



NEWS RELEASE

Rapid7 Announces Fourth Quarter and Full-Year 2024 Financial Results

2025-02-12

- Annualized recurring revenue ("ARR") of \$840 million, an increase of 4% year-over-year
- Full-year revenue of \$844 million, up 9% year-over-year; Product subscriptions revenue of \$809 million, up 9% year-over-year
- Full-year GAAP operating income of \$35 million; Full-year non-GAAP operating income of \$164 million
- Full-year net cash provided by operating activities of \$172 million; Free cash flow of \$154 million

BOSTON, Feb. 12, 2025 (GLOBE NEWSWIRE) -- **Rapid7, Inc.** (Nasdaq: RPD), a leader in extended risk and threat detection, today announced its financial results for the fourth quarter and full-year 2024.

"As we reflect on 2024, I'm proud of the progress we made to position Rapid7 for long-term growth and success. We achieved \$840 million in ARR and delivered over \$150 million in free cash flow, while advancing our strategic priorities to innovate, scale, and empower our customers to consolidate and secure their operations more effectively. Continued momentum in Managed Detection and Response and the launch of our Exposure Command platform have further strengthened our ability to deliver measurable value for customers," said Corey Thomas, Chairman and CEO of Rapid7.

"As we move through 2025, our focus remains on accelerating growth, deepening customer engagement, and driving innovation to solidify Rapid7 as the security operations platform of choice for organizations worldwide."

Fourth Quarter 2024 Financial Results and Other Metrics

| | As of December 31, | | |
|---------------------|------------------------|------------|----------|
| | 2024 | 2023 | % Change |
| | (dollars in thousands) | | |
| ARR | \$ 839,819 | \$ 805,670 | 4% |
| Number of customers | 11,727 | 11,526 | 2% |
| ARR per customer | \$ 71.6 | \$ 69.9 | 2% |

| | Three Months Ended December 31, | | | Year Ended December 31, | | |
|---|---------------------------------------|------------|----------|-------------------------|--------------|----------|
| | 2024 | 2023 | % Change | 2024 | 2023 | % Change |
| | (in thousands, except per share data) | | | | | |
| Product subscriptions revenue | \$ 206,328 | \$ 194,819 | 6% | \$ 808,906 | \$ 740,168 | 9% |
| Professional services revenue | 9,933 | 10,449 | (5%) | 35,101 | 37,539 | (6)% |
| Total revenue | \$ 216,261 | \$ 205,268 | 5% | \$ 844,007 | \$ 777,707 | 9% |
| North America revenue | \$ 163,014 | \$ 158,695 | 3% | \$ 643,405 | \$ 607,448 | 6% |
| Rest of world revenue | 53,247 | 46,573 | 14% | 200,602 | 170,259 | 18% |
| Total revenue | \$ 216,261 | \$ 205,268 | 5% | \$ 844,007 | \$ 777,707 | 9% |
| GAAP gross profit | \$ 150,369 | \$ 145,442 | | \$ 592,972 | \$ 545,661 | |
| GAAP gross margin | 70% | 71% | | 70% | 70% | |
| Non-GAAP gross profit | \$ 157,902 | \$ 152,265 | | \$ 622,343 | \$ 575,052 | |
| Non-GAAP gross margin | 73% | 74% | | 74% | 74% | |
| GAAP income (loss) from operations | \$ 7,279 | \$ 10,000 | | \$ 35,035 | \$ (84,288) | |
| GAAP operating margin | 3% | 5% | | 4% | (11)% | |
| Non-GAAP income from operations | \$ 39,995 | \$ 41,498 | | \$ 163,508 | \$ 102,221 | |
| Non-GAAP operating margin | 18% | 20% | | 19% | 13% | |
| GAAP net income (loss) | \$ 2,172 | \$ 19,116 | | \$ 25,526 | \$ (152,815) | |
| GAAP net income (loss) per share, basic | \$ 0.03 | \$ 0.31 | | \$ 0.41 | \$ (2.52) | |
| GAAP net income (loss) per share, diluted | \$ 0.03 | \$ 0.26 | | \$ 0.40 | \$ (2.52) | |
| Non-GAAP net income | \$ 34,342 | \$ 51,691 | | \$ 163,138 | \$ 107,232 | |
| Non-GAAP net income per share: | | | | | | |
| Basic | \$ 0.54 | \$ 0.84 | | \$ 2.61 | \$ 1.76 | |
| Diluted | \$ 0.48 | \$ 0.72 | | \$ 2.28 | \$ 1.52 | |
| Adjusted EBITDA | \$ 46,310 | \$ 47,819 | | \$ 188,450 | \$ 126,661 | |
| Net cash provided by operating activities | \$ 63,773 | \$ 63,466 | | \$ 171,670 | \$ 104,278 | |
| Free cash flow | \$ 58,842 | \$ 60,254 | | \$ 154,083 | \$ 84,034 | |

For additional details on the reconciliation of non-GAAP measures and certain other business metrics to their nearest comparable GAAP measures, please refer to the accompanying financial data tables included in this press release. Certain prior periods reflect immaterial corrections. See Exhibit 1 for additional information.

