# Welcome to Investor Day 2021

# Safe Harbor Statement

This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including statements regarding future results of operations and financial position of Rapid7, Inc. ("Rapid7", "we", "us" or "our"), including, without limitation, historical results that may suggest trends for our results of operations and financial position, potential market opportunity, demand for our product and service offerings, the expected financial and business performance of our company, including our financial model, growth and profitability framework, future growth, growth rates and related targets, such as annualized recurring revenue (ARR) and growth, ARR growth per customer, new logo growth, revenue, gross margin, non-GAAP operating margin expansion, and free cash flow, and trends in our market, are forward-looking statements. We have based these forward-looking statements on our current assumptions, expectations and projections as of the date of this presentation and such information is subject to substantial risks, uncertainties, assumptions and changes in circumstances that may cause actual results, performance, or achievements to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, including, without limitation, 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, including Alcide.IO Ltd., 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 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. 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, litigation-related expenses and amortization of acquired intangible assets associated with the Alcide.IO Ltd. acquisition for the full year 2021, which we are not able to predict without unreasonable effort due to their inherent uncertainty. We urge investors not to rely on any single financial metric to evaluate our business.

## Securing the Digital Experience



**Corey Thomas**
Chairman &
Chief Executive Officer

## Delivering Unified SecOps in the Cloud



**Lee Weiner**
Chief Innovation Officer

## Increasing Platform Consumption



**Andrew Burton**
President &
Chief Operating Officer

## Driving Long-term Scale



**Jeff Kalowski**
Chief Financial Officer



# How do we secure the digital experience as risk accelerates?

Delivering Unified SecOps in the Cloud

Increasing Platform Consumption

Driving Long-term Scale

# Secure the Digital Experience



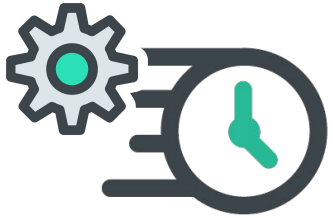
**Corey Thomas**

Chairman & Chief Executive Officer

# Shifting Dynamics



Attacker Landscape



Pace of Technology



Ability to Manage Cybersecurity Risk

# What Trends Are Accelerating the Shifting Dynamic in Technology?

## DIGITAL & REMOTE EXPERIENCE

**74%** of CFOs report that some employees will **remain remote permanently.**

- Gartner CFO Survey [1]

**85% say cybersecurity is extremely important** or more important than before the pandemic.

- Cisco, Future of Secure Remote Work Report [2]

## CLOUD ADOPTION

"By the end of 2021, **80% of enterprises** will put a mechanism in place to **shift to cloud-centric** infrastructure and applications **twice as fast** as before the pandemic."

- IDC [3]

## SHIFT TO SAAS

By 2020, all new entrants and **80% of historical vendors will offer subscription-based business models.**

- Gartner, 2018 [4]

[1] Gartner, CFO Survey, April 2020
[2] Cisco, Future of Secure Remote Work Report, 2020
[3] IDC, FutureScape: Worldwide IT Industry 2021 Predictions (Doc#US46942020), October 2020
[4] Gartner, Moving to a Software Subscription Model, May 2018: https://www.gartner.com/smarterwithgartner/moving-to-a-software-subscription-model/


INCREASING RISK FROM
RAPID INNOVATION
Security
Achievement
Gap
CAPACITY TO MANAGE RISK



# What do we mean by achievability?

# Achievability = Capability + Accessibility

# Industry Standard Capabilities



Enterprise Analytics



Visibility



Dynamic Visualization



Risk & Threat Prioritization



Attacker Context




# Most companies stop here.

# Security Acceleration Capabilities



**Silo-breaking Data Integration & Contextualization**



**Intelligent Automation**



**Policy-centric Workflow Capabilities**



**Programatized Detection with Machine Learning**



**Integrated Threat Intelligence**

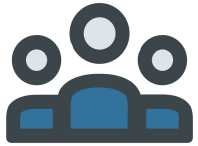
# Accessibility



**Broadly Affordable**



**Successfully Used with Limited Training**



**Can be Managed with Few Resources**

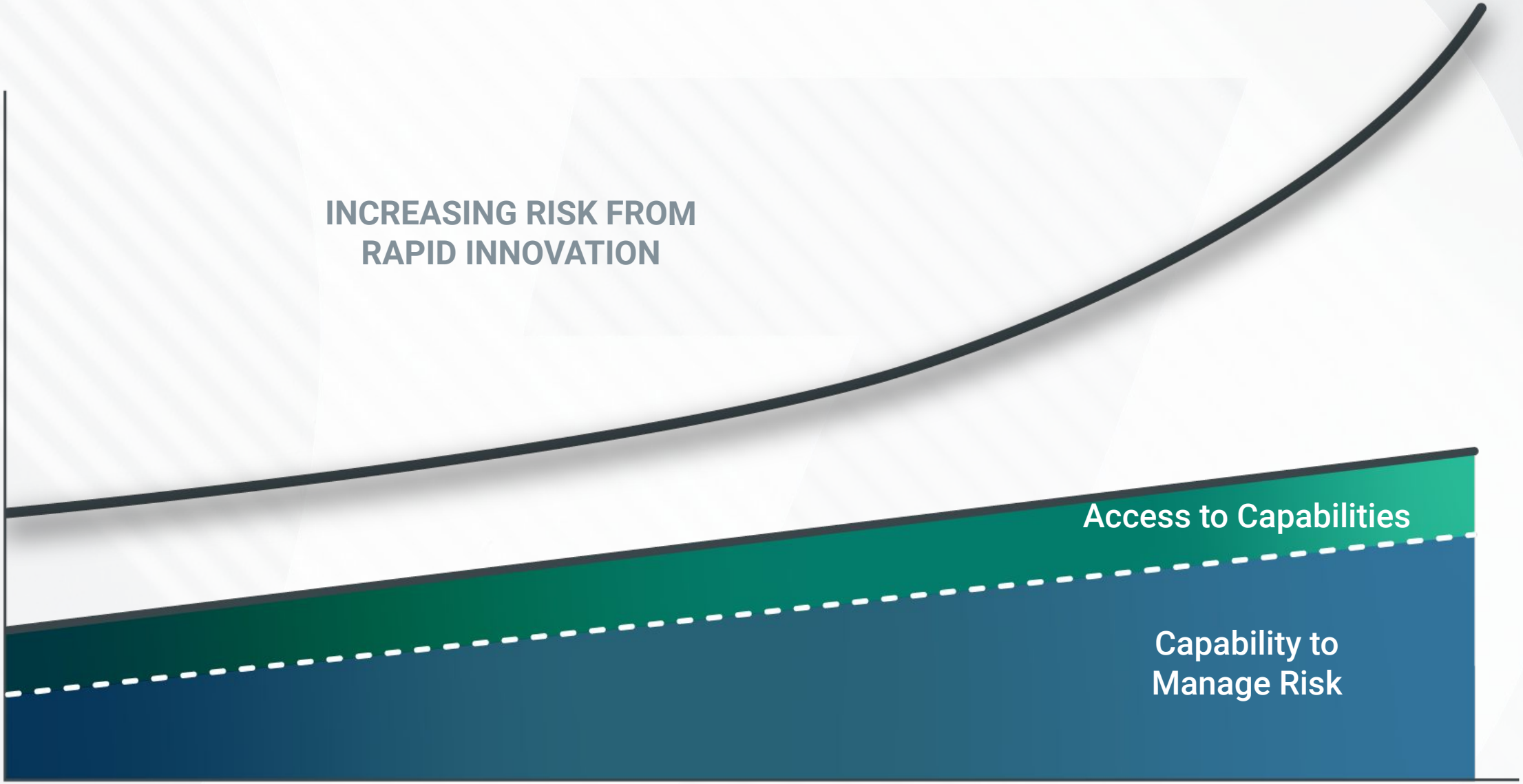


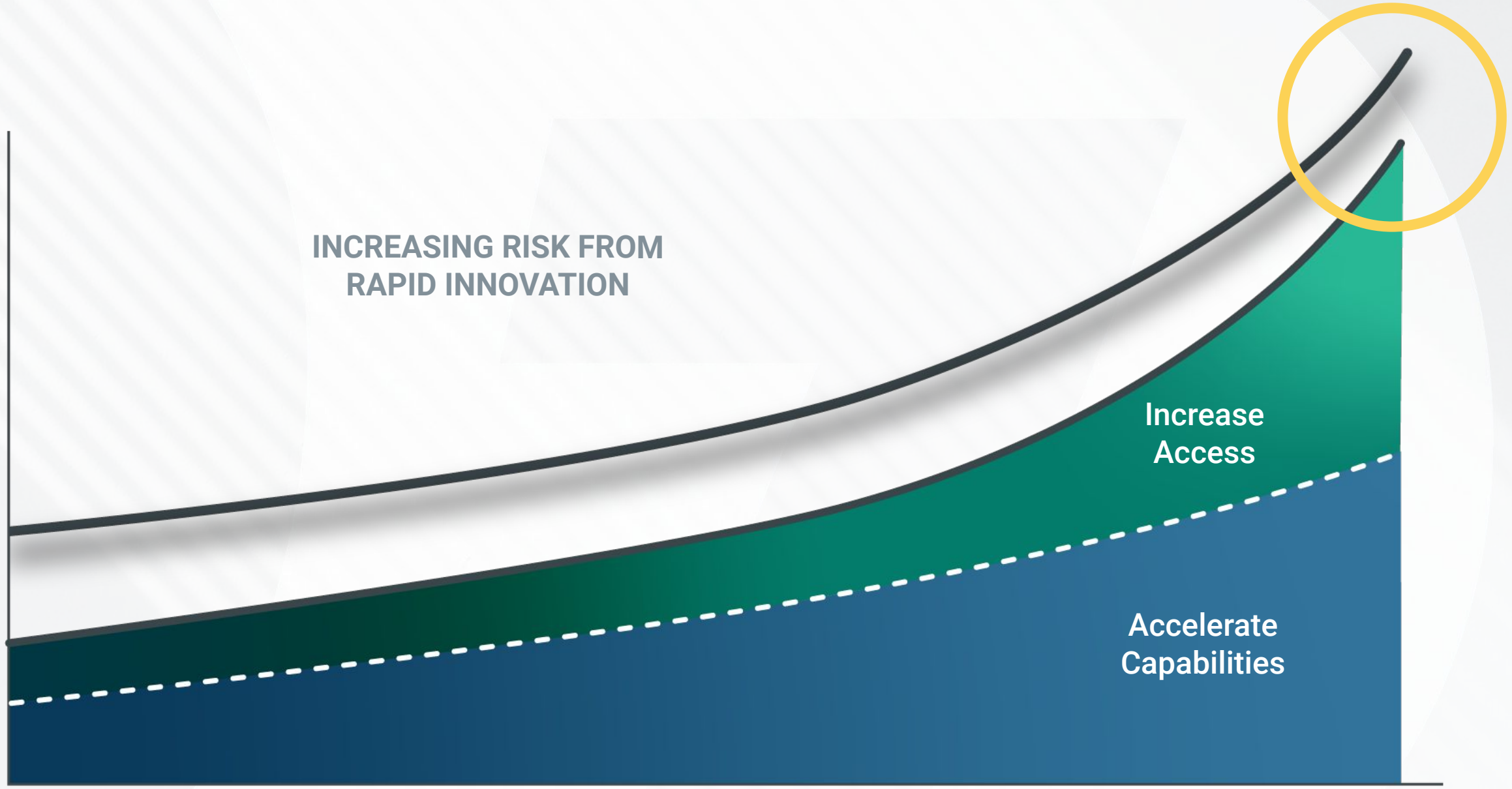
**Works Consistently**



**Get Value with Minimal Change**


If we increase capability
without accessibility—
we will not close the Security
Achievement Gap.


INCREASING RISK FROM
RAPID INNOVATION
Access to Capabilities
Capability to
Manage Risk


INCREASING RISK FROM
RAPID INNOVATION
Increase
Access
Accelerate
Capabilities

# Security Achievability =

**Industry Standard Capabilities**

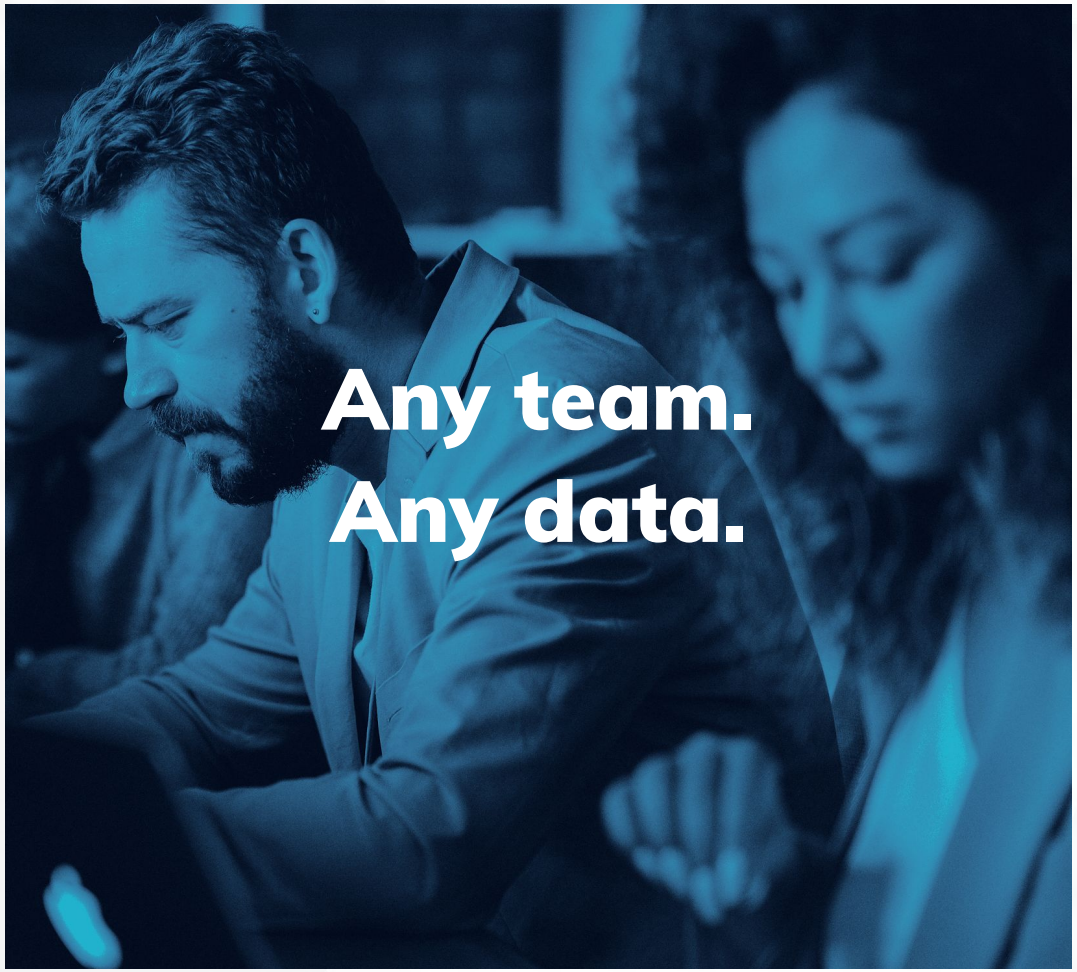
+

**Security Acceleration Capabilities**

+

**Access to Capabilities**

# Advanced security meets teams where they are.


Any team.
Any data.


