RAPID7

May 7, 2024

# Company Overview

# Disclaimers

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 2024, 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, effectiveness of our restructuring plan, 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2024 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 7, 2024 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 non-ordinary course 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

**11%**

YoY [1]

**High Quality of Revenue**

Recurring revenue

**96%**

of total revenue [1]

**Attractive Customer Economics**

**7%**

YoY growth in ARR per customer [1]

**Investing in Profitable Growth**

**~500bp**

Non-GAAP Operating Margin Expansion Projected in 2024 [2]

**Attractive Prospects** Projected ARR growth of **6%** in 2024 [2] Projected FCF Margin of **19%** in 2024 [2]

[1] As of Q1 2024
[2] Based on FY 2024 guidance provided as of May 7, 2024. Growth rates are at the mid-point of the guidance range.

# Managing Risk and Enabling Innovation




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

# Delivering on Our Mission

**We give organizations command of the attack surface.** We smash security silos to deliver clarity with context across your evolving environment. Together, we can confidently anticipate, pinpoint, and act to secure your business and customers.



## Data Platform & Analytics Engine

Diverse telemetry comes together in Rapid7's Data Mesh where it is processed through our patented analytics engine and AI to consolidate your landscape into the most pertinent picture of *your unique* attack surface.



## Integrated Technology & Services

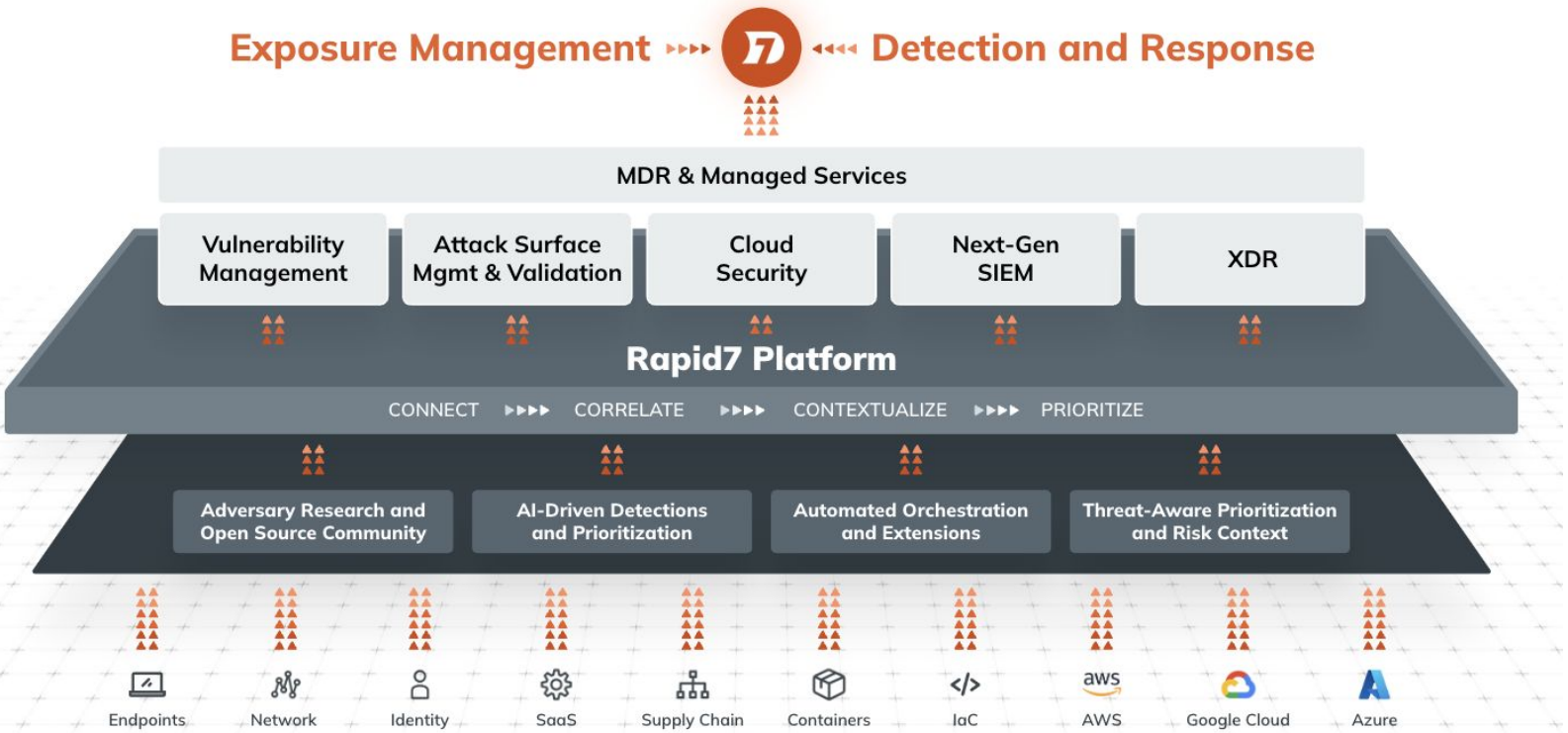
Ecosystem of best-in-class technology, services, and integrations designed for today's modern security landscape and operations.



