

Secureworks®

Investor Presentation



March 2024

Disclaimers

Non-GAAP

This presentation includes information about the Company's non-GAAP revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP Taegis Subscription Solutions revenue, non-GAAP Taegis Subscription Solutions cost of revenue, non-GAAP Taegis Subscription Solutions gross profit, non-GAAP Taegis Subscription Solutions gross margin, non-GAAP Managed Security Services revenue, non-GAAP Managed Security Services cost of revenue, non-GAAP Managed Security Services gross profit, non-GAAP Managed Security Services gross margin, non-GAAP subscription revenue, non-GAAP subscription cost of revenue, non-GAAP subscription gross profit, non-GAAP subscription gross margin, non-GAAP professional services revenue, non-GAAP professional services cost of revenue, non-GAAP professional services gross profit, non-GAAP professional services gross margin, non-GAAP operating expenses, 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 net income (loss) per share, weighted average common shares outstanding – diluted (non-GAAP), 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 presentation with respect to the Company's expectations regarding total revenue, GAAP net income (loss), GAAP net income (loss) per share, non-GAAP net income (loss), non-GAAP net income (loss) per share, and adjusted EBITDA for the first quarter of fiscal 2025, and total revenue, total annual recurring revenue ("ARR"), GAAP net income (loss), GAAP net income (loss) per share, non-GAAP net income (loss), non-GAAP net income (loss) 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. SecureWorks Corp. assumes no obligation to update its forward-looking statements.

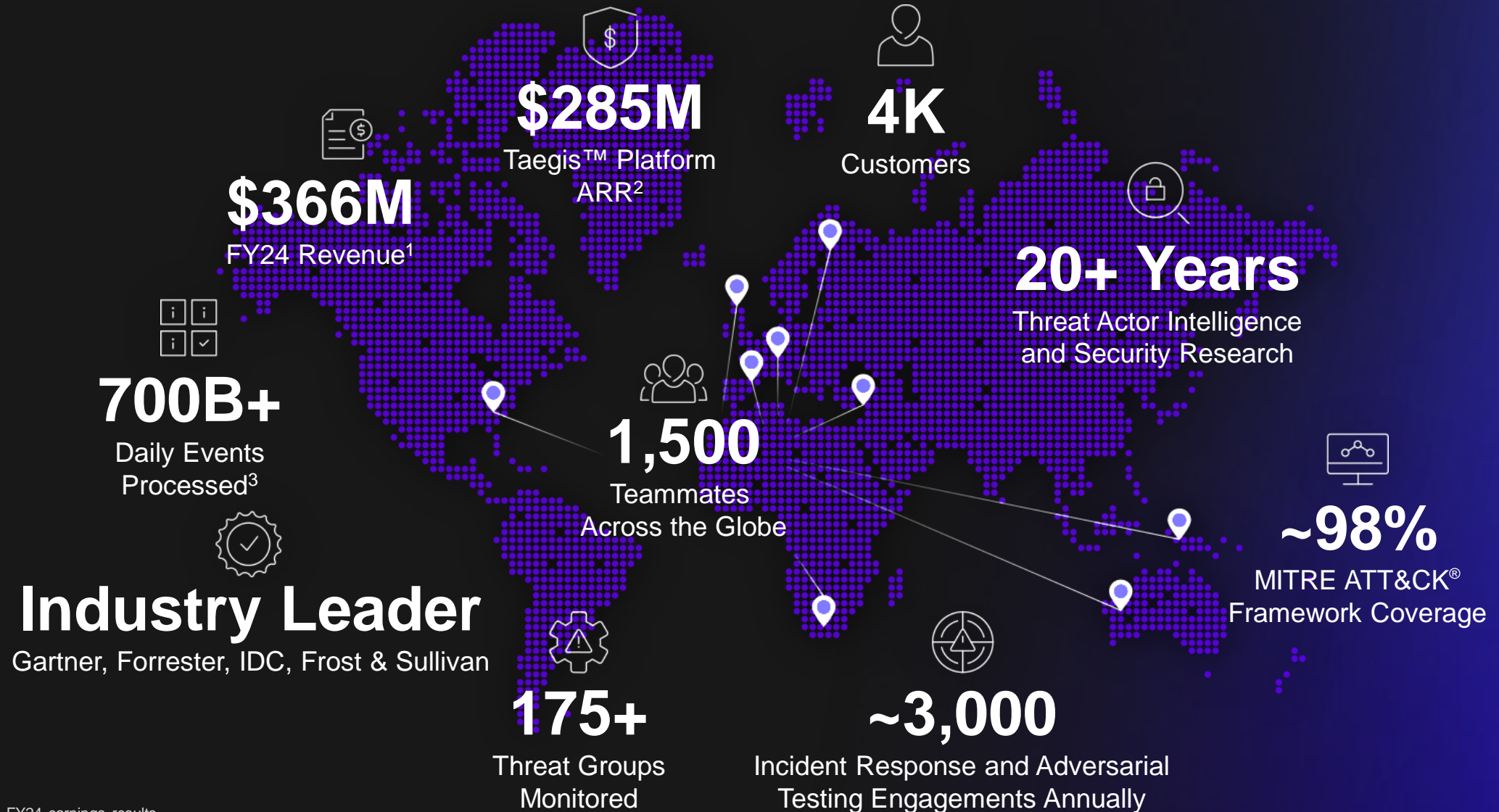
Business Overview

Our Mission

To secure human progress by outpacing
and outmaneuvering the adversary



Secureworks at a Glance



¹ As reported in our Q4 FY24 earnings results.

² Reported ARR for Taegis in Q4 FY24 Earnings

³ As of March 2024

Securing 4K Customers Across >70 Countries

9 of the Fortune 50
20 of the Fortune 100

4 of the Top 20 Financials
4 of the Top 20 Manufacturers



Banking, Financial Services
and Insurance
26%

Manufacturing
21%

SLED and Utilities
15%

Professional and
Business Services, 10%

Technology, Media
and Telecom, 8%

Others
20%

Our Growth Engine – Q4 Snapshot

Continued Strong Taegis Momentum

Strong
Recurring Revenue
Trajectory

Taegis ARR
+9%
Growth YoY

Software-led
Transformation

Taegis ARR
96%
of Total ARR

Attractive
Customer
Economics

Taegis ARPC
\$145K
Premium to
industry average

Scalable
Business
Model

Non-GAAP Taegis
Gross Margin
+73%
and expanding

Committed to
Profitability

Adjusted EBITDA
+\$4M
and guiding to
positive EBITDA in FY25

We Solve for the Evolving Threat Landscape



Rapid Attack Surface Expansion

Digital transformation initiatives are rapidly expanding customer attack surfaces.



Compliance with Increasing Regulation

SEC now requires public organizations to report material cyber incidents within four business days.



Cybersecurity Skills Shortage

Organizations have gaps in security talent as they struggle to find, hire, and retain qualified personnel.