Best-in-Class
Security
Operations

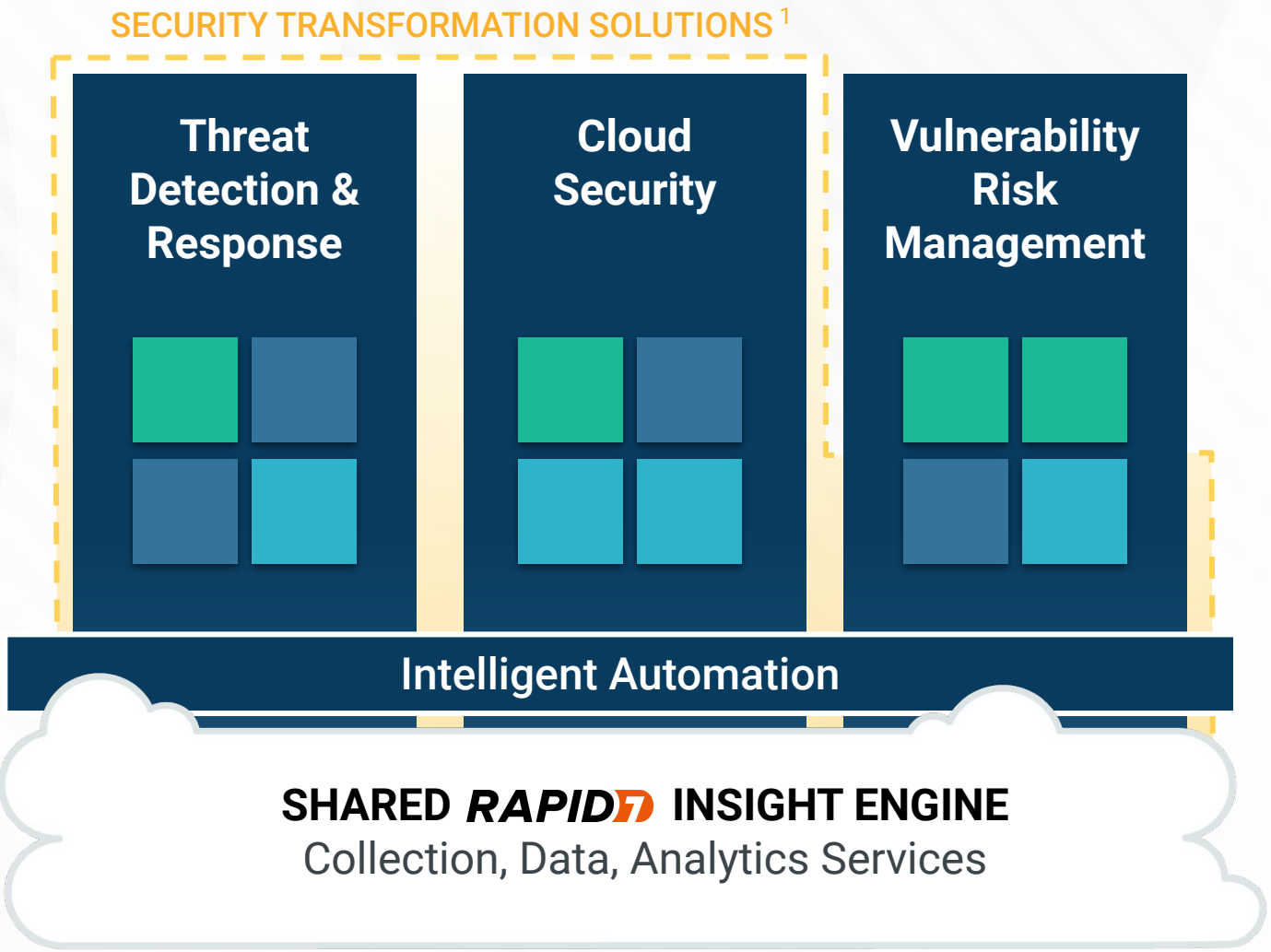
# ACCESSIBILITY TO INSIGHT VIA TAILORED SECOPS PILLARS




## SHARED RAPID7 INSIGHT ENGINE

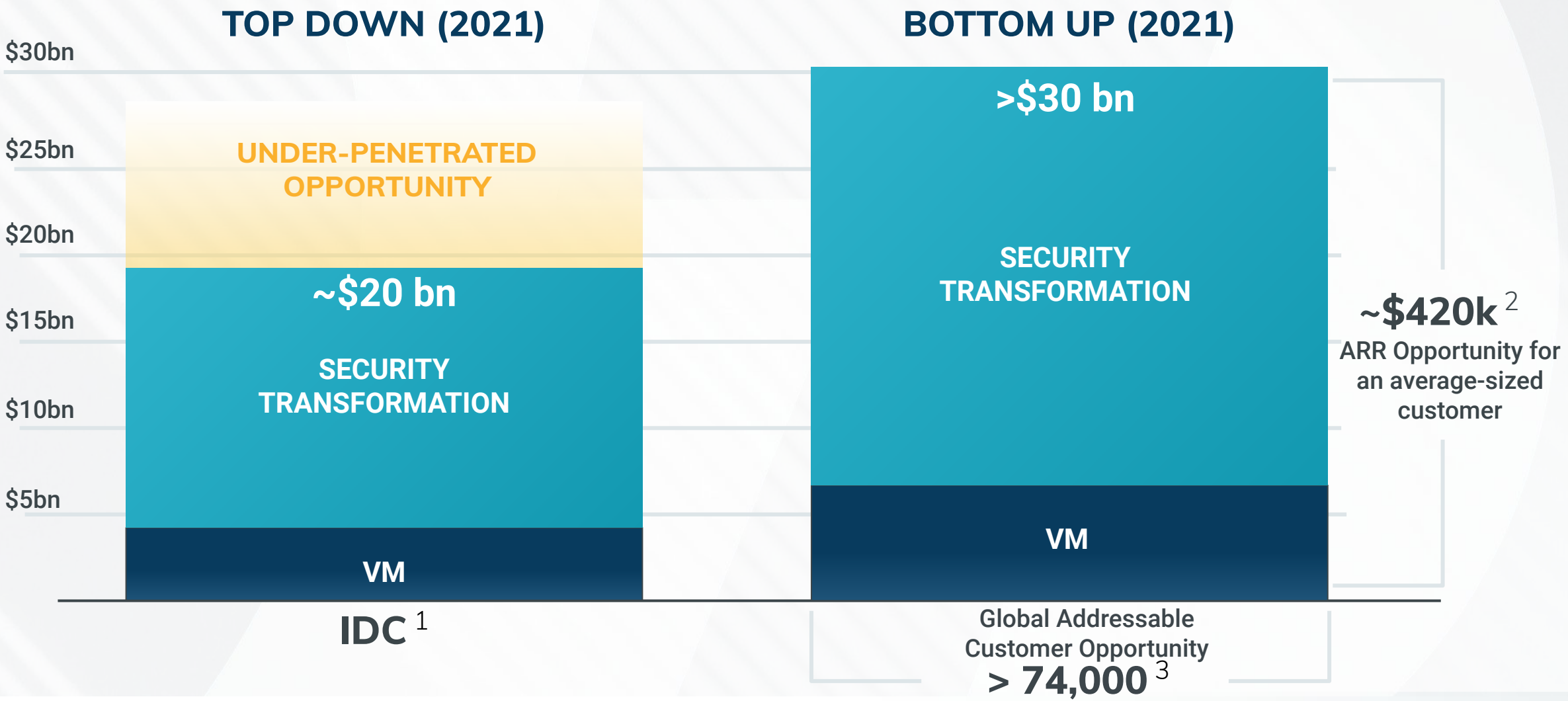
| | | | | | | |
|---|---|---|---|---|---|---|
| AUTOMATION | Orchestration | Workflow | Action | | | |
| ANALYTICS | User Behavior | Attacker Behavior | Vulnerability Prioritization | Policy Compliance | Identity Governance | Remediation |
| DATA | Searchable | Unstructured & Structured | Long Term Archival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

# The Rapid7 Insight Platform



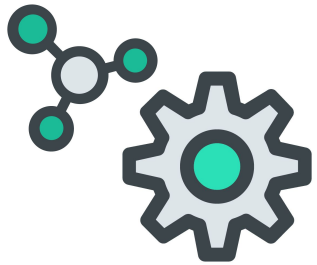

[1] Security transformation solutions consist of our incident detection & response, cloud security, application security and security orchestration and automation response product offerings.

# Massive market opportunity today




[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 December 31, 2020 based on new methodology on customer count provided in this presentation. 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.

# Secure the Digital Experience



**Best-in-class security capabilities**



**World-class accessibility**



**Delivered to more of the growing market**


Securing the Digital Experience
How are we building a unified SecOps experience?
Increasing Platform Consumption
Driving Long-term Scale

# Deliver Unified SecOps in the Cloud



**Lee Weiner**

Chief Innovation Officer

# Customers need an integrated platform

Customers trust expert-built solutions and recommendations from your experienced researchers and global consultants."

- **VP Cybersecurity, Global Credit Rating Company**

"40, 50, 200 security software vendors in my corporation. Give me three that can manage this properly"

- **Global VP, Digital Transformations, IT Services Company**

"I would love a holistic view (one screen) that quickly drives to root cause and remediation"

- **CISO, Bank**

**...without compromising best-of-breed capabilities.**

# Why do platforms fail?



**Don’t Sustain Best-in-Class Across Suite**

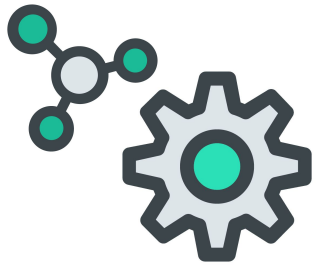


**Lack Integrated Experiences**



**Complicated and Slow to Deploy**

# How we're set up for success:



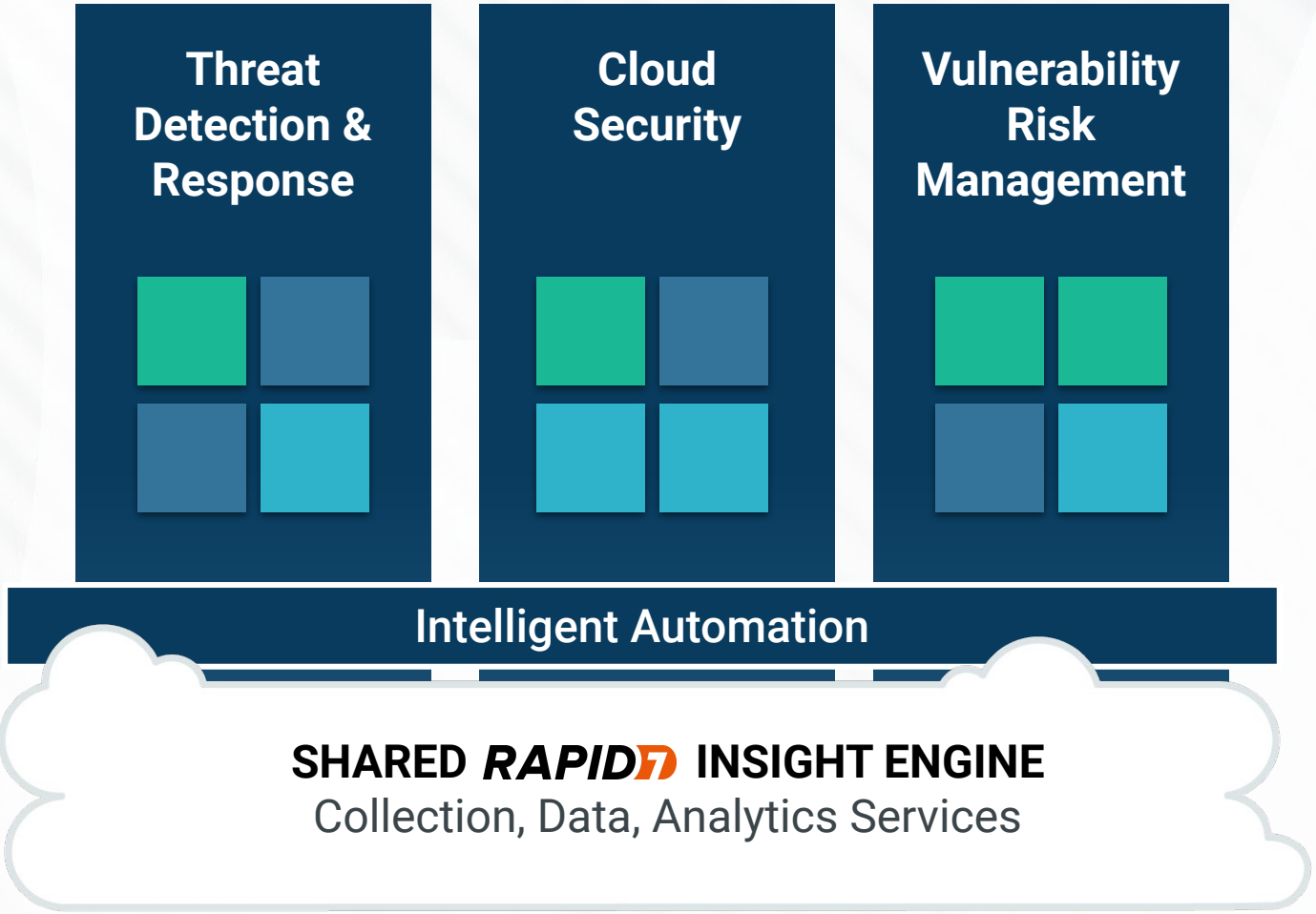
**Best in Class Products**



**Frictionless Access to Value**




**Unified Cloud Platform**


Threat Detection & Response
Cloud Security
Vulnerability Risk Management
Intelligent Automation
SHARED RAPID7 INSIGHT ENGINE
Collection, Data, Analytics Services