## Expertise & Community

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

# Rapid7 Insight Platform



# Compelling Customer Value Proposition

## Anticipate, Pinpoint, and Act with Confidence



Anticipate and prevent breaches with tailored threat-aware risk context



Gain control over your attack surface by pinpointing the relevant, actionable insights across diverse data sets



Detect and take action confidently on threats with experts by your side



Deliver tangible ROI and outcomes that make it easy to demonstrate success

# Rapid7 Labs: Global Threat Intelligence Community

### Intelligence built into our products & services

Active Risk for vulnerability prioritization, custom detection in MDR, and more

### Expert analysis of attack trends, emergent threats, and high-priority vulnerabilities

ETR advisory, research reports, vulnerability disclosures

### Active security research & open source communities

AttackerKB, Metasploit open-source framework, Velociraptor, Open Data, Project Doppler




### Ingestion Sources

- Proprietary research
- IR and Rapid7 SOC
- Commercial threat feeds
- Strategic government and industry partnerships
- Open source communities

### Analysis & Development

- Expert threat analysis
- Leverage AI/ML
- Zero-day and other vulnerability research
- Content development for coverage and detection

### Customer Delivery

- Pro editions of open source software like Metasploit
- Datasets from proprietary research
- Research reports and high-priority vulnerability analysis (blogs, ETR emails)

# Massive Market Opportunity




[1] Source: Gartner Forecast: Information Security and Risk Management, Worldwide, 2022-2028, 1Q24 Update; Gartner Forecast Analysis: Cloud Security Posture Management, Worldwide; Gartner Forecast: IT Operations Management Software, Worldwide, 2021-2027; Gartner Emerging Tech: Adoption Growth Insights in Digital Risk Protection Services; Gartner Market Share Analysis: Managed Security Services, Worldwide, 2022; Gartner Emerging Tech: Security — Leverage Emerging MDR Trends to Grow Your Security Service Revenue

# Robust Partner Ecosystem



# Extensive Partner Integration Ecosystem



# Industry Analyst Recognition

| IDC | Forrester | Gartner | Forrester | IDC | IDC |
|---|---|---|---|---|---|
| **A Leader** | **A Strong Performer** | **A Challenger** | **A Strong Performer** | **Major Player** | **Major Player** |
| IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment[2] | The Forrester Wave™: Vulnerability Risk Management, Q3 2023 | 2022 Magic Quadrant™ for Security Information and Event Management[1] | The Forrester Wave™: MDR, Q2 2023 | IDC MarketScape: Worldwide Managed Detection and Response 2024 Vendor Assessment[3] | IDC MarketScape: Worldwide SIEM 2022 Vendor Assessment[4] |

| Gartner | Gartner | Gartner | Gartner | Gartner |
|---|---|---|---|---|
| **Recognition** | **Recognition** | **Recognition** | **Recognition** | **Recognition** |
| 2023 Market Guide for Managed Detection and Response Services[1] | 2023 Market Guide for Vulnerability Assessment[1] | 2023 Market Guide for Cloud-Native Application Protection Platforms | 2023 Market Guide for Extended Detection and Response[1] | 2023 Market Guide for Security Threat Intelligence Products and Services[1] |

[1]Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. IntSights, a Rapid7 company was recognized in the 2023 Market Guide for Security Threat Intelligence Products and Services

[2]IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment, #US50302323

[3]IDC MarketScape: Worldwide Managed Detection and Response 2024 Vendor Assessment, April 2024, IDC # US49006922

[4]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.

