

Secureworks®

Investor Presentation



September 2024

Disclaimers

Non-GAAP

This presentation includes information about the Company's non-GAAP subscription cost of revenue, non-GAAP professional services cost of revenue, non-GAAP Taegis Subscription Solutions cost of revenue, non-GAAP Managed Security Services cost of revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP Taegis Subscription Solutions gross profit, non-GAAP Taegis Subscription Solutions gross margin, non-GAAP Managed Security Services gross profit, non-GAAP Managed Security Services gross margin, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) before income taxes, non-GAAP income tax expense (benefit), non-GAAP earnings (loss) per share before income taxes, non-GAAP net earnings (loss) per share, weighted-average shares used in computing non-GAAP earnings (loss) per share, diluted, 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 non-GAAP financial measure to the most directly comparable GAAP financial measure is provided herein for each fiscal year indicated.

The Company believes that these non-GAAP financial measures provide useful information about our financial performance by enhancing the overall understanding of our past performance and future outlook, while increasing transparency with respect to important metrics used by management in its decision-making. Investors are encouraged to review the related GAAP financial measures and the reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure, while not relying on any single financial measure to evaluate the Company's business.

Operating Metrics

We believe that annual recurring revenue (ARR) is a key operating metric that is useful to measure our business because it is driven by our ability to acquire new subscriptions and expand relationships with existing customers. The Company defines 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 presentation with respect to the Company's expectations regarding total revenue, non-GAAP net earnings per share, and adjusted EBITDA for the third quarter of fiscal 2025, and total revenue, total annual recurring revenue ("ARR"), non-GAAP net income (loss), non-GAAP net earnings per share, and adjusted EBITDA for full year fiscal 2025, 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" 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. We assume no obligation to update its forward-looking statements.

Our Mission

To secure human progress by outpacing and outmaneuvering the adversary



Leading Provider of Award-Winning, AI-Powered Taegis XDR Platform

“Secureworks is a force to be reckoned with in the XDR market, an innovation powerhouse that understands and leverages megatrends to unlock growth opportunities.”

