solarwinds

Q3'21 Results

October 28, 2021

General Disclaimer

Forward-Looking Statements

This presentation and the accompanying oral presentation contain “forward-looking” statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding our financial outlook, the impact of the cyberattack that occurred in December 2020 (the “Cyber Incident”), the recently completed spin-off of our N-able business into a newly created and separately traded public company, the impact of the COVID-19 pandemic and related global economic environment on our business, and our preliminary strategic, operational and financial considerations related thereto.

These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements that are not historical facts and may be identified by terms such as “aim,” “anticipate,” “believe,” “can,” “could,” “seek,” “should,” “feel,” “expect,” “will,” “would,” “plan,” “project,” “intend,” “estimate,” “continue,” "may," or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the following: (a) risks related to the Cyber Incident, including with respect to (1) the discovery of new or different information regarding the Cyber Incident, including with respect to its scope, the threat actor’s access to SolarWinds’ environments and its related activities during such period, and the related impact on SolarWinds’ systems, products, current or former employees and customers, (2) the possibility that our mitigation and remediation efforts with respect to the Cyber Incident may not be successful, (3) the possibility that additional confidential, proprietary, or personal information, including information of SolarWinds’ current or former employees and customers, was accessed and exfiltrated as a result of the Cyber Incident, (4) numerous financial, legal, reputational and other risks to us related to the Cyber Incident, including risks that the incident or SolarWinds’ response thereto, including with respect to providing notices to any impacted individuals, may result in the loss, compromise or corruption of data and proprietary information, loss of business as a result of termination or non-renewal of agreements or reduced purchases or upgrades of our products, severe reputational damage adversely affecting customer, partner and vendor relationships and investor confidence, increased attrition of personnel and distraction of key and other personnel, U.S. or foreign regulatory investigations and enforcement actions, litigation, indemnity obligations, damages for contractual breach, penalties for violation of applicable laws or regulations, significant costs for remediation and the incurrence of other liabilities, (5) risks that our insurance coverage, including coverage relating to certain security and privacy damages and claim expenses, may not be available or sufficient to compensate for all liabilities we incur related to these matters, (6) the possibility that our steps to secure our internal environment, improve our product development environment and ensure the security and integrity of the software that we deliver to our customers may not be successful or sufficient to protect against future threat actors or attacks or be perceived by existing and prospective customers as sufficient to address the harm caused by the Cyber Incident, (b) other risks related to cyber security, including that we may experience other security incidents or have vulnerabilities in our systems and services exploited, which may result in compromises or breaches of our and our customers’ systems or, theft or misappropriation of our and our customers’ confidential, proprietary or personal information, as well as exposure to legal and other liabilities, including the related risk of higher customer, employee and partner attrition and the loss of key personnel, as well as negative impacts to our sales, renewals and upgrades; (c) risks related to the recently completed spin-off of the N-able business into a newly created and separately traded public company, including that we may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the separation, or such benefits may be delayed by a variety of circumstances, which may not be under our control, we may experience increased difficulties in attracting, retaining and motivating employees or maintaining or initiating relationships with partners, customers and other parties with which we currently do business, or may do business in the future, we could incur significant liability if the separation is determined to be a taxable transaction, potential indemnification liabilities incurred in connection with the separation could materially affect our business and financial results and N-able may fail to perform under various transaction agreements that were executed as part of the separation; (d) the possibility that the global COVID-19 pandemic may adversely affect our business, results of operations and financial condition; (e) any of the following factors either generally or as a result of the impacts of the Cyber Incident or the global COVID-19 pandemic on the global economy or on our business operations and financial condition or on the business operations and financial conditions of our customers, their end-customers and our prospective customers: (1) reductions in information technology spending or delays in purchasing decisions by our customers, their end-customers and our prospective customers, (2) the inability to sell products to new customers or to sell additional products or upgrades to our existing customers, (3) any decline in our renewal or net retention rates, (4) the inability to generate significant volumes of high quality sales leads from our digital marketing initiatives and convert such leads into new business at acceptable conversion rates, (5) the timing and adoption of new products, product upgrades or pricing model changes by SolarWinds or its competitors, (6) potential foreign exchange gains and losses related to expenses and sales denominated in currencies other than the functional currency of an associated entity, and (7) risks associated with our international operations; (f) the possibility that our operating income could fluctuate and may decline as percentage of revenue as we make further expenditures to support our business or expand our operations; (g) risks related to our evolving focus in our sales motion and challenges and costs associated with selling products to enterprise customers; (h) our inability to successfully identify, complete, and integrate acquisitions and manage our growth effectively; (i) risks associated with our status as a controlled company; and (j) such other risks and uncertainties described more fully in documents filed with or furnished to the Securities and Exchange Commission, including the risk factors discussed in our Annual Report on Form 10-K for the period ended December 31, 2020 filed on March 1, 2021, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 filed on May 10, 2021, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 filed on August 6, 2021 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 that SolarWinds anticipates filing on or before November 9, 2021. All information provided in this release is as of the date hereof and SolarWinds undertakes no duty to update this information except as required by law.

