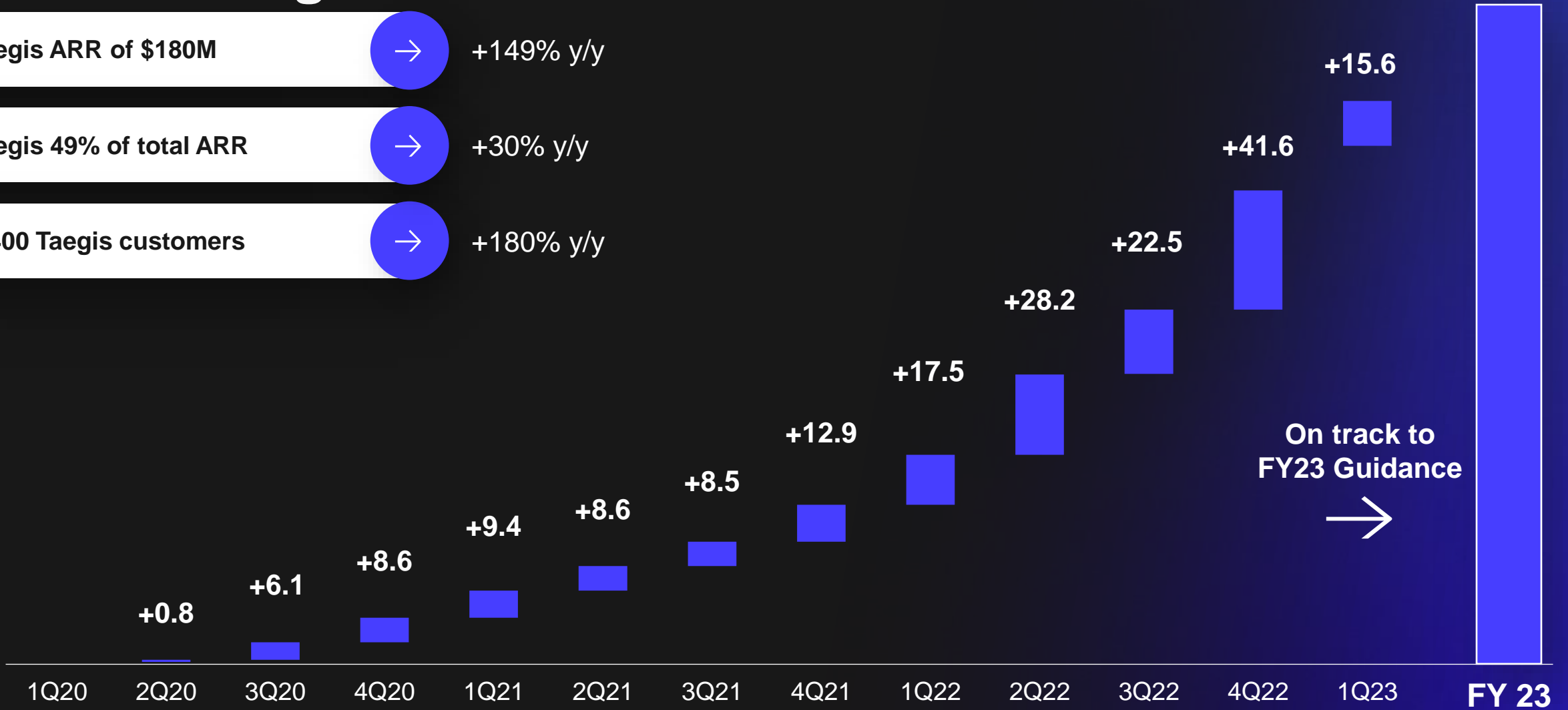
## Strong XDR Growth:

- **Taegis ARR growth** of 149% y/y
  - **Added 900 Taegis customers** y/y, a 180% increase, to end Q1 at 1,400 customers
  - **Taegis revenue grew** 167% from the first quarter of fiscal 2022 to \$37.2 million
- 
- Named a **Strong Performer in New Forrester Wave™** on Cybersecurity Incident Response & Readiness, Q1 2022
  - Recognized as a **Gold Winner for Managed Detection and Response** in North America for Cyber Security Excellence Awards for Taegis ManagedXDR

# Taegis Traction & ARR Momentum

\$265M+ ARR

- Taegis ARR of \$180M → +149% y/y
- Taegis 49% of total ARR → +30% y/y
- 1,400 Taegis customers → +180% y/y



On track to  
FY23 Guidance  
→

## Q1 Fiscal 2023

# Consolidated GAAP Results

(\$ in millions)

