

**RAPID7**

May 9, 2023

# Company Overview

# Disclaimers

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This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, statements regarding our market opportunity, demand for our product and service offerings, expectations regarding our annualized recurring revenue (ARR) and growth, ARR opportunity for an average-sized customer, ARR growth per customer, revenue growth, non-GAAP operating margin expansion, free cash flow, and our other non-GAAP measures, our business strategy, plans and objectives for future operations and expectations regarding non-GAAP targets, our future financial and business performance for the second quarter and full-year 2023 and the assumptions underlying such guidance, are forward-looking statements. Our use of the words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements. The events described in our forward-looking statements are subject to a number of risks and uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Risks that could cause or contribute to such differences include, but are not limited to, growing macroeconomic uncertainty, unstable market and economic conditions, fluctuations in our quarterly results, failure to meet our publicly announced guidance or other expectations about our business, our ability to sustain our revenue growth rate, the ability of our products and professional services to correctly detect vulnerabilities, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to integrate acquired companies, our ability to operate in compliance with applicable laws as well as other risks and uncertainties set forth in the “Risk Factors” section of our most recent Quarterly Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 24, 2023 and in the subsequent reports that we file with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed in any forward-looking statements we may make. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

This presentation also contains certain non-GAAP financial measures as defined by the SEC rules. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Please refer to our May 9, 2023 press release for additional information as to why we believe these non-GAAP financial measures are useful to investors and others in assessing our operating results. As required by Regulation G, we have provided a reconciliation of those measures to their most directly comparable GAAP measures, which is available in the end notes to this presentation. However, the reconciliation of non-GAAP guidance measures to the most comparable GAAP measures does not reflect any items that are unknown at this time, such as litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

# Rapid7 Snapshot

## Strong Recurring Revenue Growth

ARR growth of

**16%**

YoY<sup>1</sup>

## High Quality of Revenue

Recurring revenue

**95%**

of total revenue<sup>1</sup>

## Attractive Customer Economics

**9%**

YoY growth in ARR per customer<sup>1</sup>

## Investing in Profitable Growth

**+300bp**

Non-GAAP Operating Margin Expansion Projected in 2023<sup>2</sup>

## Attractive Prospects

Projected ARR growth of **15%** in 2023<sup>2</sup>

Projected FCF Margin of **10%** in 2023<sup>2</sup>

<sup>1</sup> As of Q1 2023

<sup>2</sup> Based on FY 2023 guidance provided as of May 9, 2023. Growth rates are at the mid-point of the guidance range.

# Managing Risk and Enabling Innovation

Data keeps our connected society functioning.

Accelerated change makes it tougher to stay ahead of risks.



We trust security teams to protect our data.

Security needs to keep up with the pace of innovation.

**Organizations need best-in-class security that is both**  
**sophisticated and accessible.**

# Delivering on Our Mission

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**Make the most successful  
security technologies and  
practices accessible to all.**

## Best-in-Class Technology

Unite teams and tools with award-winning cloud products delivering visibility, analytics, and automation.



## Unified Cloud Platform

Enrich customer experiences with broad environment visibility, seamless integrations and ease of scaling.



## Expertise & Community

Deliver leading products and expertise built on insights from our experienced security researchers and the security community.

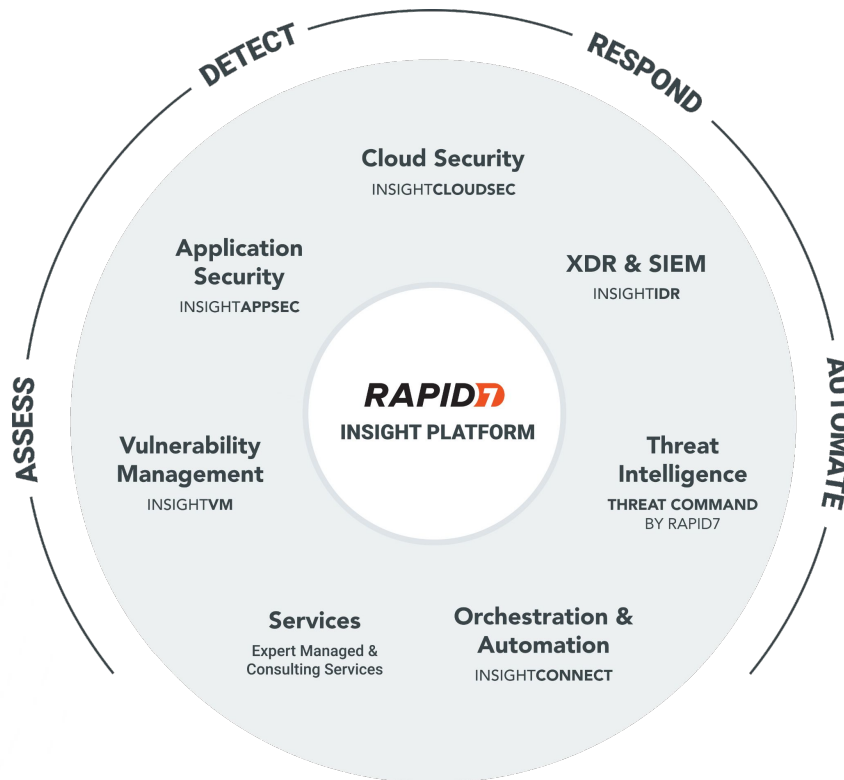


# Rapid7 Insight Platform

**United teams work smarter, not harder.**

Our cloud platform helps Security, IT, and Development teams reduce risk across their entire connected environment.