Non-GAAP Financial Measures

This presentation includes the following non-GAAP financial measures: non-GAAP revenue and revenue growth, adjusted EBITDA, adjusted EBITDA margin and unlevered free cash flow. We use these non-GAAP financial measures to clarify and enhance our understanding, and aid in the period-to-period comparison, of our performance. We believe that these non-GAAP financial measures provide supplemental information that is meaningful when assessing our operating performance because they exclude the impact of certain amounts that our management and board of directors do not consider part of core operating results when assessing our operational performance, allocating resources, preparing annual budgets and determining compensation. The non-GAAP measures have limitations, and should not be considered in isolation, or as a substitute for, the most comparable GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. See Definitions for information on how we define these non-GAAP financial measures and the Appendix to this presentation for a reconciliation of the non-GAAP financial measures presented to their most comparable GAAP equivalents. A reconciliation of forward-looking non-GAAP financial measures used in this presentation to their most comparable GAAP measures is not available without unreasonable effort due to the uncertainty regarding, and the potential variability of, certain of the adjustments made to such measures that may be incurred in the future.

UNLESS OTHERWISE STATED, YOU MAY ASSUME ALL FINANCIAL MEASURES DISCUSSED IN THIS PRESENTATION, INCLUDING STATEMENTS REGARDING PROFIT AND PROFITABILITY, ARE PRESENTED ON A NON-GAAP BASIS.

<u>Impact of Purchase Accounting Related to the Take Private and Acquisitions</u>

SolarWinds Corp. was formed by affiliates of investment firms Silver Lake and Thoma Bravo to acquire SolarWinds, Inc., then a publicly traded company, which acquisition was completed on February 5, 2016 and is referred to throughout this presentation as the “Take Private.” The comparability of our year-to-year operating results has been significantly impacted by the Take Private and to a lesser extent, other acquisitions. We account for acquired businesses, including the Take Private, using the acquisition method of accounting, which requires that the assets acquired and liabilities assumed, including deferred revenue, be recorded at the date of acquisition at their respective fair values which could differ from the historical book values. In most cases, adjusting the acquired deferred revenue balances to fair value on the date of the relevant acquisition had the effect of reducing the historical deferred revenue balance and therefore reducing the revenue recognized in subsequent periods. In addition, we incurred amortization of acquired technology and intangibles in connection with the Take Private and to a lesser extent, other acquisitions.

Definitions

Non-GAAP Revenue. We define non-GAAP total revenue as total revenue excluding the impact of purchase accounting from acquisitions. The non-GAAP revenue growth rates we provide are calculated using non-GAAP revenue from the comparable prior period. For the third quarter of 2021, there was no impact of purchase accounting on revenue so our non-GAAP total revenue is equivalent to our GAAP total revenue.

Adjusted EBITDA and Adjusted EBITDA Margin. We define adjusted EBITDA as net income or loss, excluding the impact of purchase accounting on total revenue, amortization of acquired intangible assets and developed technology, depreciation expense, stock-based compensation expense and related employer-paid payroll taxes, restructuring costs, acquisition and other costs, Cyber Incident costs, interest expense, net, debt related costs including fees related to our credit agreements, debt extinguishment and refinancing costs, unrealized foreign currency (gains) losses, and income tax expense (benefit). We define adjusted EBITDA margin as adjusted EBITDA divided by non-GAAP revenue.

Unlevered Free Cash Flow. Unlevered free cash flow is a measure of our liquidity used by management to evaluate cash flow from operations, after the deduction of capital expenditures and prior to the impact of our capital structure, acquisition and other costs, Cyber Incident costs, restructuring costs, employer-paid payroll taxes on stock awards and other one-time items, that can be used by us for strategic opportunities and strengthening our balance sheet. However, given our debt obligations, unlevered free cash flow does not represent residual cash flow available for discretionary expenses.

Annual Recurring Revenue (ARR). ARR is annual run-rate revenue of maintenance and subscription agreements from all customers at a point in time. ARR for a given point in time excludes the impact of future price increases from that point in time and forward.