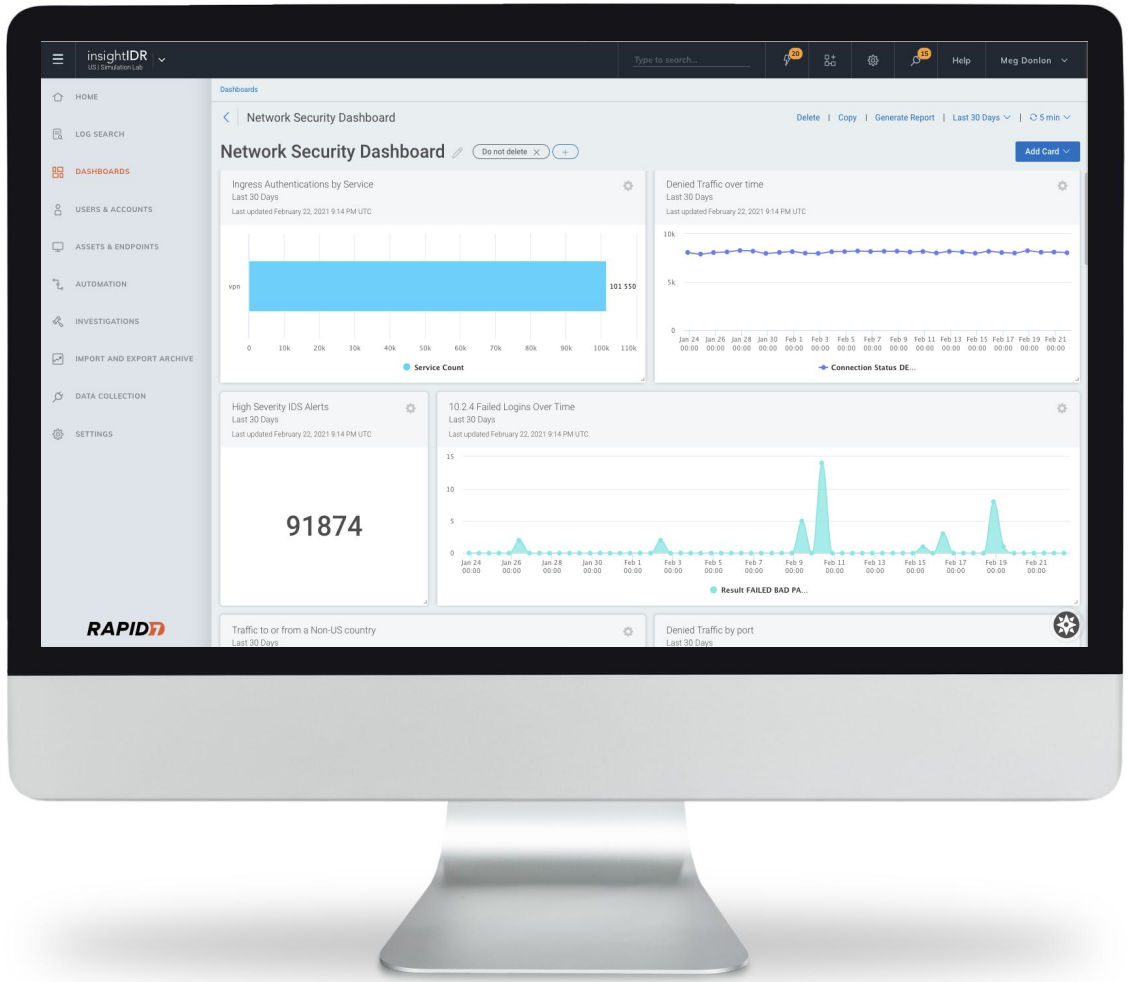

BEST IN CLASS

# Threat Detection & Response

# Broad Visibility Across Cloud and On-premise.

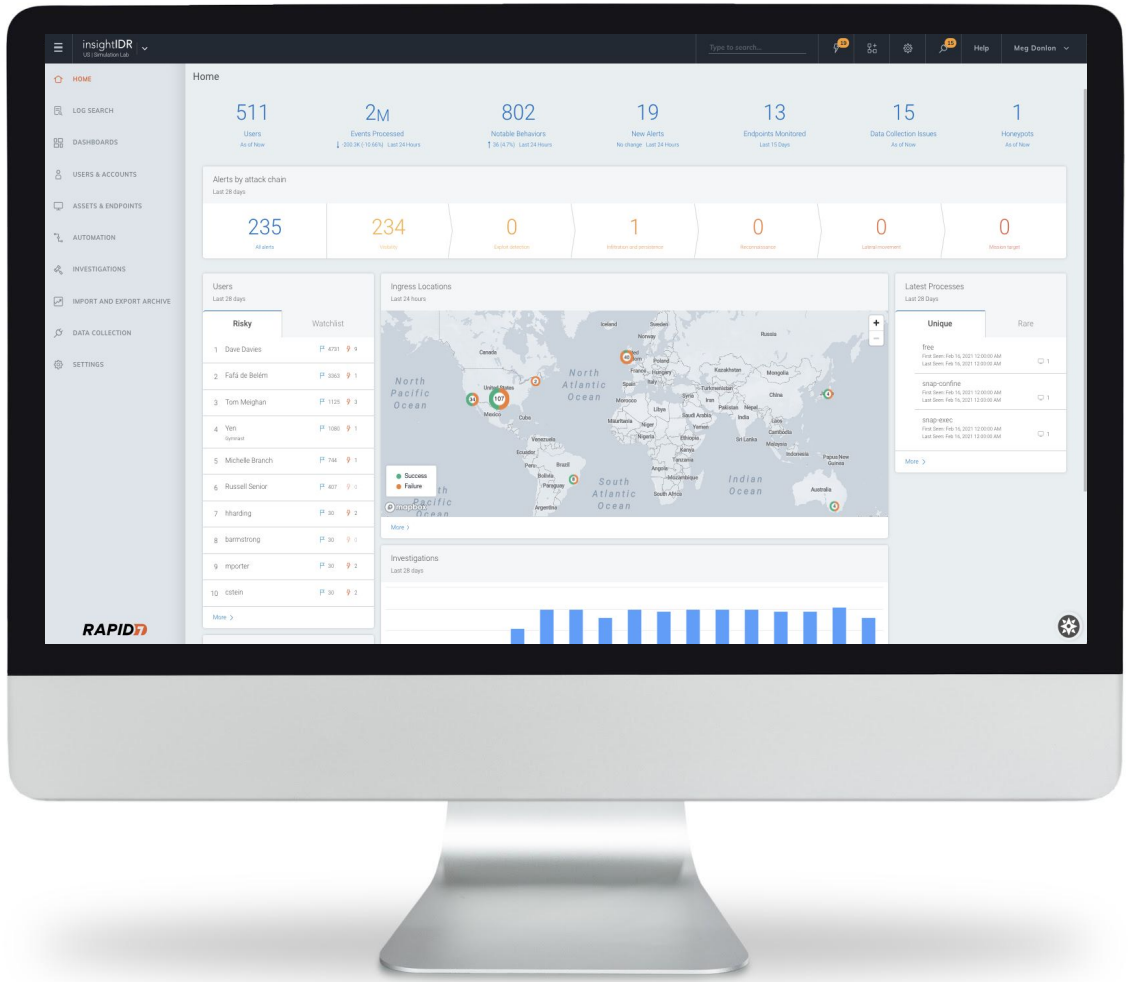
**Data** — Integrations

**Collection** — Cloud | Endpoint | Network



# Detection-oriented Analytics.

# Machine Learning Capabilities.




**Analytics** UBA ABA ML

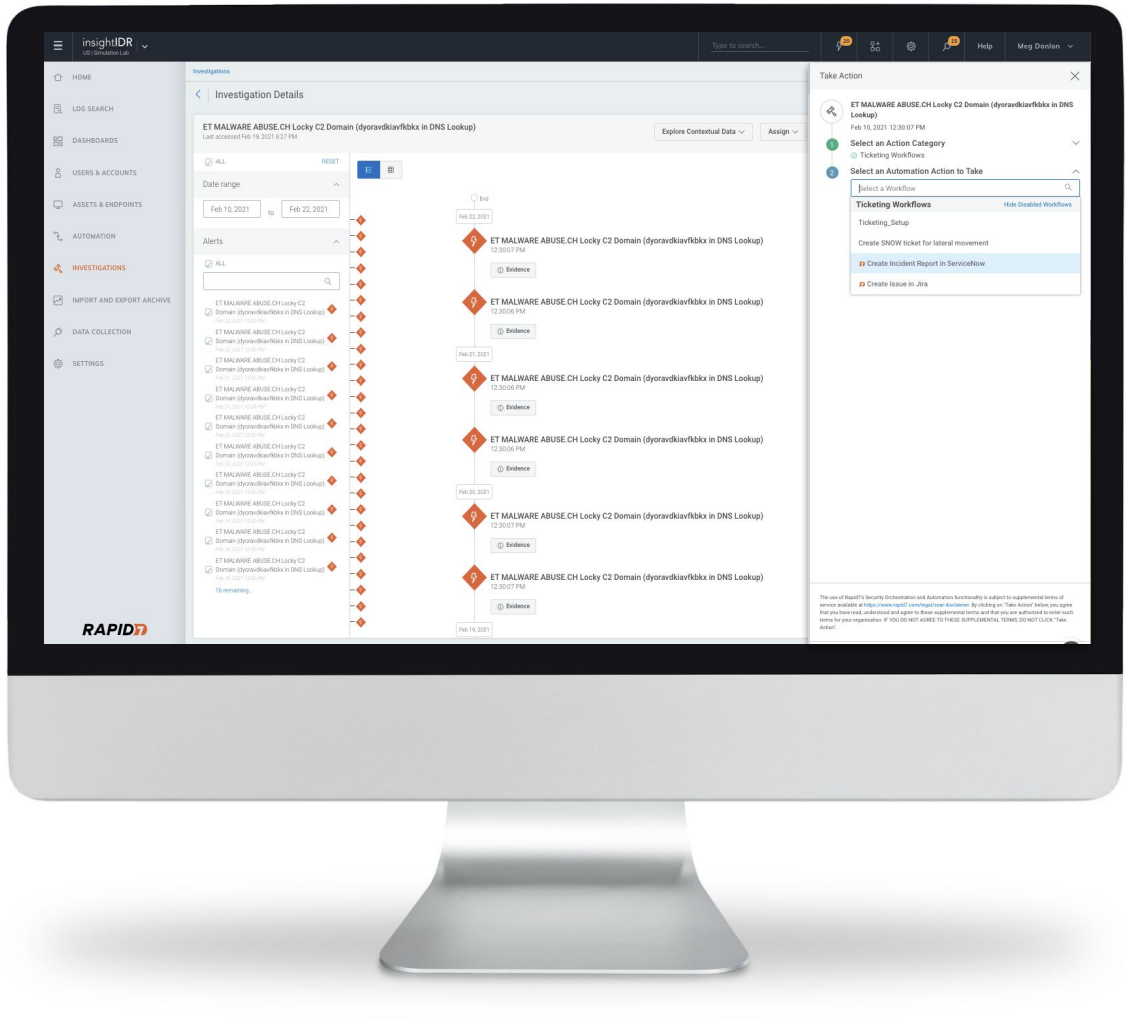
# Automated Containment & Response

**Automation**

- Custom Escalation Workflows

**Analytics**

- Validated Threats
- SOC Expertise






BEST IN CLASS

# Cloud Security

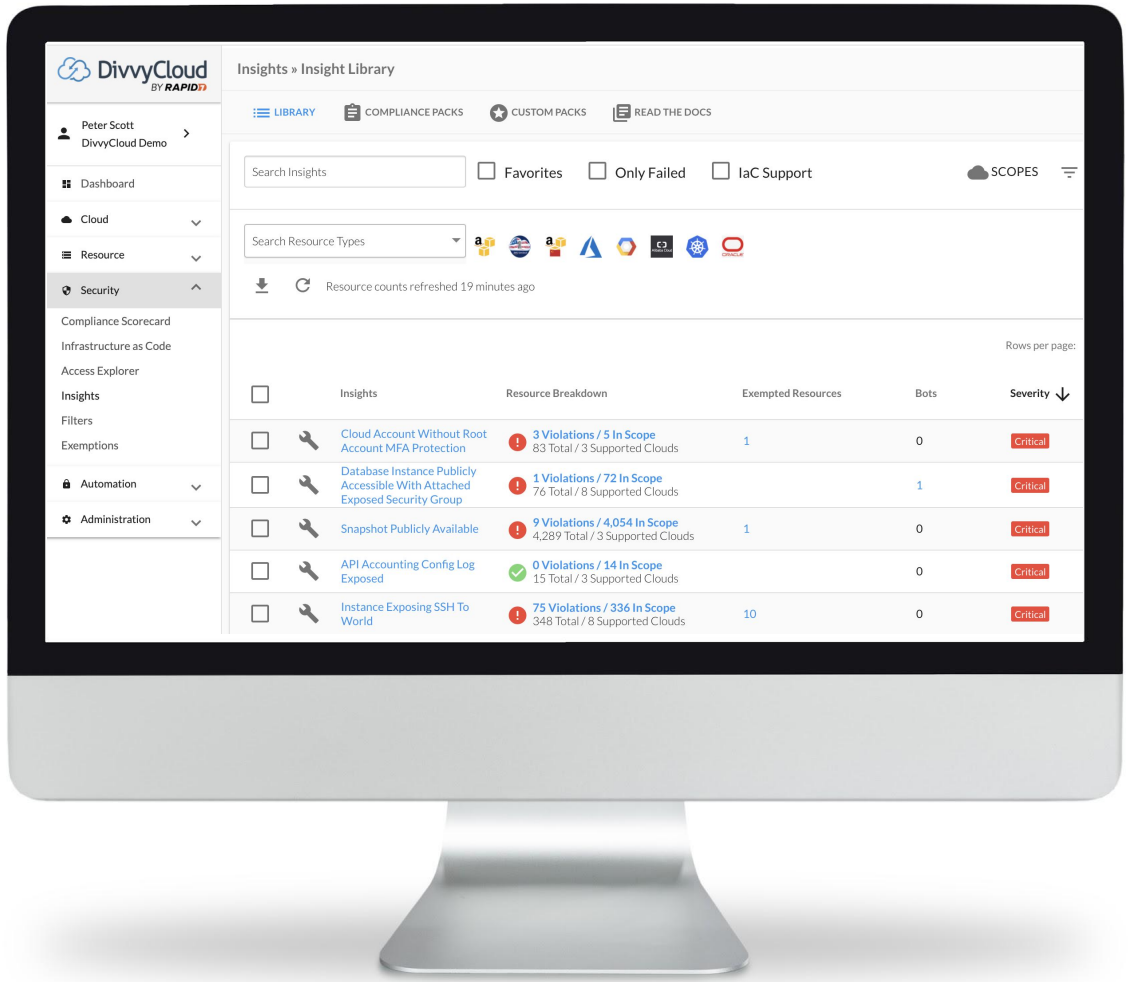
# Multi-cloud Risk Visibility & Analytics