Unified access centrally manages vulnerabilities, monitors for misconfigurations and malicious behavior, investigates and shuts down attacks, or automates operations.



# Landing and Expanding Across Multiple Pillars



**Threat Detection  
& Response**



**Cloud  
Security**



**Vulnerability Risk  
Management**

**Threat Intelligence**

**Intelligent Automation**

**Shared *RAPID7* Insight Engine**

Collection, Data, Analytics Services

# Accessibility to Insight via Tailored SecOps Pillars



**Threat Detection  
& Response**



**Cloud  
Security**



**Vulnerability Risk  
Management**

## Shared **RAPID7** Insight Engine

### Automation

Orchestration

Workflow

Action

### Analytics

User Behavior

Attacker Behavior

Vulnerability Prioritization

Policy Compliance

Identity Governance

Remediation

### Data

Searchable

Unstructured & Structured

Long Term Archival

High Volume

Integrations

### Collection

Cloud

Endpoint

Logs

Network

Apps

API



# Best-in-Class Threat Detection & Response



Broad Visibility Across Cloud and On-premise



Detection-oriented Analytics



Automated Containment & Response

## Automation

Custom Escalation Workflows

## Analytics

UBA

ABA

ML

## Data

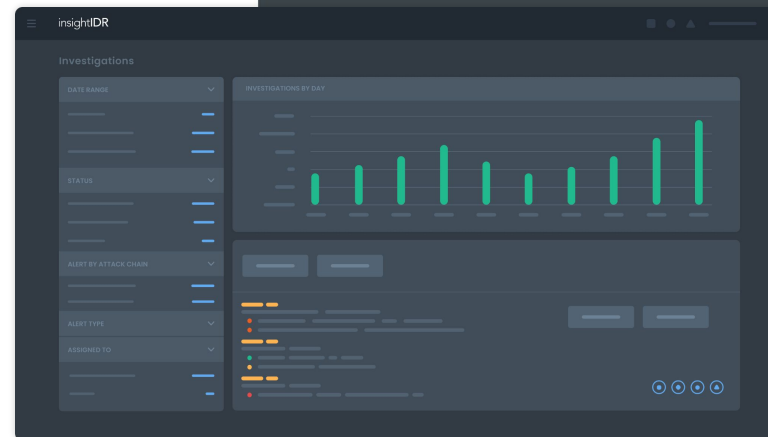
Integrations

## Collection

Cloud

Endpoint

Network



# Best-in-Class Cloud Security



Multi-cloud Risk Visibility & Analytics



Extensible & Customizable to Connect Security and DevOps Teams



Real-time Automated Remediation

## Automation

Native & Integrated

## Analytics

CIEM

CWPP

CSPM

## Data

AWS

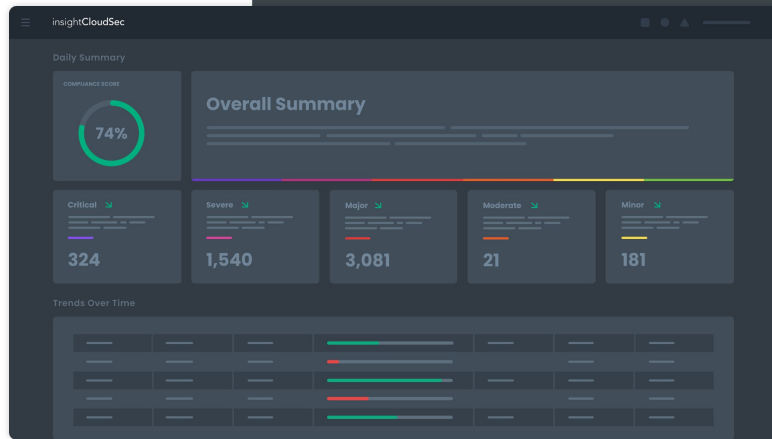
Azure

GCP

OCI

## Collection

Cloud