Maintenance Renewal Rate. Maintenance renewal rate represents sales of maintenance services for all existing maintenance contracts expiring in a period, divided by the sum previous sales of maintenance services corresponding to those services expiring in the current period. Sales of maintenance services includes sales of maintenance renewals for a previously purchased product and the amount allocated to maintenance revenue from a license purchase.

Subscription Net Retention Rate. Net retention rate for subscription products is the implied monthly subscription revenue at the end of a period for the base set of customers from which we generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription revenue one year prior to the date of calculation for that same customer base.

Helping Customers accelerate business transformation…

through simple, powerful, and secure solutions designed for multi-cloud environments.

Third Quarter 2021 Financial Highlights

$181M
Total Revenue

$75M
Adjusted EBITDA

42%
Adjusted EBITDA Margin

$532M
Year-to-Date Total Revenue

$225M
Year-to-Date Adjusted EBITDA

$139M
Year-to-Date Unlevered Free Cash Flow

$624M
Total Annual Recurring Revenue

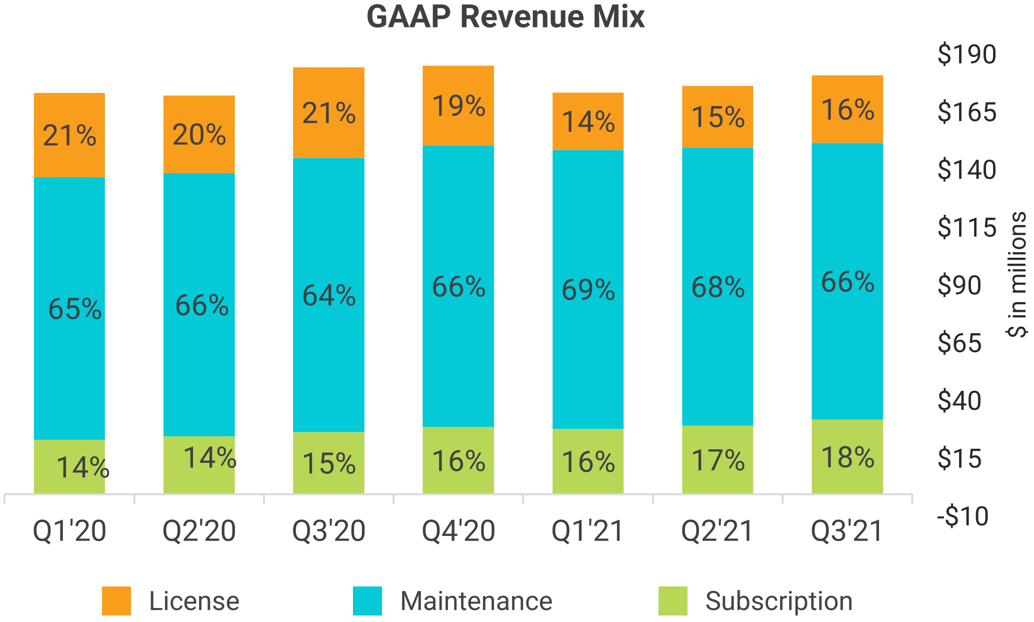
786
Customers with 100K+ in TTM spend

89%
TTM Maintenance Renewal Rate

Note: All amounts, including trailing 12-month (“TTM”) amounts, are through Q3’21. Includes non-GAAP financial measures. Please refer to non-GAAP reconciliation provided in the appendix for equivalent GAAP value.
Note: Year-to-date figures are through September 30, 2021.

Third Quarter 2021 Revenue Breakdown

- GAAP license + maintenance revenue declined YoY to $149.0M
  - GAAP license revenue declined 26% YoY
  - GAAP maintenance revenue grew 1% YoY
- GAAP subscription revenue grew 20% YoY to $32.3M



	Q1'21	Q2'21	Q3'21
Total revenue YoY growth	0%	2%	-2%
License + maintenance YoY growth	-3%	0%	-6%
Subscription YoY growth	21%	18%	20%

Third Quarter 2021 Business Highlights

- Total revenue in the third quarter was $181.3 million, representing 2% year-over-year decline and exceeding the high end of the financial outlook
- Maintenance renewal rate for perpetual license products was approximately 88% in Q3’21, above our expectation of low-to-mid 80% at the start of the year
- SolarWinds will host a virtual Analyst Day November 10, 2021
- Launched SolarWinds® DBA xPress free tool to automate data and schema comparisons, making DataOps adoption and Microsoft® SQL Server® cloud migrations easier for all data pros
- Released the findings of our eighth-annual industry-wide study, IT Trends Report 2021: Building a Secure Future, examining how technology professionals perceive the evolving state of risk in today’s business environment following internal impact of COVID-19 IT policies and exposure to external breaches