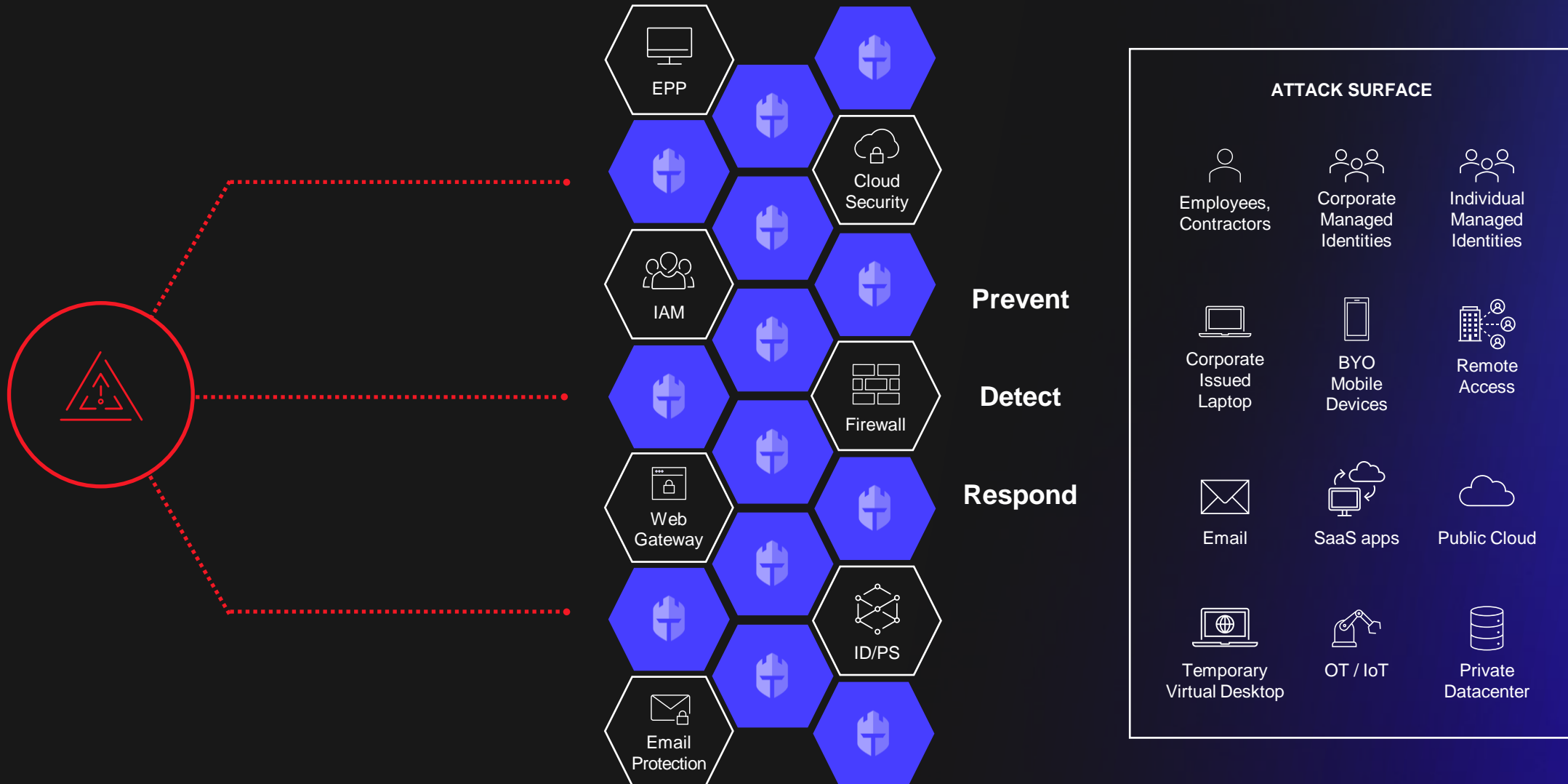


Minimizing Cybersecurity Risks within Budget

Customers desire comprehensive solutions and outcomes at predictable prices.

We Protect the Entire Modern Attack Surface

Taegis closes the gaps in point security controls that adversaries attempt to exploit

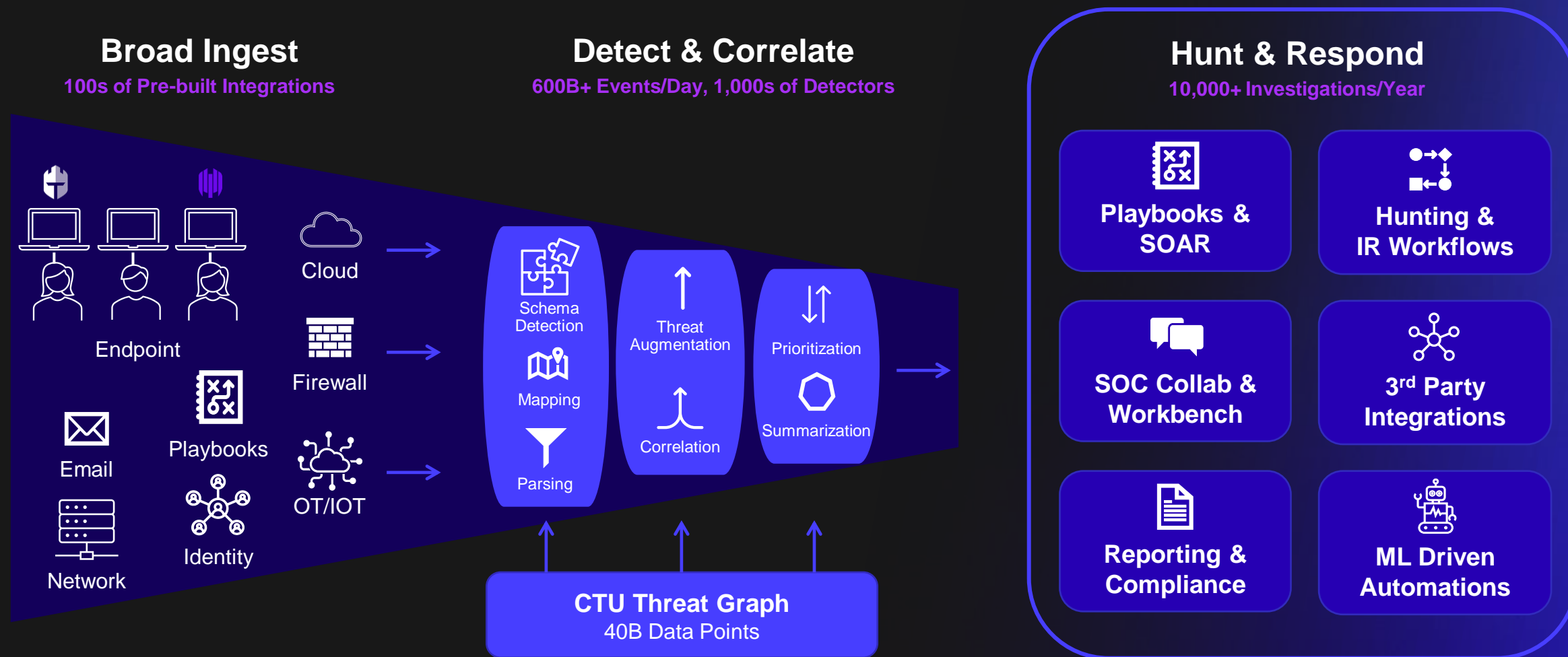


Our Taegis Platform Provides a Full Suite of Cloud-Native Security Solutions Using AI & Machine Learning