**Analytics**

- CIEM
- CWPP
- CSPM

**Data**

- AWS
- Azure
- GCP
- OCI
- Kubernetes
- Alibaba



# Extensibile & Customizable to Connect Security and DevOps Teams.

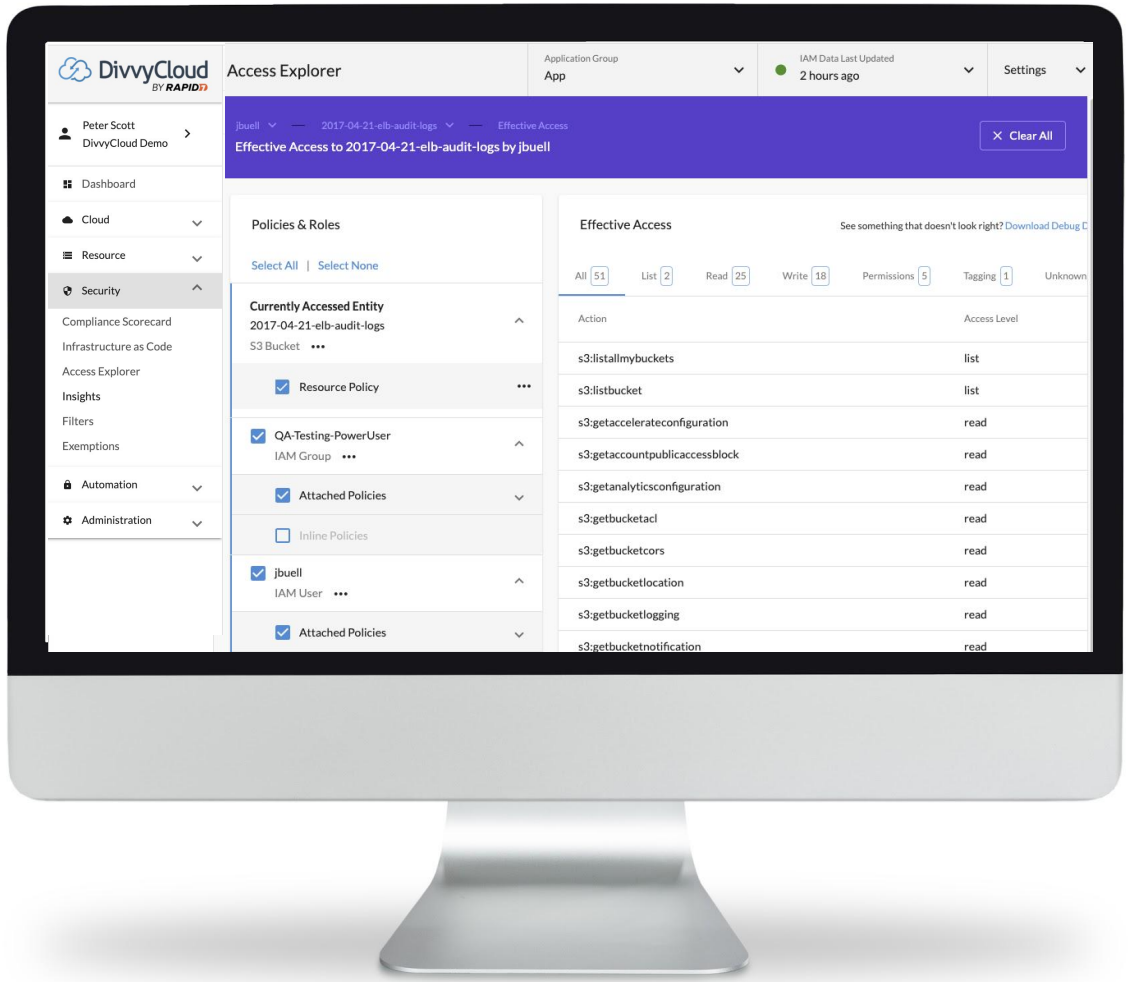
**Integrate & Extend**

Devops Processes

Shift Left

Custom Plugins

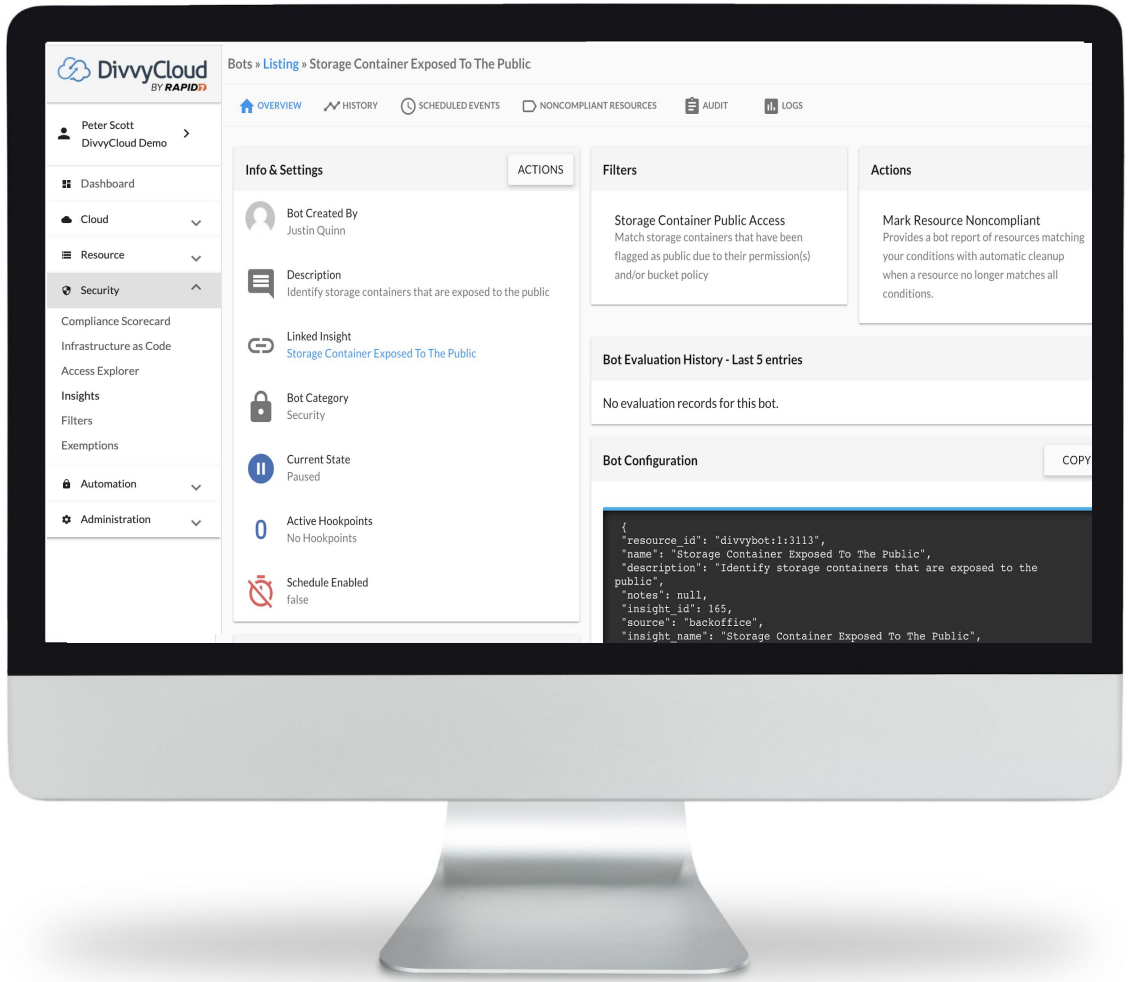
REST API

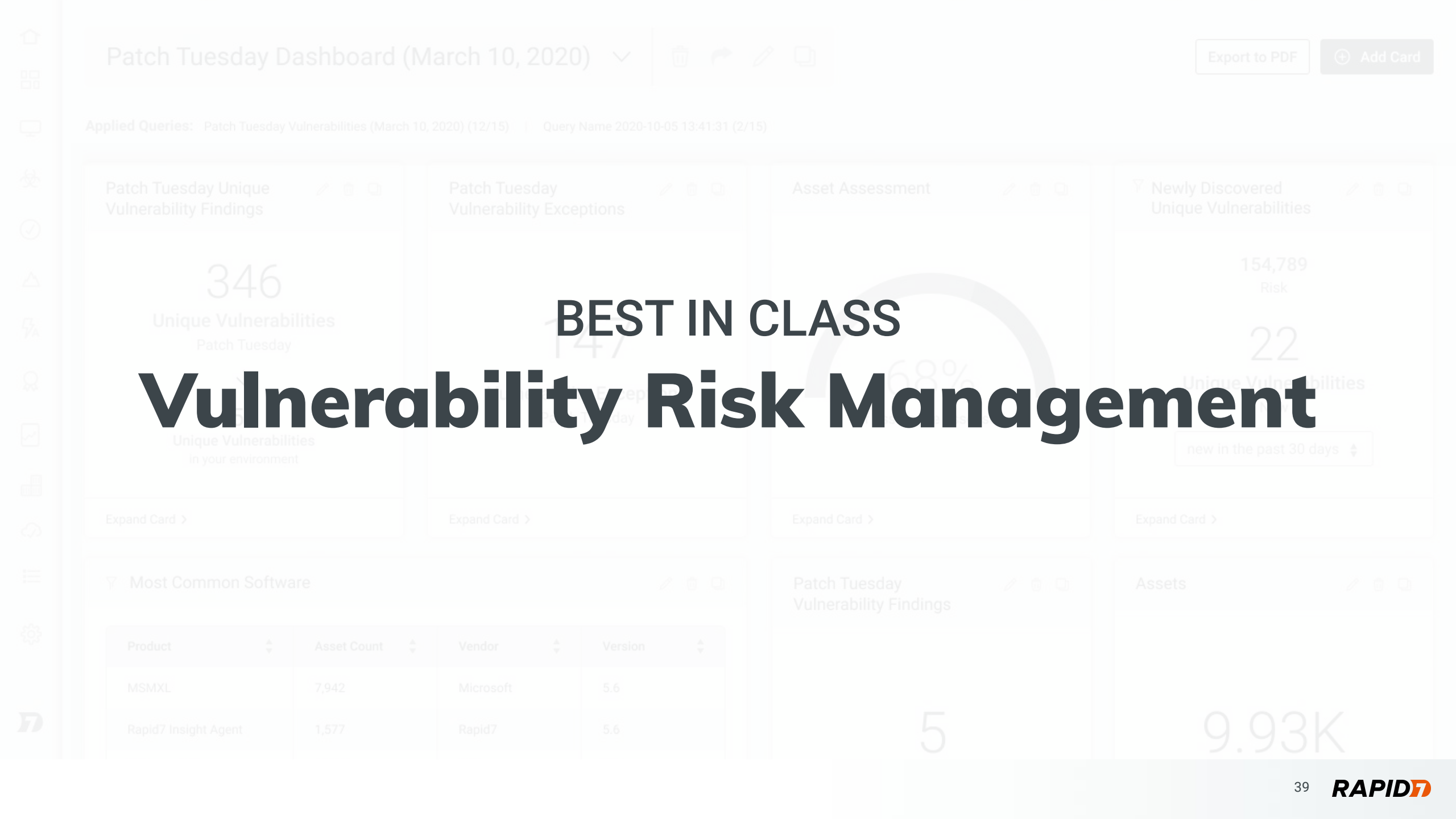


# Real-time Automated Remediation

**Automation** — Native & Integrated

**Analytics** — Policy Compliance | Remediation





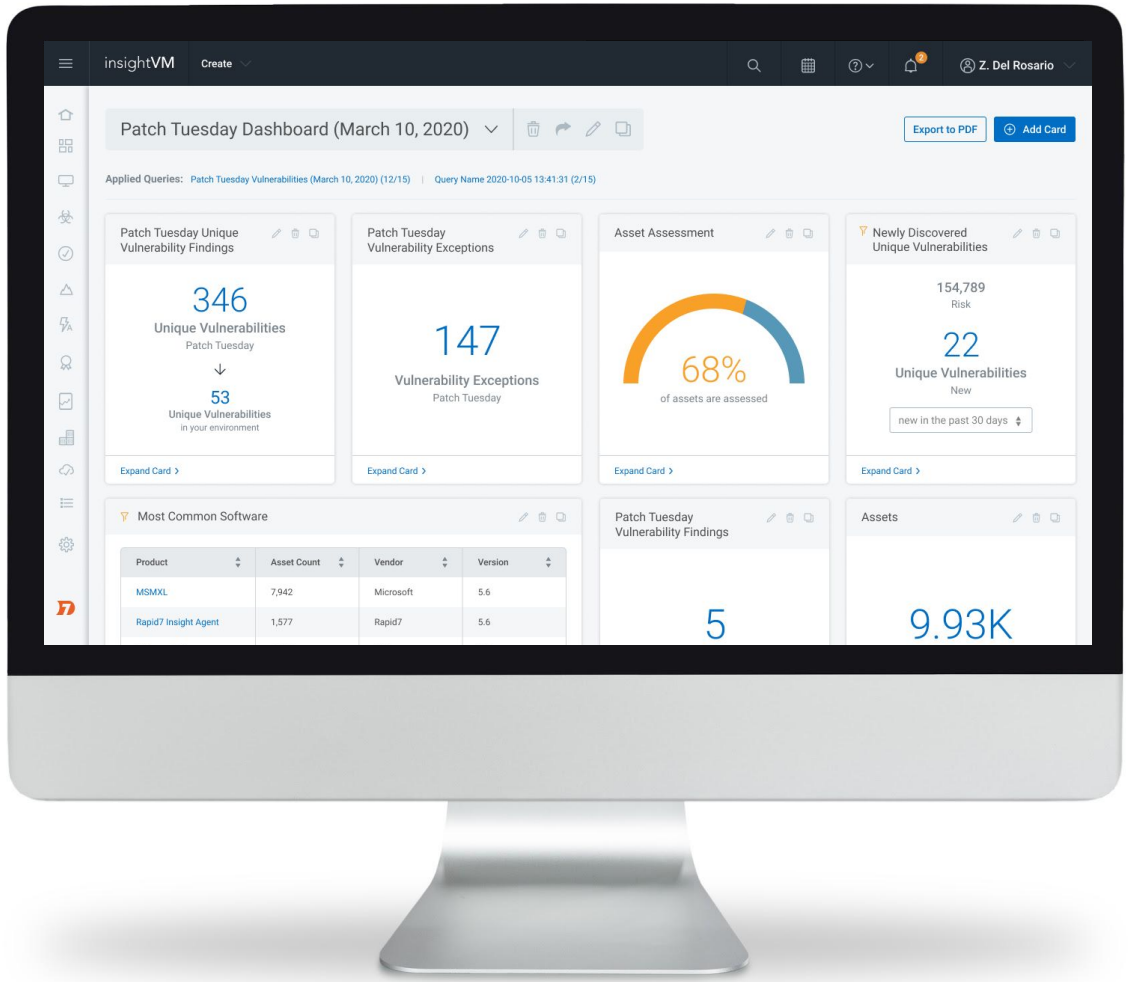

BEST IN CLASS

# Vulnerability Risk Management

# Broad Visibility Across Traditional and Modern Environments

**Data** — Searchable | Integrations

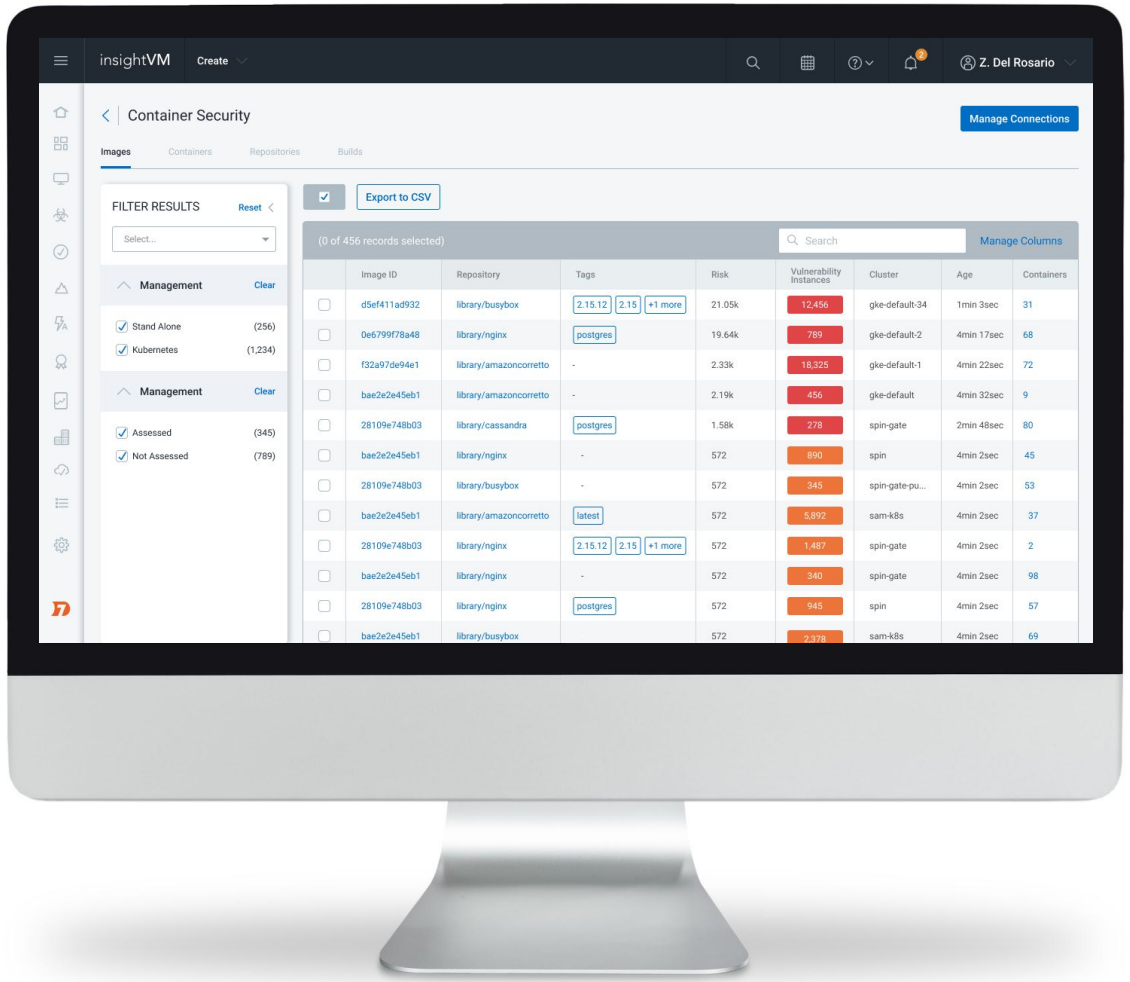
**Collection** — Cloud | Endpoint | Network



# Prioritize Risk with Advanced Analytics

**Analytics**

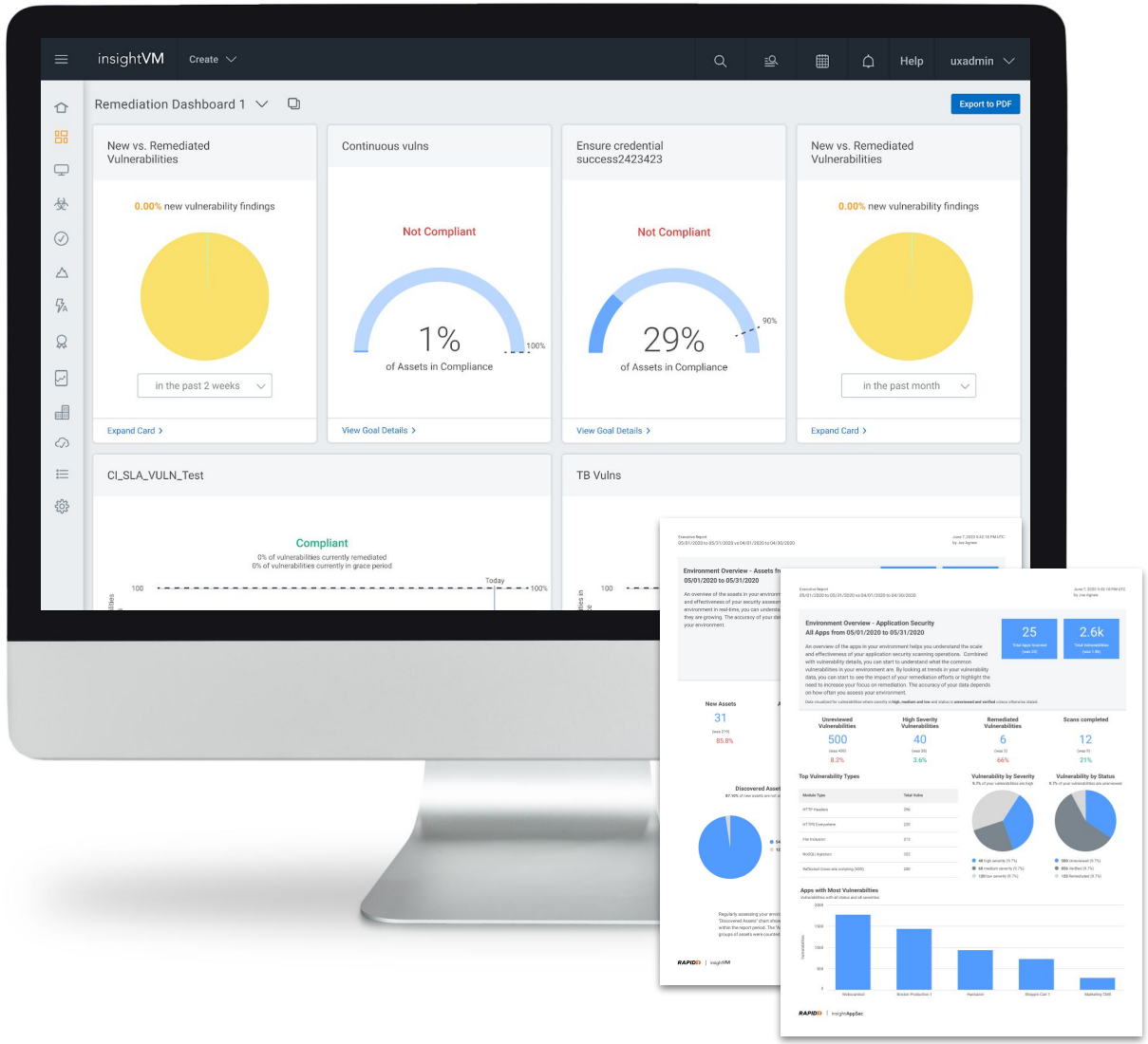
- Attacker Behavior
- Vulnerability Prioritization
- Policy Compliance
- Remediation



# Automation-assisted Remediation for Impact and Influence

**Automation** — Custom Processes — Workflows

**Analytics** — Remediation



# ACCESSIBILITY TO INSIGHT VIA TAILORED SECOPS PILLARS




## SHARED RAPID7 INSIGHT ENGINE

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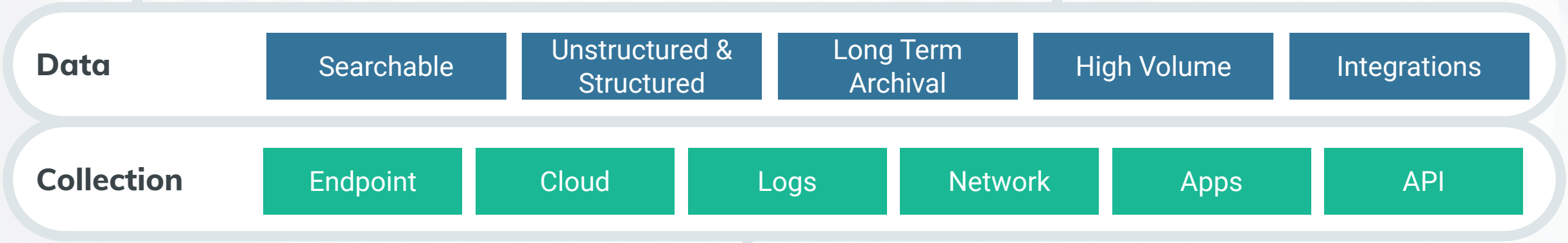
| DATA | Searchable | Unstructured & Structured | Long Term Archival | High Volume | Integrations | |
| COLLECTION | Endpoint | Cloud | Logs | Network | Apps | API |

EASIER TO DO MORE TOGETHER

# Centralized Data

Shared data breaks silos driving unparalleled contextualization

Fast time to value when extending across the Platform




Broad data collection and aggregation across multiple security layers

EASIER TO DO MORE TOGETHER

# Advanced Analytics

Shared analytics enhance incident context driving better decision outcomes

**Analytics**

- User Behavior
- Attacker Behavior
- Vulnerability Prioritization
- Policy Compliance
- Identity Governance
- Remediation

Enriched threat environment context separates the signal from the noise

Programmatic machine learning capabilities enable quicker threat response

EASIER TO DO MORE TOGETHER

# Intelligent Automation

Intelligent automation that learns customer environments

Extends security teams' capability & amplifies expertise

**Automation**

- Orchestration
- Workflow
- Action

Advanced policy workflows improve time to resolution


SEE IT IN ACTION
The Unified Platform Experience


VzW
LTE
10:10
Monday, November 6
SLACK
now
Critical Alert
A high-value system was compromised. @Rapid7 InsightConnect added you and 6 others to the war room.