# Best-in-Class Vulnerability Risk Management



Broad Visibility Across Traditional and Modern Environments



Prioritize Risk with Advanced Analytics



Automation-assisted Remediation

## Automation

Custom Processes

Workflows

## Analytics

Attacker Behavior

Vulnerability Prioritization

## Data

Searchable

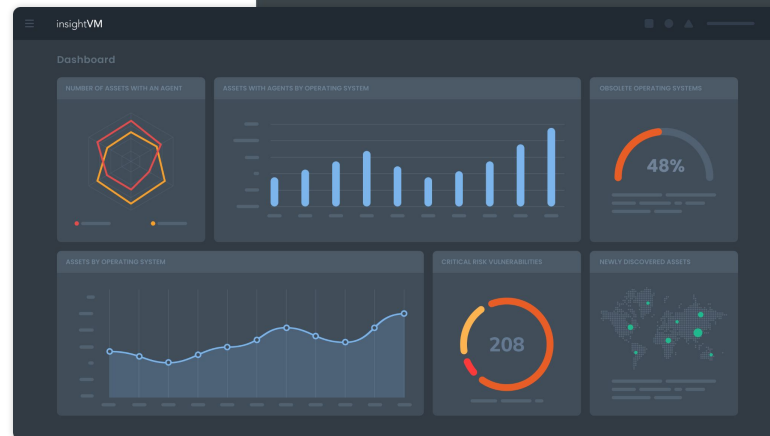
Integrations

## Collection

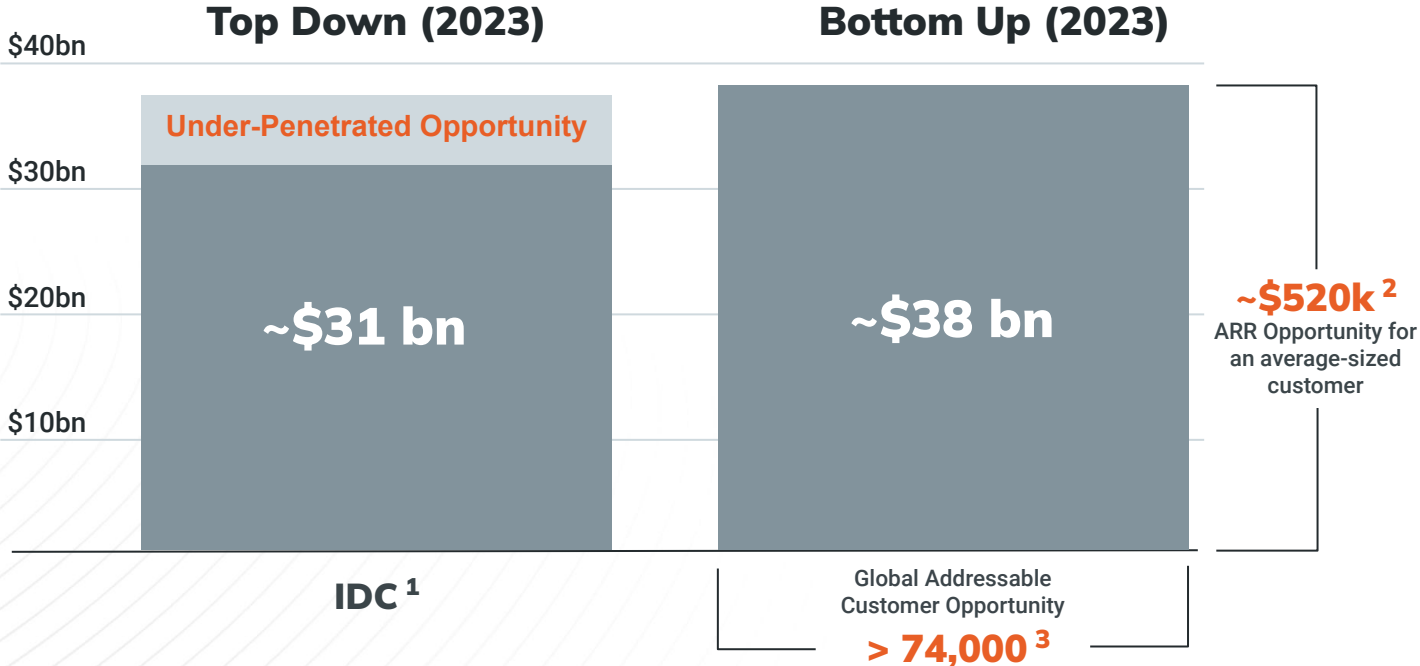
Cloud

Endpoint

Network



# Massive Market Opportunity

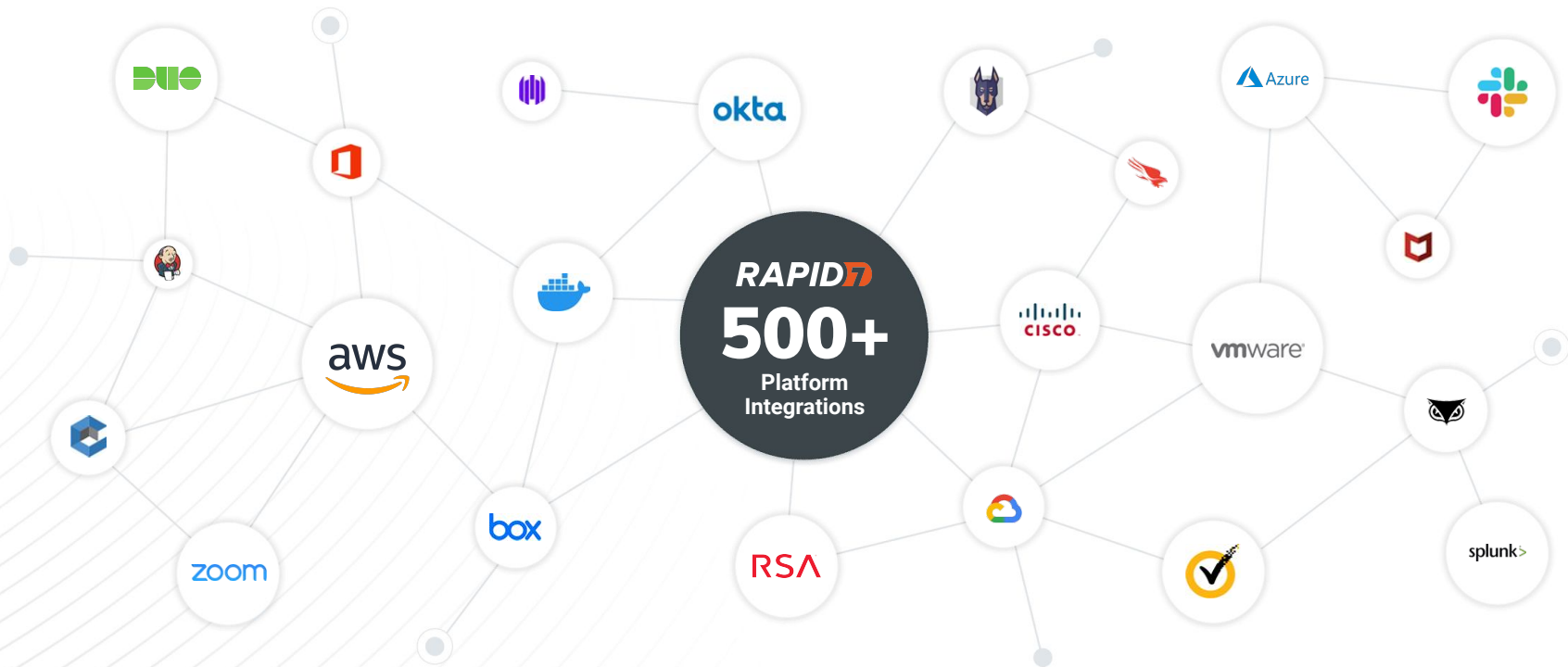


<sup>1</sup> Based on IDC Forecasts (WW Device VM 2023-2027, WW Cybersecurity AIRO 2018-2025, WW SIEM 2022-2026, WW Tier 2 SOC analytics and Cloud-Native XDR 2022-2026, WW Security as a Service 2022-2026, WW Cloud Workload Security 2022-2026, WW Threat Intelligence Security Services 2018-2023)

<sup>2</sup> The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results

<sup>3</sup> Based on Dun & Bradstreet Hoovers global business data

# Extensive Partner Ecosystem



# Rapid7 Global Threat Intelligence Community

Security expertise infused into everything we do



## **Insight Customers**

11k+ Global Customers



## **Service Engagements**

Field Insights from Leading Global MDR and Services Organization



## **Metasploit**

Industry Leading Penetration Testing Tool



## **Attacker KB**

Vulnerability Database & Community



## **Project Heisenberg**

Global Honeypot Network



## **Project Sonar**

Global Internet Scanning



## **Velociraptor**

Digital Forensics & Incident Response



## **Threat Command**

Attack Surface Expertise

# Industry Analyst Recognition

## Cloud Security

FORRESTER®