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

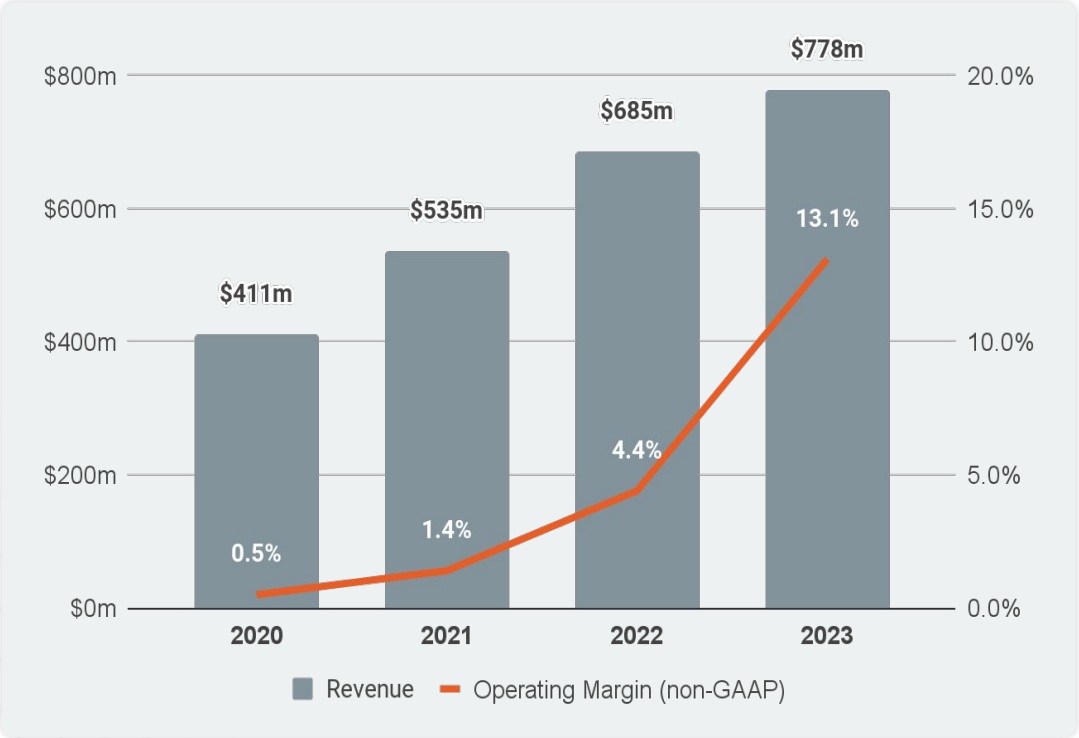
### Community Engagement & Social Impact
Giving back to our communities through partnerships with STEM and inclusion-focused programs, charitable giving, and employee volunteerism.