– Lucas Ferreyra, Frost & Sullivan, 2024



Secureworks Global Presence

~2K
Taegis Customers

>60
Countries

~1,400
Teammates
Across the Globe

Taegis Driving Profitability and Growth

\$290M
Total ARR¹
+5% Growth YoY

74%
Taegis Gross Margin¹
and expanding

\$150K
Taegis ARPC¹
Premium to industry
average

\$1M
Adj EBITDA¹ and
guiding to positive
FY25 EBITDA

Extensive Scale and Expertise

175+
Threat Groups
Monitored

~98%
MITRE ATT&CK[®]
Framework Coverage

~50K
Investigations
Annually

Leveraging a High-Fidelity Data Set

5T
Events processed
each week

50+ PB
Rapidly growing
security telemetry

350+
Integrations &
extensibility

Delivering More Accurate Security Outcomes

99%
Malicious activity on the
network that is blocked
by Taegis NDR

80%
Improvement in median
time to respond

Business Stakes Are High

Cost of Breaches
Are Rising

\$4.45M

Is the average cost of
a data breach¹

Regulatory Pressures
Are Intensifying

4 days

Is how fast an organization must
report a material breach to the SEC

Compounded by Global Cyber Challenges

Attack Surface Is
Growing in Complexity

130

Average number of SaaS apps in an
organization that now need protecting²

Cybersecurity Skills
Shortage Is Growing

3.5M

Open Cybersecurity Jobs²

Cyber Attacks
Are Accelerating

<24 hrs

Average time between initial access
and ransomware payload delivery³

Budgetary Pressures

75%

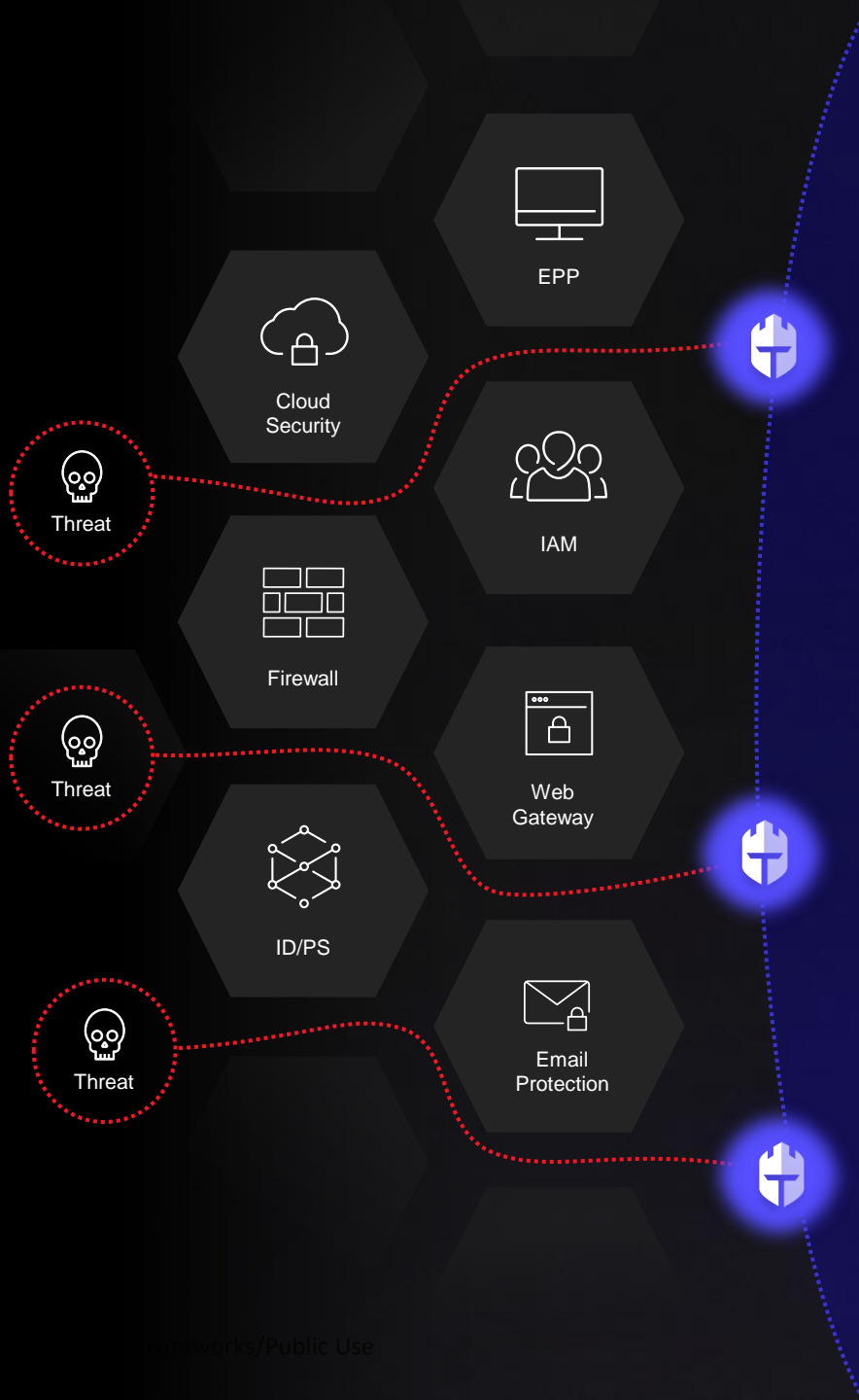
of organizations are pursuing a security
vendor consolidation strategy to
improve risk posture while facing
budgetary pressure⁴

¹ Statista - <https://www.statista.com/statistics/273575/us-average-cost-incurred-by-a-data-breach/>

² Statista - [Average number of SaaS apps used worldwide 2022 | Statista](#)