**A Strong Performer**

The Forrester Wave™: Cloud Workload Security, Q1 2022

## Cloud Security

Gartner

**Recognition**

Market Guide for Cloud-Native Application Protection Platforms

## SIEM

Gartner

**A Challenger**

2022 Magic Quadrant™ for Security Information and Event Management<sup>1</sup>

## MDR

Gartner

**Recognition**

Market Guide for Managed Detection and Response Services<sup>1</sup>

## MDR

FORRESTER®

**A Strong Performer**

The Forrester Wave™: MDR, Q1 2021

## SIEM

IDC

**Major Player**

IDC MarketScape: Worldwide SIEM 2022 Vendor Assessment<sup>2</sup>

<sup>1</sup>GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally, MAGIC QUADRANT is a registered trademark of Gartner, Inc. and/or its affiliates and are used herein with permission. All rights reserved.

<sup>2</sup>IDC MarketScape: Worldwide SIEM 2022 Vendor Assessment, Nov 2022 IDC # US49029922

# Rapid7 for Social Good Beyond ESG

## Rapid7 Core Values

### Bring You

Thrive by celebrating individuality and diverse perspectives

### Be an Advocate

Relentlessly champion our customers to propel the security industry forward

### Challenge Convention

Forge new paths with foresight, discipline, and determination

### Impact Together

Actively support, collaborate with, and learn from each other

### Never Done

Pursue personal and professional excellence through continuous learning

### Diversity, Equity, & Inclusion

Leverage diverse hiring practices and data-driven focus to advance a diverse workforce, inclusive culture, and equitable pay. Recognized in Bloomberg Gender Equality Index 2019, 2020, 2021, 2022, and 2023.