Recent Business Highlights

- In November, Rapid7 won “Security Vendor of the Year” at the CRN Channel Awards 2024. The award is one of the oldest and most prestigious in the UK IT channel, and acknowledges Rapid7’s overall contribution to business development within the channel.
- In November, Rapid7’s Managed Extended Detection & Response added coverage for Microsoft security

telemetry, integrating organizations' existing Microsoft telemetry into Rapid7's Command Platform for broader, faster threat detection and remediation, without additional infrastructure or complex integration requirements.

- In November, Rapid7 expanded Exposure Command to add support for Amazon Web Services ("AWS") Resource Control Policies, providing additional visibility, insights, and best practices to guide customers in addressing complex enterprise Identity and Access Management challenges across the modern attack surface.
- In December, Rapid7's Managed Extended Detection & Response added coverage for AWS environments, bringing customers deeper cloud detection and response capabilities by combining cloud native telemetry, AWS security telemetry, and enhanced detections in the Rapid7 Command Platform.
- In December, Rapid7 achieved the In Process Designation from the Federal Risk and Authorization Management Program ("FedRAMP ®") for its InsightGovCloud Platform, indicating that Rapid7 is actively working towards authorization and highlighting Rapid7's continued commitment to partnering with federal agencies to invest in security solutions that enable continuous threat exposure management and enhance the resilience of their organizations.
- In January, Rapid7 earned the highest possible score on the Human Rights Campaign Foundation's 2025 Corporate Equality Index, the nation's foremost report for measuring corporate policies and practices related to LGBTQ+ workplace equality.

First Quarter and Full-Year 2025 Guidance

Rapid7 anticipates ARR, revenue, non-GAAP income from operations, non-GAAP net income per share and free cash flow to be in the following ranges:

| | First Quarter 2025 | | Full-Year 2025 | | |
|-------------------------------------|--------------------|----|--------------------------------------|----|--------|
| | | | (in millions, except per share data) | | |
| ARR | | | \$870 | to | \$890 |
| Year-over-year growth | | | 4% | to | 6% |
| Revenue | \$207 | to | \$209 | | \$870 |
| Year-over-year growth | 1% | to | 2% | | 3% |
| Non-GAAP income from operations | \$23 | to | \$25 | | \$135 |
| Non-GAAP net income per share | \$0.33 | to | \$0.36 | | \$1.85 |
| Weighted average shares outstanding | 75.6 | | 77.3 | | |
| Free cash flow | | | Approximately \$135 million | | |

The guidance provided above is forward-looking in nature. Actual results may differ materially. See the cautionary note regarding "Forward-Looking Statements" below. Guidance for the first quarter and full-year 2025 does not include any potential impact of foreign exchange gains or losses. The guidance provided above is based on a

number of assumptions, estimates and expectations as of the date of this press release and, while presented with numerical specificity, this guidance is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Rapid7's control and are based upon specific assumptions with respect to future business decisions or economic conditions, some of which may change. Rapid7 undertakes no obligation to update guidance after this date.

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 acquisition-related expenses, impairment of long-lived assets, restructuring expense, induced conversion expense, change in the fair value of derivative assets, litigation-related expenses and discrete tax items. Rapid7 has provided a reconciliation of each non-GAAP guidance measure to the most comparable GAAP measures in the financial statement tables included in this press release. The reconciliation does not reflect any items that are unknown at this time, including, but not limited to, non-ordinary course litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

Conference Call and Webcast Information

Rapid7 will host a conference call today, February 12, 2025, to discuss its results at 4:30 p.m. Eastern Time. The call will be accessible by telephone at 888-330-2384 (domestic) or +1 240-789-2701 (international) with the event code 8484206. The call will also be available live via webcast on Rapid7's website at <https://investors.rapid7.com>. A webcast replay of the conference call will be available at <https://investors.rapid7.com>.

About Rapid7

Rapid7 (Nasdaq: RPD) is on a mission to create a safer digital world by making cybersecurity simpler and more accessible. We empower security professionals to manage a modern attack surface through our best-in-class technology, leading-edge research, and broad, strategic expertise. Rapid7's comprehensive security solutions help more than 11,000 global customers unite cloud risk management and threat detection to reduce attack surfaces and eliminate threats with speed and precision. For more information, visit our website, check out our blog, or follow us on LinkedIn or Twitter.

Non-GAAP Financial Measures and Other Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we provide investors with certain non-GAAP financial measures and other metrics, which we believe are helpful to our investors. We use these non-GAAP financial measures and other metrics for financial and operational decision-making purposes and as a means to

evaluate period-to-period comparisons. We also use certain non-GAAP financial measures as performance measures under our executive bonus plan. We believe that these non-GAAP financial measures and other metrics provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

While our non-GAAP financial measures are an important tool for financial and operational decision-making and for evaluating our own operating results over different periods of time, you should review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not rely on any single financial measure to evaluate our business.