### 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

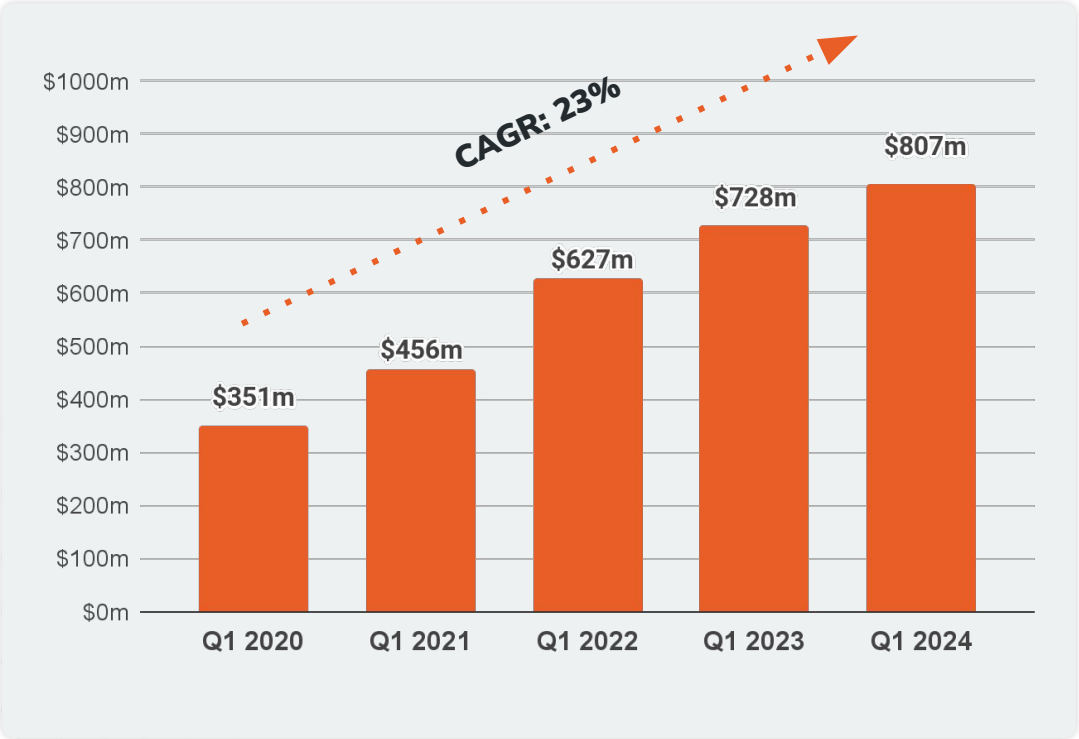
# Sustained Revenue Growth

- 2023 revenue growth of **14%** year-over-year
- Revenue CAGR (2020 - 2023): **24%**
- Non-GAAP operating margin improvement of over 800bps in 2023



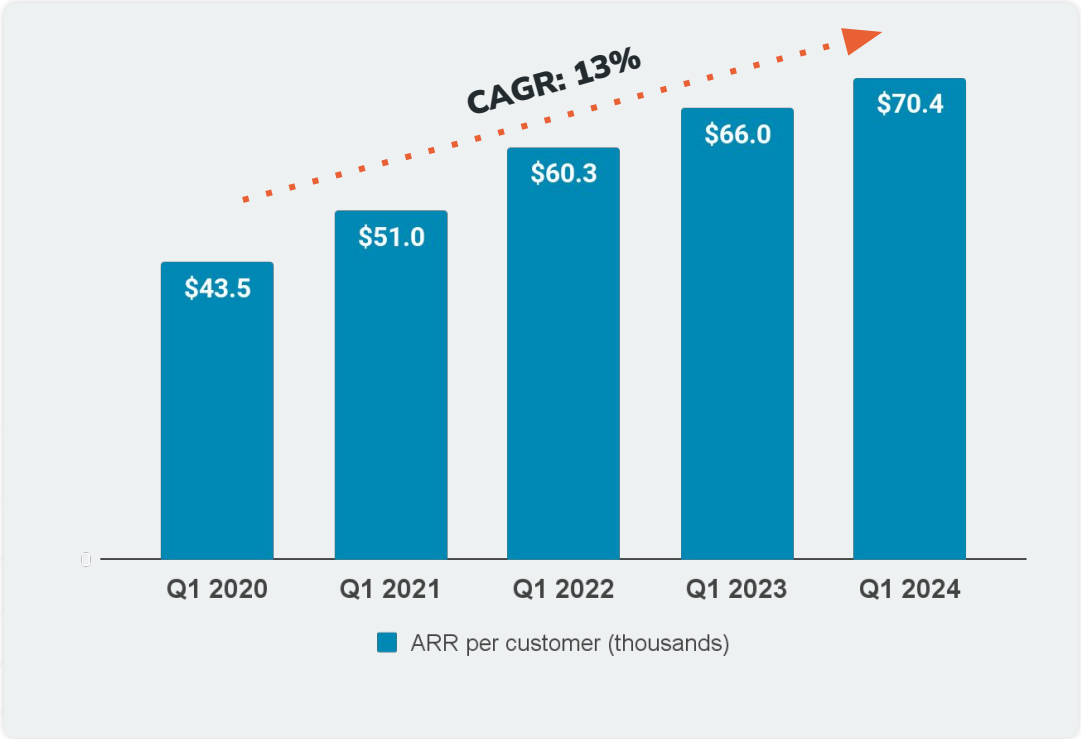
# Annualized Recurring Revenue

- ARR grew by **11%** year-over-year in Q1 2024
- ARR CAGR of **23%** from Q1 2020 to Q1 2024