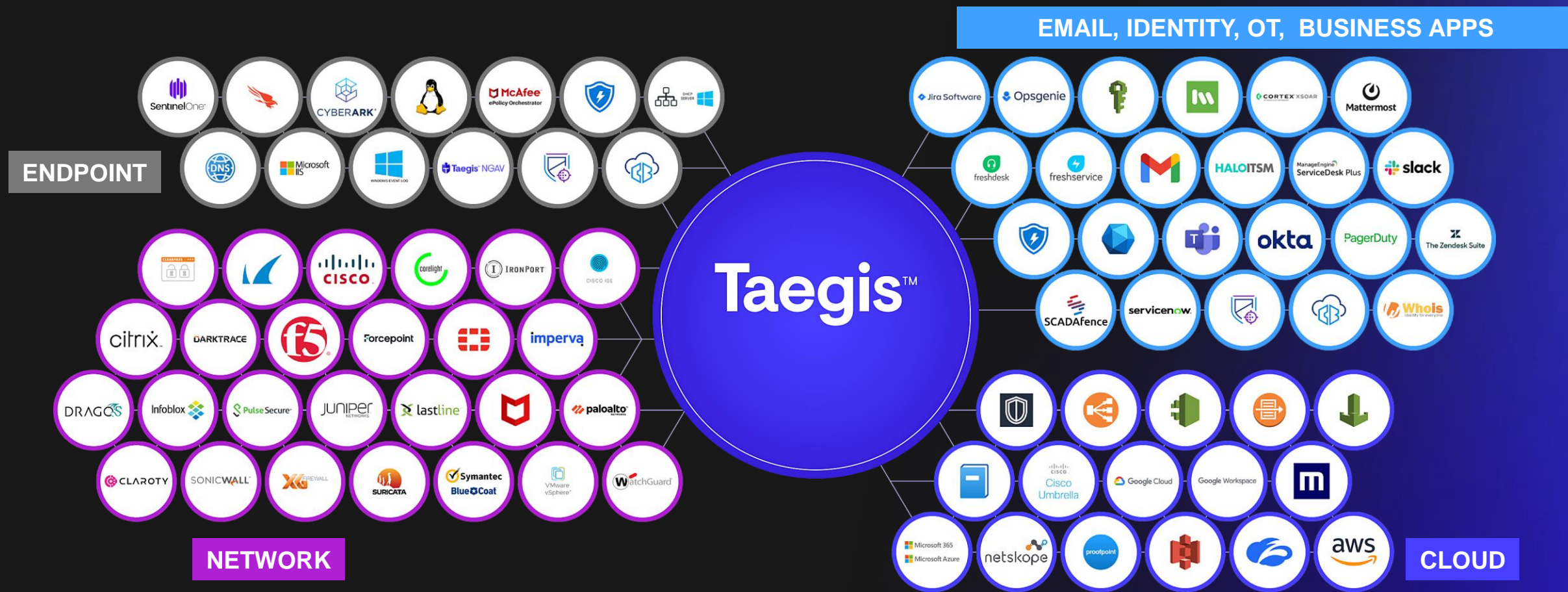
We Deliver Superior Security Outcomes

Via Taegis Purpose-built, Open XDR Solution

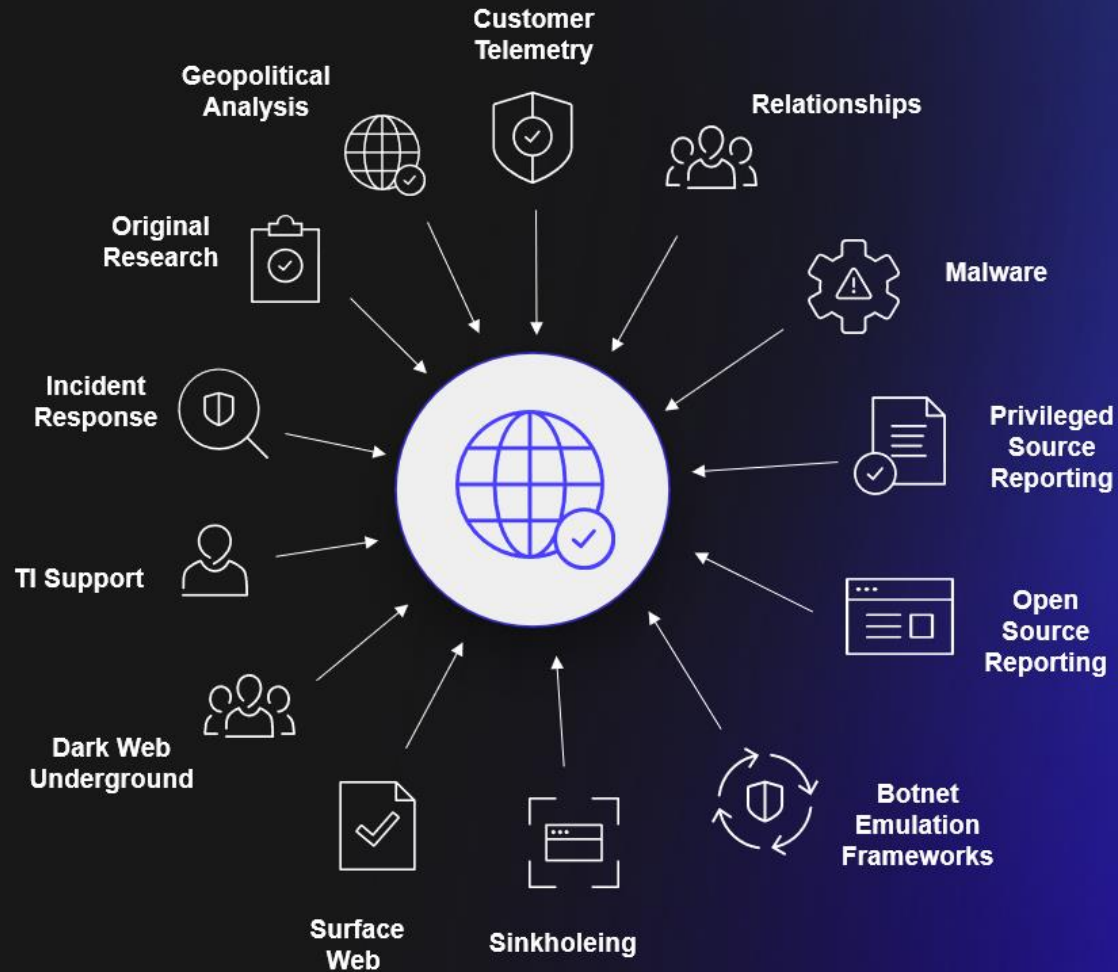


Our Open XDR Platform Unifies and Simplifies the Data

Native integrations bring custom detections and intelligence to the platform



Our Proprietary Threat Intelligence Fuels Superior Detection & Unmatched Response