Non-GAAP Financial Measures

We disclose the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income, non-GAAP net income per share, adjusted EBITDA and free cash flow. We also disclose non-GAAP gross margin and non-GAAP operating margin derived from these financial measures.

We define non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income and non-GAAP net income per share as the respective GAAP balances excluding the effect of stock-based compensation expense, amortization of acquired intangible assets, amortization of debt issuance costs and certain other items such as acquisition-related expenses, impairment of long-lived assets, change in the fair value of derivative assets, restructuring expense, induced conversion expense and discrete tax items. Non-GAAP net income per basic and diluted share is calculated as non-GAAP net income divided by the weighted average shares used to compute net income per share, with the number of weighted average shares decreased, when applicable, to reflect the anti-dilutive impact of the capped call transactions entered into in connection with our convertible senior notes.

We believe these non-GAAP financial measures are useful to investors in assessing our operating performance due to the following factors:

Stock-based compensation expense. We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows for more meaningful comparisons between our operating results from period to period.

Amortization of acquired intangible assets. We believe that excluding the impact of amortization of acquired intangible assets allows for more meaningful comparisons between operating results from period to period as the intangible assets are valued at the time of acquisition and are amortized over several years after the acquisition.

Amortization of debt issuance costs. The expense for the amortization of debt issuance costs related to our convertible senior notes and our former revolving credit facility is a non-cash item, and we believe the exclusion of this interest expense provides a more useful comparison of our operational performance in different periods.

Induced conversion expense. In conjunction with the third quarter of 2023 partial repurchase of our 2.25% convertible senior notes due 2025, we incurred a non-cash induced conversion expense of \$53.9 million. We exclude induced conversion expense because this amount is not indicative of the performance of or trends in our business, and neither is comparable to the prior period nor predictive of future results.

Litigation-related expenses. We exclude non-ordinary course litigation expense because we do not consider legal costs and settlement fees incurred in litigation and litigation-related matters of non-ordinary course lawsuits and other disputes to be indicative of our core operating performance. We do not adjust for ordinary course legal expenses, including legal costs and settlement fees resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

Acquisition-related expenses. We exclude acquisition-related expenses, including accretion expense associated with contingent consideration, as costs that are unrelated to the current operations and are neither comparable to the prior period nor predictive of future results.

Change in fair value of derivative assets. The expense for the change in fair value of derivative assets related to our capped calls settlement is a non-cash item and we believe the exclusion of this other income (expense) provides a more useful comparison of our operational performance in different periods.

Impairment of long-lived assets. Impairment of long-lived assets consists of impairment charges allocated to the carrying amount of certain operating right-of-use assets and the associated leasehold improvements when the carrying amounts exceed their respective fair values and we believe the exclusion of the impairment charges provides a more useful comparison of our operational performance in different periods.

Restructuring expense. We exclude non-ordinary course restructuring expenses related to our restructuring plan, that was completed during fiscal year 2024, because we do not believe these charges are indicative of our core operating performance and we believe the exclusion of the restructuring expenses provides a more useful comparison of our performance in different periods.

Discrete tax items. We exclude certain discrete tax items such as income tax expenses or benefits that are not related to ongoing business operations in the current year and adjustments to uncertain tax position reserves as these charges are not indicative of our ongoing operating results, and they are not considered when we are

forecasting our future results.

Anti-dilutive impact of capped call transaction. Our capped call transactions are intended to offset potential dilution from the conversion features in our convertible senior notes. Although we cannot reflect the anti-dilutive impact of the capped call transactions under GAAP, we do reflect the anti-dilutive impact of the capped call transactions in non-GAAP net income (loss) per diluted share, when applicable, to provide investors with useful information in evaluating our financial performance on a per share basis.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure that we define as net income (loss) before (1) interest income, (2) interest expense, (3) other (income) expense, net, (4) provision for (benefit from) income taxes, (5) depreciation expense, (6) amortization of intangible assets, (7) stock-based compensation expense, (8) acquisition-related expenses, (9) litigation-related expenses, (10) impairment of long-lived assets and (11) restructuring expense. We believe that the use of adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods.

Free Cash Flow. Free cash flow is a non-GAAP measure that we define as cash provided by operating activities less purchases of property and equipment and capitalization of internal-use software costs. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees.

Other Metrics

ARR. 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, which 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.

Number of Customers. We define a customer as any entity that has an active Rapid7 recurring revenue contract as of the specified measurement date, excluding InsightOps and Logentries only customers with a contract value of less than \$2,400 per year.

ARR per Customer. We define ARR per customer as ARR divided by the number of customers at the end of the period.