# Investigation

## User

Alice Smith
ENG MGR

Last log in Feb 18, 2021 08:14 EST

Account Risk 3

## Asset

| | |
|---|---|
| Hostname | BOS-D-1094 |
| IP address | 10.18.1.124 |
| Last Heartbeat | Feb 18, 2021 08:15 EST |
| Vulnerability Risk | 5 |

## Investigation status

| | |
|---|---|
| Status | ACTIVE |
| Investigators | @jpagano @jdoe |
| Initial alert time | 08:17 EST (00:14 Elapsed) |
| War room | Open in Slack |

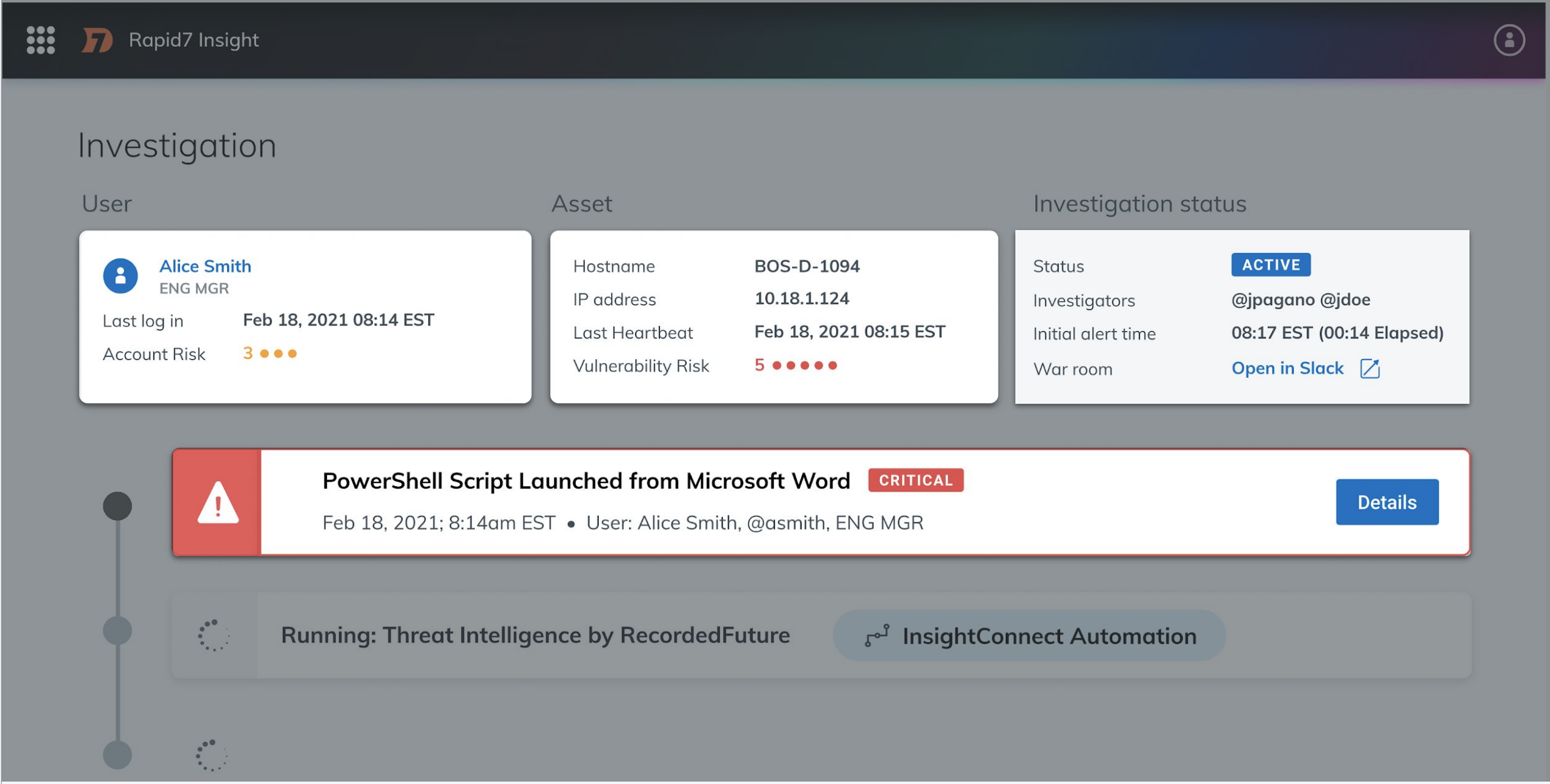
**PowerShell Script Launched from Microsoft Word** CRITICAL

Feb 18, 2021; 8:14am EST • User: Alice Smith, @asmith, ENG MGR

Details

Running: Threat Intelligence by RecordedFuture

InsightConnect Automation


Rapid7 Insight
Investigation
User
Alice Smith
ENG MGR
Last log in
Feb 18, 2021 08:14 EST
Account Risk
3
Asset
Hostname
BOS-D-1094
IP address
10.18.1.124
Last Heartbeat
Feb 18, 2021 08:15 EST
Vulnerability Risk
5
Investigation status
Status
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Investigators
@jpagano @jdoe
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War room
Open in Slack
PowerShell Script Launched from Microsoft Word
CRITICAL
Feb 18, 2021; 8:14am EST • User: Alice Smith, @asmith, ENG MGR
Details
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InsightConnect Automation

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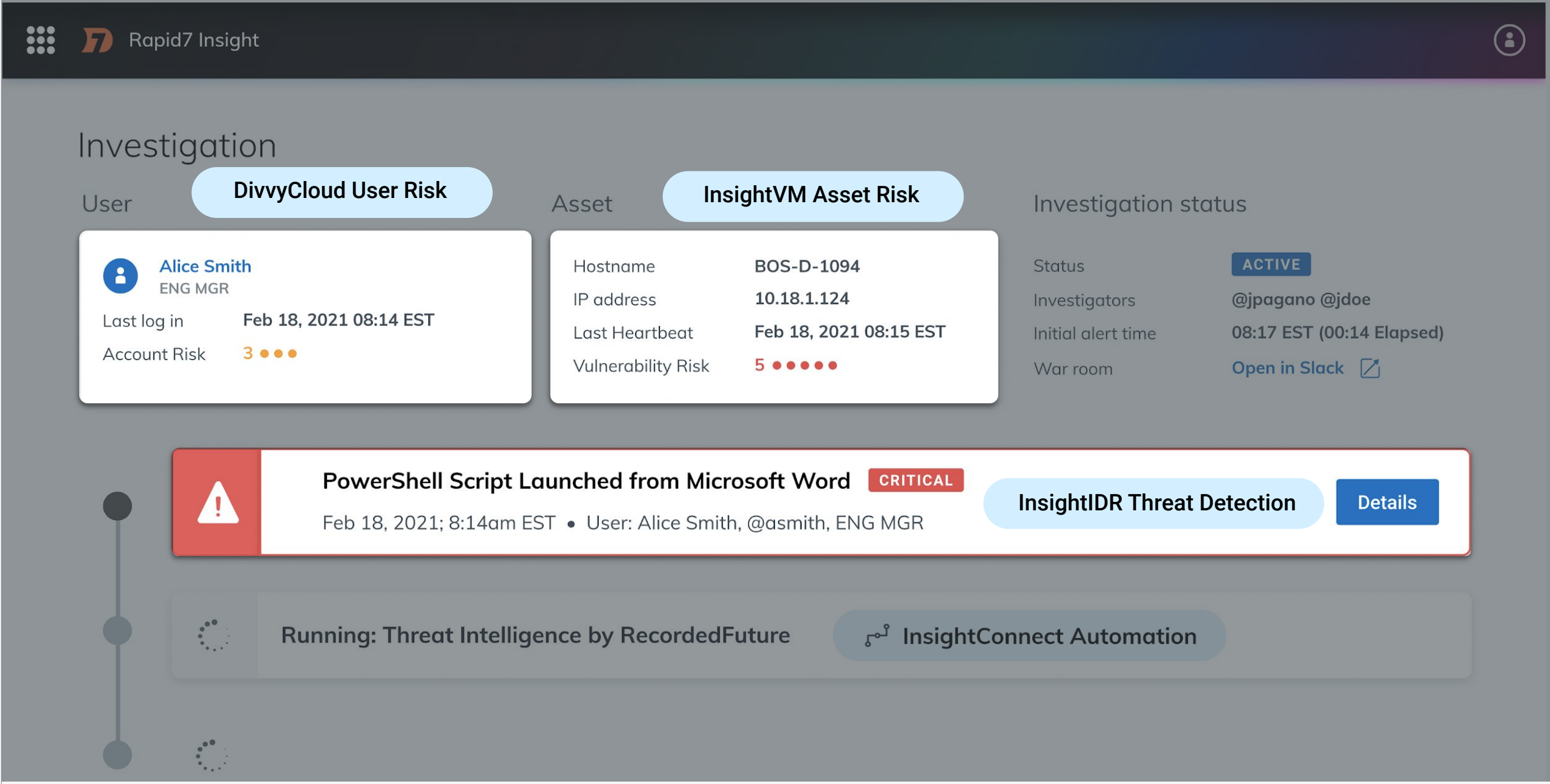
InsightConnect Automation


Rapid7 Insight
Investigation
User
DivvyCloud User Risk
Alice Smith
ENG MGR
Last log in
Feb 18, 2021 08:14 EST
Account Risk
3
Asset
InsightVM Asset Risk
Hostname
BOS-D-1094
IP address
10.18.1.124
Last Heartbeat
Feb 18, 2021 08:15 EST
Vulnerability Risk
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Investigation status
Status
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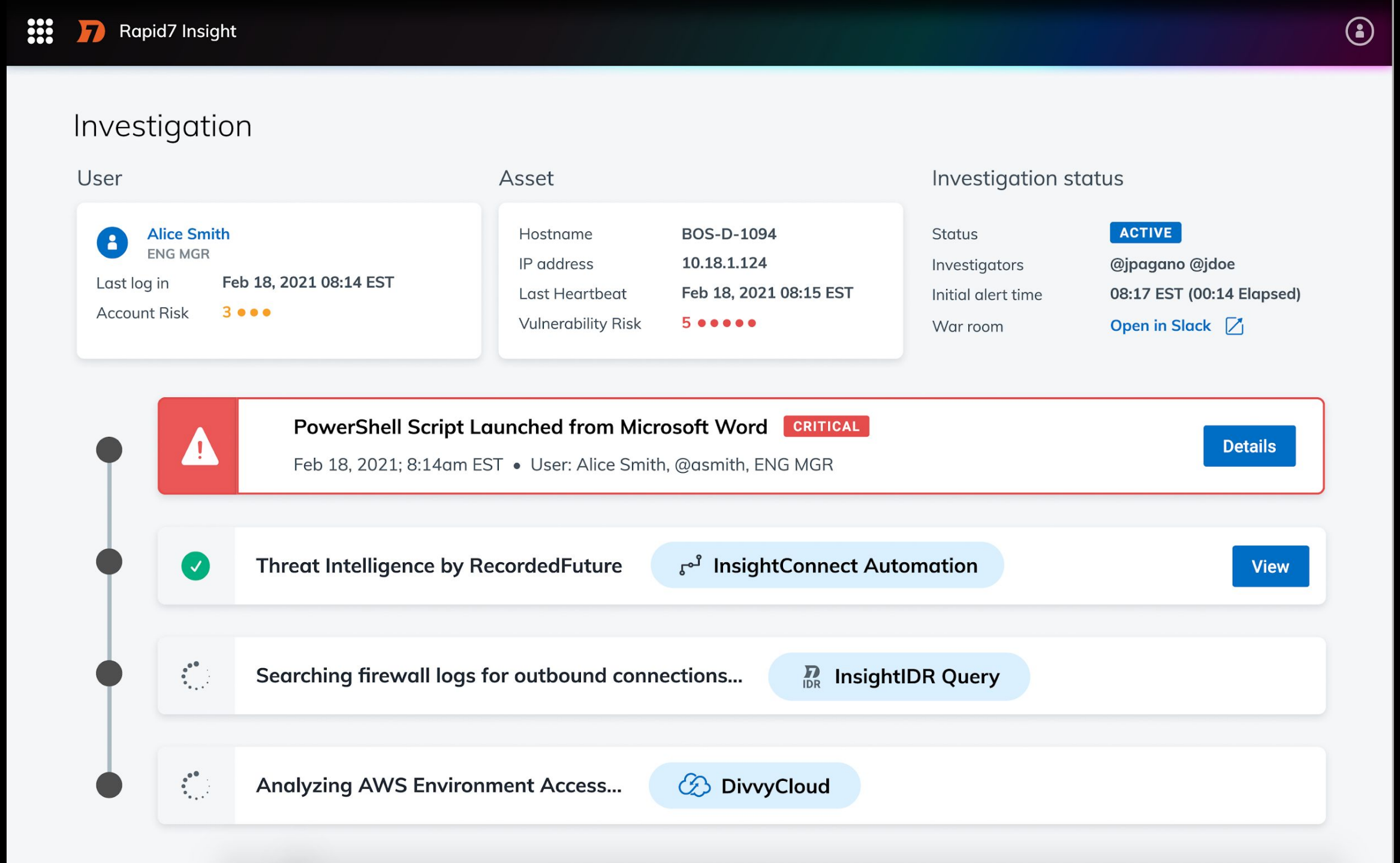
InsightIDR Threat Detection
Details
Running: Threat Intelligence by RecordedFuture
InsightConnect Automation


Rapid7 Insight
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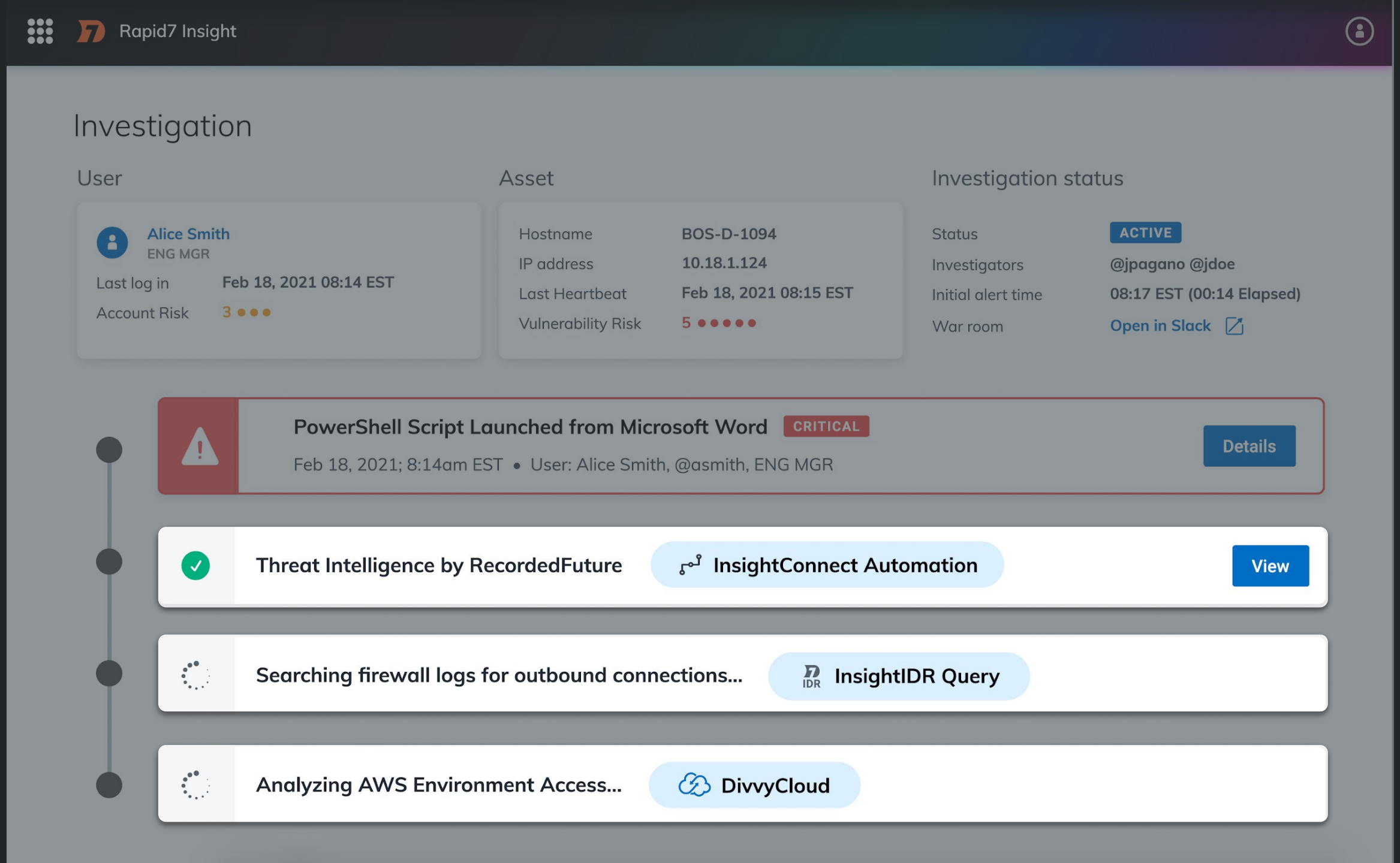
Details
Threat Intelligence by RecordedFuture
InsightConnect Automation
View
Searching firewall logs for outbound connections...
InsightIDR Query
Analyzing AWS Environment Access...
DivvyCloud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Rapid7 Insight

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| Last Heartbeat | **Feb 18, 2021 08:15 EST** |
| Vulnerability Risk | **5** |

## Investigation status

| | |
|---|---|
| Status | **ACTIVE** |
| Investigators | **@jpagano @jdoe** |
| Initial alert time | **08:17 EST (00:14 Elapsed)** |
| War room | **Open in Slack** |

Suggested Actions: **Quarantine 6 Assets, 24 Cloud Accounts, 19 Endpoints**

Based on threat analysis with InsightConnect, Elevated Asset Risk Level, Cloud Access Logs

