

RAPID7

Company Overview

May 6, 2021

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 growth per customer, revenue growth, non-GAAP operating margin expansion, 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 2021, the assumptions underlying such guidance and the timing of global economic recovery and the anticipated impact of COVID-19 on our guidance, business, financial condition and results of operations, 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, risks arising from the ongoing COVID-19 pandemic, fluctuations in our quarterly results, failure to meet our publicly announced guidance or other expectations about our business, our rapid growth and 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 Quarterly Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2021 and in the subsequent reports that we file with the Securities and Exchange Commission. 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 6, 2021 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 acquisition-related expenses and litigation-related expenses for the second quarter and full year 2021, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

Rapid7 Snapshot

Strong Recurring Revenue Growth

ARR growth of **30%** YoY [1]

High Quality of Revenue

Recurring revenue **91%** of total revenue [1]

Attractive Customer Economics

17% growth in ARR per customer [1]

Investing in Profitable Growth

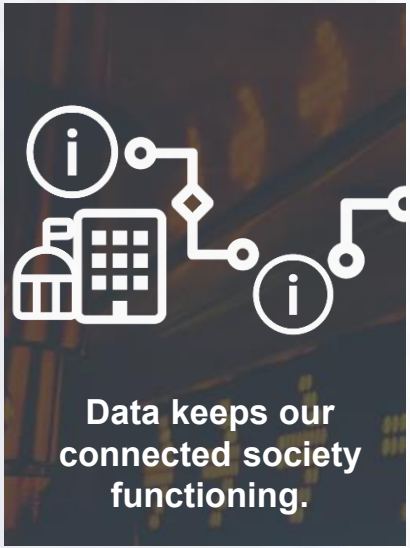
Non-GAAP Operating Margin expansion Projected in 2021 [2]

Attractive Prospects

Projected ARR growth of **22%** in 2021 [2]
Projected Revenue growth of **22%** in 2021 [2]

[1] As of Q1 2021
[2] Growth rates and projected Non-GAAP operating margin expansion are at the mid-point of FY 2021 guidance range.

Managing Risk and Enabling Innovation









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

Delivering on Our Mission

Make best-in-class security operations accessible & achievable for all.

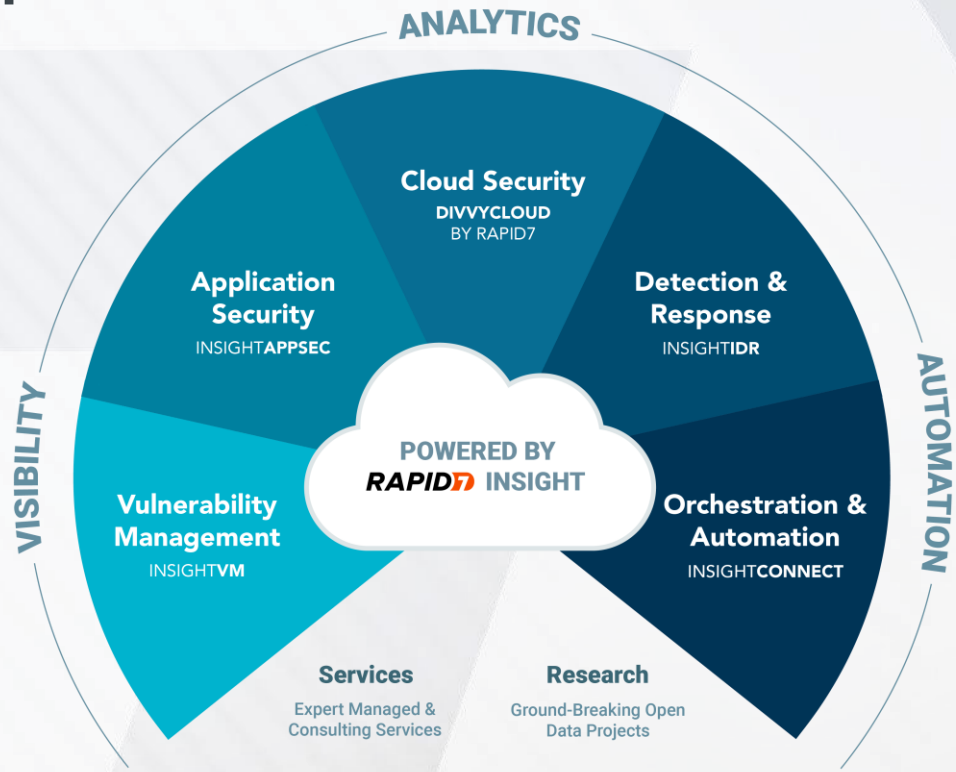
Best-in-Class Technology	Unite teams and tools with award-winning cloud products delivering visibility, analytics, and automation.
Unified Cloud Platform	Enrich customer experiences with broad environment visibility, seamless integrations and ease of scaling.
Expertise & Community	Deliver leading products and expertise built on insights from our experienced security researchers and the security community.