	1Q23	1Q22	Change
Subscription	94.4	104.1	(9.3)%
Professional Services	26.6	35.4	(24.8)%
<b>Total Revenue</b>	<b><u>121.0</u></b>	<b><u>139.5</u></b>	<b><u>(13.2)%</u></b>
Subscription	61.6	66.6	(7.6)%
<i>GM % of Revenue</i>	65.2%	64.0%	120 bps
Professional Services	10.0	15.6	(36.0)%
<i>GM % of Revenue</i>	37.6%	44.1%	-650 bps
<b>Total Gross Margin</b>	<b>71.6</b>	<b>82.3</b>	<b>(13.0)%</b>
<i>GM % of Revenue</i>	<u>59.1%</u>	<u>59.0%</u>	<u>10 bps</u>
R&D	33.3	28.2	18.4 %
S&M	39.2	36.4	7.8 %
G&A	25.4	25.6	(0.8)%
<b>Operating Expenses</b>	<b>97.9</b>	<b>90.1</b>	<b>8.7%</b>
<i>OpEx % of Revenue</i>	<u>80.9%</u>	<u>64.6%</u>	<u>1630 bps</u>
<b>Operating Loss</b>	<b>(26.4)</b>	<b>(7.9)</b>	<b>235.5 %</b>
<i>OpLoss % of Revenue</i>	<u>(21.8)%</u>	<u>(5.6)%</u>	<u>-1620 bps</u>
<b>Interest &amp; Other (Net)</b>	<b>(0.7)</b>	<b>(0.9)</b>	<b>(23.2)%</b>
<i>I&amp;O % of Revenue</i>	<u>(0.6)%</u>	<u>(0.7)%</u>	<u>10 bps</u>
<b>Income Tax</b>	<b>(5.5)</b>	<b>(2.4)</b>	<b>129.9%</b>
<i>Effective Tax Rate</i>	<u>20.2 %</u>	<u>27.1 %</u>	
<b>Net Loss</b>	<b>(21.6)</b>	<b>(6.4)</b>	<b>238.0%</b>
<i>NL % of Revenue</i>	<u>(17.8)%</u>	<u>(4.6)%</u>	<u>-1320 bps</u>

\* 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.

## Q1 Fiscal 2023

# Consolidated Non-GAAP Results

(\$ in millions)

	1Q23	1Q22	Change
Subscription	94.4	104.1	(9.3)%
Professional Services	26.6	35.4	(24.8)%
<b>Total Revenue</b>	<b><u>121.0</u></b>	<b><u>139.5</u></b>	<b><u>(13.2)%</u></b>
Subscription	66.0	70.6	(6.5)%
<i>GM % of Revenue</i>	69.9%	67.8%	210 bps
Professional Services	10.4	15.8	(34.3)%
<i>GM % of Revenue</i>	39.0%	44.7%	-570 bps
<b>Total Gross Margin</b>	<b>76.4</b>	<b>86.4</b>	<b>(11.6)%</b>
<i>GM % of Revenue</i>	<u>63.1%</u>	<u>61.9%</u>	<u>120 bps</u>
R&D	30.6	27.1	13.1%
S&M	37.6	35.7	5.4%
G&A	17.6	18.1	(2.9)%
<b>Operating Expenses</b>	<b>85.8</b>	<b>80.9</b>	<b>6.1%</b>
<i>OpEx % of Revenue</i>	<u>70.9%</u>	<u>58.0%</u>	<u>1290 bps</u>
<b>Operating Income</b>	<b>(9.4)</b>	<b>5.5</b>	<b>(271.0)%</b>
<i>OpInc % of Revenue</i>	<u>(7.8)%</u>	<u>4.0%</u>	<u>-1180 bps</u>
<b>Net Income (Loss)</b>	<b>(7.6)</b>	<b>4.0</b>	<b>(290.5)%</b>
<i>NI/NL % of Revenue</i>	<u>(6.3)%</u>	<u>2.9%</u>	<u>-920 bps</u>
<b>Adj. EBITDA</b>	<b>(7.8)</b>	<b>8.1</b>	<b>(196.9)%</b>
<i>Adj. EBITDA % of Revenue</i>	<u>(6.5)%</u>	<u>5.8%</u>	<u>-1230 bps</u>

\* 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.

Q1 Fiscal 2023

# Financial Guidance

Q2 FY 2023 GUIDANCE RANGES	LOW	HIGH
Total Revenue	\$115M	\$117M
GAAP net loss per share	\$(0.32)	\$(0.30)
Non-GAAP net loss per share	\$(0.17)	\$(0.15)

FY 2023 GUIDANCE RANGES	LOW	HIGH
Taegis ARR	At least \$265M	
Total Revenue	\$475M	\$490M
Adjusted EBITDA	\$(68)M	\$(58)M
GAAP net loss per share	\$(1.35)	\$(1.26)
Non-GAAP net loss per share	\$(0.70)	\$(0.61)
Cash flow from operations	\$(65)M	\$(55)M
Capital expenditures	\$7M	\$9M