Cautionary Language Concerning Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, the statements regarding our financial guidance for the first quarter and full-year 2025, and the assumptions underlying such guidance. Our use of the words "anticipate," "believe," "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, our ability to successfully grow our sales of our cloud-based solutions, including through the shift to a consolidated platform sales approach, effectiveness of our restructuring plan that was completed during fiscal year 2024, 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, renewal of our customer's subscriptions, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our sales cycles, our ability to integrate acquired companies, exposure to greater than anticipated tax liabilities, and our ability to operate in compliance with applicable laws as well as other risks and uncertainties that could affect our business and results described in our filings with the Securities and Exchange Commission (the "SEC"), including our most recent Quarterly Report on Form 10-Q filed with the SEC on November 7, 2024, particularly in the section entitled "Item 1.A Risk Factors," 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 press release.

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RAPID7, INC.
Consolidated Balance Sheets (Unaudited)
(in thousands)

| | December 31, 2024 | December 31, 2023 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 334,686 | \$ 213,629 |
| Short-term investments | 187,025 | 169,544 |
| Accounts receivable, net | 168,242 | 164,862 |
| Deferred contract acquisition and fulfillment costs, current portion | 52,134 | 45,008 |
| Prepaid expenses and other current assets | 44,024 | 41,407 |
| Total current assets | 786,111 | 634,450 |
| Long-term investments | 37,274 | 56,171 |
| Property and equipment, net | 32,245 | 39,642 |
| Operating lease right-of-use assets | 48,877 | 54,693 |
| Deferred contract acquisition and fulfillment costs, non-current portion | 73,672 | 76,601 |
| Goodwill | 575,268 | 536,351 |
| Intangible assets, net | 85,719 | 94,546 |
| Other assets | 12,868 | 12,894 |
| Total assets | \$ 1,652,034 | \$ 1,505,348 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 18,908 | \$ 15,812 |
| Accrued expenses and other current liabilities | 88,802 | 85,025 |
| Convertible senior notes, current portion, net | 45,895 | — |
| Operating lease liabilities, current portion | 15,493 | 13,452 |
| Deferred revenue, current portion | 461,118 | 455,503 |
| Total current liabilities | 630,216 | 569,792 |
| Convertible senior notes, non-current portion, net | 888,356 | 929,996 |
| Operating lease liabilities, non-current portion | 68,430 | 81,130 |
| Deferred revenue, non-current portion | 27,078 | 32,577 |
| Other long-term liabilities | 20,243 | 10,032 |
| Total liabilities | 1,634,323 | 1,623,527 |
| Stockholders' equity (deficit): | | |
| Common stock | \$ 635 | \$ 617 |
| Treasury stock | (4,765) | (4,765) |
| Additional paid-in-capital | 1,011,080 | 898,185 |
| Accumulated other comprehensive (loss) income | (1,205) | 1,344 |
| Accumulated deficit | (988,034) | (1,013,560) |
| Total stockholders' equity (deficit) | 17,711 | (118,179) |
| Total liabilities and stockholders' equity (deficit) | \$ 1,652,034 | \$ 1,505,348 |

Note: Certain prior periods reflect immaterial corrections. See Exhibit 1 for additional information.

RAPID7, INC.
Consolidated Statements of Operations (Unaudited)
(in thousands, except share and per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|------------|-------------------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue: | | | | |
| Product subscriptions | \$ 206,328 | \$ 194,819 | \$ 808,906 | \$ 740,168 |
| Professional services | 9,933 | 10,449 | 35,101 | 37,539 |
| Total revenue | 216,261 | 205,268 | 844,007 | 777,707 |
| Cost of revenue: | | | | |
| Product subscriptions | 58,932 | 52,369 | 225,547 | 203,140 |
| Professional services | 6,960 | 7,457 | 25,488 | 28,906 |
| Total cost of revenue | 65,892 | 59,826 | 251,035 | 232,046 |
| Total gross profit | 150,369 | 145,442 | 592,972 | 545,661 |
| Operating expenses: | | | | |
| Research and development | 46,334 | 40,031 | 173,126 | 177,937 |
| Sales and marketing | 72,767 | 73,557 | 298,809 | 313,661 |
| General and administrative | 23,989 | 19,623 | 86,002 | 85,340 |
| Impairment of long-lived assets | — | — | — | 30,784 |
| Restructuring | — | 2,231 | — | 22,227 |
| Total operating expenses | 143,090 | 135,442 | 557,937 | 629,949 |
| Income (loss) from operations | 7,279 | 10,000 | 35,035 | (84,288) |
| Other income (expense), net: | | | | |
| Interest income | 5,551 | 4,177 | 21,063 | 10,177 |
| Interest expense | (2,783) | (2,695) | (10,963) | (64,700) |
| Other (expense) income, net | (4,361) | 3,571 | (3,680) | (14,522) |
| Income (loss) before income taxes | 5,686 | 15,053 | 41,455 | (153,333) |
| Provision for (benefit from) income taxes | 3,514 | (4,063) | 15,929 | (518) |
| Net income (loss) | \$ 2,172 | \$ 19,116 | \$ 25,526 | \$ (152,815) |
| Net income (loss) per share, basic | \$ 0.03 | \$ 0.31 | \$ 0.41 | \$ (2.52) |
| Net income (loss) per share, diluted (1) | \$ 0.03 | \$ 0.26 | \$ 0.40 | \$ (2.52) |
| Weighted-average common shares outstanding, basic | 63,339,306 | 61,497,797 | 62,607,583 | 60,756,087 |
| Weighted-average common shares outstanding, diluted | 63,901,277 | 73,728,912 | 63,183,651 | 60,756,087 |