³ Cybersecurity Ventures Boardroom Cybersecurity Report 2023

⁴ Secureworks 2023 State of the Threat Report



Employees,
Contractors

Public
Cloud

Temporary
Virtual
Desktop

Corporate
Managed
Identities

Remote
Access

Individual
Managed
Identities

Corporate-
Issued
Laptop

SaaS Apps

Private
Datacenter

Email

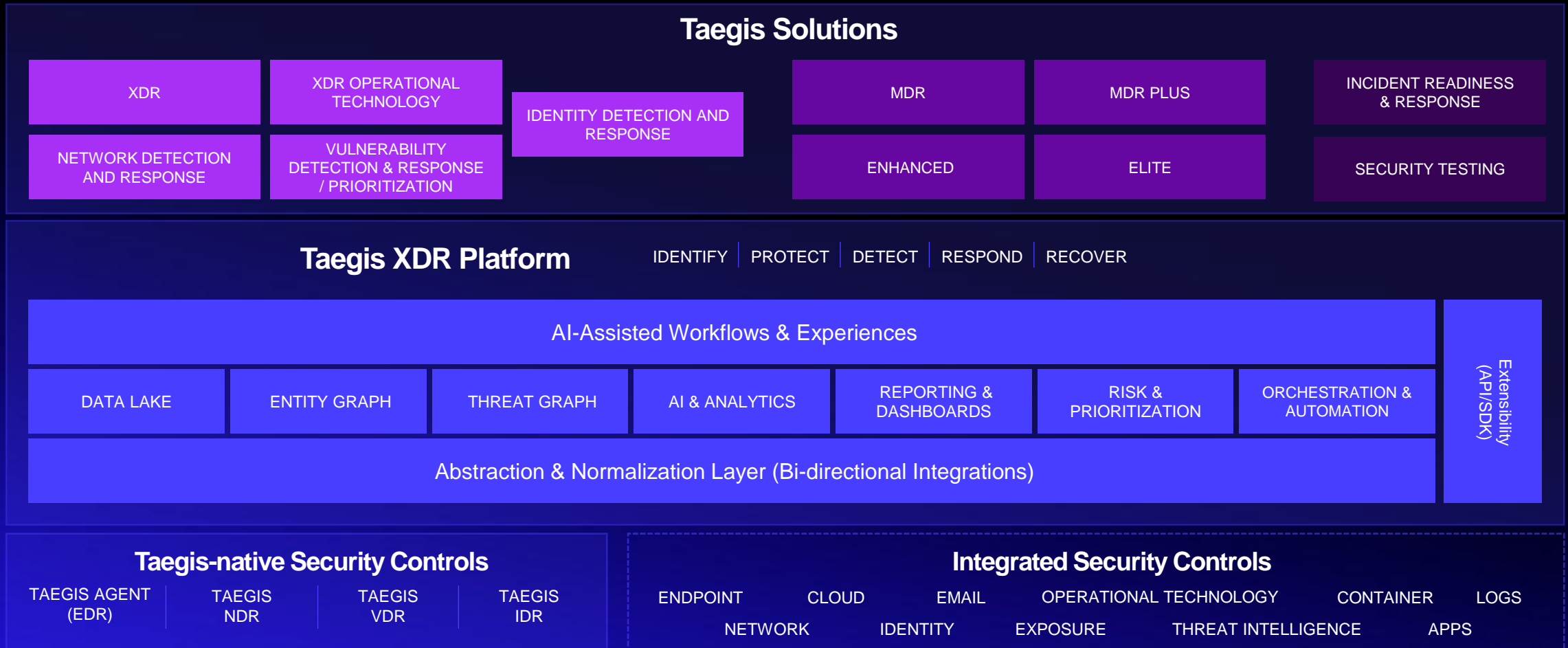
BYO Mobile
Devices

OT / IoT

We Protect the Entire Modern Attack Surface

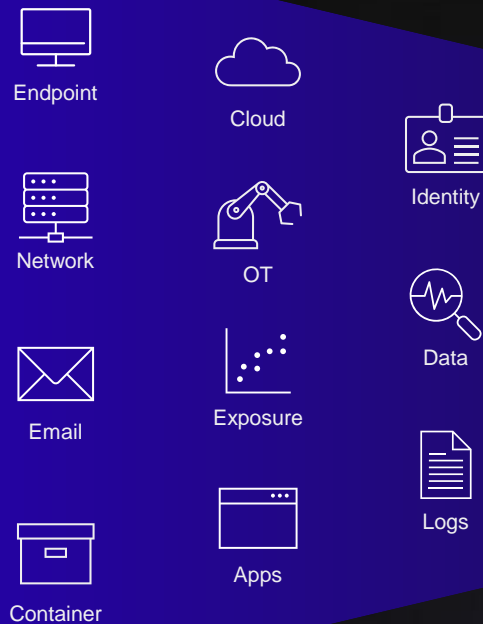
Taegis provides a comprehensive defense superior to point-security controls — closing all gaps using AI and security experts to provide superior detection & automated response