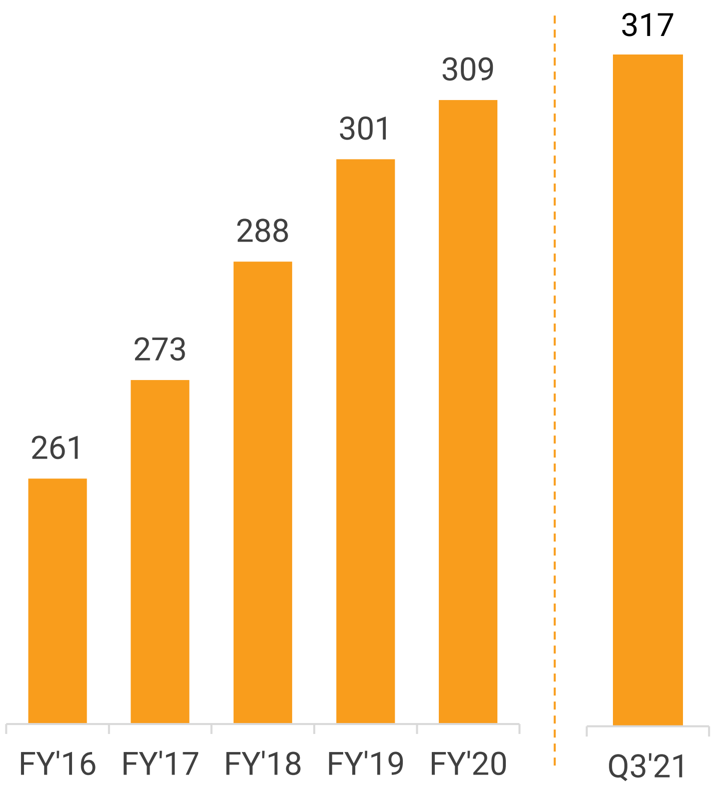
Third Quarter 2021 ARR Highlights

$ in millions

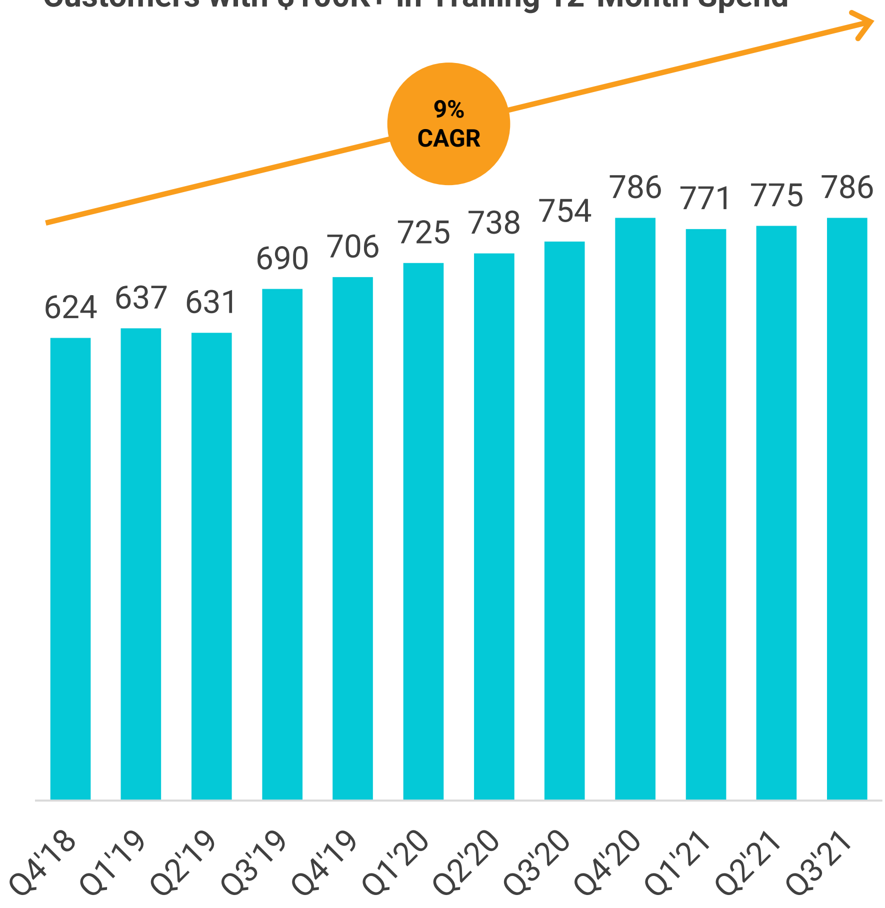
Note: Ending period annual recurring revenue ("ARR") amounts shown for each time period presented. ARR is annual run-rate revenue of maintenance and subscription agreements from all customers at a point in time. ARR for a given point in time excludes the impact of future price increases from that point in time and forward.