Quarantine

**PowerShell Script Launched from Microsoft Word** CRITICAL

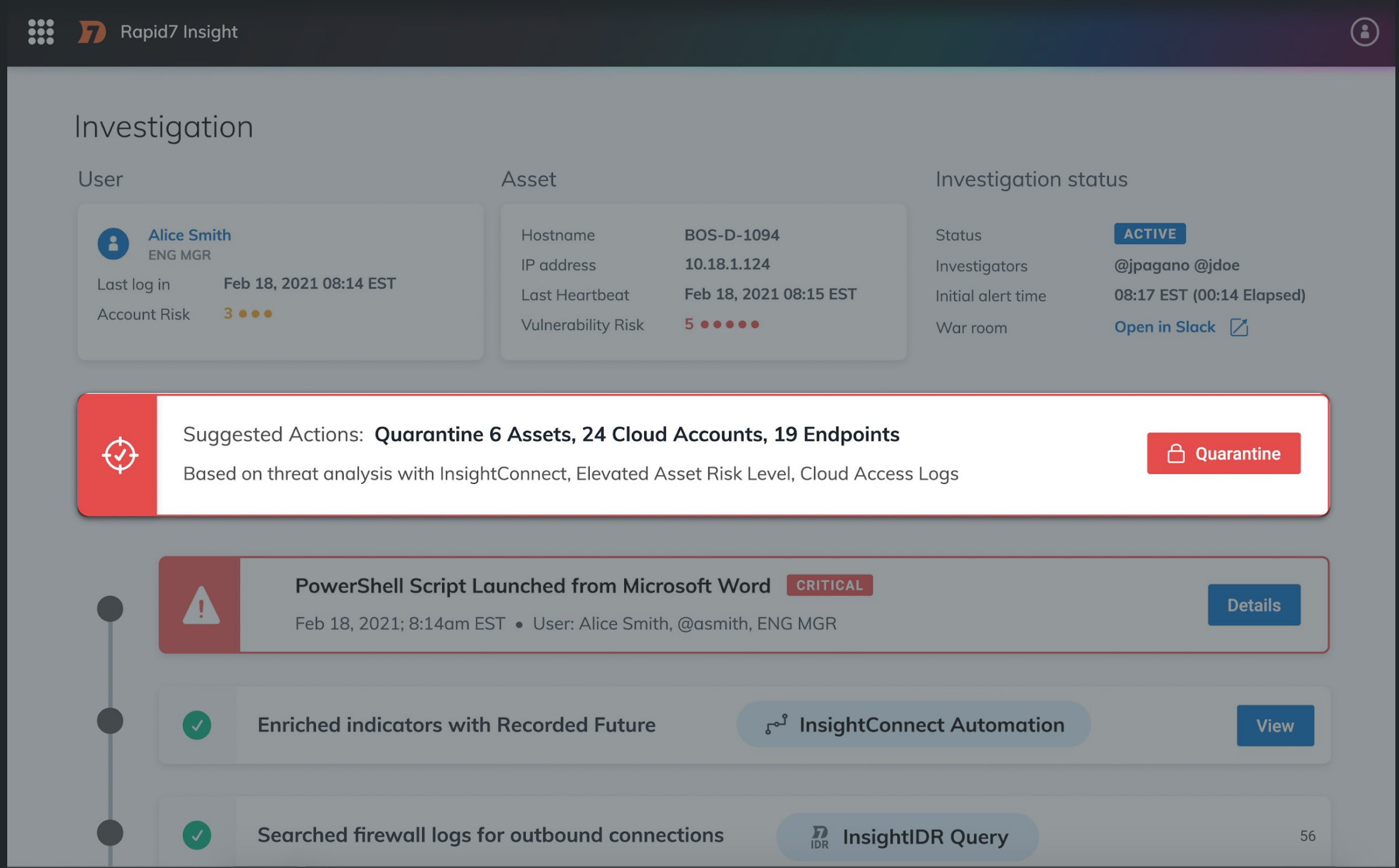
Feb 18, 2021; 8:14am EST • User: Alice Smith, @asmith, ENG MGR

Details

**Enriched indicators with Recorded Future** InsightConnect Automation

View

**Searched firewall logs for outbound connections** InsightIDR Query


Rapid7 Insight
Investigation
User
Alice Smith
ENG MGR
Last log in
Feb 18, 2021 08:14 EST
Account Risk
3
Asset
Hostname
BOS-D-1094
IP address
10.18.1.124
Last Heartbeat
Feb 18, 2021 08:15 EST
Vulnerability Risk
5
Investigation status
Status
ACTIVE
Investigators
@jpagano @jdoe
Initial alert time
08:17 EST (00:14 Elapsed)
War room
Open in Slack
Suggested Actions: Quarantine 6 Assets, 24 Cloud Accounts, 19 Endpoints
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Details
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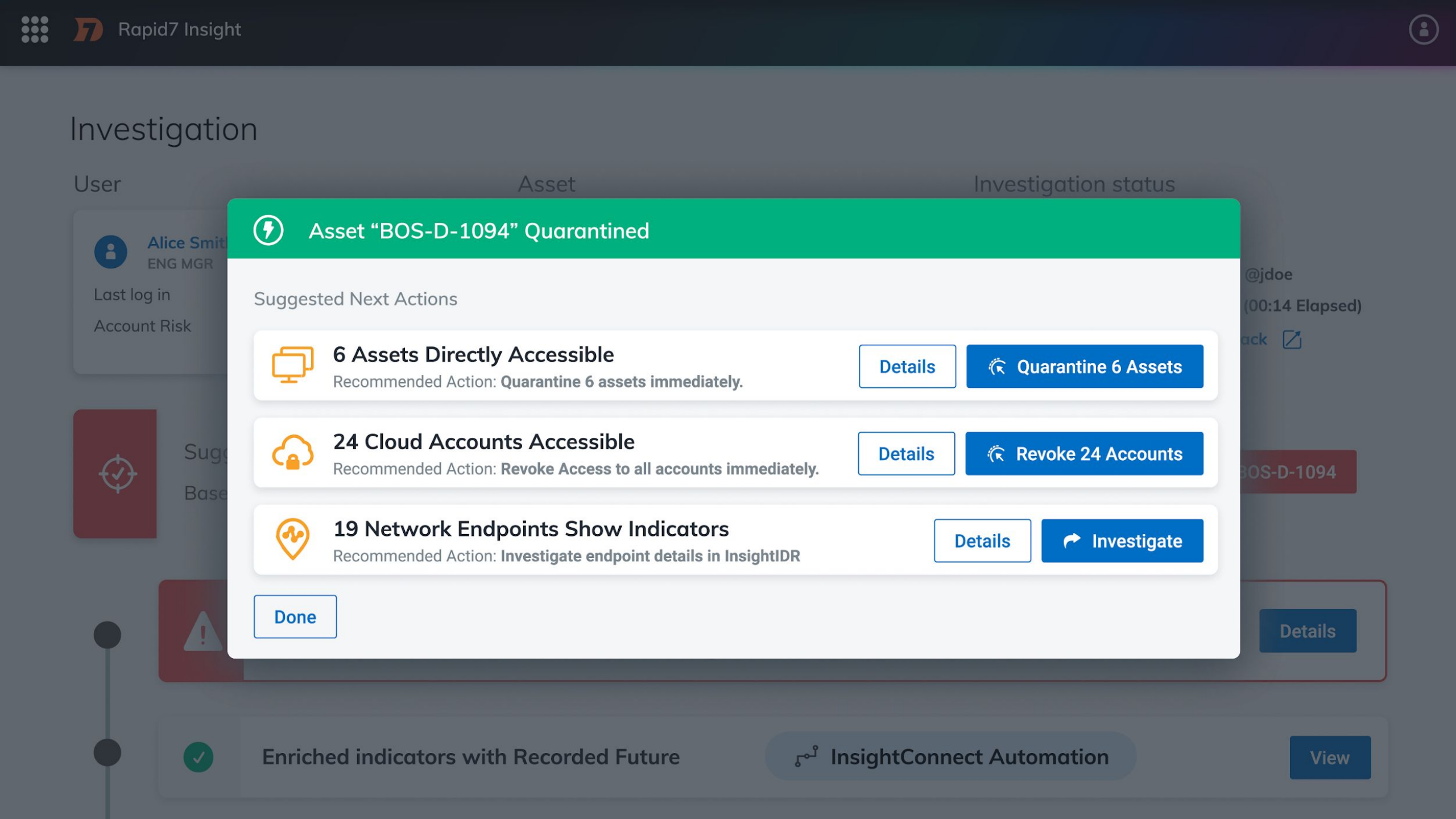
InsightConnect Automation
View
Searched firewall logs for outbound connections
InsightIDR Query


Rapid7 Insight
Investigation
User
Asset
Investigation status
Alice Smit
ENG MGR
Last log in
Account Risk
@jdoe
(00:14 Elapsed)
ack
Asset “BOS-D-1094” Quarantined
Suggested Next Actions
6 Assets Directly Accessible
Recommended Action: Quarantine 6 assets immediately.
Details
Quarantine 6 Assets
24 Cloud Accounts Accessible
Recommended Action: Revoke Access to all accounts immediately.
Details
Revoke 24 Accounts
19 Network Endpoints Show Indicators
Recommended Action: Investigate endpoint details in InsightIDR
Details
Investigate
Done
Details
Enriched indicators with Recorded Future
InsightConnect Automation
View

# Investigation

## User

Alice Smith
ENG MGR

| | |
|---|---|
| Last log in | Feb 18, 2021 08:14 EST |
| Account Risk | 3 ●●● |

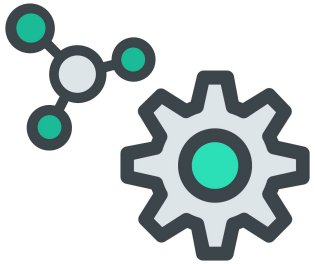
## Asset

| | |
|---|---|
| Hostname | BOS-D-1094 QUARANTINED |
| IP address | 10.18.1.124 |
| Last Heartbeat | Feb 18, 2021 08:15 EST |
| Vulnerability Risk | 5 ●●●●● |

## Investigation status

| | |
|---|---|
| Status | CLOSED |
| Investigators | @jpagano @jdoe |
| Initial alert time | 08:17 EST (00:14 Elapsed) |
| War room | Open in Slack |

# Delivering Unified SecOps in the Cloud



**Best in Class Products**



**Frictionless Access to Value**




**Unified Cloud Platform**


Securing the Digital Experience
Delivering Unified SecOps in the Cloud
How do we deliver what customers need to meet their challenges?
Driving Long-term Scale

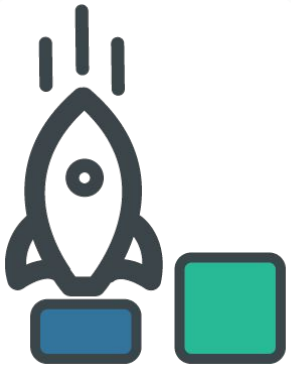
# Increase Platform Consumption



**Andrew Burton**

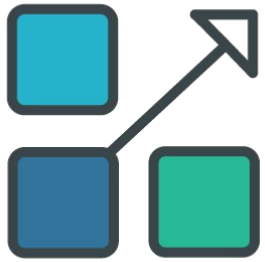
President & Chief Operating Officer

# Increasing Platform Consumption



## Strong Landing

Meets Customers Where They Are



## Frictionless Expansion

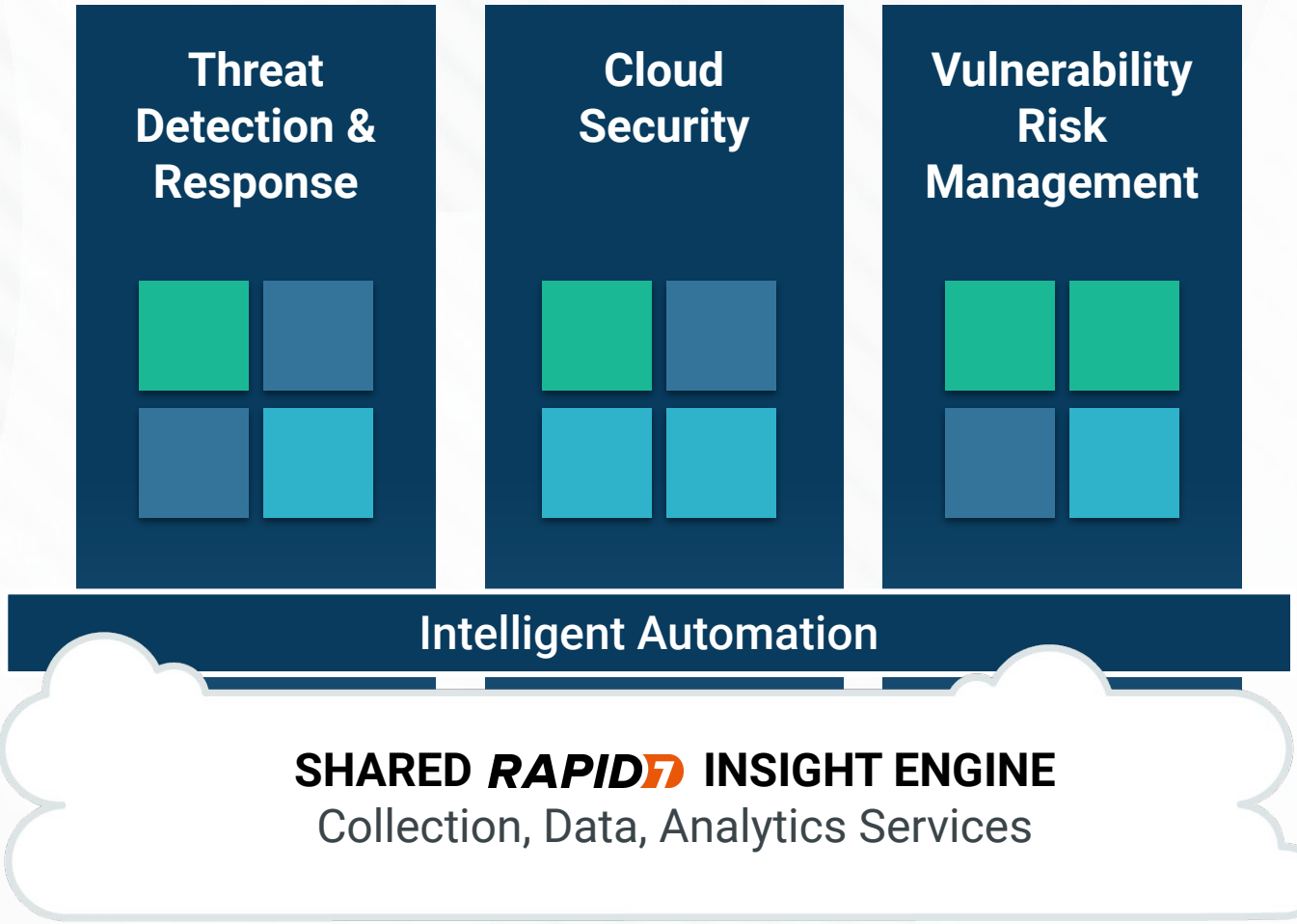
Scales with Customers



## Durable Growth

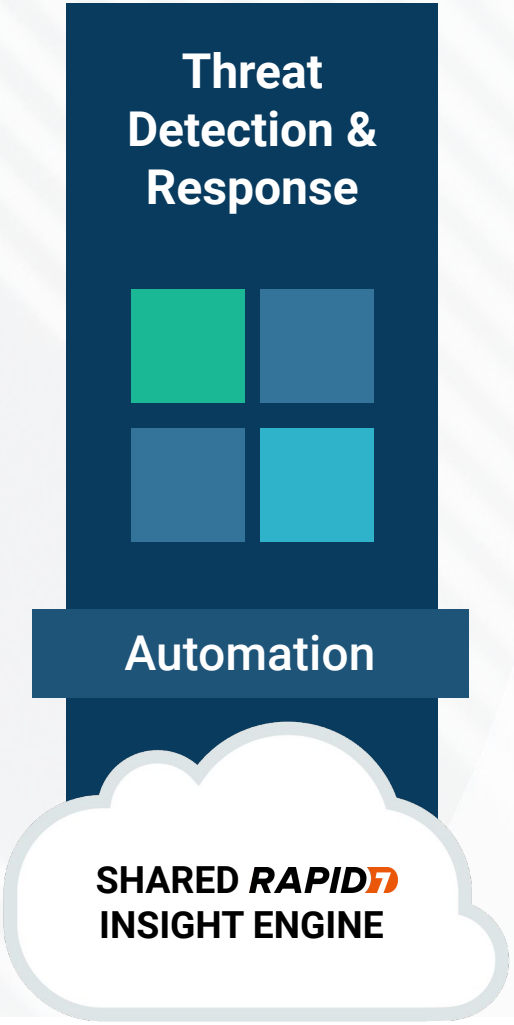
Strategic Paths to Reach More of the Market

# Proven Ability to Land Across Best-In-Class Solutions



PROVEN LANDING

# Threat Detection & Response




**Products Included: Rapid7 InsightIDR**

**Solution Category: Detection-Focused SIEM / XDR**

**Combined Capabilities: UBA + SIEM + NTA + EDR + Deception Tech**

**Investigation Console + SOC Automation**

**Gartner**
**Leader**
SIEM Magic Quadrant

Gartner peer insights customers' choice 2020

**FORRESTER®**
**Leader**
MSSP Wave

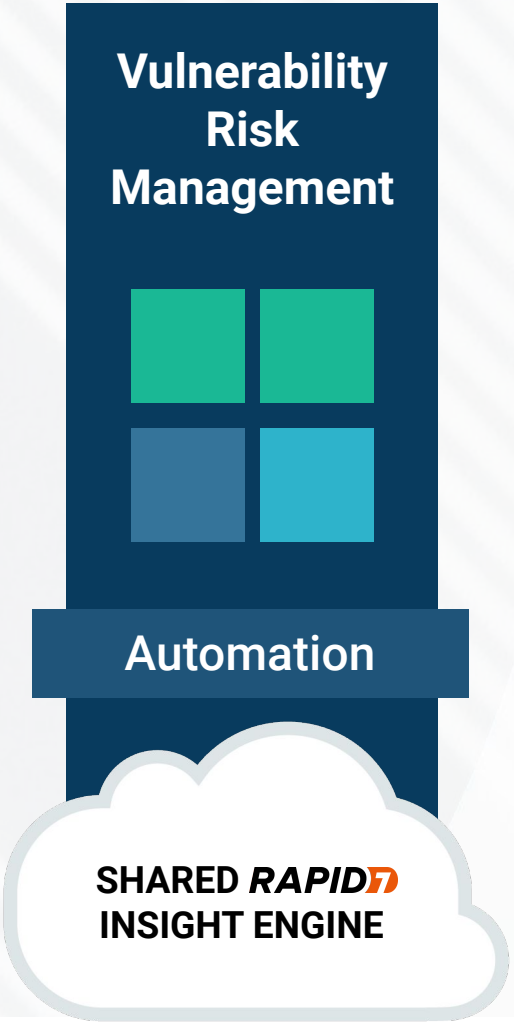
**FORRESTER®**
**Strong Performer**
Security Analytics Wave