# Upsells & Cross-Sells Drive ARR per Customer Growth

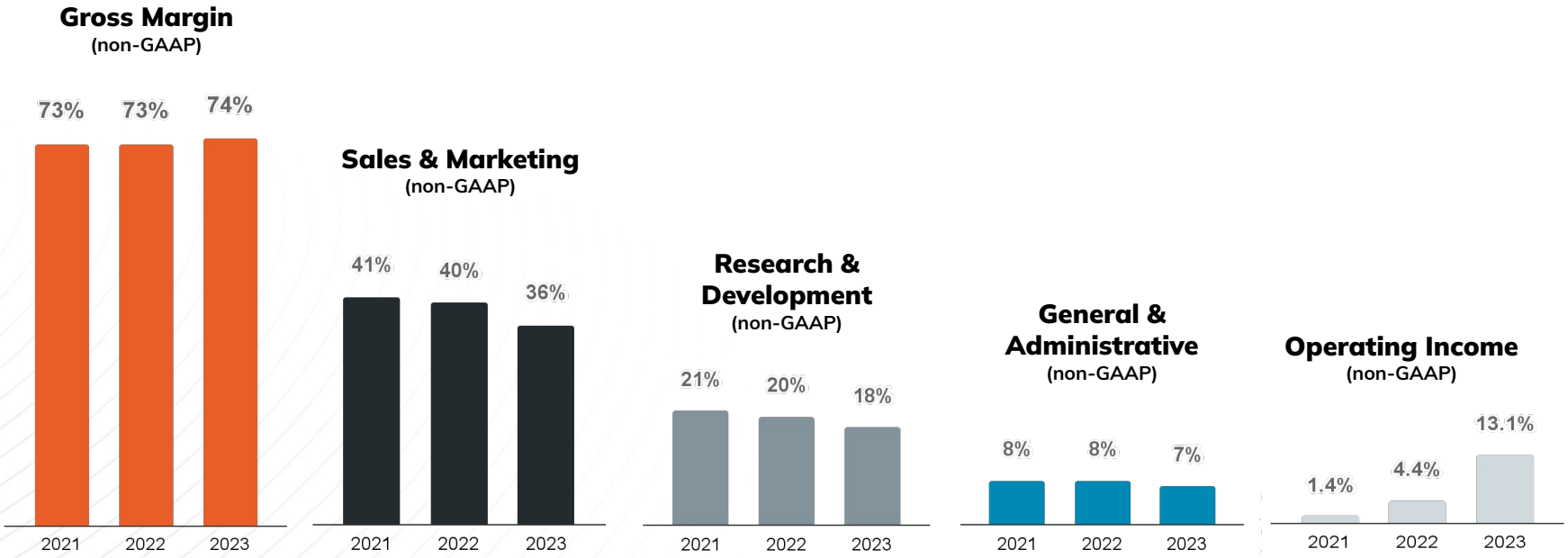
- ARR per customer was approximately **$70.4k** in Q1 2024
- ARR per customer CAGR of **13%** from Q1 2020 to Q1 2024




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

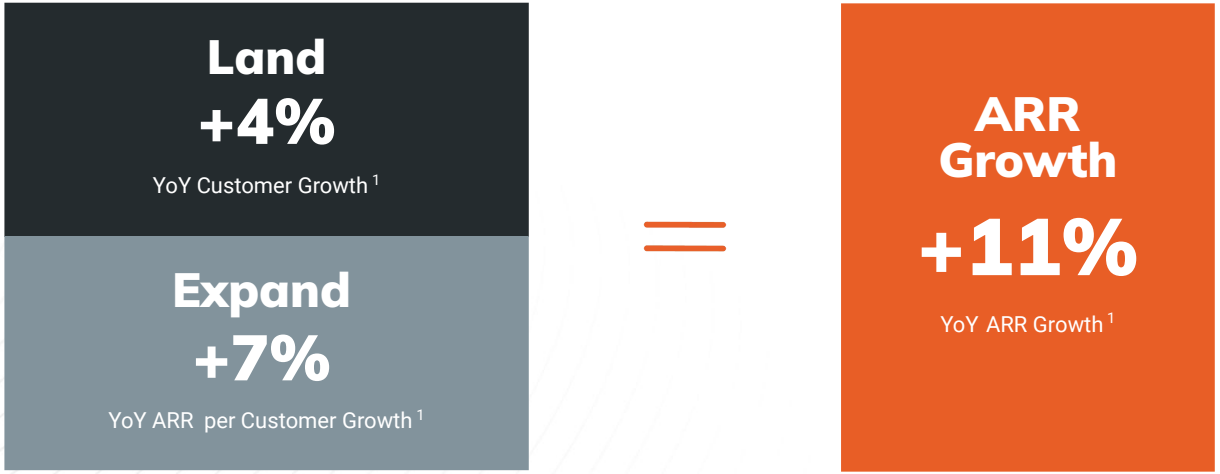
# Focused on Long-term Profitability Improvement