Rapid7 Insight Platform

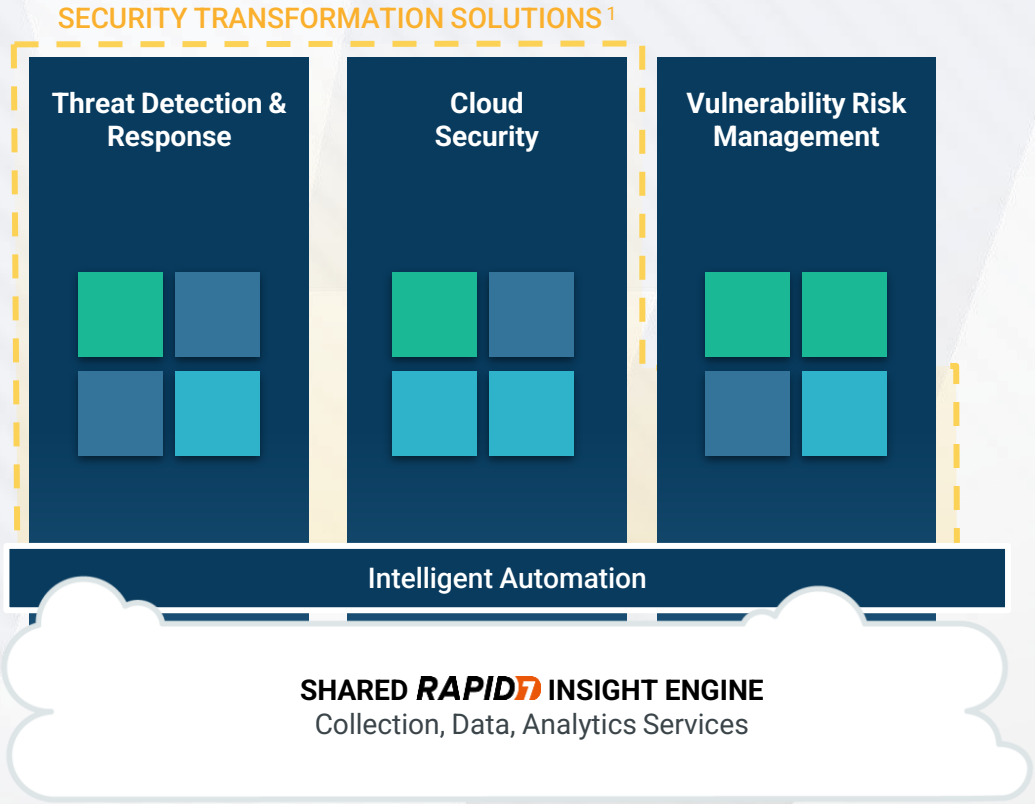
United teams work smarter, not harder.

Our cloud platform helps Security, IT, and Development teams reduce risk across their entire connected environment.

Unified access centrally manages vulnerabilities, monitors for misconfigurations and malicious behavior, investigates and shuts down attacks, or automates operations.

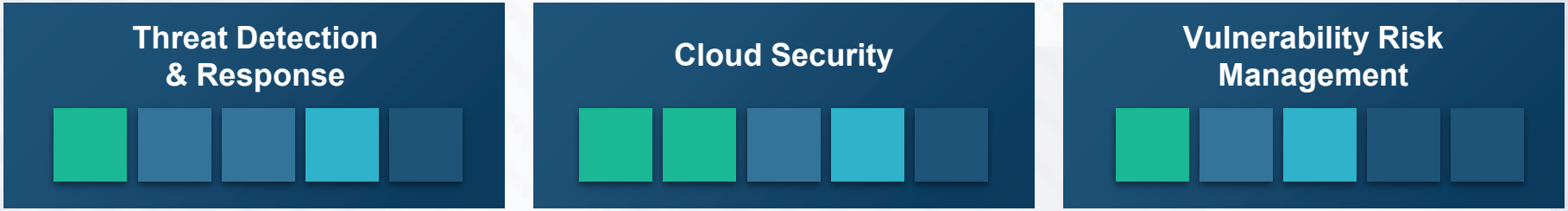


Landing and Expanding Across Multiple Pillars



[1] Security transformation solutions consist of our incident detection & response, cloud security, application security and security orchestration and automation response product offerings.

ACCESSIBILITY TO INSIGHT VIA TAILORED SECOPS PILLARS



SHARED RAPID7 INSIGHT ENGINE

AUTOMATION	Orchestration	Workflow	Action			
ANALYTICS	User Behavior	Attacker Behavior	Vulnerability Prioritization	Policy Compliance	Identity Governance	Remediation
DATA	Searchable	Unstructured & Structured	Long Term Archival	High Volume	Integrations	
COLLECTION	Endpoint	Cloud	Logs	Network	Apps	API

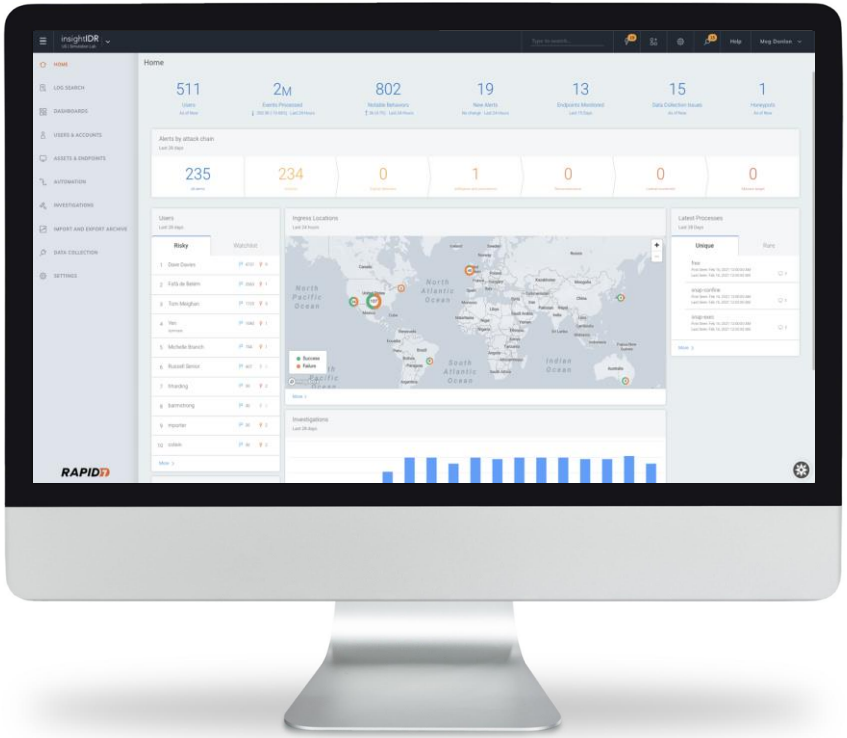
Best-in-Class Threat Detection & Response

Broad Visibility Across Cloud and On-premise.