(1) We use the if-converted method to compute diluted earnings per share with respect to our convertible senior notes. There was no add-back of interest expense or additional dilutive shares related to the convertible senior notes where the effect was anti-dilutive. On an if-converted basis, for the three months ended December 31, 2024 and the years ended December 31, 2024 and 2023, the 2025, 2027 and 2029 Notes were anti-dilutive. On an if-converted basis, for the three months ended December 31, 2023, the 2027 and 2029 Notes were dilutive and the 2025 Note was anti-dilutive.

Note: Certain prior periods reflect immaterial corrections. See Exhibit 1 for additional information.

RAPID7, INC.
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|------------|-------------------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | \$ 2,172 | \$ 19,116 | \$ 25,526 | \$ (152,815) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | | |
| Depreciation and amortization | 11,436 | 11,411 | 44,893 | 45,939 |
| Amortization of debt issuance costs | 1,122 | 1,077 | 4,447 | 4,138 |
| Stock-based compensation expense | 27,412 | 24,177 | 107,961 | 111,636 |
| Deferred income taxes | (1,049) | (5,624) | 791 | (5,624) |
| Impairment of long-lived assets | — | — | — | 30,784 |
| Change in fair value of derivative assets | — | — | — | 15,511 |
| Induced conversion expense | — | — | — | 53,889 |
| Other | 3,031 | (5,157) | (1,503) | 469 |
| Change in operating assets and liabilities: | | | | |
| Accounts receivable | (27,912) | (26,449) | (5,480) | (14,021) |
| Deferred contract acquisition and fulfillment costs | (3,703) | (9,046) | (4,196) | (18,534) |
| Prepaid expenses and other assets | (3,257) | (9,558) | 2,805 | (4,125) |
| Accounts payable | 13,227 | 6,704 | 2,777 | 5,449 |
| Accrued expenses | 7,584 | 20,390 | (9,829) | 2,422 |
| Deferred revenue | 36,317 | 36,839 | (795) | 30,472 |
| Other liabilities | (2,607) | (414) | 4,273 | (1,312) |
| Net cash provided by operating activities | 63,773 | 63,466 | 171,670 | 104,278 |
| Cash flows from investing activities: | | | | |
| Business acquisition, net of cash acquired | (103) | — | (37,301) | (34,841) |
| Purchases of property and equipment | (1,183) | (367) | (3,425) | (4,366) |
| Capitalization of internal-use software costs | (3,748) | (2,845) | (14,162) | (15,878) |
| Purchases of investments | — | (82,816) | (242,494) | (276,829) |
| Sales/maturities of investments | 58,000 | 49,750 | 250,500 | 150,450 |
| Other investments | — | 2,710 | 360 | 2,710 |
| Net cash provided by (used in) investing activities | 52,966 | (33,568) | (46,522) | (178,754) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of convertible senior notes, net of issuance costs paid of \$7,909 | — | (709) | — | 292,091 |
| Purchase of capped calls related to convertible senior notes | — | — | — | (36,570) |
| Payments for repurchase of convertible senior notes | — | — | — | (199,998) |
| Payments related to business acquisitions | (500) | — | (500) | (2,250) |
| Proceeds from capped call settlement | — | — | — | 17,518 |
| Taxes paid related to net share settlement of equity awards | (847) | (1,558) | (4,730) | (5,570) |
| Proceeds from employee stock purchase plan | — | — | 9,246 | 11,323 |
| Proceeds from stock option exercises | 130 | 69 | 1,566 | 3,053 |
| Net cash (used in) provided by financing activities | (1,217) | (2,198) | 5,582 | 79,597 |
| Effects of exchange rates on cash, cash equivalents and restricted cash | (3,529) | 3,212 | (2,756) | 1,202 |
| Net increase in cash, cash equivalents and restricted cash | 111,993 | 30,912 | 127,974 | 6,323 |
| Cash, cash equivalents and restricted cash, beginning of period | 230,108 | 183,215 | 214,127 | 207,804 |
| Cash, cash equivalents and restricted cash, end of period | \$ 342,101 | \$ 214,127 | \$ 342,101 | \$ 214,127 |

| | | | | |
|--|------------|------------|------------|------------|
| Supplemental cash flow information: | | | | |
| Cash paid for interest on convertible senior notes | 518 | 518 | 6,358 | 4,605 |
| Cash paid for income taxes, net of refunds | 1,876 | 459 | 8,949 | 1,624 |
| Reconciliation of cash, cash equivalents and restricted cash: | | | | |
| Cash and cash equivalents | 334,686 | 213,629 | 334,686 | 213,629 |
| Restricted cash included in prepaid expenses and other current assets and other assets | 7,415 | 498 | 7,415 | 498 |
| Total cash, cash equivalents and restricted cash | \$ 342,101 | \$ 214,127 | \$ 342,101 | \$ 214,127 |

Note: Certain prior periods reflect immaterial corrections. See Exhibit 1 for additional information.