### Environment & Climate Change

Focus on reducing environmental impact by minimizing greenhouse gas emissions, reducing & responsibly disposing of waste, and creating more sustainable workplaces.

### Corporate Governance

High ethical standards for governance set by the board of directors.

### Community Engagement & Social Impact

Giving back to our communities through partnerships with STEM and inclusion-focused programs, charitable giving, and employee volunteerism.

### Non-Profit Support

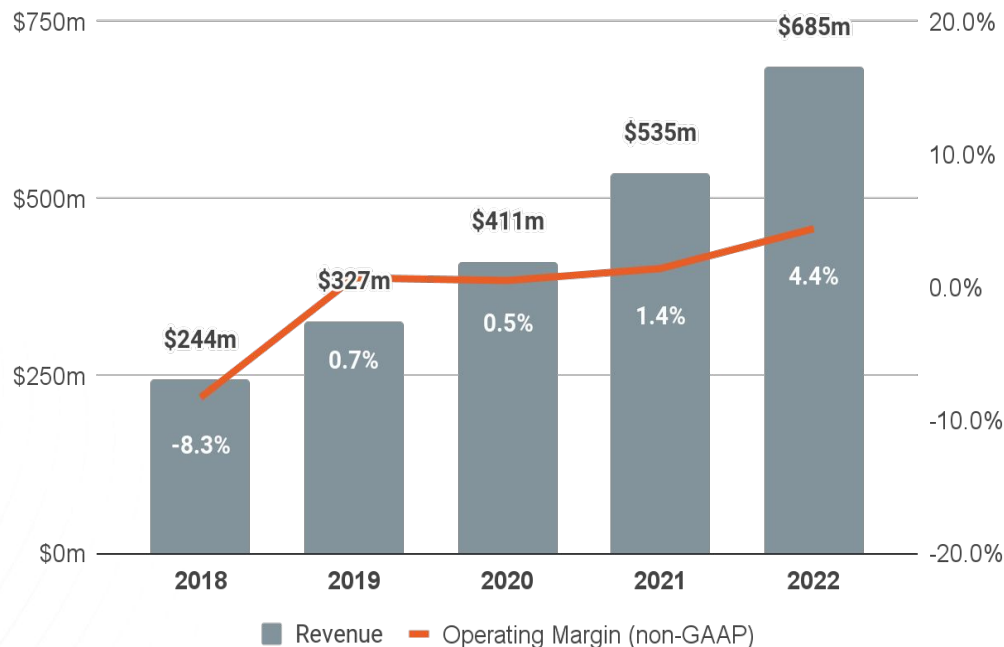
Offering solution discounts to eligible non-profit organizations so they can focus more of their resources pursuing the good they do in the world.



# Financial Overview

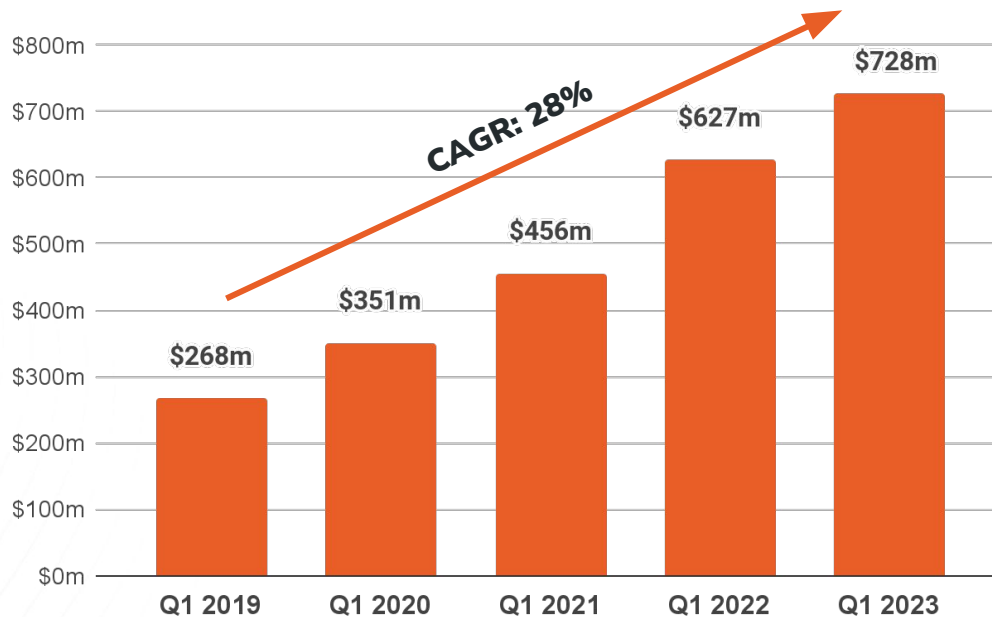
# Sustained Revenue Growth

- 2022 revenue growth of **28%** year-over-year
- Revenue CAGR (2018 - 2022): **29%**
- Non-GAAP operating margin improvement of 300bp in 2022