Our Taegis Platform Provides a Full Suite of Cloud-Native Security Solutions Using AI & Machine Learning

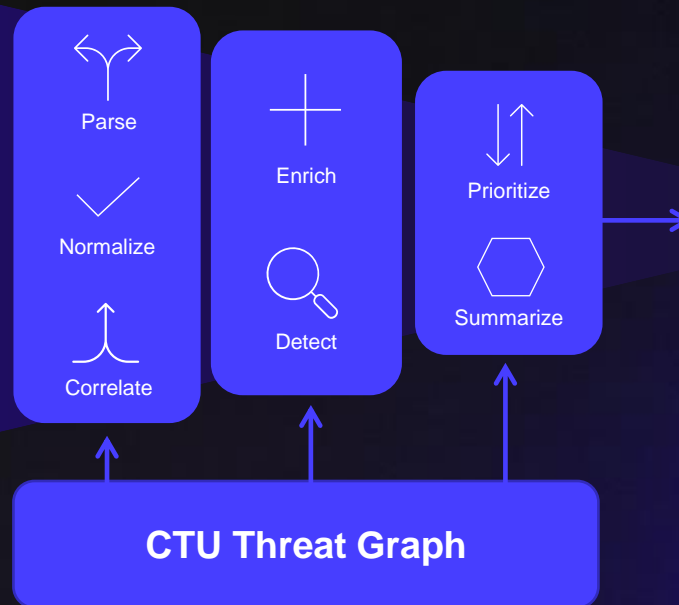


Strong Demand for AI-powered Secureworks Taegis Prevention, Detection & Response Platform

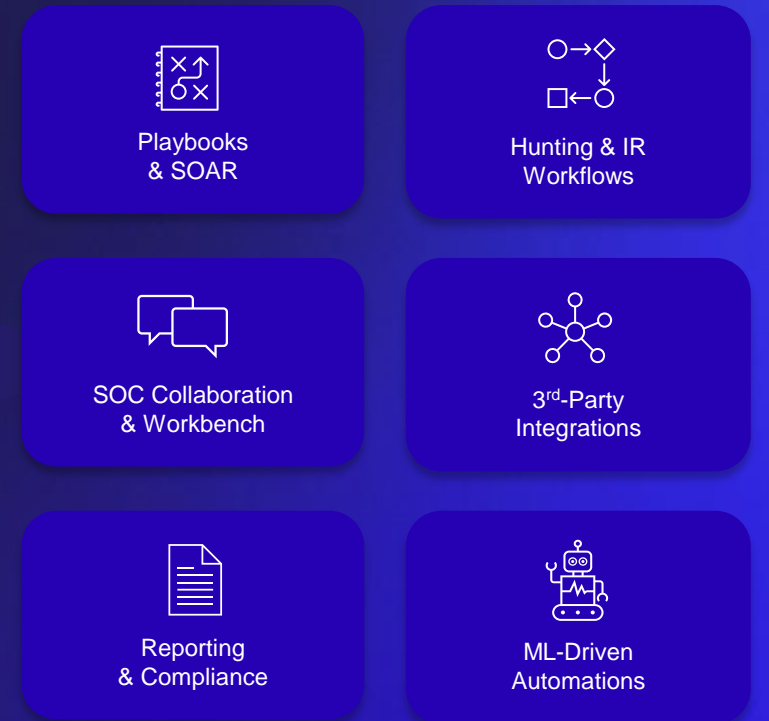
Broad Ingest



Detect & Correlate



Hunt & Respond



Our Unique Data Set Fuels AI in Taegis, Driving Faster, More Accurate Security Outcomes