Detection-oriented Analytics.

Automated Containment & Response.

Automation	Custom Escalation Workflows			
Analytics	UBA	ABA	ML	
Data	Integrations			
Collection	Cloud	Endpoint	Network	



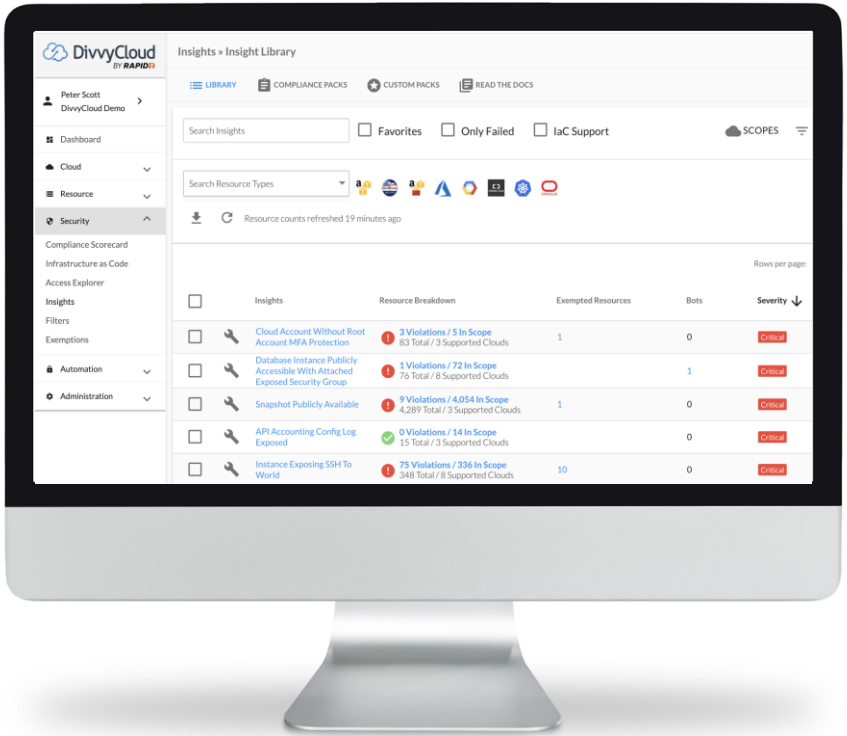
Best-in-Class Cloud Security

Multi-cloud Risk Visibility & Analytics.

Extensible & Customizable to Connect Security and DevOps Teams.

Real-time Automated Remediation.

Automation	Native & Integrated			
Analytics	CIEM	CWPP	CSPM	
Data	AWS	Azure	GCP	OCI
Collection	Cloud			



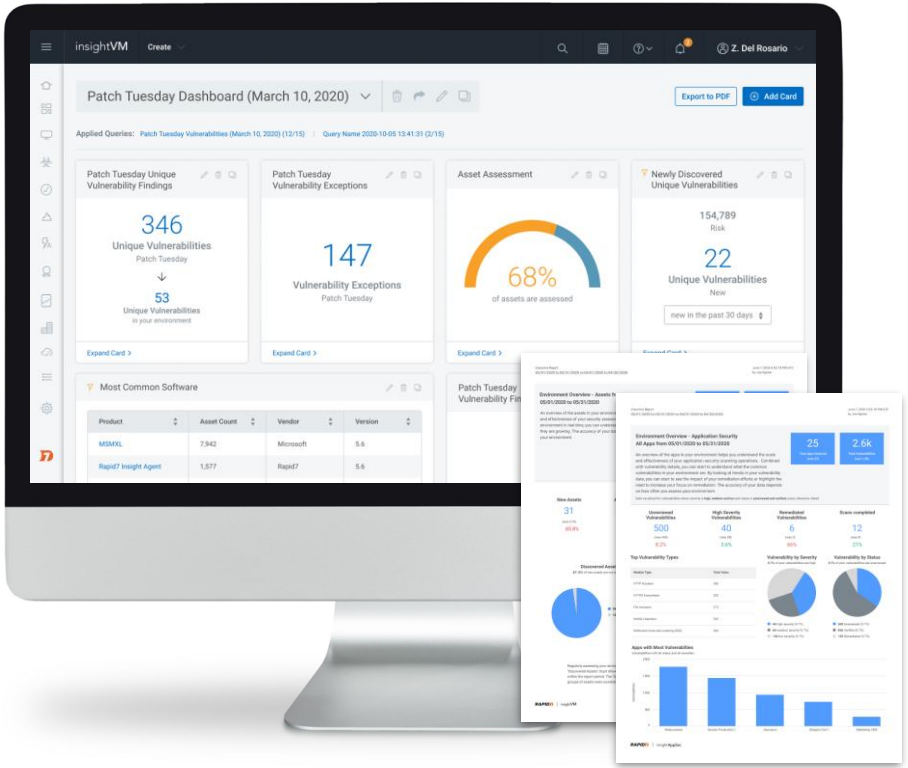
Best-in-Class Vulnerability Risk Management