- 10,000+ IR engagements
- 60 dedicated TI researchers with average experience of 15+ years
- 175+ cybercrime and hostile state actor groups tracked
- 20k+ curated countermeasures
- 2M+ curated threat indicators in knowledge
- 60B+ intelligence items
- Dozens of advanced ML-based detectors
- 100+ proprietary Tactic Graphs

Our AI Uses Robust Base of Quality Training Data to Power Our Industry-Leading Taegis Platform and Enhance Managed Delivery

Diverse and Rapidly Growing Base of Security Data Trains Superior AI Models



25+

Petabytes
of diverse Data



1 Trillion

Events
processed across
customers each week



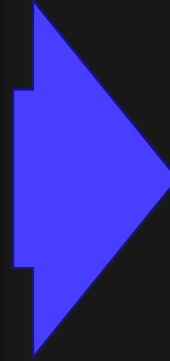
350+

Unique sensor types
delivering telemetry

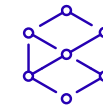


2M

Curated threat
indicators



AI Usage Throughout Products and Operations Leads to Better Security Outcomes and Efficiencies



SECURITY OUTCOMES

40B

Nodes in our Counter
Threat Unit proprietary
Research Graph



80%

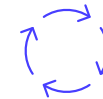
Improvement in
median time to notify
customers of incidents
over last 12 months



OPERATIONAL EFFECTIVENESS

50%

Reduction in security
operations workload
from automation



+510 bps

Taegis gross margin expansion
y/y from operational efficiencies
from automation, AI and
machine learning

Accolades Continue to Grow

Forrester

Leader, Forrester Wave for Managed Detection and Response, Europe



Gartner

3rd in Market Share for MDR, Gartner Market Share Analysis: Managed Security Services, Worldwide, 2022

Market Share: Managed Security Services, Worldwide, 2022

18 April 2023 - ID G00787070 - 2 min read

By Rahul Yadav, Travis Lee, and 3 more

Initiatives: Technology Market Essentials

In 2022, the MSS market grew 15.8% in current USD, reaching \$16.98 billion in revenue. The managed detection and response segment grew 26.2% in current USD, reaching USD 3.24 billion. This report compares revenue performance and market share ranking for the top 25 providers in MSS, including MDR.

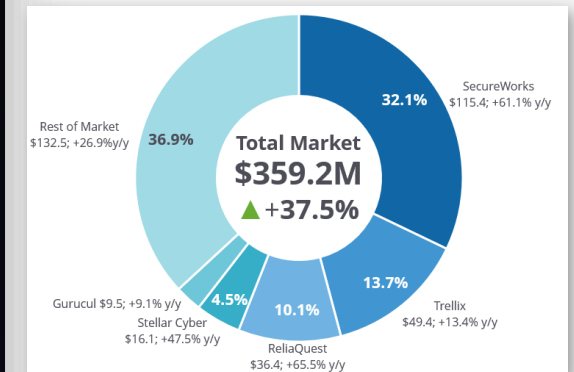
Frost & Sullivan

Top Innovator in Open XDR category, Frost Radar Extended Detection & Response, 2023**



IDC

Highest Market share in IDC's Worldwide Cloud Native XDR Market Share, 2022



* The Forrester Wave™ is copyrighted by Forrester Research, Inc. Forrester and Forrester Wave™ are trademarks of Forrester Research, Inc. The Forrester Wave™ is a graphical representation of Forrester's call on a market and is plotted using a detailed spreadsheet with exposed scores, weightings, and comments. Forrester does not endorse any vendor, product, or service depicted in the Forrester Wave™. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change.

**Frost & Sullivan's Frost Radar Extended Detection & Response, 2023

*** IDC Worldwide Cloud-Native XDR Market Shares, 2022: Three in the Family, the X, the D, and the R Matter on the Platform

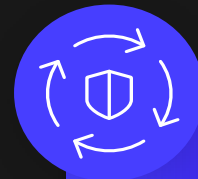
**** Gartner Market Share Analysis: Managed Security Services, Worldwide 2022

Why Customers Choose Secureworks MDR



Superior Detection

- We filter out the noise – 99.6% of high alerts from point products are false positives
- We find the threats others don't by using the XDR approach and our unique threat intelligence. 60% of our events come from non-endpoint sources.
- Recent customer reported going from 30 critical alerts per month with a competitor to only 2 with Secureworks



Unmatched Response

- Access to SOC analyst via chat in 90 seconds or less
- Unlimited incident response for assets monitored
- 100s of prebuilt playbooks to automate response actions (SOAR)
- Incident Response team is 1 of only 4 accredited by U.S. & U.K. governments



Open Without Compromise

- Only single-agent XDR offering for leading EDR controls
- Complete flexibility around Managed Services with zero technology changes required
- Transparency: Secureworks analysts use the same dashboard as customers. "Nothing behind the curtain"