RAPID7, INC.
GAAP to Non-GAAP Reconciliation (Unaudited)
(in thousands, except share and per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|---------------------------------|-------------------|-------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP gross profit | \$ 150,369 | \$ 145,442 | \$ 592,972 | \$ 545,661 |
| Add: Stock-based compensation expense ¹ | 3,109 | 2,430 | 12,208 | 11,005 |
| Add: Amortization of acquired intangible assets ² | 4,424 | 4,393 | 17,163 | 18,386 |
| Non-GAAP gross profit | <u>\$ 157,902</u> | <u>\$ 152,265</u> | <u>\$ 622,343</u> | <u>\$ 575,052</u> |
| Non-GAAP gross margin | 73.0% | 74.2% | 73.7% | 73.9% |
| GAAP gross profit - Product subscriptions | \$ 147,396 | \$ 142,450 | \$ 583,359 | \$ 537,028 |
| Add: Stock-based compensation expense | 2,576 | 1,932 | 10,376 | 8,439 |
| Add: Amortization of acquired intangible assets | 4,424 | 4,393 | 17,163 | 18,386 |
| Non-GAAP gross profit - Product subscriptions | <u>\$ 154,396</u> | <u>\$ 148,775</u> | <u>\$ 610,898</u> | <u>\$ 563,853</u> |
| Non-GAAP gross margin - Product subscriptions | 74.8% | 76.4% | 75.5% | 76.2% |
| GAAP gross profit - Professional services | \$ 2,973 | \$ 2,992 | \$ 9,613 | \$ 8,633 |
| Add: Stock-based compensation expense | 533 | 498 | 1,832 | 2,566 |
| Non-GAAP gross profit - Professional services | <u>\$ 3,506</u> | <u>\$ 3,490</u> | <u>\$ 11,445</u> | <u>\$ 11,199</u> |
| Non-GAAP gross margin - Professional services | 35.3% | 33.4% | 32.6% | 29.8% |
| GAAP income (loss) from operations | \$ 7,279 | \$ 10,000 | \$ 35,035 | \$ (84,288) |
| Add: Stock-based compensation expense ¹ | 27,412 | 24,177 | 107,961 | 111,636 |
| Add: Amortization of acquired intangible assets ² | 5,121 | 5,090 | 19,951 | 21,499 |
| Add: Acquisition-related expenses ³ | 183 | — | 751 | 363 |
| Add: Impairment of long-lived assets | — | — | — | 30,784 |
| Add: Restructuring expense | — | 2,231 | (190) | 22,227 |
| Non-GAAP income from operations | <u>\$ 39,995</u> | <u>\$ 41,498</u> | <u>\$ 163,508</u> | <u>\$ 102,221</u> |
| GAAP net income (loss) | \$ 2,172 | \$ 19,116 | \$ 25,526 | \$ (152,815) |
| Add: Stock-based compensation expense ¹ | 27,412 | 24,177 | 107,961 | 111,636 |
| Add: Amortization of acquired intangible assets ² | 5,121 | 5,090 | 19,951 | 21,499 |
| Add: Amortization of debt issuance costs | 1,122 | 1,077 | 4,447 | 4,138 |
| Add: Acquisition-related expenses ³ | 183 | — | 751 | 363 |
| Add: Impairment of long-lived assets | — | — | — | 30,784 |
| Add: Change in fair value of derivative assets | — | — | — | 15,511 |
| Add: Restructuring expense ⁴ | — | 2,231 | (190) | 22,227 |
| Add: Induced conversion expense | — | — | — | 53,889 |
| Add: Discrete tax items ⁵ | (1,668) | — | 4,692 | — |
| Non-GAAP net income | <u>\$ 34,342</u> | <u>\$ 51,691</u> | <u>\$ 163,138</u> | <u>\$ 107,232</u> |
| Add: Interest expense of convertible senior notes ⁶ | 1,571 | 1,571 | 6,285 | 2,667 |
| Numerator for non-GAAP earnings per share, diluted calculation | <u>\$ 35,913</u> | <u>\$ 53,262</u> | <u>\$ 169,423</u> | <u>\$ 109,899</u> |
| Weighted average shares used in GAAP earnings per share calculation, basic | 63,339,306 | 61,497,797 | 62,607,583 | 60,756,087 |
| Dilutive effect of convertible senior notes ⁶ | 11,183,611 | 11,183,611 | 11,183,611 | 10,429,891 |
| Dilutive effect of employee equity incentive plans ⁷ | 561,971 | 1,047,504 | 576,068 | 916,134 |
| Weighted average shares used in non-GAAP earnings per share calculation, diluted | 75,084,888 | 73,728,912 | 74,367,262 | 72,102,112 |
| Non-GAAP net income per share: | | | | |
| Basic | \$ 0.54 | \$ 0.84 | \$ 2.61 | \$ 1.76 |
| Diluted | \$ 0.48 | \$ 0.72 | \$ 2.28 | \$ 1.52 |
| 1 Includes stock-based compensation expense as follows: | | | | |
| Cost of revenue | \$ 3,109 | \$ 2,430 | \$ 12,208 | \$ 11,005 |
| Research and development | 10,703 | 7,749 | 37,566 | 39,183 |
| Sales and marketing | 6,615 | 6,482 | 28,718 | 30,350 |
| General and administrative | 6,985 | 7,516 | 29,469 | 31,098 |