Broad Visibility Across Traditional and Modern Environments

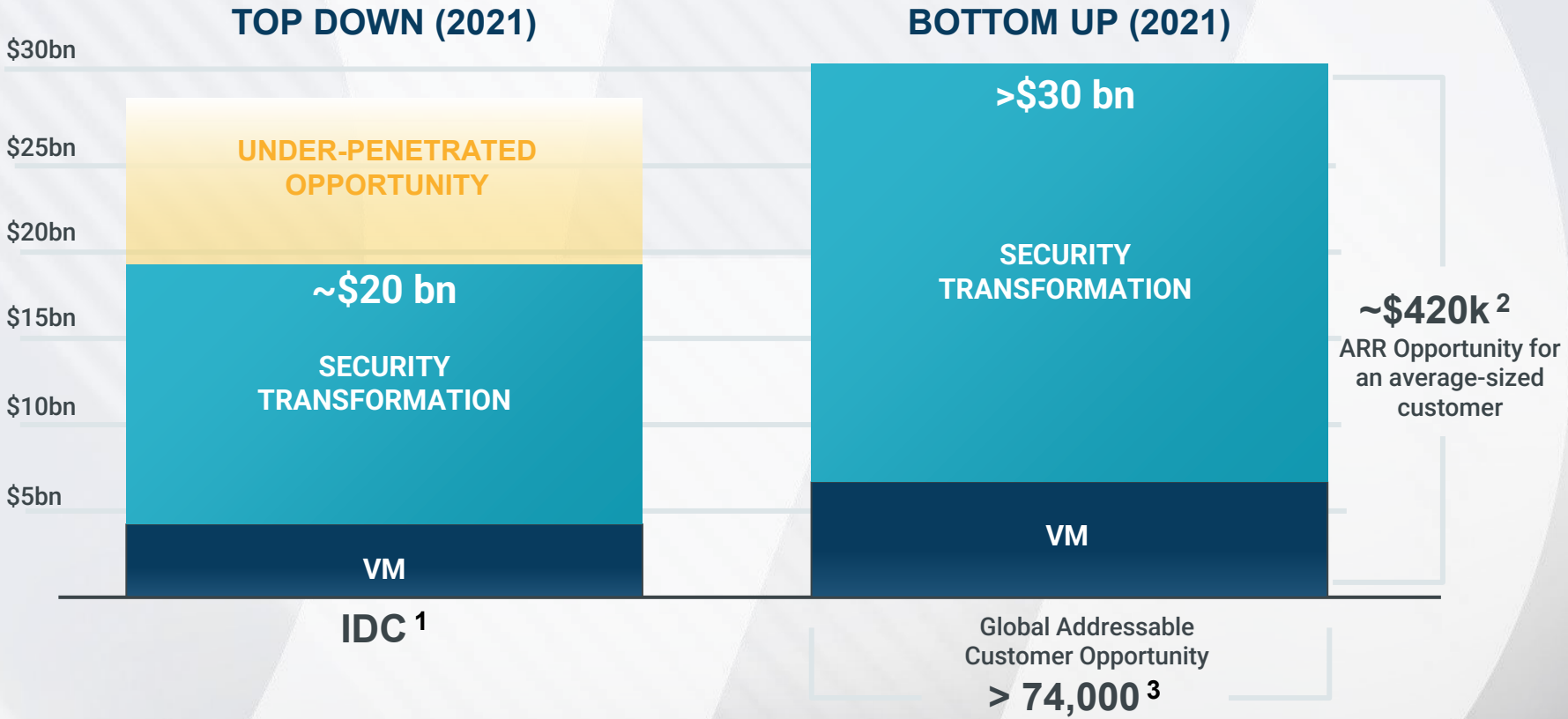
Prioritize Risk with Advanced Analytics

Automation-assisted Remediation

Automation	Custom Processes	Workflows
Analytics	Attacker Behavior	Vulnerability Prioritization
Data	Searchable	Integrations
Collection	Cloud	Endpoint	Network



Massive Market Opportunity



[1] Based on IDC Worldwide Device Vulnerability Management Forecast 2020-2024, IDC Worldwide Cybersecurity Analytics, Intelligence, Response & Orchestration Forecast 2019-2023, IDC Worldwide Security as a Service Forecast 2020-2024, IDC Worldwide Hybrid Cloud Workload Security Forecast 2020-2024, IDC Worldwide Network Intelligence & Threat Analytics Forecast 2020-2024

[2] Data is as of the fiscal quarter ended March 31, 2021 based on new methodology on customer count provided at Rapid7's 2021 Investor Day. The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results

[3] Based on Dun & Bradstreet Hoovers global business data

Extensive Partner Ecosystem

80+

Platform Integrations with Partners

DATA COLLABORATION PARTNERS

- Two-way data sharing
- ‘Single pane of glass’
- Enhanced platform value

DATA WORKFLOW PARTNERS

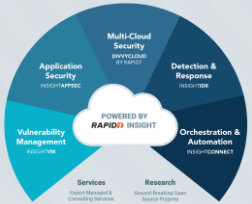
- IT security integration
- Streamlines correction
- Improves IT efficiencies

DATA INGESTION PARTNERS

- Enhances analytics
- Enables detection
- Simplifies investigations

Rapid7 Global Threat Intelligence Community

Insight Cloud



Global customer base

Intelligence Sharing

CYBER THREAT ALLIANCE

Affiliate Member,
Board & Committee Seats

Metasploit



Leading Penetration
Testing Tool

Attacker KB

ATTACKERKB

Vulnerability Database
& Community

Project Heisenberg



Global Honeypot Network

Project Sonar



Global Internet Scanning

Velociraptor

Velociraptor

Endpoint Monitoring and Digital
Forensics Tool & Community

Rapid7 Research



Threat Research

Rapid7 Leadership Among Analysts



Positioned as **Leader** amongst **Vulnerability Risk Management (VRM)** vendors in 2019 and 2018 Forrester Wave



Positioned as **Leader** in 2020 Magic Quadrant for **Security Information & Event Management (SIEM)**



Recognized as **Gartner Peer Insights Customers' Choice** for **Vulnerability Management** and **SIEM** in 2020.