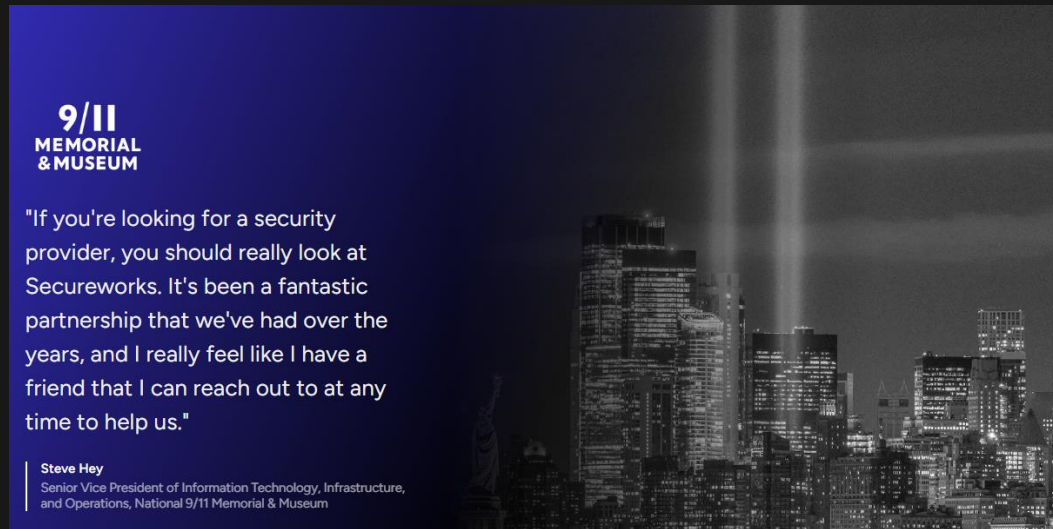


Higher ROI¹

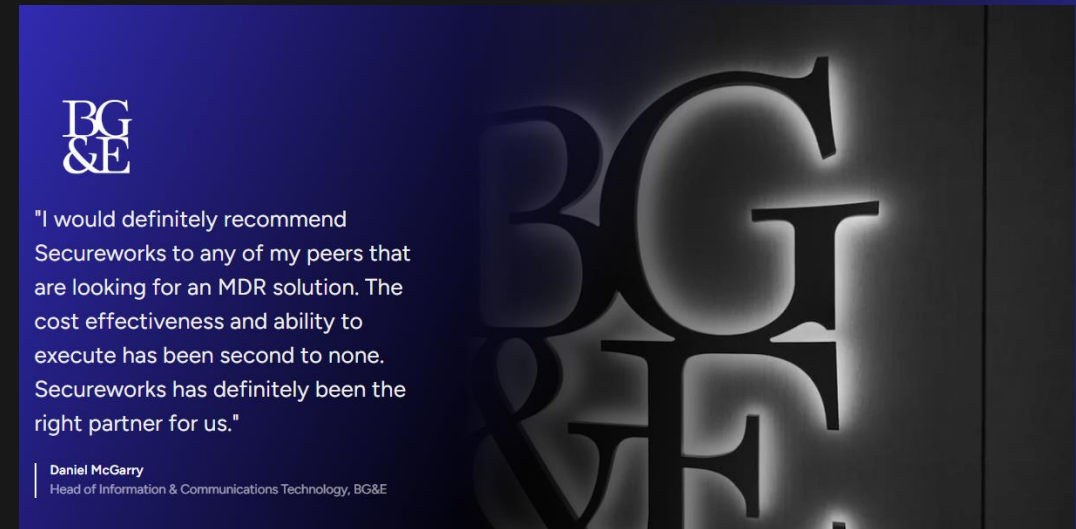
- Customers who choose Secureworks see 400%+ ROI on their investment
- Predictable per-endpoint pricing for the full XDR solution
- Payback Period: < 3 Months. Risk Reduction: 85%
- Avoided Costs: \$1.25M

¹ The Total Economic Impact™ of Secureworks Taegis™ ManagedXDR, Forrester Consulting, December 2020

Hear From Secureworks Customers



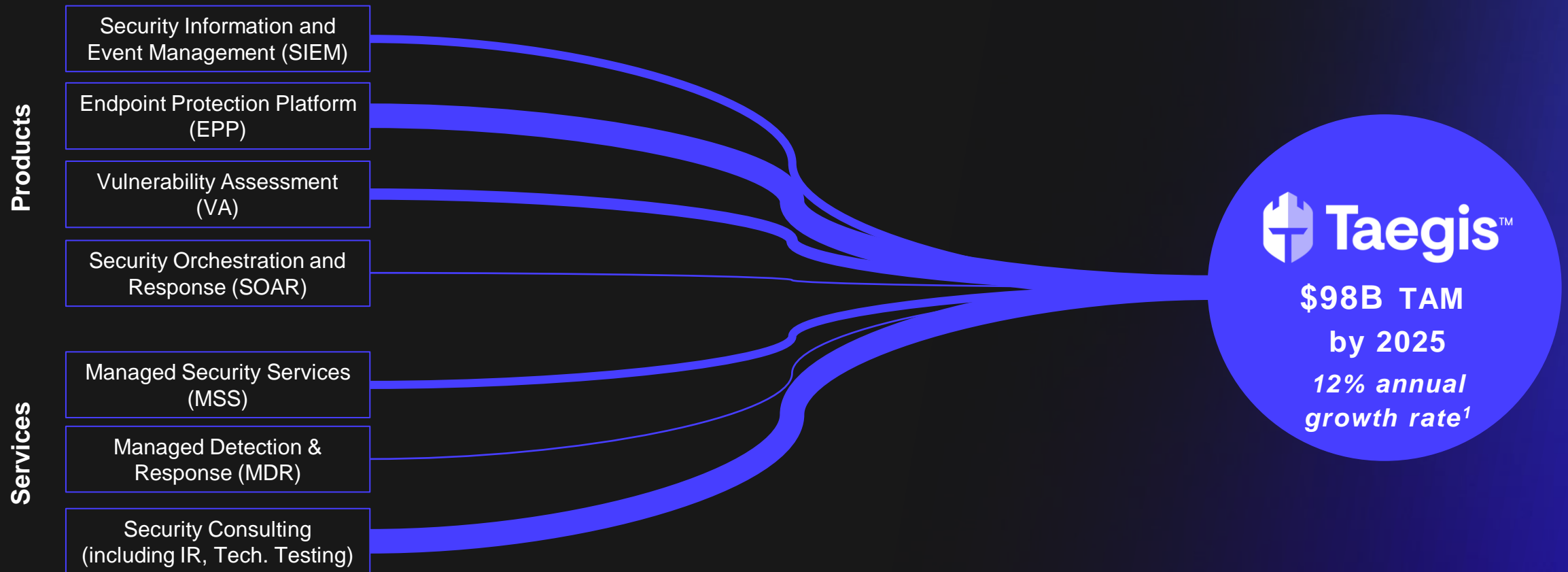
[Watch 9/11 Memorial Museum Customer Video](#)



[Watch BG&E Customer Video](#)

Large and Growing Addressable Market

Taegis XDR Enables Budget Displacement through Feature Convergence

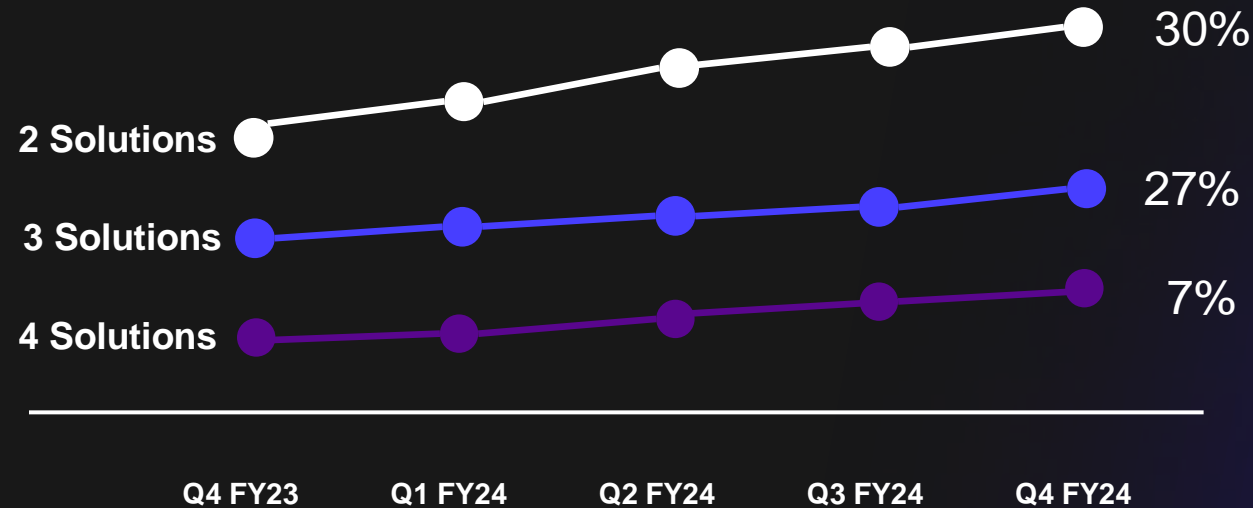


¹Market size information from Gartner Forecast: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update. TAM includes Vulnerability Assessment, SIEM, SOAR, Endpoint Protection Platform Software and Managed Security, MDR, and Security Consulting Services