2 Includes amortization of acquired intangible assets as follows:

| | | | | | | | | |
|---|----|---------|----|-------|----|--------|----|--------|
| Cost of revenue | \$ | 4,424 | \$ | 4,393 | \$ | 17,163 | \$ | 18,386 |
| Sales and marketing | | 652 | | 652 | | 2,608 | | 2,608 |
| General and administrative | | 45 | | 45 | | 180 | | 505 |
| 3 Includes acquisition-related expenses as follows: | | | | | | | | |
| General and administrative | \$ | 183 | \$ | — | \$ | 751 | \$ | 363 |
| 4 For the year ended December 31, 2024, restructuring expense was included within general and administrative expense in our consolidated statements of operations. | | | | | | | | |
| 5 Includes discrete tax items as follows: | | | | | | | | |
| Provision for income taxes | \$ | (1,668) | \$ | — | \$ | 4,692 | \$ | — |
| 6 We use the if-converted method to compute diluted earnings per share with respect to our convertible senior notes. There was no add-back of interest expense or additional dilutive shares related to the convertible senior notes where the effect was anti-dilutive. Adjustments for interest expense, if applicable, on our convertible senior notes for purposes of calculating non-GAAP earnings per share are done gross of any tax impact. On an if-converted basis, for the three months ended December 31, 2024 and 2023, the 2025, 2027 and 2029 Notes were dilutive. On an if-converted basis, for the year ended December 31, 2024, the 2025, 2027 and 2029 Notes were dilutive. For the year ended December 31, 2023, the 2027 and 2029 Notes were dilutive and the 2025 Notes were anti-dilutive. | | | | | | | | |
| 7 We use the treasury method to compute the dilutive effect of employee equity incentive plan awards. | | | | | | | | |

Note: Certain prior periods reflect immaterial corrections. See Exhibit 1 for additional information.

| RAPID7, INC. Reconciliation of Net Income (Loss) to Adjusted EBITDA (Unaudited) (in thousands) | | | | |
|--|---------------------------------|------------------|-------------------------|-------------------|
| | Three Months Ended December 31, | | Year Ended December 31, | |
| | 2024 | 2023 | 2024 | 2023 |
| GAAP net income (loss) | \$ 2,172 | \$ 19,116 | \$ 25,526 | \$ (152,815) |
| Interest income | (5,551) | (4,177) | (21,063) | (10,177) |
| Interest expense | 2,783 | 2,695 | 10,963 | 64,700 |
| Other (income) expense, net | 4,361 | (3,571) | 3,680 | 14,522 |
| Provision for (benefit from) income taxes | 3,514 | (4,063) | 15,929 | (518) |
| Depreciation expense | 2,658 | 3,118 | 11,059 | 14,047 |
| Amortization of intangible assets | 8,778 | 8,293 | 33,834 | 31,892 |
| Stock-based compensation expense | 27,412 | 24,177 | 107,961 | 111,636 |
| Acquisition-related expenses | 183 | — | 751 | 363 |
| Impairment of long-lived assets | — | — | — | 30,784 |
| Restructuring expense | — | 2,231 | (190) | 22,227 |
| Adjusted EBITDA | <u>\$ 46,310</u> | <u>\$ 47,819</u> | <u>\$ 188,450</u> | <u>\$ 126,661</u> |

Note: Certain prior period reflect immaterial corrections. See Exhibit 1 for additional information.

RAPID7, INC.
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow (Unaudited)
(in thousands)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---------------------------------|-----------|-------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net cash provided by operating activities | \$ 63,773 | \$ 63,466 | \$ 171,670 | \$ 104,278 |
| Less: Purchases of property and equipment | (1,183) | (367) | (3,425) | (4,366) |
| Less: Capitalized internal-use software costs | (3,748) | (2,845) | (14,162) | (15,878) |
| Free cash flow | \$ 58,842 | \$ 60,254 | \$ 154,083 | \$ 84,034 |