"IDR represents a bit of a shift in how you think of your SIEM. [...] I was used to having to dedicate massive amounts of time to the management and tuning of SIEMs I had used in the past, and just deploying the tool and letting it work its magic was a different experience." ★★★★★

- Gartner Peer Insights

PROVEN LANDING

# Vulnerability Risk Management




**Products Included: Rapid7 InsightVM & InsightAppSec**

**Solution Category: Vulnerability Risk Management**

**Combined Capabilities: VM + DAST + RASP + Automation**

FORRESTER®

**Leader 2019**
Vulnerability Risk Management

Gartner

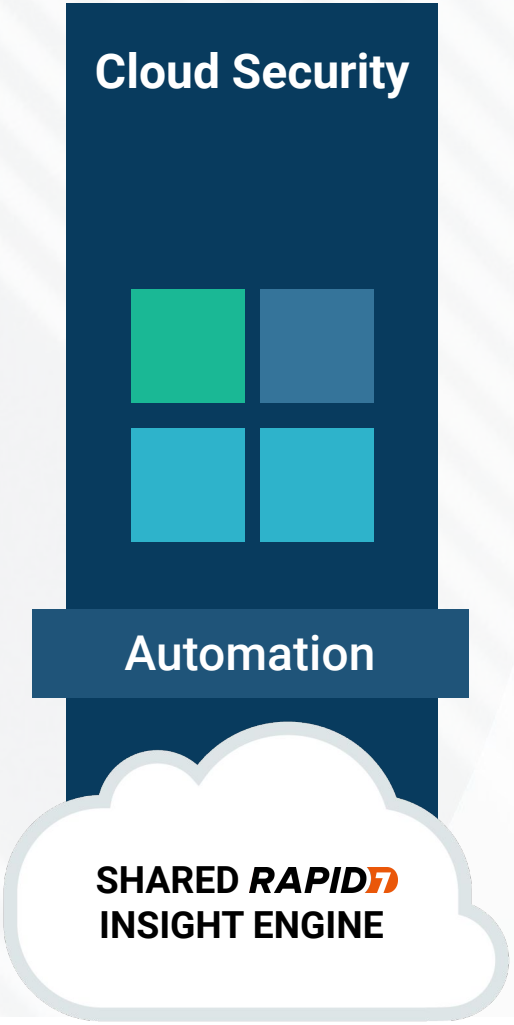
**Highest Rated DAST**
AppSec Magic Quadrant

"InsightVM really reduces the amount of work that my team has to do. Now the platform is mostly self-service, giving infosec hours back that we can apply elsewhere."

- Director of Information Security, Healthcare Industry

PROVEN LANDING

# Cloud Security




**Products Included: DivvyCloud by Rapid7**

**Solution Category: Cloud Security**

**Combined Capabilities: CSPM + CEIM + CWPP + Automation**

Info Security Products Guide 2020 GLOBAL EXCELLENCE GOLD

**InfoSec Cutting Edge**

Cloud Security Winner

CYBER SECURITY EXCELLENCE AWARDS ★ WINNER ★ 2019

"DivvyCloud gives us the ability to automate governance, offer flexibility, allow better insights and controls, and enhance compliance - all at the same time"

- Global Head of IT, Communications Industry



## Frictionless Expansion

**Scales with Customers**

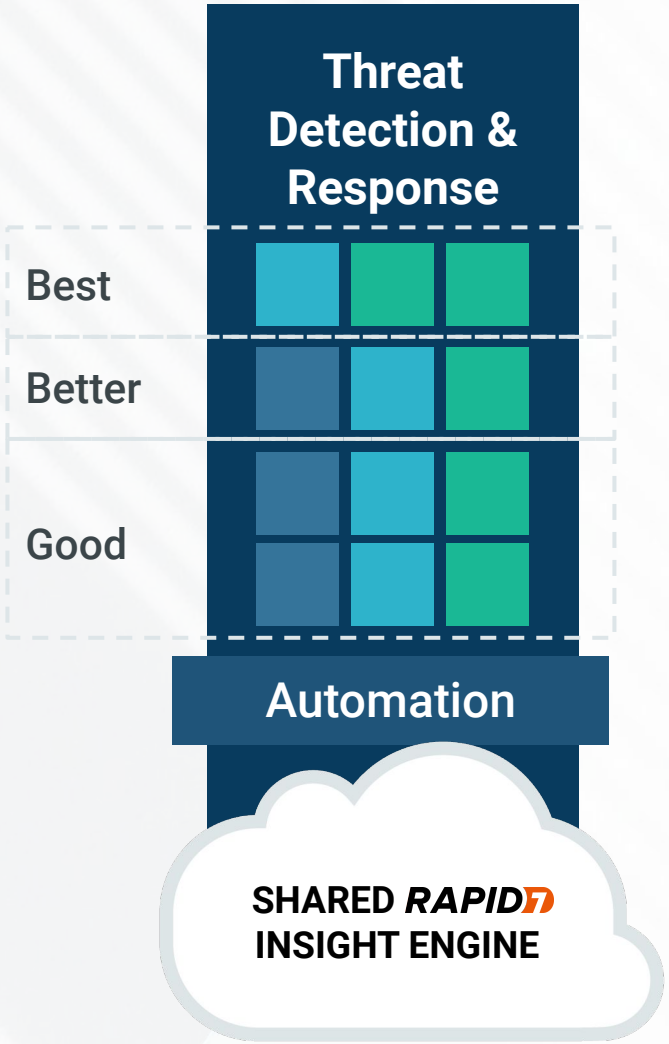
### OLD WAY

Artificial barriers between capabilities hinder customers from accessing value.

### OUR WAY

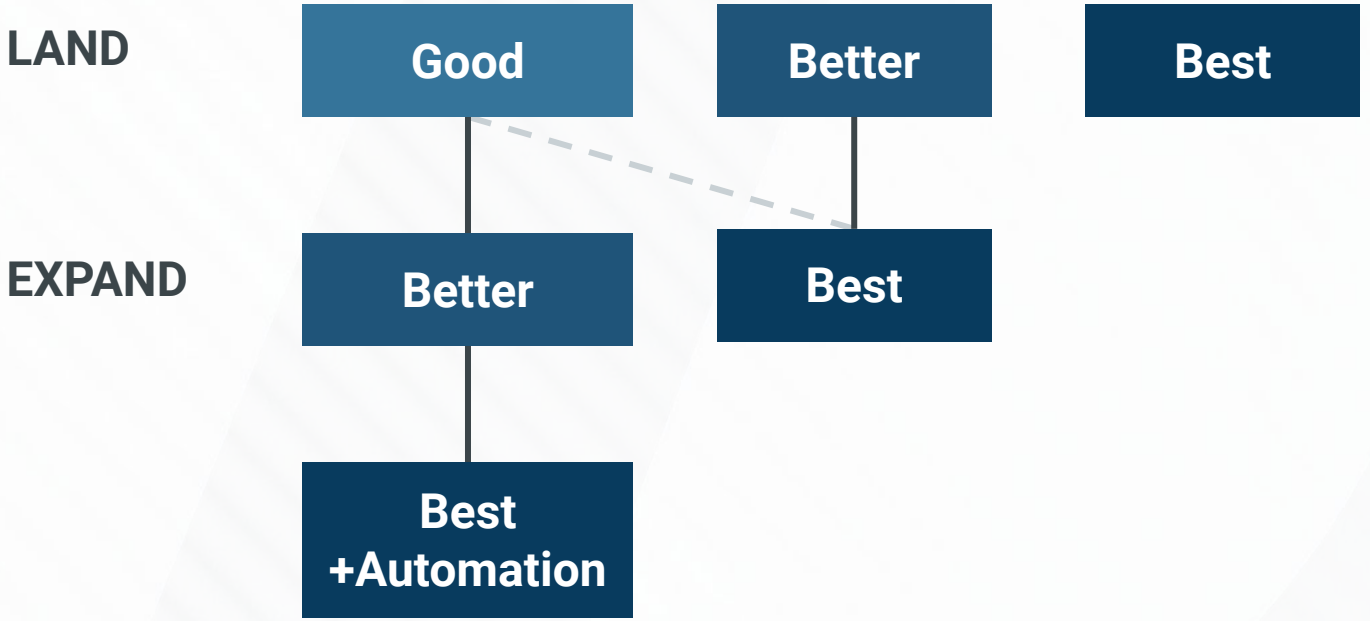
Best-in-class accessibility enables customers to start anywhere and easily realize more value over time.

# Ease of Expansion within a Solution: Today

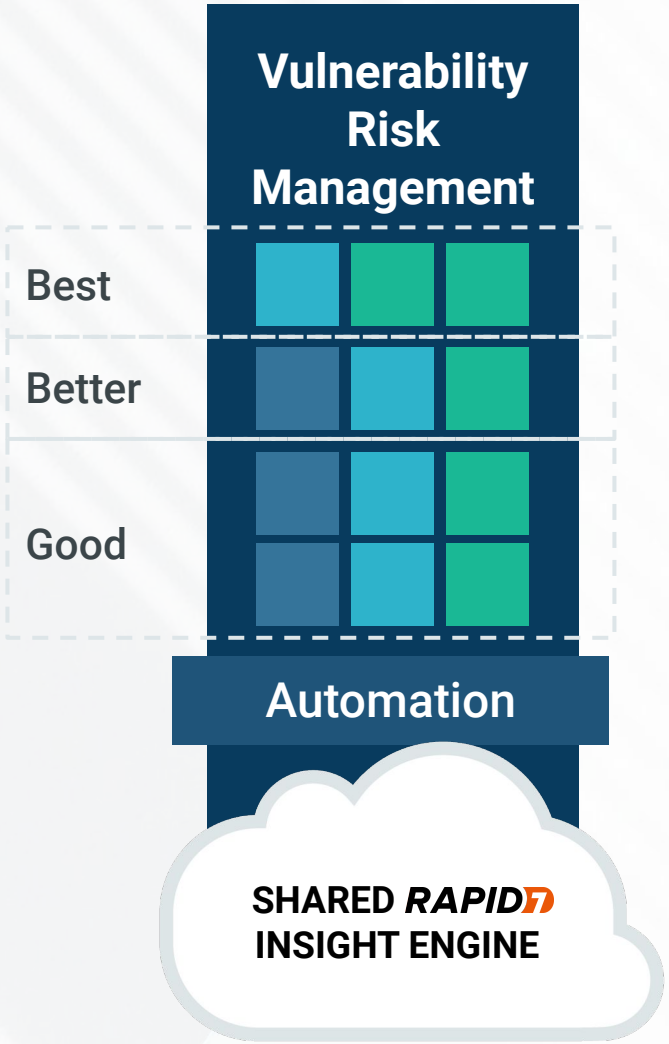



**Builds on our foundation of disruptive, transparent, asset-based pricing.**

**Meet customers where they are and support them throughout their SecOps maturity journey:**

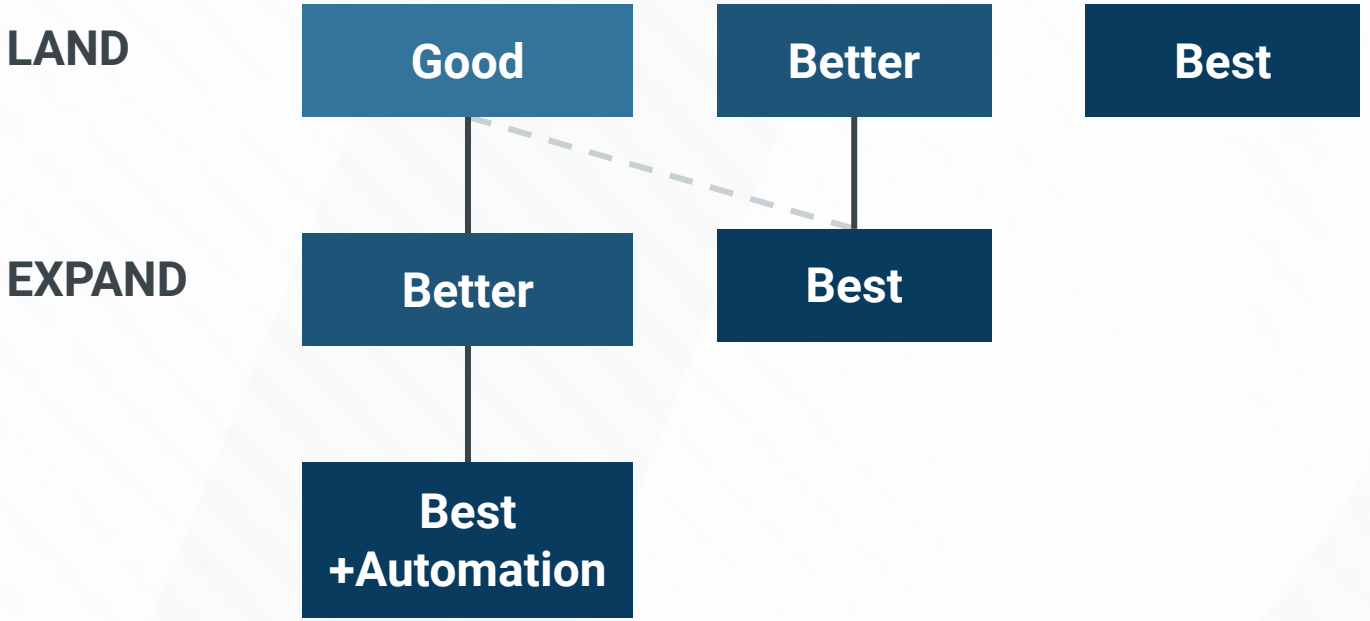


# Ease of Expansion within a Solution: Future



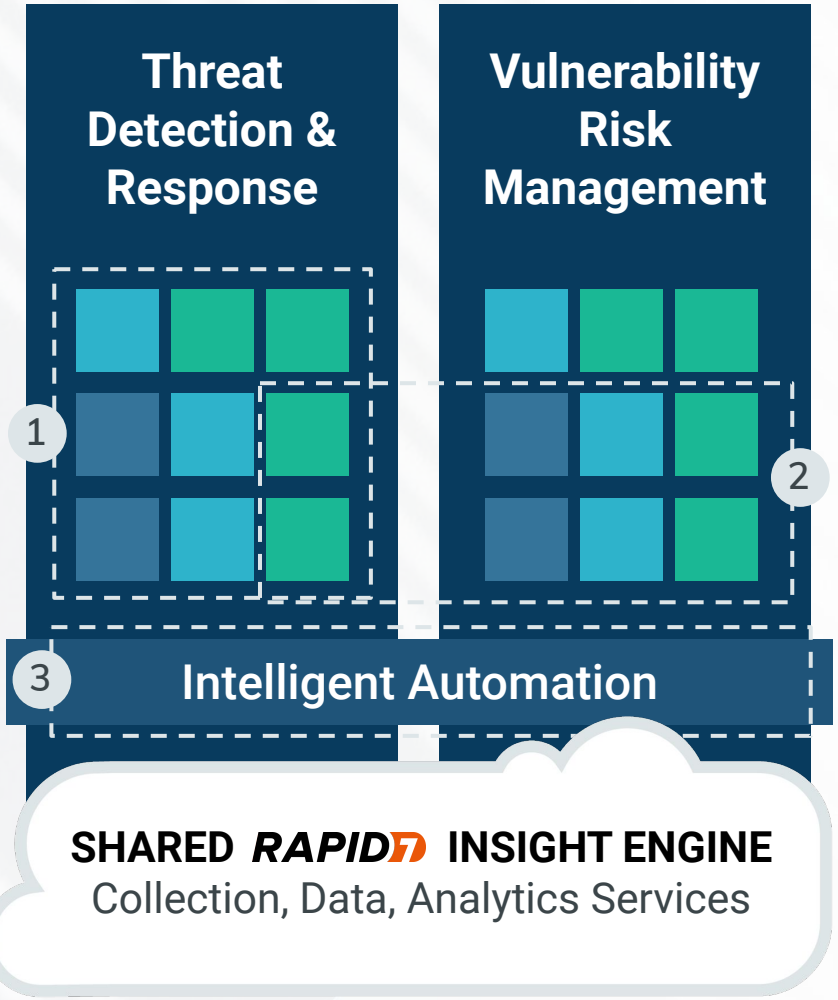

**Builds on our foundation of disruptive, transparent, asset-based pricing.**

**Meet customers where they are and support them throughout their SecOps maturity journey:**



LOWERING BARRIERS

# Threat Detection to Vulnerability Risk Management




| | |
|---|---|
| LAND | Threat Detection & Response |
| EXPAND | Vulnerability Risk Management |
| EXTEND | Orchestration & Automation |

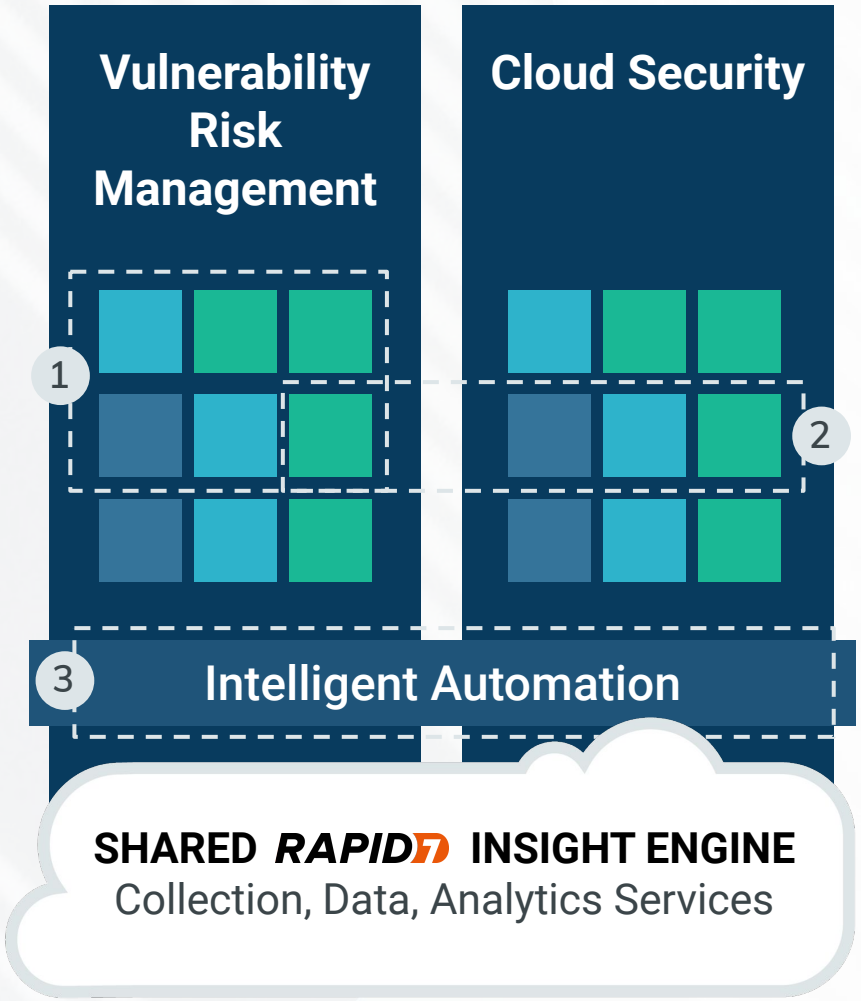
**Recent Customer Validation**

**Customer:** Net New Healthcare customer
**Solutions:** InsightIDR, InsightVM
**ARR:** >$100k

**Value Statement:** Engaged for IDR to improve attack visibility, added VM in initial deal due to unified Platform Agent experience.