Positioned as **highest rated Dynamic Application Security Testing (DAST)** vendor in 2020 Critical Capabilities for Application Security Testing.



Positioned as **Leader** amongst **Midsize Managed Security Services** vendors in 2020 Forrester Wave.

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 2018, 2019, 2020.

Environment & Climate Change

Focus on reducing environmental impact by minimizing greenhouse gas emissions, reducing & responsibly disposing of waste, and creating more sustainable workplaces.

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 employeee volunteerism.

Non-Profit Support

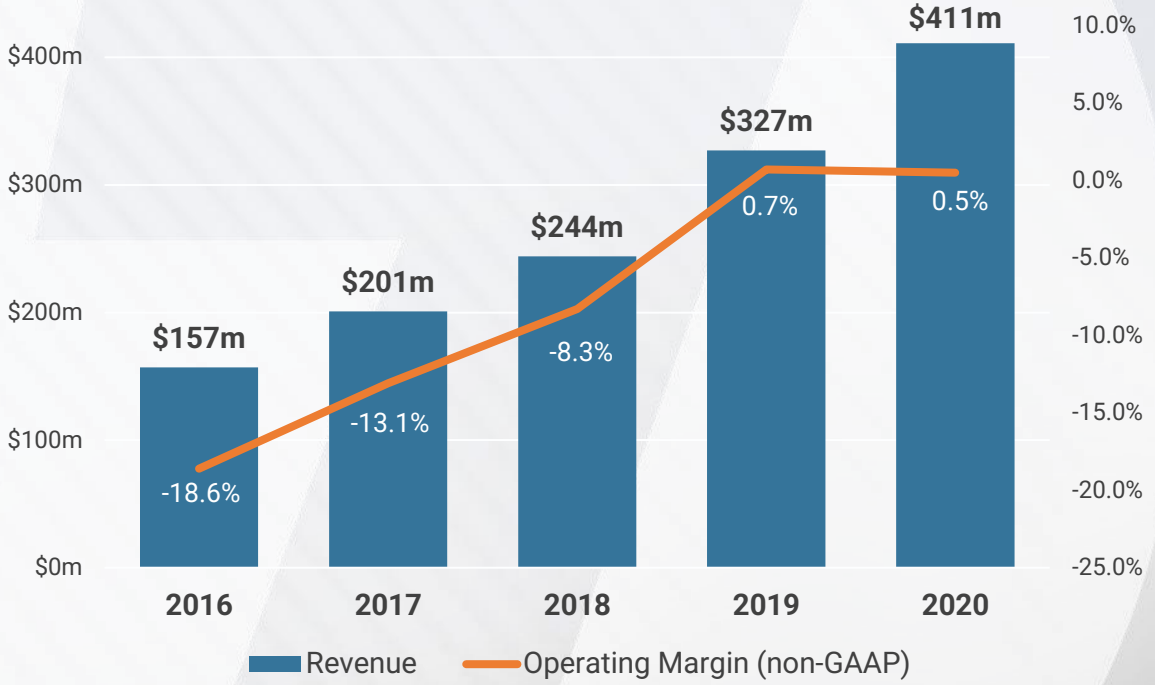
Offering solution discounts to eligible Non-profits so they can focus more of their resources on pursuing the good they do in the world.



Financial Overview

Sustained Revenue Growth

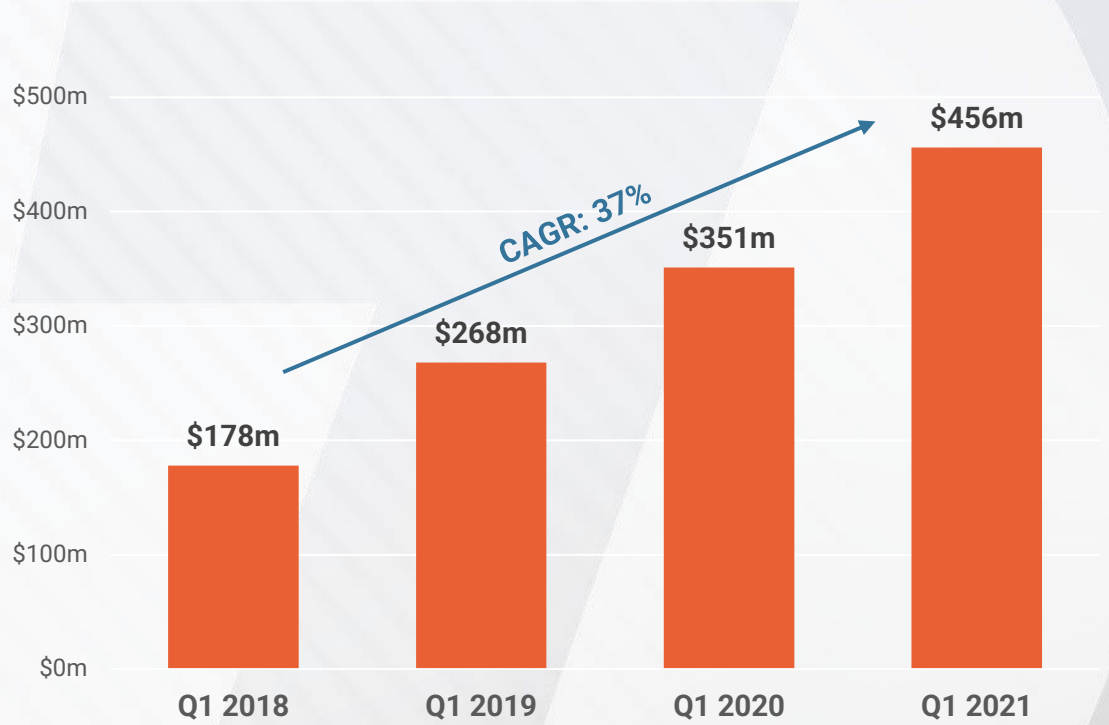
- Q1 2021 revenue growth of 24% year-over-year
- Revenue CAGR (2016-2020): 27%
- Significant Non-GAAP operating margin improvement over time