First Quarter and Full-Year 2025 Guidance
GAAP to Non-GAAP Reconciliation
(in millions, except per share data)

| | First Quarter 2025 | | Full-Year 2025 | |
|---|--------------------|-----------|----------------|-----------|
| | | | | |
| Reconciliation of GAAP income from operations to non-GAAP income from operations: | | | | |
| Anticipated GAAP loss from operations | \$ (10) | to \$ (8) | \$ (13) | to \$ (3) |
| Add: Anticipated stock-based compensation expense | 28 | to 28 | 118 | to 118 |
| Add: Anticipated amortization of acquired intangible assets | 5 | to 5 | 20 | to 20 |
| Anticipated non-GAAP income from operations | \$ 23 | to \$ 25 | \$ 125 | to \$ 135 |
| Reconciliation of GAAP net income to non-GAAP net income: | | | | |
| Anticipated GAAP net loss | \$ (11) | to \$ (9) | \$ (15) | to \$ (5) |
| Add: Anticipated stock-based compensation expense | 28 | to 28 | 118 | to 118 |
| Add: Anticipated amortization of acquired intangible assets | 5 | to 5 | 20 | to 20 |
| Add: Anticipated amortization of debt issuance costs | 1 | to 1 | 4 | to 4 |
| Anticipated non-GAAP net income | \$ 23 | to \$ 25 | \$ 127 | to \$ 137 |
| Add: Anticipated interest expense on convertible senior notes | 2 | to 2 | 6 | to 6 |
| Numerator for non-GAAP earnings per share calculation | \$ 25 | to \$ 27 | \$ 133 | to \$ 143 |
| Anticipated GAAP net loss per share, diluted | \$ (0.15) | \$ (0.12) | \$ (0.19) | \$ (0.06) |
| Anticipated non-GAAP net income per share, diluted | \$ 0.33 | \$ 0.36 | \$ 1.72 | \$ 1.85 |
| Weighted average shares used in earnings per share calculation, diluted | | 75.6 | | 77.3 |

The reconciliation does not reflect any items that are unknown at this time, including, but not limited to, non-ordinary course 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.

| | Full-Year 2025 |
|--|----------------|
| Reconciliation of net cash provided by operating activities to free cash flow: | |
| Anticipated net cash provided by operating activities | \$ 153 |
| | 14 |

Less: Anticipated purchases of property and equipment
Less: Anticipated capitalized internal-use software costs
Anticipated free cash flow

(3)
(15)
\$ 135

Exhibit 1 - Immaterial Correction of an Error

During the fourth quarter of 2024, we identified an immaterial error related to stock-based compensation expense associated with certain restricted stock units ("RSUs") and performance stock units ("PSUs") granted during fiscal years 2023 and 2024 that resulted in an understatement of stock-based compensation expense in fiscal year 2023 and the year-to-date period ended September 30, 2024. We have concluded that our previously issued financial statements were not materially misstated as a result of this error and have corrected the error in these prior periods. The correction of this error resulted in (i) an increase in additional paid-in capital and a corresponding increase to accumulated deficit as of December 31, 2023 of approximately \$3.6 million and (ii) an increase in additional paid-in capital and a corresponding increase to accumulated deficit as of September 30, 2024 of approximately \$7.2 million. There was no change to net cash provided by operating activities, net cash used in investing activities and net cash provided by financing activities in our consolidated statements of cash flows for the year ended December 31, 2023 and the year-to-date period ended September 30, 2024. Additionally, there was no change to our ARR, revenue, non-GAAP net income (loss) from operations, non-GAAP net income (loss) or free cash flow.

The following table sets forth the effect of the immaterial error correction to certain line items of our consolidated statements of operations for (i) the three months ended December 31, 2023, (ii) the fiscal year ended December 31, 2023, and (iii) the three months ended March 31, 2024, June 30, 2024 and September 30, 2024, respectively:

| | Three Months Ended | | Year Ended | | Three Months Ended | | |
|--|--------------------|----|-------------------|----|--------------------|------------|--------------------|
| | December 31, 2023 | | December 31, 2023 | | March 31, 2024 | | September 30, 2024 |
| | Adjustment | | Adjustment | | Adjustment | Adjustment | Adjustment |
| (in thousands, except for per share amounts) | | | | | | | |
| Consolidated Statement of Operations: | | | | | | | |
| Cost of revenue - product subscriptions | \$ 62 | \$ | 236 | \$ | 79 | \$ 125 | \$ 121 |
| Cost of revenue - professional services | \$ 16 | \$ | 69 | \$ | 12 | \$ 19 | \$ 19 |
| Research and development expense | \$ 302 | \$ | 1,161 | \$ | 378 | \$ 392 | \$ 411 |
| Sales and marketing expense | \$ 243 | \$ | 1,025 | \$ | 290 | \$ 331 | \$ 300 |
| General and administrative expense | \$ 309 | \$ | 1,064 | \$ | 93 | \$ 790 | \$ 293 |
| Net income (loss) | \$ (932) | \$ | (3,555) | \$ | (852) | \$ (1,657) | \$ (1,144) |
| Net income (loss) per share, basic | \$ (0.02) | \$ | (0.06) | \$ | (0.02) | \$ (0.03) | \$ (0.02) |
| Net income (loss) per share, diluted | \$ (0.01) | \$ | (0.06) | \$ | (0.01) | \$ (0.02) | \$ (0.01) |

Source: Rapid7