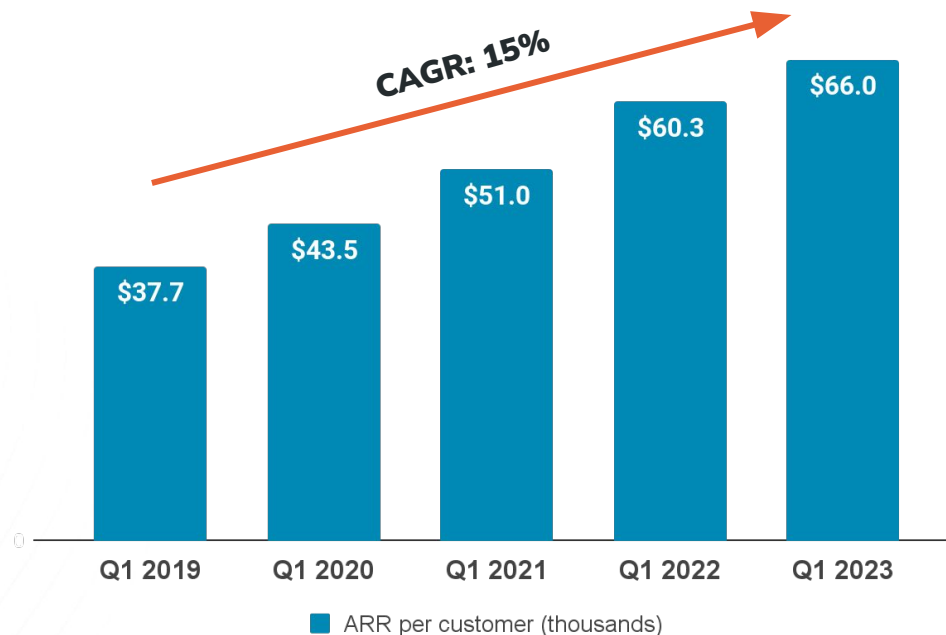
# Annualized Recurring Revenue

- ARR grew by **16%** year-over-year in Q1 2023
- ARR CAGR of **28%** from Q1 2019 to Q1 2023



# Upsells & Cross-Sells Drive ARR per Customer Growth

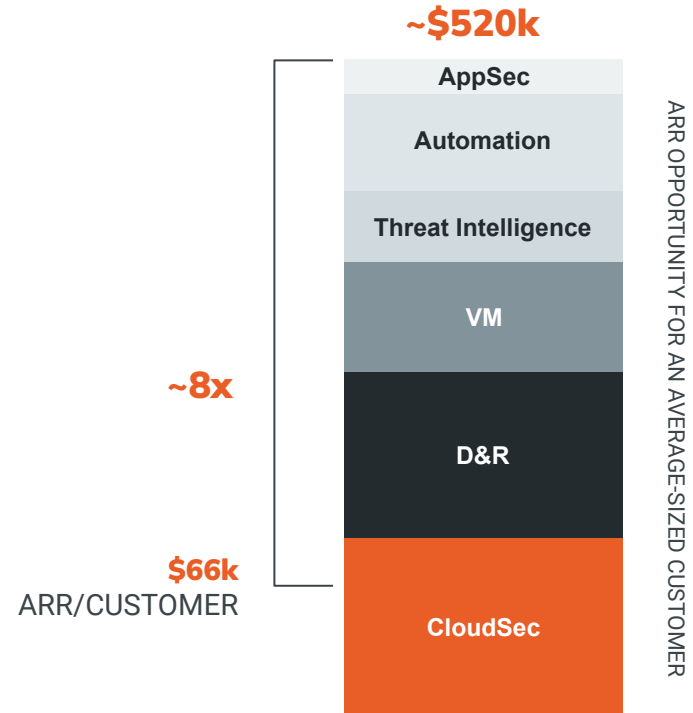
- ARR per customer was approximately **\$66.0k** in Q1 2023
- ARR per customer CAGR of **15%** from Q1 2019 to Q1 2023



ARR per customer is based on the new customer count methodology provided at Rapid7's 2021 Investor Day on March 10, 2021.