Customer Success Program Drives ARR Growth

Upsell and Cross-sell underpin our land and expand strategy

Percent of Customers Purchasing Multiple Taegis Solutions



Financial Overview

Continued Strong Taegis ARR Growth in Q4 FY24

Taegis Annual Recurring Revenue

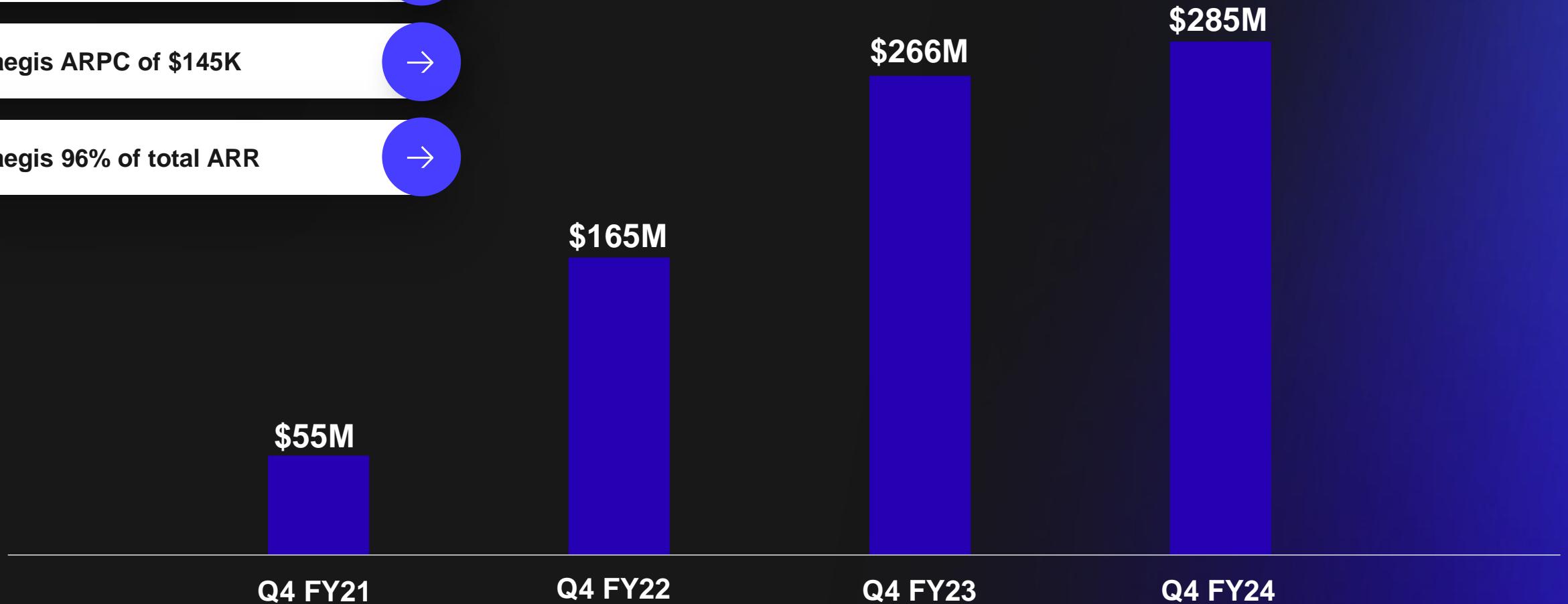
- Taegis ARR of \$285M



- Taegis ARPC of \$145K

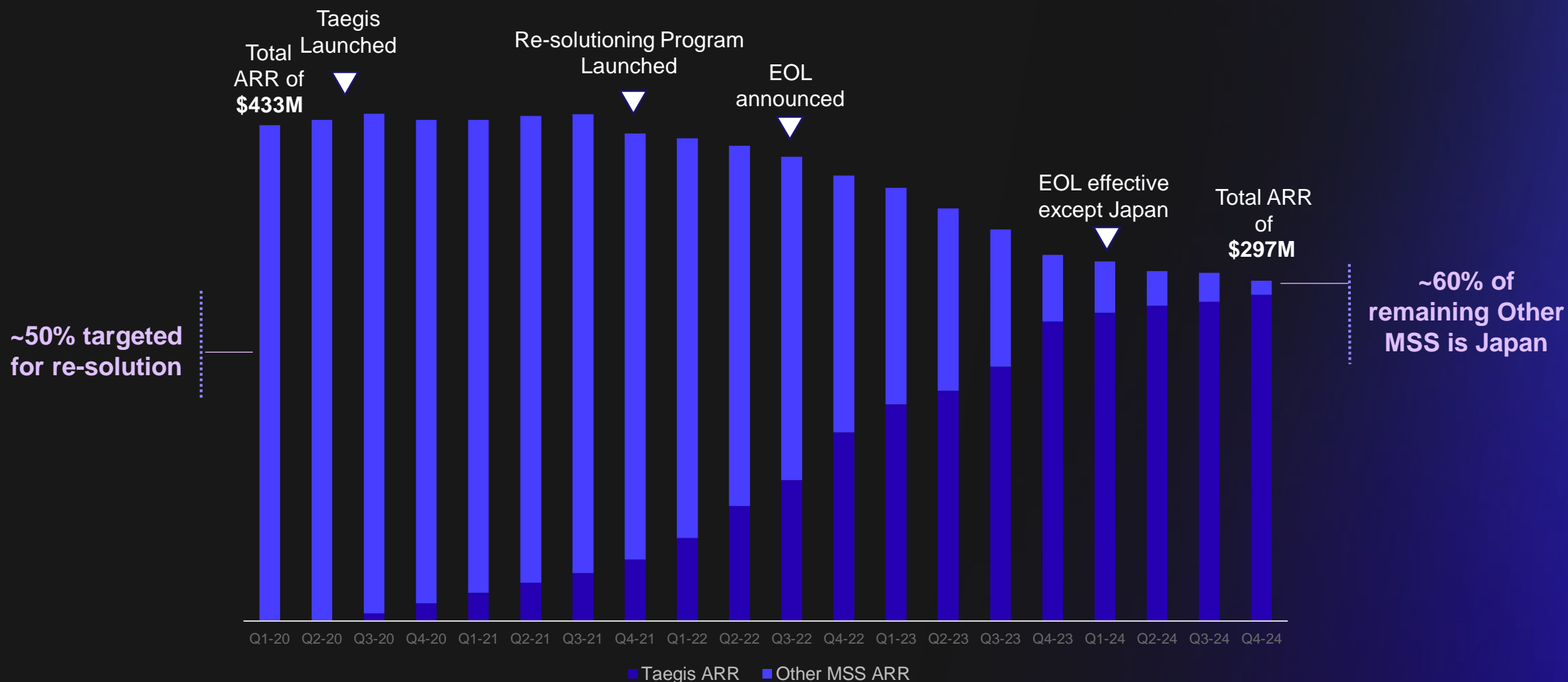


- Taegis 96% of total ARR



Executing Taegis Transformation: Now 95%+ Taegis ARR Mix

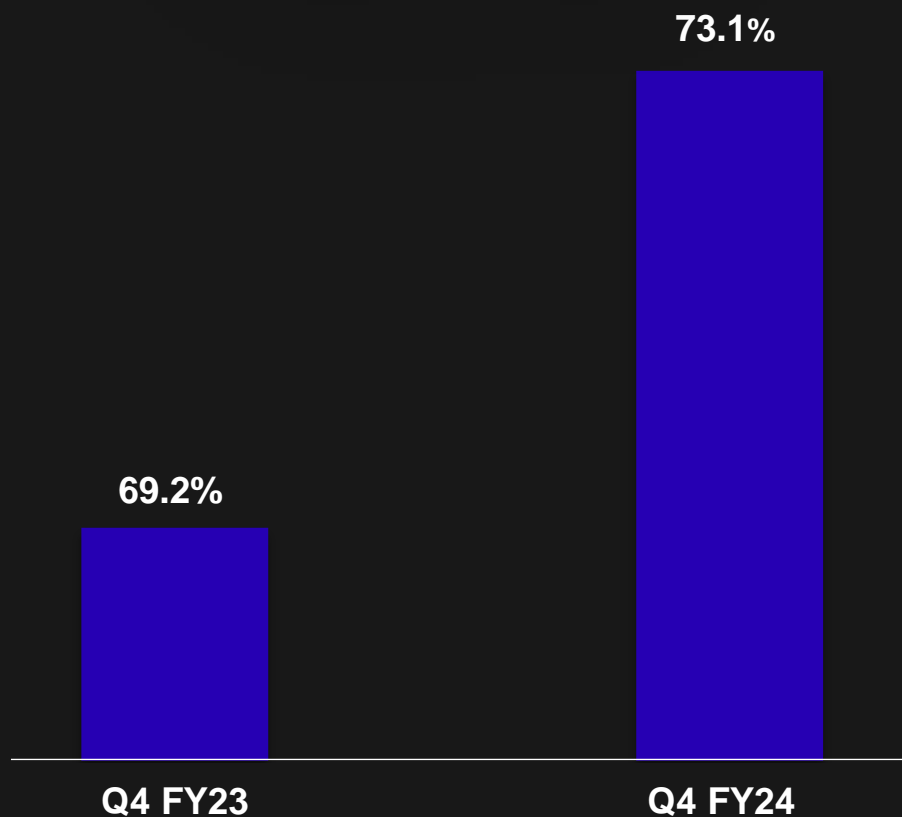
Other MSS End-of-life 1Q25, exiting remaining redundant costs 2Q25



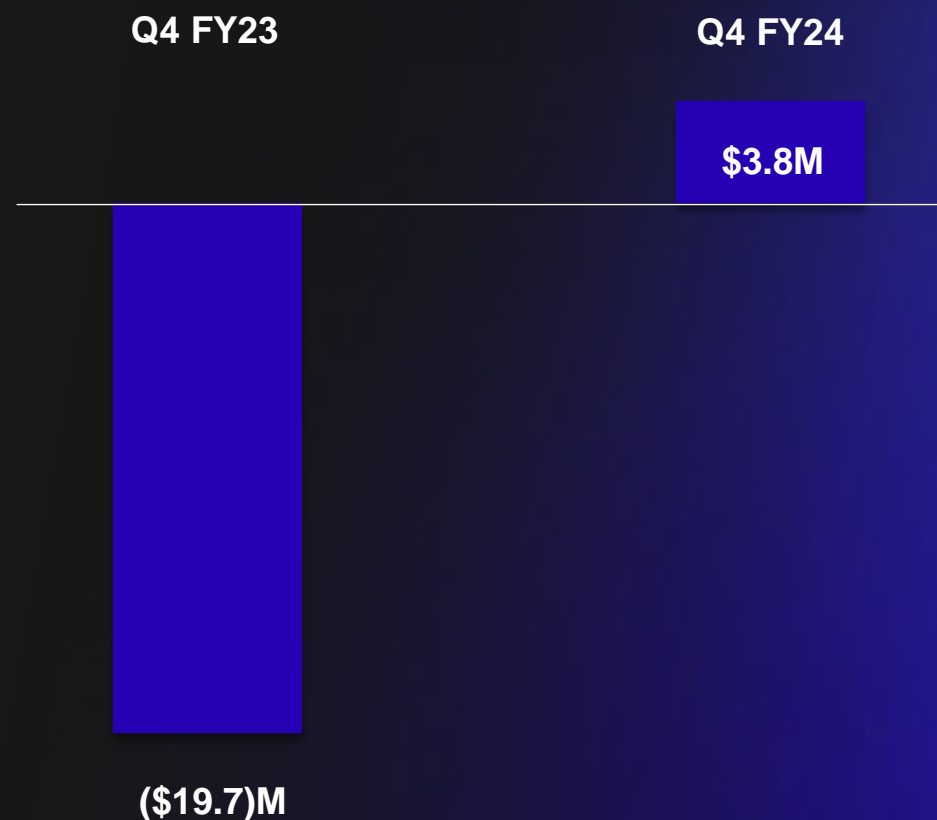
Scale in the Business Driving Profitability

Taegis Non-GAAP Gross Margin & Adjusted EBITDA

**Taegis Gross Margin Expanded
+390 bps y/y in Q4 FY24**



**Achieved Adjusted EBITDA
Profitability in Q4 FY24**



Q4 Fiscal 2024

Financial Guidance

Q1 FY 2025 GUIDANCE RANGES	LOW	HIGH
Total Revenue	\$83M	\$85M
Adjusted EBITDA	\$0M	\$2M
Non-GAAP net income (loss) per share	\$(0.01)	\$0.01

FY 2025 GUIDANCE RANGES	LOW	HIGH
Total ARR	\$300M or Greater	
Total Revenue	\$325M	\$335M
Adjusted EBITDA	\$4M	\$12M
Non-GAAP net income per share	\$0.00	\$0.08
Cash flow from operations	\$(2)M	\$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?

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 and 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

Q4 Fiscal 2024

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

SECUREWORKS CORP.