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



# Powerful Land and Expand Model

Compelling Track Record of Customer Acquisition, Retention and Expansion




[1] As of Q1 2024

# Guidance: Q2 2024 and Full-Year 2024

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 2024 | Full Year 2024 |
|---|---|---|
| **Annualized Recurring Revenue** | | $850 to $860m |
| **Annualized Recurring Revenue Growth** | | 6% to 7% |
| **Revenue** | $203 to $205m | $830 to $836m |
| **Revenue Growth** | 7% to 8% | 7% to 8% |
| **Non-GAAP Income From Operations** [1] | $35 to $37m | $150 to $158m |
| **Non-GAAP Net Income Per Share** [1] | $0.50 to $0.53 | $2.10 to $2.21 |
| **Weighted-average Shares Outstanding, Diluted** | 74.6m | 75.0m |
| **Free Cash Flow** | | ~$160m |

See End Notes for additional information and definitions

# Supplemental

# GAAP to Non-GAAP Reconciliations: Q1 2024

| | GAAP | Stock-based compensation expense | Amortization of acquired intangible assets | Amortization of debt issuance costs | Restructuring expense | Discrete tax items | Non-GAAP | Depreciation expense | Amortization of intangible assets | Adjusted EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | |
| Product subscriptions | $ 196,918 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 196,918 |
| Professional services | 8,183 | - | - | - | - | - | - | - | - | 8,183 |
| Total revenue | 205,101 | - | - | - | - | - | - | - | - | 205,101 |
| Cost of revenue: | | | | | | | | | | |
| Product subscriptions | $ 54,655 | $ 2,219 | $ 4,317 | $ - | $ - | $ - | $ 48,119 | $ 414 | $ 3,426 | $ 44,279 |
| Professional services | 6,248 | 361 | - | - | - | - | 5,887 | 143 | - | 5,744 |
| Total cost of revenue | 60,903 | 2,580 | 4,317 | - | - | - | 54,006 | 557 | 3,426 | 50,023 |
| *Gross margin %* | 70% | | | | | | 74% | | | |
| Research and development | 40,990 | 7,566 | - | - | - | - | 33,424 | 859 | - | 32,565 |
| Sales and marketing | 72,805 | 6,847 | 652 | - | - | - | 65,306 | 1,081 | - | 64,225 |
| General and administrative | 19,835 | 7,900 | 45 | - | (190) | - | 12,080 | 411 | - | 11,669 |
| Income from operations | $ 10,568 | $ (24,893) | $ (5,014) | $ - | $ 190 | $ - | $ 40,285 | $ (2,908) | $ (3,426) | $ 46,619 |
| Interest income | 4,720 | - | - | - | - | - | 4,720 | | | |
| Interest expense | (2,670) | - | - | (1,053) | - | - | (1,617) | | | |
| Other income (expense), net | (1,435) | - | - | - | - | - | (1,435) | | | |
| Income before income taxes | 11,183 | (24,893) | (5,014) | (1,053) | 190 | - | 41,953 | | | |
| Provision for income taxes | 8,925 | - | - | - | - | 6,360 | 2,565 | | | |
| Net income | $ 2,258 | $ (24,893) | $ (5,014) | $ (1,053) | $ 190 | $ (6,360) | $ 39,388 | | | |
| Add: Interest expense of convertible senior notes | | | | | | | 1,571 | | | |
| Numerator for non-GAAP earnings per share calculation | | | | | | | $ 40,959 | | | |
| Net income per share: | | | | | | | | | | |
| Basic | $ 0.04 | | | | | | $ 0.64 | | | |
| Diluted | $ 0.03 | | | | | | $ 0.55 | | | |
| Weighted average shares used in non-GAAP earnings per share calculation: | | | | | | | | | | |
| Basic | 61,907,898 | | | | | | 61,907,898 | | | |
| Diluted | 74,021,704 | | | | | | 74,021,704 | | | |