Our Diverse Proprietary Data Trains AI Models



50PB+

Diverse, rapidly growing security telemetry



5T

Events processed across customers each week



20K

Curated threat indicators in knowledge



350+

Unique sensor types delivering telemetry



40B

Nodes in our CTU proprietary Research Graph



50K

Investigations annually

AI Powers Taegis to Drive Faster, More Accurate Security Outcomes

SECURITY OUTCOMES



60%

of Security incidents are automatically investigated & remediated



80%

Improvement in median time to respond

OPERATIONAL EFFECTIVENESS



100%

Increase in security analyst productivity



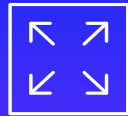
99%

of malicious activity on the network is blocked from Taegis NDR

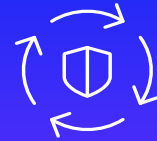
Secureworks Stands Out in the Cybersecurity Market



Our Superior
Detection



Our Open Without
Compromise
Platform



Our Unmatched
Response



Our Delivery
of Higher ROI¹

Large & Growing Addressable Market

Taegis Enables Budget Displacement
through Feature Convergence



¹ Market size information from Gartner Forecast: Information Security and Risk Management, Worldwide, 2021-2027, Feb 2024 Update. TAM includes Vulnerability Assessment, SIEM, SOAR, Endpoint Protection Platform Software and Managed Security, MDR, and Security Consulting Services

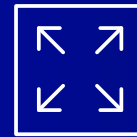
Strategic Imperatives for Growth



Grow Global Reach via Partner Ecosystem



Extend Technology Leadership with New Solutions



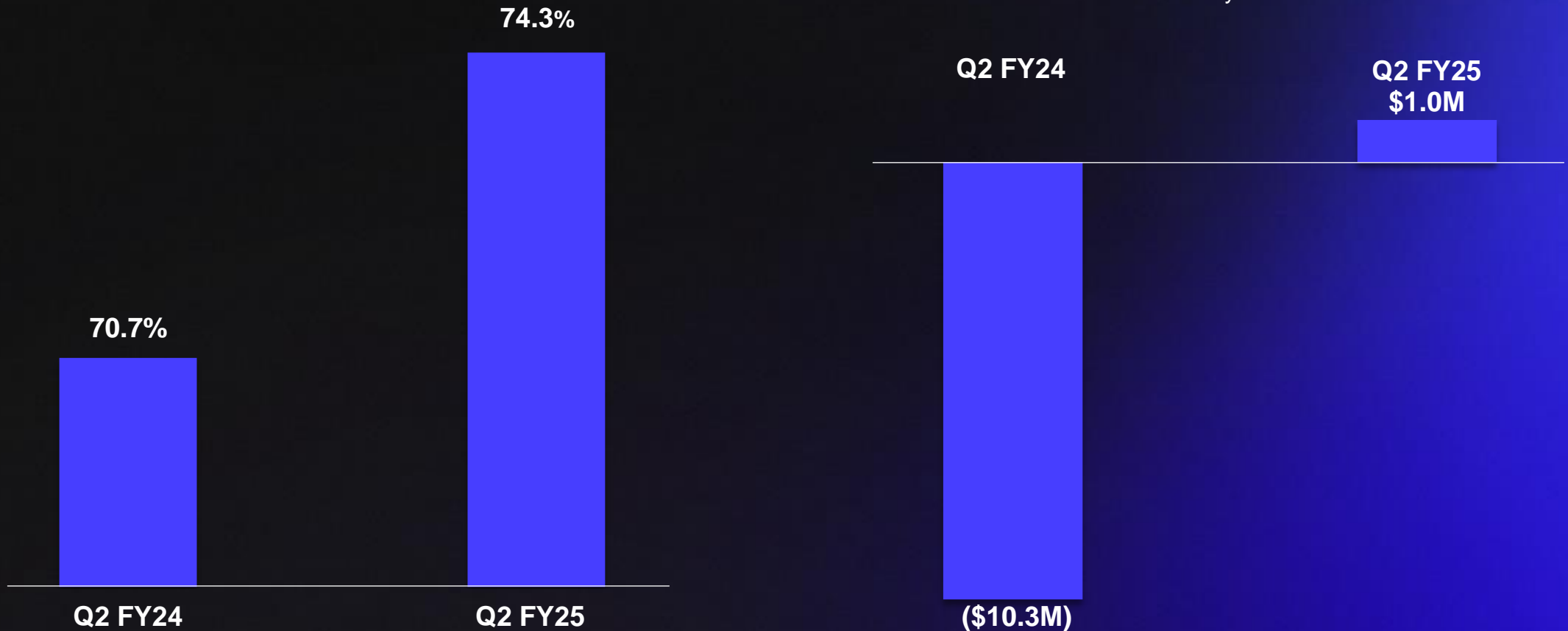
Expand Value and Footprint within Customer Base