Consistent Growth in Large Customer Relationships

Total Customer Count, in Thousands



Customers with $100K+ in Trailing 12-Month Spend



Note: Customers are defined as individuals or entities that have an active subscription for at least one of our subscription products or that have purchased one or more of our perpetual license products since our inception under a unique customer identification number. We may have multiple purchasers of our products within a single organization, each of which may be assigned a unique customer identification number and deemed a separate customer.

Fourth Quarter 2021 Financial Outlook

Revenue	**Total Revenue of $180 - $184 Million**	**(3%) - (1%) YoY Growth**
Profit	**Adjusted EBITDA of $72 - $74 Million**	**~40% Adjusted EBITDA Margin**
	Non-GAAP Diluted EPS of $0.25 to $0.26	
Additional Items	**22%** Non-GAAP Tax Rate	**Approximately 160.7 Million** Weighted Average Shares Outstanding[1]

Note: All values other than revenue shown represent non-GAAP financial figures, as we do not expect to adjust revenue for the impact of purchase accounting in the fourth quarter of 2021. Includes forward-looking statements. See "General Disclaimers" in slide 2.

1. Reflects the 2:1 reverse stock split completed on July 30, 2021

Full Year 2021 Financial Outlook

Revenue	**Total Revenue of $712 - $716 Million**	**(1%) – 0% YoY Growth**
Profit	**Adjusted EBITDA of $297 - $299 Million**	**~42% Adjusted EBITDA Margin**
	Non-GAAP Diluted EPS of $1.14 to $1.15	
Additional Items	**16%** Non-GAAP Tax Rate	**Approximately 160.5 Million** Weighted Average Shares Outstanding[1]

Note: All values other than revenue shown represent non-GAAP financial figures, as we do not expect to adjust revenue for the impact of purchase accounting in the fourth quarter of 2021. Includes forward-looking statements. See "General Disclaimers" in slide 2.

1. Reflects the 2:1 reverse stock split completed on July 30, 2021

Appendix: Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin Reconciliation

($ in millions)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Total GAAP revenue	$ 181.3	$ 531.9
Impact of purchase accounting	-	0.1
Total non-GAAP revenue	**$ 181.3**	**$ 532.0**

($ in millions, except margin data)	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Net income (loss)	**$(9.0)**	**$(27.8)**
Less: Net income (loss) from discontinued operations	(10.1)	14.8
Net income (loss) from continuing operations	**$ 1.1**	**$(42.6)**
Amortization and depreciation	57.4	173.4
Income tax expense (benefit)	(19.3)	(26.3)
Interest expense, net	15.9	48.3
Impact of purchase accounting on total revenue	-	0.1
Unrealized foreign currency (gains) losses	(0.4)	(1.5)
Acquisition and other costs	0.2	1.4
Debt related costs	0.1	0.3
Stock-based compensation expense and related employer-paid payroll taxes	16.0	44.4
Restructuring costs and other	1.4	3.7
Cyber Incident costs	2.9	23.8
Adjusted EBITDA	**$ 75.3**	**$ 224.9**
Adjusted EBITDA Margin	**42%**	**42%**

Unlevered Free Cash Flow Reconciliation

($ in millions)	Nine Months Ended 30-Sep 2021
Net cash provided by operating activities from continuing operations	**$81.9**
Capital expenditures [1]	(10.0)
Free cash flow	**$71.9**
Cash paid for interest and other debt related items	41.9
Cash paid for acquisition and other costs, restructuring costs, Cyber Incident costs, employer-paid payroll taxes on stock awards and other one time items	35.4
Unlevered free cash flow (excl. Forfeited Tax Shield)	**$149.2**
Forfeited tax shield related to interest payments [2]	(9.9)
Unlevered free cash flow	**$139.3**

(1) Includes purchases of property and equipment and purchases of intangible assets.
(2) The forfeited tax shield related to interest payments assumes a statutory rate of 23.5%.