2016 - 2017 numbers are under ASC 605 and 2018 and beyond numbers are under ASC 606

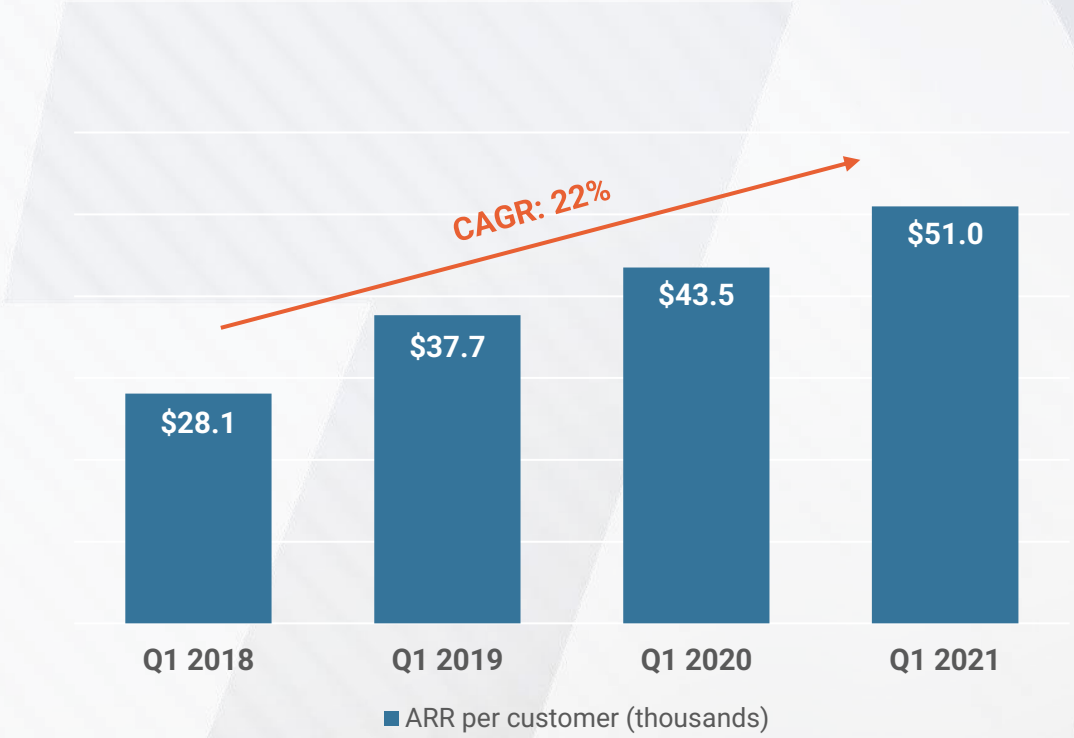
Annualized Recurring Revenue

- ARR grew by 30% year-over-year in Q1 2021
- CAGR: 37% from Q1 2018 to Q1 2021



Upsells & Cross-Sells Drive ARR Per Customer Growth

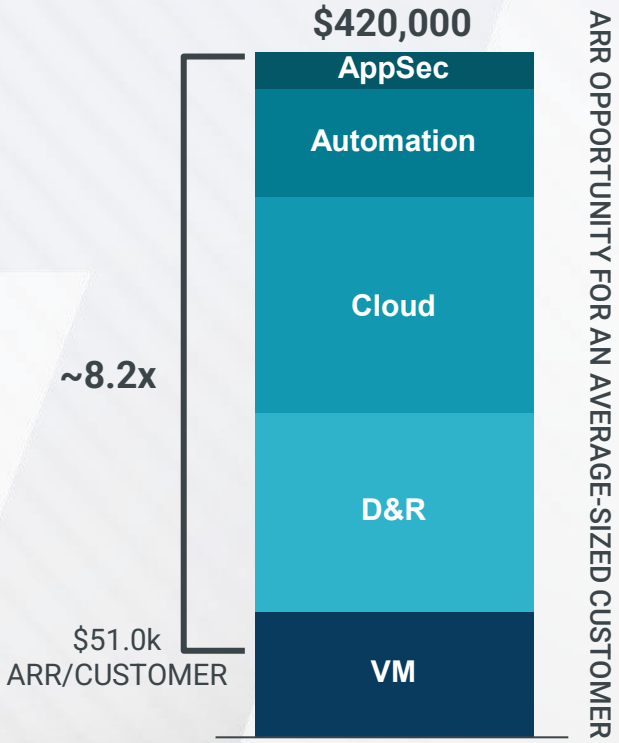
- ARR per customer was approximately $51.0k in Q1 2021
- CAGR: 22% from Q1 2018 to Q1 2021