# Significant Long-Term ARR Per Customer Opportunity

- Our recurring revenue potential for an average-sized customer is **\$520k** per year
- ARR per customer was approximately **\$66.0k** in Q1 2023



The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results

# Focused on Long-term Profitability Improvement

Expenses and Operating Income as % of Revenue (non-GAAP)

## Gross Margin (non-GAAP)

74% 73% 73%



## Sales & Marketing (non-GAAP)

43% 41% 40%



## Research & Development (non-GAAP)

20% 21% 20%



## General & Administrative (non-GAAP)

9% 8% 8%



## Operating Income (non-GAAP)

0.5% 1.4% 4.4%



# Powerful Land and Expand Model

Compelling Track Record of Customer Acquisition, Retention and Expansion



<sup>1</sup>As of Q1 2023

# Guidance: Q2 2023 and Full-Year 2023

Rapid7 anticipates Annualized Recurring Revenue, Revenue, Non-GAAP Income from Operations, Non-GAAP Net Income per Share and Free Cash Flow to be in the following ranges:

	Q2 2023	Full Year 2023
<b>Annualized Recurring Revenue</b>		\$815 to \$825m
<b>Annualized Recurring Revenue Growth</b>		14% to 16%
<b>Revenue</b>	\$187 to \$189m	\$773 to \$779m
<b>Revenue Growth</b>	12% to 13%	13% to 14%
<b>Non-GAAP Income From Operations <sup>1</sup></b>	\$7 to \$9m	\$59 to \$63m
<b>Non-GAAP Net Income Per Share <sup>1</sup></b>	\$0.09 to \$0.12	\$0.83 to \$0.89
<b>Weighted-average Shares Outstanding, Diluted</b>	67.4m	67.6m
<b>Free Cash Flow</b>		Approximately \$80m

See End Notes for additional information and definitions

<sup>1</sup> A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is provided in the supplemental financial tables. The reconciliation does not reflect any items that are unknown at this time, such as litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty.



# Supplemental

# GAAP to Non-GAAP Reconciliations: Q1 2023

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Acquisition-related expenses	Amortization of debt issuance costs	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:									
Products	\$ 173,772	\$ -	\$ -	\$ -	\$ -	\$ 173,772	\$ -	\$ -	\$ 173,772
Professional services	9,402	-	-	-	-	9,402	-	-	9,402
Total revenue	183,174	-	-	-	-	183,174	-	-	183,174
Cost of revenue:									0
Products	\$ 48,188	\$ 2,123	\$ 4,375	\$ -	\$ -	\$ 41,690	\$ 534	\$ 1,991	\$ 39,165
Professional services	7,811	714	-	-	-	7,097	186	-	6,911
Total cost of revenue	55,999	2,837	4,375	-	-	48,787	720	1,991	46,076
Gross margin %	69%					73%			0%
Research and development	46,346	10,505	-	-	-	35,841	1,168	-	34,673
Sales and marketing	80,587	7,843	652	-	-	72,092	1,415	-	70,677
General and administrative	24,207	8,188	195	363	-	15,461	534	-	14,927
(Loss) income from operations	\$ (23,965)	\$ (29,373)	\$ (5,222)	\$ (363)	\$ -	\$ 10,993	\$ (3,837)	\$ (1,991)	\$ 16,821
Interest income	1,668	-	-	-	-	1,668	-	-	-
Interest expense	(2,717)	-	-	-	(994)	(1,723)	-	-	-
Other income (expense), net	(307)	-	-	-	-	(307)	-	-	-
(Loss) income before income taxes	(25,321)	(29,373)	(5,222)	(363)	(994)	10,631	-	-	-
Provision for income taxes	594	-	-	-	-	594	-	-	-
Net (loss) income	\$ (25,915)	\$ (29,373)	\$ (5,222)	\$ (363)	\$ (994)	\$ 10,037	-	-	-
Add: Interest expense of convertible senior notes						375			
Numerator for non-GAAP earnings per share calculation						\$ 10,412			
Net (loss) income per share:									
Basic	\$ (0.43)					\$ 0.17			
Diluted	\$ (0.43)					\$ 0.16			
Weighted average shares used in non-GAAP earnings per share calculation:									
Basic	59,888,119					59,888,119			
Diluted	59,888,119					66,400,126			

(Unaudited, in thousands, except share and per share data)

# GAAP to Non-GAAP Reconciliations: Q1 2022

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Litigation-related expenses	Amortization of debt issuance costs	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:									
Products	\$ 149,025	\$ -	\$ -	\$ -	\$ -	\$ 149,025	\$ -	\$ -	\$ 149,025
Professional services	8,359	-	-	-	-	8,359	-	-	8,359
Total revenue	157,384	-	-	-	-	157,384	-	-	157,384
Cost of revenue:									
Products	\$ 43,472	\$ 1,495	\$ 4,844	\$ -	\$ -	\$ 37,133	\$ 439	\$ 1,143	\$ 35,551
Professional services	7,817	595	-	-	-	7,222	169	-	7,053
Total cost of revenue	51,289	2,090	4,844	-	-	44,355	608	1,143	42,604
Gross margin %	67%					72%			
Research and development	49,812	13,024	-	-	-	36,788	993	-	35,795
Sales and marketing	75,146	6,774	684	-	-	67,688	1,250	-	66,438
General and administrative	21,516	7,034	195	115	-	14,172	452	-	13,720
Loss from operations	\$ (40,379)	\$ (28,922)	\$ (5,723)	\$ (115)	\$ -	\$ (5,619)	\$ (3,303)	\$ (1,143)	\$ (1,173)
Interest income	112	-	-	-	-	112	-	-	-
Interest expense	(2,693)	-	-	-	(979)	(1,714)	-	-	-
Other income (expense), net	(603)	-	-	-	-	(603)	-	-	-
Loss before income taxes	(43,563)	(28,922)	(5,723)	(115)	(979)	(7,824)	-	-	-
Provision for income taxes	1,436	-	-	-	-	1,436	-	-	-
Net loss	\$ (44,999)	\$ (28,922)	\$ (5,723)	\$ (115)	\$ (979)	\$ (9,260)	-	-	-
Net loss per share, basic and diluted	\$ (0.78)					\$ (0.16)			
Weighted-average shares used in per share calculation, basic and diluted	57,724,821					57,724,821			