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



**THANK YOU**

# APPENDIX

---

## Reconciliation of GAAP to Non-GAAP Financial Measures

Q1 Fiscal 2023

# Reconciliation of 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	
	April 29, 2022	April 30, 2021
Subscription Revenue	\$ 94,413	\$ 104,070
Professional Services Revenue	\$ 26,602	\$ 35,393
Non-GAAP revenue	\$ 121,015	\$ 139,463
GAAP subscription cost of revenue	\$ 32,826	\$ 37,425
Amortization of intangibles	\$ (4,265)	\$ (3,819)
Stock-based compensation expense	\$ (123)	\$ (103)
Non-GAAP subscription cost of revenue	\$ 28,438	\$ 33,503
GAAP professional services cost of revenue	\$ 16,609	\$ 19,782
Stock-based compensation expense	\$ (387)	\$ (196)
Non-GAAP professional services cost of revenue	\$ 16,222	\$ 19,586
GAAP gross profit	\$ 71,580	\$ 82,256
Amortization of intangibles	4,265	3,819
Stock-based compensation expense	510	299
Non-GAAP gross profit	\$ 76,355	\$ 86,374
Non-GAAP Subscription gross profit	\$ 65,975	\$ 70,567
Non-GAAP Subscription gross margin	69.9%	67.8%
Non-GAAP Professional Services gross profit	\$ 10,380	\$ 15,807
Non-GAAP Professional Services gross margin	39.0%	44.7%
GAAP research and development expenses	\$ 33,331	\$ 28,152
Stock-based compensation expense	\$ (2,743)	\$ (1,098)
Non-GAAP research and development expenses	\$ 30,588	\$ 27,054
GAAP sales and marketing expenses	\$ 39,245	\$ 36,405
Stock-based compensation expense	\$ (1,638)	\$ (732)
Non-GAAP sales and marketing expenses	\$ 37,607	\$ 35,673
GAAP general and administrative expenses	\$ 25,360	\$ 25,555
Amortization of intangibles	(3,524)	(3,524)
Stock-based compensation expense	(4,235)	(3,906)
Non-GAAP general and administrative expenses	\$ 17,601	\$ 18,125
GAAP operating income (loss)	\$ (26,356)	\$ (7,856)
Amortization of intangibles	7,789	7,343
Stock-based compensation expense	9,126	6,035
Non-GAAP operating income (loss)	\$ (9,441)	\$ 5,522
GAAP net income (loss)	\$ (21,598)	\$ (6,390)
Amortization of intangibles	7,789	7,343
Stock-based compensation expense	9,126	6,035
Aggregate adjustment for income taxes	(2,920)	(2,997)
Non-GAAP net income (loss)	\$ (7,603)	\$ 3,991
Weighted Avg Commons Shares Outstanding - Diluted (Non-GAAP)	83,763	83,586
GAAP earnings (loss) per share	\$ (0.26)	\$ (0.08)
Amortization of intangibles	0.09	0.09
Stock-based compensation expense	0.11	0.07
Aggregate adjustment for income taxes	(0.03)	(0.04)
Non-GAAP earnings (loss) per share *	\$ (0.09)	\$ 0.05
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>		
GAAP net income (loss)	\$ (21,598)	\$ (6,390)
Interest and other, net	697	907
Income tax expense (benefit)	(5,455)	(2,373)
Depreciation and amortization	9,383	9,918
Stock-based compensation expense	9,126	6,035
Adjusted EBITDA	\$ (7,847)	\$ 8,097

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

## Q2 and Full Year Fiscal 2023

# Reconciliation of GAAP to Non-GAAP Financial Measures

(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 July 29, 2022		Fiscal Year Ending February 3, 2023	
	Low End of Guidance	High End of Guidance	Low End of Guidance	High End of Guidance
GAAP and Non-GAAP revenue	\$ 115	\$ 117	\$ 475	\$ 490
GAAP net loss	\$ (27)	\$ (26)	\$ (114)	\$ (107)
Amortization of intangibles	7	7	29	29
Stock-based compensation expense	10	10	42	42
Aggregate adjustment for income taxes	(4)	(4)	(16)	(16)
Non-GAAP net loss*	\$ (14)	\$ (13)	\$ (59)	\$ (52)
GAAP net loss per share	\$ (0.32)	\$ (0.30)	\$ (1.35)	\$ (1.26)
Amortization of intangibles	0.09	0.09	\$ 0.35	0.35
Stock-based compensation expense	0.12	0.12	\$ 0.49	0.50
Aggregate adjustment for income taxes	(0.05)	(0.05)	\$ (0.19)	(0.19)
Non-GAAP net loss per share*	\$ (0.17)	\$ (0.15)	\$ (0.70)	\$ (0.61)
GAAP net loss			\$ (114)	\$ (107)
Interest and other, net			1	1
Income tax benefit			(32)	(30)
Depreciation and amortization			35	35
Stock-based compensation expense			42	42
Adjusted EBITDA*			\$ (68)	\$ (58)
Other Items				
Effective tax rate				22%
Weighted average shares outstanding (in millions)				84.5
Cash flow from operations				\$(65) to \$(55)
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

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

Secureworks®