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

Significant Long-Term ARR Per Customer Opportunity

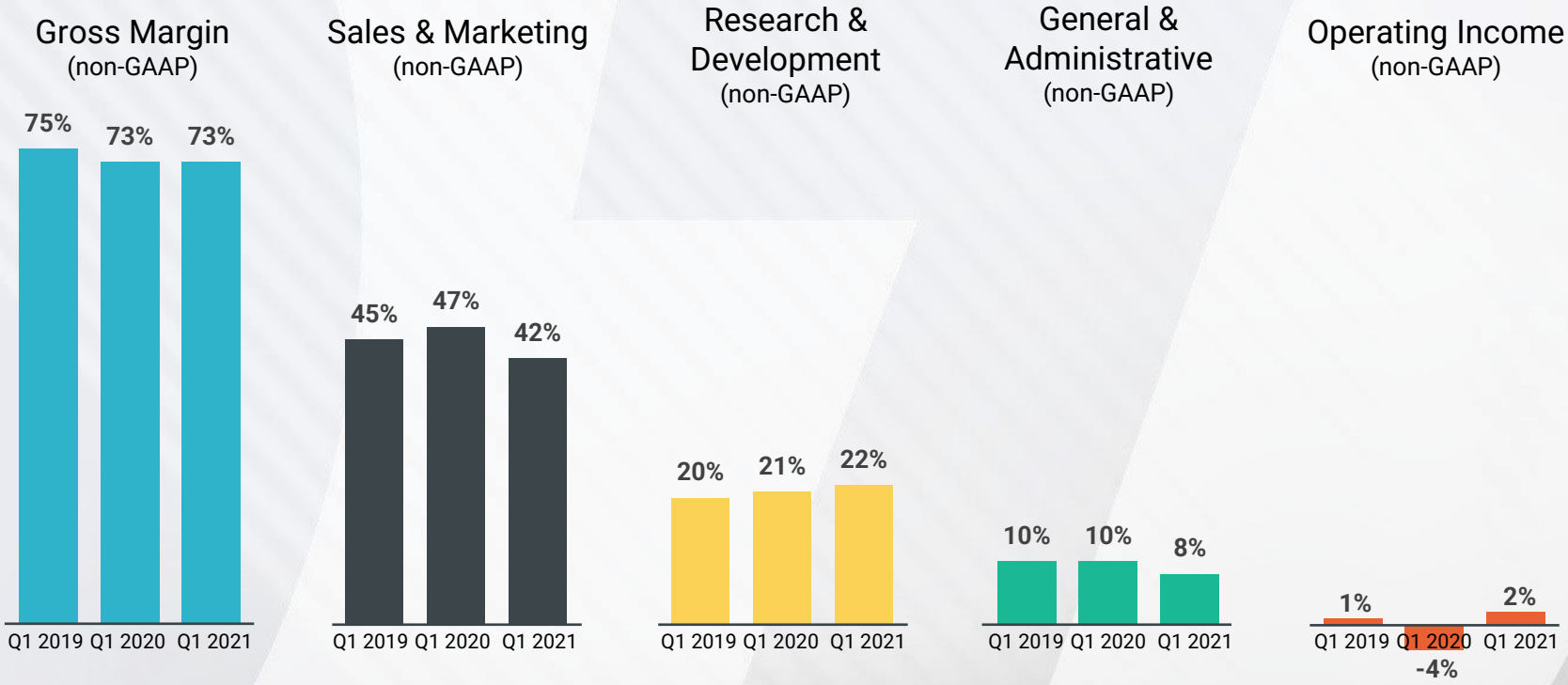
- Our recurring revenue potential for an average-sized customer is $420k per year
- ARR per customer was approximately $51.0k in Q1 2021



Calculations based on data as of the fiscal quarter ended March 31, 2021 based on new methodology on customer count provided at Rapid7's 2021 Investor Day. The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results

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

Land

+11%

YoY
Customer Growth [1]

Expand

+17%

YoY ARR
per Customer Growth [1]

=

ARR Growth

+30%

YoY
ARR Growth [1]

[1] As of Q1 2021

Guidance | Q2 2021 and Full-Year 2021

Rapid7 anticipates Annualized Recurring Revenue, Revenue, Non-GAAP income (loss) from operations, non-GAAP net (loss) income per share and free cash flow to be in the following ranges:

	Q2 2021	Full Year 2021
Annualized Recurring Revenue Growth	-	Approximately $530 m
Revenue	$121.7 to $123.3 m	$500.0 to $506.0 m
Revenue Growth	23% to 25%	22% to 23%
Non-GAAP Income (Loss) From Operations [1]	$4.3 to $5.3 m	$12.0 to $16.0 m
Non-GAAP Net Income (Loss) Per Share [1]	$0.02 to $0.03	$(0.03) to $0.04
Weighted-average shares outstanding	57.7 m*	55.2 m / 57.4 m*
Free cash flow	-	Approximately $15 m

See End Notes for additional information and definitions

* Weighted average shares outstanding for the second quarter 2021 represents diluted shares outstanding given our projected non-GAAP net income, and for full-year 2021 we provide both basic and diluted shares outstanding given our projected range of non-GAAP net loss to non-GAAP net income.

[1] A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is provided in the supplemental financial tables. The reconciliation does not reflect any items that are unknown at this time, such as acquisition-related expenses and litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

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Supplemental

GAAP to Non-GAAP Reconciliations: Q1 2021

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Acquisition-related expenses	Litigation-related expenses	Amortization of debt discount and issuance costs	Induced conversion expense	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:											
Products	$ 109,285	$ -	$ -	$ -	$ -	$ -	$ -	$ 109,285	$ -	$ -	$ 109,285
Professional services	8,166	-	-	-	-	-	-	8,166	-	-	8,166
Total revenue	117,451	-	-	-	-	-	-	117,451	-	-	117,451
Cost of revenue:											
Products	$ 29,650	$ 1,018	$ 2,741	$ -	$ -	$ -	$ -	$ 25,891	$ 374	$ 857	$ 24,660
Professional services	6,639	536	-	-	-	-	-	6,103	179	-	5,924
Total cost of revenue	36,289	1,554	2,741	-	-	-	-	31,994	553	857	30,584
Gross margin %	*69%*							*73%*			
Research and development	33,080	7,815	-	-	-	-	-	25,265	858	-	24,407
Sales and marketing	54,978	5,746	103	122	-	-	-	49,007	1,166	-	47,841
General and administrative	16,220	5,747	45	1,046	103	-	-	9,279	417	-	8,862
(Loss) income from operations	$ (23,116)	$ (20,862)	$ (2,889)	$ (1,168)	$ (103)	$ -	$ -	$ 1,906	$ (2,994)	$ (857)	$ 5,757
Interest income	96	-	-	-	-	-	-	96			
Interest expense	(5,394)	-	-	-	-	(658)	(2,740)	(1,996)			
Other income (expense), net	(1,068)	-	-	-	-	-	-	(1,068)			
Loss before income taxes	(29,482)	(20,862)	(2,889)	(1,168)	(103)	(658)	(2,740)	(1,062)			
Provision for income taxes	363	-	-	-	-	-	-	363			
Net loss	$ (29,845)	$ (20,862)	$ (2,889)	$ (1,168)	$ (103)	$ (658)	$ (2,740)	$ (1,425)			
Net loss per share, basic and diluted	$ (0.56)							$ (0.03)			
Weighted-average shares used in computing net loss per share, basic and diluted	52,904,881							52,904,881			