Revenue Components and Reconciliation of GAAP to Non-GAAP Financial Measures
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Twelve Months Ended	
	February 2, 2024	February 3, 2023	February 2, 2024	February 3, 2023
Revenue:				
Managed Security Services	\$ 68,930	\$ 60,172	\$ 265,298	\$ 188,085
Taegis Subscription Revenue	6,330	31,350	39,258	175,363
Subscription Revenue	75,260	91,522	304,556	363,448
Professional Services Revenue	13,894	23,814	61,323	100,027
Total revenue	<u>\$ 89,154</u>	<u>\$ 115,336</u>	<u>\$ 365,879</u>	<u>\$ 463,475</u>
GAAP Taegis Subscription Solutions cost of revenue	\$ 20,162	\$ 19,568	\$ 80,737	\$ 64,118
Amortization of intangibles	(1,320)	(973)	(4,724)	(3,492)
Stock-based compensation expense	(274)	(89)	(835)	(277)
Non-GAAP Taegis Subscription Solutions cost of revenue	<u>\$ 18,568</u>	<u>\$ 18,506</u>	<u>\$ 75,178</u>	<u>\$ 60,349</u>
Non-GAAP Taegis Subscription Solutions cost of revenue as a % of Taegis Subscription Solutions revenue	26.9 %	30.8 %	28.3 %	32.1 %
GAAP Managed Security Services cost of revenue	\$ 2,582	\$ 12,964	\$ 29,096	\$ 67,436
Amortization of intangibles	—	(3,409)	(9,397)	(13,641)
Stock-based compensation expense	(56)	(96)	(216)	(365)
Non-GAAP Managed Security Services cost of revenue	<u>\$ 2,526</u>	<u>\$ 9,459</u>	<u>\$ 19,483</u>	<u>\$ 53,430</u>
Non-GAAP Managed Security Services cost of revenue as a % of Managed Security Services revenue	39.9 %	30.2 %	49.6 %	30.5 %
GAAP subscription cost of revenue	\$ 22,744	\$ 32,532	\$ 109,833	\$ 131,554
Amortization of intangibles	(1,320)	(4,382)	(14,121)	(17,133)
Stock-based compensation expense	(330)	(185)	(1,051)	(642)
Non-GAAP subscription cost of revenue	<u>\$ 21,094</u>	<u>\$ 27,965</u>	<u>\$ 94,661</u>	<u>\$ 113,779</u>
Non-GAAP subscription cost of revenue as a % of subscription revenue	28.0 %	30.6 %	31.1 %	31.3 %
GAAP professional services cost of revenue	\$ 7,918	\$ 13,931	\$ 38,287	\$ 59,503
Stock-based compensation expense	(536)	(303)	(1,527)	(1,358)
Non-GAAP professional services cost of revenue	<u>\$ 7,382</u>	<u>\$ 13,628</u>	<u>\$ 36,760</u>	<u>\$ 58,145</u>
Non-GAAP professional services cost of revenue as a % of professional services revenue	53.1 %	57.2 %	59.9 %	58.1 %

Q4 Fiscal 2024

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per
share data)

GAAP gross profit	\$ 58,492	\$ 68,873	\$ 217,759	\$ 272,418
Amortization of intangibles	1,320	4,382	14,121	17,133
Stock-based compensation expense	865	488	2,578	2,000
Non-GAAP gross profit	<u>\$ 60,677</u>	<u>\$ 73,743</u>	<u>\$ 234,458</u>	<u>\$ 291,551</u>
Non-GAAP gross margin	68.1 %	63.9 %	64.1 %	62.9 %
GAAP Taegis Subscription Solutions gross profit	\$ 48,768	\$ 40,604	\$ 184,561	\$ 123,967
Amortization of intangibles	1,320	973	4,724	3,492
Stock-based compensation expense	274	89	835	277
Non-GAAP Taegis Subscription Solutions gross profit	<u>\$ 50,362</u>	<u>\$ 41,666</u>	<u>\$ 190,120</u>	<u>\$ 127,736</u>
Non-GAAP Taegis Subscription Solutions gross margin	73.1 %	69.2 %	71.7 %	67.9 %
GAAP research and development expenses	\$ 25,230	\$ 37,553	\$ 110,996	\$ 139,785
Stock-based compensation expense	(3,548)	(3,129)	(12,625)	(11,589)
Non-GAAP research and development expenses	<u>\$ 21,682</u>	<u>\$ 34,424</u>	<u>\$ 98,371</u>	<u>\$ 128,196</u>
Non-GAAP research and development expenses as a % of revenue	24.3 %	29.8 %	26.9 %	27.7 %
GAAP sales and marketing expenses	\$ 25,509	\$ 42,072	\$ 118,351	\$ 163,637
Stock-based compensation expense	(1,392)	(1,672)	(4,166)	(6,568)
Non-GAAP sales and marketing expenses	<u>\$ 24,117</u>	<u>\$ 40,400</u>	<u>\$ 114,185</u>	<u>\$ 157,069</u>
Non-GAAP sales and marketing expenses as a % of revenue	27.1 %	35.0 %	31.2 %	33.9 %
GAAP general and administrative expenses	\$ 20,039	\$ 27,195	\$ 83,233	\$ 101,554
Amortization of intangibles	(3,523)	(3,523)	(14,094)	(14,094)
Stock-based compensation expense	(4,447)	(4,062)	(15,735)	(16,698)
Non-GAAP general and administrative expenses	<u>\$ 12,069</u>	<u>\$ 19,610</u>	<u>\$ 53,404</u>	<u>\$ 70,762</u>
Non-GAAP general and administrative expenses as a % of revenue	13.5 %	17.0 %	14.6 %	15.3 %

Q4 Fiscal 2024

Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per
share data)

GAAP operating loss	\$ (15,199)	\$ (53,418)	\$ (111,966)	\$ (148,029)
Amortization of intangibles	4,844	7,906	28,216	31,228
Stock-based compensation expense	10,252	9,351	35,104	36,855
Reorganization and other related charges	2,913	15,471	17,145	15,471
Non-GAAP operating (loss)/income	<u>\$ 2,810</u>	<u>\$ (20,690)</u>	<u>\$ (31,501)</u>	<u>\$ (64,475)</u>
Non-GAAP operating margin	3.2 %	(17.9)%	(8.6)%	(13.9)%
GAAP net loss	\$ (8,292)	\$ (40,036)	\$ (86,042)	\$ (114,499)
Amortization of intangibles	4,844	7,906	28,216	31,228
Stock-based compensation expense	10,252	9,351	35,104	36,855
Reorganization and other related charges	2,913	15,471	17,145	15,471
Aggregate adjustment for income taxes	(3,073)	(6,967)	(13,542)	(15,941)
Non-GAAP net (loss)/income	<u>\$ 6,644</u>	<u>\$ (14,275)</u>	<u>\$ (19,119)</u>	<u>\$ (46,886)</u>
Non-GAAP net (loss)/income as a % of revenue	7.5 %	(12.4)%	(5.2)%	(10.1)%
GAAP net loss per share	\$ (0.10)	\$ (0.47)	\$ (1.00)	\$ (1.36)
Amortization of intangibles	0.06	0.09	0.33	0.37
Stock-based compensation expense	0.12	0.11	0.41	0.44
Reorganization and other related charges	0.03	0.18	0.20	0.18
Aggregate adjustment for income taxes	(0.04)	(0.08)	(0.16)	(0.19)
Non-GAAP net (loss)/earnings per share *	<u>\$ 0.08</u>	<u>\$ (0.17)</u>	<u>\$ (0.22)</u>	<u>\$ (0.56)</u>
* Sum of reconciling items may differ from total due to rounding of individual components				
GAAP net loss	\$ (8,292)	\$ (40,036)	\$ (86,042)	\$ (114,499)
Interest and other, net	856	(2,475)	2,554	(1,248)
Income tax benefit	(7,763)	(10,907)	(28,478)	(32,282)
Depreciation and amortization	5,865	8,940	31,893	36,668
Stock-based compensation expense	10,252	9,351	35,104	36,855
Reorganization and other related charges	2,913	15,471	17,145	15,471
Adjusted EBITDA	<u>\$ 3,831</u>	<u>\$ (19,656)</u>	<u>\$ (27,824)</u>	<u>\$ (59,035)</u>
Adjusted EBITDA as a % of revenue	4.3 %	(17.0)%	(7.6)%	(12.7)%

Secureworks®