(Unaudited, in thousands, except share and per share data)

# GAAP to Non-GAAP Guidance Reconciliations: Q2 & Full-Year 2023

	Second Quarter 2023		Full-Year 2023	
<b>Reconciliation of GAAP loss from operations to non-GAAP income from operations:</b>				
Anticipated GAAP loss from operations	\$ (32)	to \$ (30)	\$ (92)	to \$ (88)
Add: Anticipated stock-based compensation expense	33	to 33	130	to 130
Add: Anticipated amortization of acquired intangible assets	6	to 6	21	to 21
Anticipated non-GAAP income from operations	<u>\$ 7</u>	<u>\$ 9</u>	<u>\$ 59</u>	<u>\$ 63</u>

<b>Reconciliation of GAAP net loss to non-GAAP net income:</b>				
Anticipated GAAP net loss	\$ (34)	to \$ (32)	\$ (101)	to \$ (97)
Add: Anticipated stock-based compensation expense	33	to 33	130	to 130
Add: Anticipated amortization of acquired intangible assets	6	to 6	21	to 21
Add: Anticipated amortization of debt issuance costs	1	to 1	4	to 4
Anticipated non-GAAP net income	<u>\$ 6</u>	<u>\$ 8</u>	<u>\$ 54</u>	<u>\$ 58</u>

Anticipated GAAP net loss per share, basic and diluted	\$ (0.56)	\$ (0.53)	\$ (1.66)	\$ (1.60)
Anticipated non-GAAP net income per share, diluted	\$ 0.09	\$ 0.12	\$ 0.83	\$ 0.89

Weighted average shares used in GAAP earnings per share calculation, basic and diluted	60.6	60.8
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Weighted average shares used in non-GAAP earnings per share calculation, diluted	67.4	67.6
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The reconciliation does not reflect any items that are unknown at this time, such as litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty. As a result, the estimates shown for Anticipated GAAP loss from operations, Anticipated GAAP net loss and Anticipated GAAP net loss per share are expected to change.

(All amounts in millions, except per share data)

# GAAP to Non-GAAP Guidance Reconciliations: Full Year 2023

	<u>Full-Year 2023</u>
<b>Reconciliation of net cash provided by operating activities to free cash flow:</b>	
Anticipated net cash provided by operating activities .....	\$ 105
Anticipated purchases of property and equipment .....	(7)
Anticipated capitalized internal-use software costs .....	(18)
Anticipated free cash flow .....	<u>\$ 80</u>

# End Notes

## Annualized Recurring Revenue (ARR)

- Annualized Recurring Revenue (ARR) is defined as the annual value of all recurring revenue related to contracts in place at the end of the period. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. ARR is not a forecast of future revenue and can be impacted by contract start and end dates and renewal rates, and does not include revenue reported as perpetual license or professional services revenue in our consolidated statement of operations.

## Recurring Revenue

- Recurring revenue is defined as revenue from the sale of term software licenses, content subscriptions, managed services, cloud-based subscriptions and maintenance and support calculated as % of total revenue.

## Customer

- A Customer is defined as any entity that has an active recurring revenue contract as of the specified measurement date, excluding InsightOps and Logentrics only customers with a contract value less than \$2,400 per year.

## ARR per Customer

- ARR per Customer is defined as ARR divided by the number of Customers at the end of the period.

## Non-GAAP metrics

- Non-GAAP gross margins represent the GAAP gross profit, excluding stock-based compensation expense and amortization of acquired intangible assets calculated as a % of revenue. See GAAP to Non-GAAP reconciliation.
- Operating expenses and operating income margin presented are on a non-GAAP basis and exclude stock-based compensation expense, amortization of acquired intangible assets, and certain other items such as acquisition-related expenses and litigation-related expenses.
- Free cash flow is defined as cash flow provided by operations less purchases of property and equipment and capitalization of internal-use software costs.

## Guidance

- Guidance for the second quarter and full-year 2023 does not include any potential impact of foreign exchange gains or losses.
- Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of acquired intangible assets, amortization of debt issuance costs and certain other items. A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is provided in the financial statement tables included in these End Notes. The reconciliation does not reflect any items that are unknown at this time, such as non-ordinary course litigation-related expenses, for the second quarter and full-year 2023, which we are not able to predict without unreasonable effort due to their inherent uncertainty.