Scale in the Business Driving Profitability

Taegis Non-GAAP Gross Margin & Adjusted EBITDA

Taegis Gross Margin Expanded
+360 bps y/y in Q2 FY25

Achieved Adjusted EBITDA
Profitability in Q2 FY25



Q3 Fiscal 2025

Financial Guidance

Q3 FY 2025 GUIDANCE RANGES	LOW	HIGH
Total Revenue	\$80M	\$82M
Adjusted EBITDA	\$0M	\$2M
Non-GAAP net earnings per share	(\$0.01)	\$0.01

FY 2025 GUIDANCE RANGES	LOW	HIGH
Total ARR	\$300M or Greater	
Total Revenue	\$328M	\$335M
Adjusted EBITDA	\$6M	\$12M
Non-GAAP net earnings per share	\$0.03	\$0.09
Cash from operations	\$(2M)	\$8M

* The Company has not reconciled its forward-looking non-GAAP financial measures to their most directly comparable GAAP measures because certain items are out of our control or cannot be reasonably predicted. Accordingly, reconciliations for forward-looking non-GAAP financial measures are not available without unreasonable efforts.



Why Invest in Secureworks?

1

Rich Heritage

Global leader in cybersecurity with unique solutions that secure our customers and partners

2

Differentiated Offering

Taegis is the only true open XDR platform; Secureworks is the winning combination of SaaS + Expertise

3

Strong Structural Growth Drivers

Cybersecurity is mission critical and is one of the stickiest areas of enterprise spend

4

Large & Growing TAM

Relentlessly focused on capturing value from a large end market, winning new customers, and targeting various entry points

5

Driving to Profitable Growth

Building stronger recurring revenue through robust Taegis adoption, successful business transformation, and investments / innovation

Appendix

Reconciliation of GAAP to Non-GAAP Financial Measures

Q2 Fiscal 2025

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		Six Months Ended	
	August 2, 2024	August 4, 2023	August 2, 2024	August 4, 2023
Revenue:				
Taegis Subscription Solutions	\$ 71,199	\$ 66,426	\$ 140,274	\$ 129,022
Managed Security Services	93	10,399	3,239	25,062
Total Subscription revenue	71,292	76,825	143,513	154,084
Professional services	10,890	16,141	24,321	33,277
Total revenue	<u>\$ 82,182</u>	<u>\$ 92,966</u>	<u>\$ 167,834</u>	<u>\$ 187,361</u>
GAAP gross profit	\$ 54,737	\$ 52,909	\$ 112,513	\$ 104,518
Amortization of intangibles	1,433	4,537	2,853	9,017
Stock-based compensation expense	683	531	1,370	1,002
Non-GAAP gross profit	<u>\$ 56,853</u>	<u>\$ 57,977</u>	<u>\$ 116,736</u>	<u>\$ 114,537</u>
Non-GAAP gross margin	69.2 %	62.4 %	69.6 %	61.1 %
GAAP Taegis Subscription Solutions gross profit	\$ 51,150	\$ 45,686	\$ 100,794	\$ 88,374
Amortization of intangibles	1,433	1,127	2,853	2,196
Stock-based compensation expense	351	169	617	248
Non-GAAP Taegis Subscription Solutions gross profit	<u>\$ 52,934</u>	<u>\$ 46,982</u>	<u>\$ 104,264</u>	<u>\$ 90,818</u>
Non-GAAP Taegis Subscription Solutions gross margin	74.3 %	70.7 %	74.3 %	70.4 %
GAAP Managed Security Services gross profit	\$ (924)	\$ 1,055	\$ 837	\$ 4,607
Amortization of intangibles	—	3,410	—	6,821
Stock-based compensation expense	—	40	48	107
Non-GAAP Managed Security Services gross profit	<u>\$ (924)</u>	<u>\$ 4,505</u>	<u>\$ 885</u>	<u>\$ 11,535</u>
Non-GAAP Managed Security Services gross margin	(993.5)%	43.3 %	27.3 %	46.0 %
GAAP operating loss	\$ (13,131)	\$ (41,162)	\$ (23,798)	\$ (77,514)
Amortization of intangibles ¹	4,957	8,060	9,900	16,064
Stock-based compensation expense ²	8,572	7,620	17,541	14,890
Reorganization and other related charges	—	14,232	1,476	14,232
Non-GAAP operating income (loss)	<u>\$ 398</u>	<u>\$ (11,250)</u>	<u>\$ 5,119</u>	<u>\$ (32,328)</u>
Non-GAAP operating margin	0.5 %	(12.1)%	3.1 %	(17.3)%
GAAP net loss	\$ (14,729)	\$ (32,359)	\$ (50,805)	\$ (63,329)
Income tax expense (benefit)	724	(9,439)	26,929	(16,567)
Amortization of intangibles ¹	4,957	8,060	9,900	16,064
Stock-based compensation expense ²	8,572	7,620	17,541	14,890
Reorganization and other related charges	—	14,232	1,476	14,232
Non-GAAP net income (loss) before income taxes	(476)	(11,886)	5,041	(34,710)
Non-GAAP income tax expense (benefit) ³	(111)	(3,266)	1,185	(8,954)
Non-GAAP net income (loss)	<u>\$ (365)</u>	<u>\$ (8,620)</u>	<u>\$ 3,856</u>	<u>\$ (25,756)</u>
Non-GAAP net income (loss) as a % of revenue	(0.4)%	(9.3)%	2.3 %	(13.7)%