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

# 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: | | | | | | | | | |
| Product subscriptions | $ 173,772 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 173,772 |
| Professional services | 9,402 | - | - | - | - | - | - | - | 9,402 |
| Total revenue | 183,174 | - | - | - | - | - | - | - | 183,174 |
| Cost of revenue: | | | | | | | | | |
| Product subscriptions | $ 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% | | | |
| Research and development | 46,346 | 10,505 | - | - | - | 35,841 | 1,168 | - | 34,673 |
| Sales and marketing | 80,587 | 7,843 | 652 | 363 | - | 71,729 | 1,415 | - | 70,314 |
| General and administrative | 24,207 | 8,188 | 195 | - | - | 15,824 | 534 | - | 15,290 |
| (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 Guidance Reconciliation: Q2 & FY 2024

| | Second Quarter 2024 | | Full-Year 2024 | |
|---|---|---|---|---|
| **Reconciliation of GAAP income from operations to non-GAAP income from operations:** | | | | |
| Anticipated GAAP income from operations | $ 2.0 to $ 4.0 | | $ 18.2 to $ 26.2 | |
| Add: Anticipated stock-based compensation expense | 28.0 to 28.0 | | 113.0 to 113.0 | |
| Add: Anticipated amortization of acquired intangible assets | 5.0 to 5.0 | | 19.0 to 19.0 | |
| Add: Anticipated restructuring expense | — | — | (0.2) | (0.2) |
| Anticipated non-GAAP income from operations | $ 35.0 | $ 37.0 | $ 150.0 | $ 158.0 |
| **Reconciliation of GAAP net income to non-GAAP net income:** | | | | |
| Anticipated GAAP net income | $ 1.9 to $ 3.9 | | $ 9.3 to $ 17.3 | |
| Add: Anticipated stock-based compensation expense | 28.0 to 28.0 | | 113.0 to 113.0 | |
| Add: Anticipated amortization of acquired intangible assets | 5.0 to 5.0 | | 19.0 to 19.0 | |
| Add: Anticipated amortization of debt issuance costs | 1.0 to 1.0 | | 4.0 to 4.0 | |
| Add: Anticipated restructuring expense | — | — | (0.2) | (0.2) |
| Add: Anticipated discrete tax items | — | — | 6.0 | 6.0 |
| Anticipated non-GAAP net income | $ 35.9 | $ 37.9 | $ 151.1 | $ 159.1 |
| Add: Anticipated interest expense on convertible senior notes | 1.6 | 1.6 | 6.3 | 6.3 |
| Numerator for non-GAAP earnings per share calculation | $ 37.5 | $ 39.5 | $ 157.4 | $ 165.4 |
| Anticipated GAAP net income per share, diluted | $ 0.03 | $ 0.05 | $ 0.12 | $ 0.23 |
| Anticipated non-GAAP net income per share, diluted | $ 0.50 | $ 0.53 | $ 2.10 | $ 2.21 |
| Weighted average shares used in earnings per share calculation, diluted | 74.6 | | 75.0 | |

(All amounts in millions, except per share data)

# GAAP to Non-GAAP Guidance Reconciliation: FY 2024

| | Full-Year 2024 |
|---|---|
| **Reconciliation of net cash provided by operating activities to free cash flow:** | |
| Anticipated net cash provided by operating activities | $ 178 |
| Less: Anticipated purchases of property and equipment | (6) |
| Less: Anticipated capitalized internal-use software costs | (12) |
| Anticipated free cash flow | $ 160 |

(All amounts in millions,)

# 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 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 Logentries 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 2024 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 such as restructuring expense and discrete tax 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 2024, which we are not able to predict without unreasonable effort due to their inherent uncertainty.