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

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GAAP to Non-GAAP Reconciliations: Q1 2020

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Acquisition-related expenses	Litigation-related expenses	Amortization of debt discount and issuance costs	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:										
Products	$ 87,549	$ -	$ -	$ -	$ -	$ -	$ 87,549	$ -	$ -	$ 87,549
Professional services	6,791	-	-	-	-	-	6,791	-	-	6,791
Total revenue	94,340	-	-	-	-	-	94,340	-	-	94,340
Cost of revenue:										
Products	$ 21,256	$ 573	$ 1,658	$ -	$ -	$ -	$ 19,025	$ 298	$ 478	$ 18,249
Professional services	6,458	358	-	-	-	-	6,100	189	-	5,911
Total cost of revenue	27,714	931	1,658	-	-	-	25,125	487	478	24,160
Gross margin %	*71%*						*73%*			
Research and development	24,202	4,645	-	-	-	-	19,557	659	-	18,898
Sales and marketing	48,145	3,678	32	-	-	-	44,435	1,134	-	43,301
General and administrative	14,099	4,093	-	307	543	-	9,156	395	-	8,761
Loss from operations	$ (19,820)	$ (13,347)	$ (1,690)	$ (307)	$ (543)	$ -	$ (3,933)	$ (2,675)	$ (478)	$ (780)
Interest income	1,048	-	-	-	-	-	1,048			
Interest expense	(3,462)	-	-	-	-	(2,743)	(719)			
Other income (expense), net	(447)	-	-	-	-	-	(447)			
Loss before income taxes	(22,681)	(13,347)	(1,690)	(307)	(543)	(2,743)	(4,051)			
Provision for (benefit from) income taxes	243	-	-	-	-	-	243			
Net loss	$ (22,924)	$ (13,347)	$ (1,690)	$ (307)	$ (543)	$ (2,743)	$ (4,294)			
Net loss per share, basic and diluted	$ (0.46)						$ (0.09)			
Weighted-average shares used in computing net loss per share, basic and diluted	50,127,310						50,127,310			

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

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GAAP to Non-GAAP Guidance Reconciliations: Q2 & Full-Year 2021

	Second Quarter 2021			Full-Year 2021		
Reconciliation of GAAP to non-GAAP (loss) income from operations:						
Anticipated GAAP loss from operations	$ (21.8)	to	$ (20.8)	$ (93.1)	to	$ (89.1)
Add: Anticipated stock-based compensation expense	23.1	to	23.1	92.4	to	92.4
Add: Anticipated amortization of acquired intangible assets	3.0	to	3.0	11.4	to	11.4
Add: Anticipated acquisition-related expenses	-	to	-	1.2	to	1.2
Add: Anticipated litigation-related expenses	-	to	-	0.1	to	0.1
Anticipated non-GAAP income from operations	$ 4.3	to	$ 5.3	$ 12.0	to	$ 16.0
Reconciliation of GAAP to non-GAAP net (loss) income:						
Anticipated GAAP net loss	$ (26.3)	to	$ (25.3)	$ (113.4)	to	$ (109.4)
Add: Anticipated stock-based compensation expense	23.1	to	23.1	92.4	to	92.4
Add: Anticipated amortization of acquired intangible assets	3.0	to	3.0	11.4	to	11.4
Add: Anticipated acquisition-related expenses	-	to	-	1.2	to	1.2
Add: Anticipated litigation-related expenses	-	to	-	0.1	to	0.1
Add: Anticipated amortization of debt issuance costs	1.1	to	1.1	4.1	to	4.1
Add: Anticipated induced conversion expense	-	to	-	2.7	to	2.7
Anticipated non-GAAP net income (loss)	$ 0.9	to	$ 1.9	$ (1.5)	to	$ 2.5
Anticipated GAAP net loss per share, basic and diluted	$ (0.47)		$ (0.46)	$ (2.05)		$ (1.98)
Anticipated non-GAAP net income (loss) per share, diluted	$ 0.02		$ 0.03	$ (0.03)		$ 0.04
Weighted average shares used in GAAP per share calculation, basic and diluted			55.5			55.2
Weighted average shares used in non-GAAP per share calculation:						
Basic						55.2
Diluted			57.7			57.4

The reconciliation does not reflect any items that are unknown at this time, such as acquisition-related expenses and 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.

(All amounts in millions, except per share data)

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GAAP to Non-GAAP Guidance Reconciliations: Full-Year 2021

	Full-Year 2021
Reconciliation of net cash provided by operating activities to free cash flow:	
Net cash provided by operating activities	$ 31.5
Purchases of property and equipment	(8.5)
Capitalized internal-use software costs	(8.0)
Free cash flow	$ 15.0

(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 perpetual license or 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 net cash flow provided by (used in) operations less purchases of property and equipment and capitalization of internal-use software costs.

Guidance

- Guidance for the second quarter and full-year 2021 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. 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 acquisition-related expenses and litigation-related expenses for the second quarter and full year 2021, which we are not able to predict without unreasonable effort due to their inherent uncertainty.