Q2 Fiscal 2025

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)

GAAP loss per share	\$ (0.17)	\$ (0.38)	\$ (0.58)	\$ (0.74)
Income tax expense (benefit)	0.01	(0.11)	0.31	(0.19)
Amortization of intangibles	0.06	0.10	0.11	0.19
Stock-based compensation expense	0.10	0.08	0.20	0.17
Reorganization and other related charges	—	0.17	0.02	0.17
Non-GAAP earnings (loss) per share before income taxes	0.00	(0.13)	0.06	(0.40)
Non-GAAP income tax expense (benefit)	0.00	(0.03)	0.01	(0.10)
Non-GAAP earnings (loss) per share*	\$ 0.00	\$ (0.10)	\$ 0.04	\$ (0.30)
Weighted-average shares used in computing non-GAAP earnings (loss) per share, diluted	88,540	86,121	90,028	85,776
* Sum of reconciling items may differ from total due to rounding of individual components				
GAAP net loss	\$ (14,729)	\$ (32,359)	\$ (50,805)	\$ (63,329)
Interest and other, net	874	636	78	2,382
Income tax expense (benefit)	724	(9,439)	26,929	(16,567)
Depreciation and amortization	5,547	8,981	11,414	17,961
Stock-based compensation expense ²	8,572	7,620	17,541	14,890
Reorganization and other related charges	—	14,232	1,476	14,232
Adjusted EBITDA	\$ 988	\$ (10,329)	\$ 6,633	\$ (30,431)
Adjusted EBITDA as a % of revenue	1.2 %	(11.1)%	4.0 %	(16.2)%

¹ Includes amortization of intangibles as follows:

Cost of revenue	\$ 1,433	\$ 4,537	\$ 2,853	\$ 9,017
General and administrative	3,524	3,523	7,047	7,047

² Includes stock-based compensation expense as follows:

Cost of revenue	\$ 683	\$ 531	\$ 1,370	\$ 1,002
Research and development	2,769	2,681	6,148	5,283
Sales and marketing	1,476	1,097	2,662	1,938
General and administrative	3,644	3,311	7,361	6,667

³ In periods in which the Company has non-GAAP income before tax, the non-GAAP income tax expense is based on the Company's estimated blended tax rate. In periods the Company has non-GAAP loss before tax, the non-GAAP income tax benefit is based on GAAP tax benefit.

(1) In periods in which the Company has non-GAAP income before tax, the non-GAAP income tax expense is based on the Company's estimated blended tax rate. In periods the Company has non-GAAP loss before tax, the non-GAAP income tax benefit is based on GAAP tax benefit.

Secureworks®