LOWERING BARRIERS

# Vulnerability Risk Management to Cloud Security




| | |
|---|---|
| LAND | Vulnerability Risk Management |
| EXPAND | Cloud Security |
| EXTEND | Orchestration & Automation |

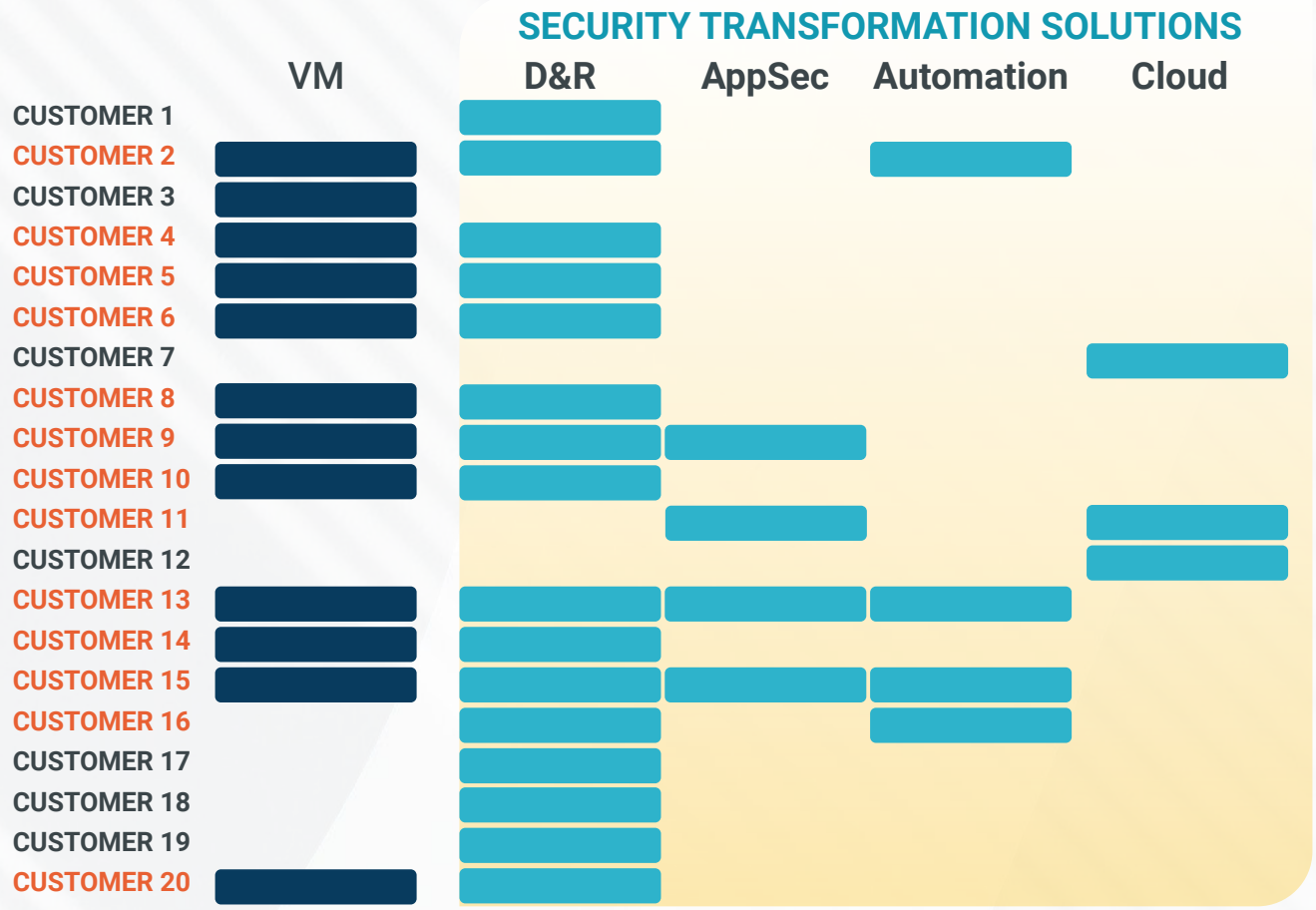
**Recent Customer Validation**

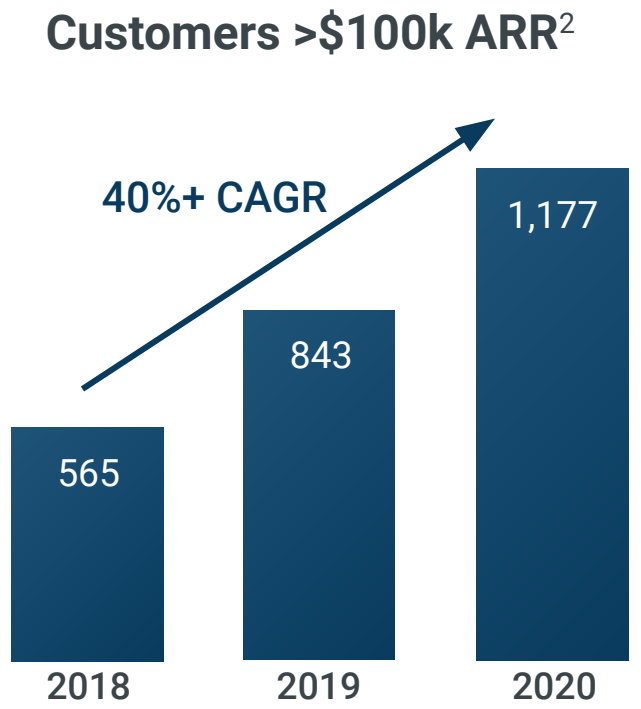
**Customer:** Existing Technology customer
**Solutions:** InsightVM, DivvyCloud
**ARR:** >$500k

**Value Statement:** Established relationship enabled cloud engagement which demonstrated powerful automation and customization for their unique environment.

# As Customers Increase Platform Consumption…

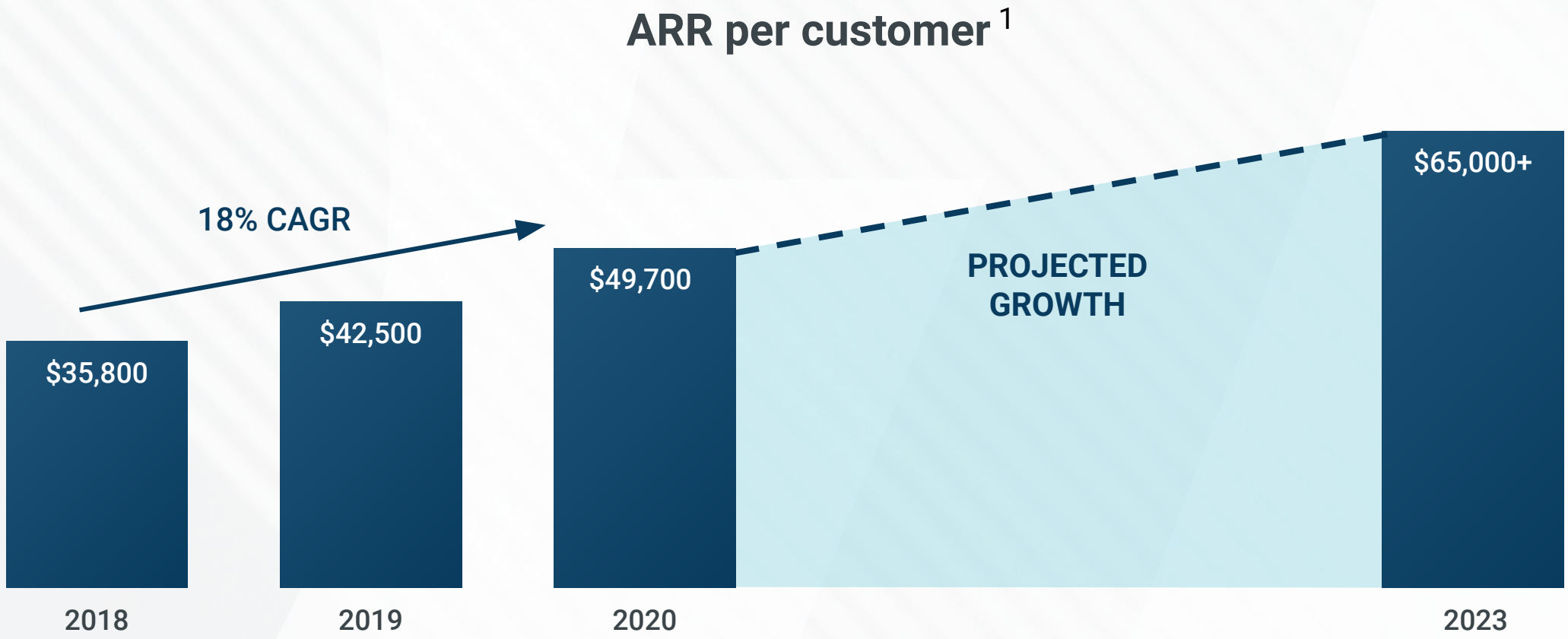
**19 of Top 20** Deals[1] in 2020 included **Security Transformation Solutions**
**13 of Top 20** Deals[1] in 2020 included **Multiple Platform Products**




[1] Reflects contract value by New ARR, as defined in the End Notes.
[2] See End Notes for definitions.

# ...It Drives Durable Growth in ARR per Customer




[1] ARR per customer at the end of fiscal year of 2018, 2019 and 2020 is based on the new customer count methodology provided in this presentation. The future financial results and growth is designed to be illustrative of potential trends and should not be construed as guidance or a financial outlook of any kind. See End Notes for definitions.



# Fueling Durable Growth

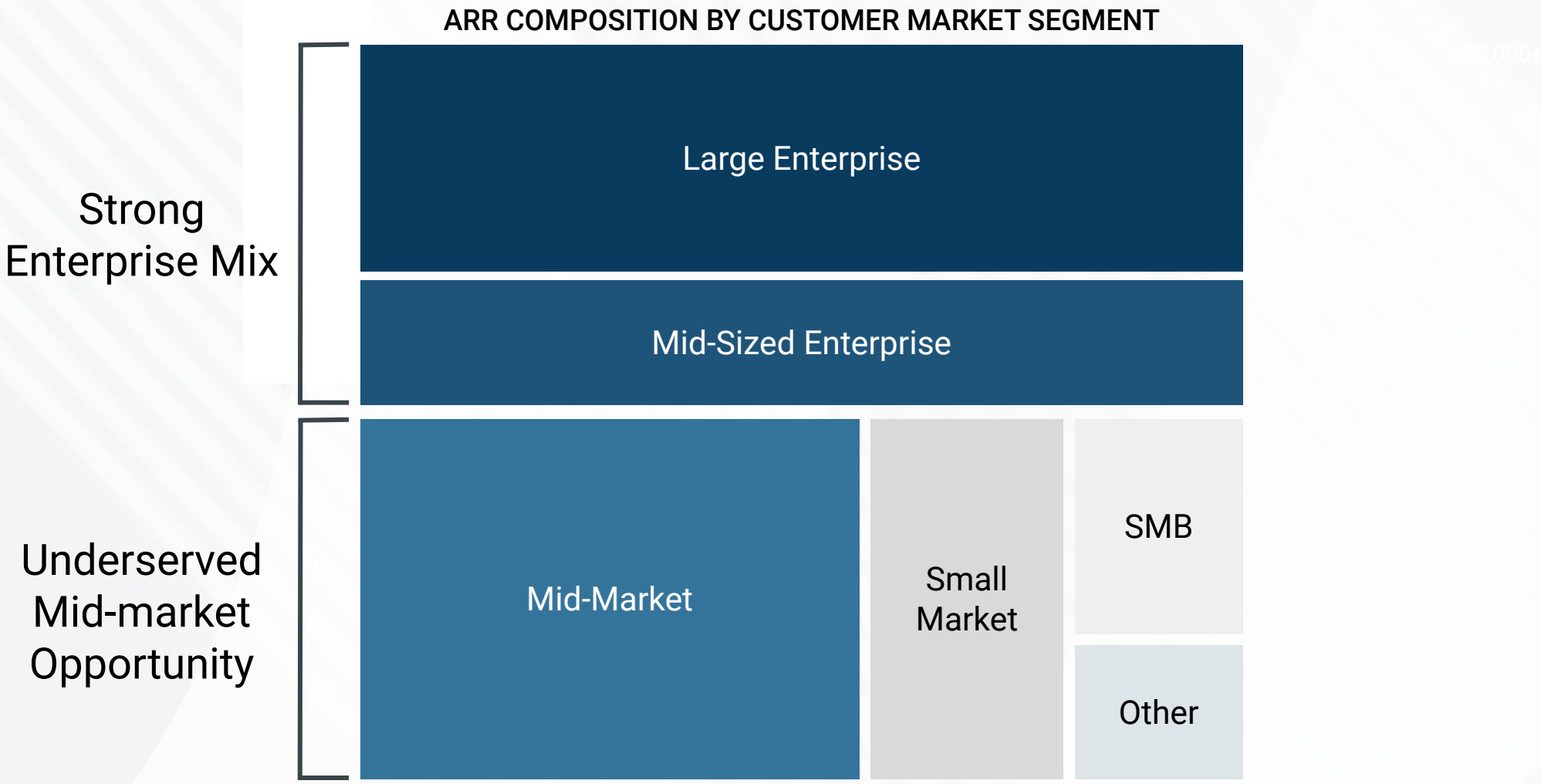
**Scaling the Enterprise and Serving Mid-Market**

**Broadening Our Partner-First Ecosystem**

**Expanding Our Global Opportunity**

DURABLE GROWTH

# Scaling Enterprise and Serving Mid-market



DURABLE GROWTH

# Broadening Our Partner-First Ecosystem

### Opening Multiple Channels to Market

200+ Partners globally and adding new routes to market to drive incremental new business opportunity.



### Increasing Insight Accessibility

Broadening Rapid7’s offerings & leveraging partners' customer knowledge to expand business.

### Enabling Digital Transformation

Partnerships with cloud providers, strategic product partners and managed service providers.

DURABLE GROWTH

# Expanding Global Opportunity

Cloud data sovereignty across multiple geographic regions



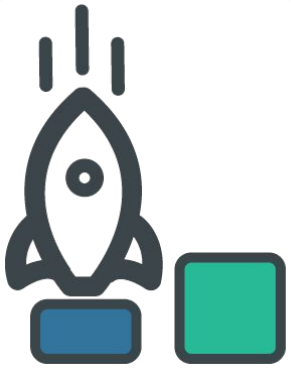


Strategic focus on AUS and DACH Regions

Regulatory requirements present IDR opportunity in Middle East and LATAM

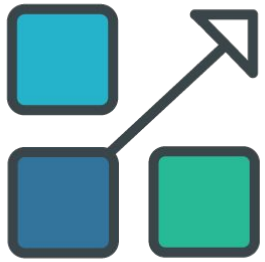


# Increasing Platform Consumption



## Strong Landing

Meets Customers Where They Are



## Frictionless Expansion

Scales with Customers



## Durable Growth

Strategic Paths to Reach More of the Market


Securing the Digital Experience
Delivering Unified SecOps in the Cloud
Increasing Platform Consumption
How do we drive long-term financial scale and cash flow?

# Drive Long-Term Scale



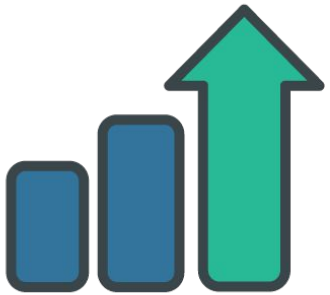
**Jeff Kalowski**

Chief Financial Officer

# Drive Long-Term Scale



**Driving Durable Growth**



**Scaling Profitability**



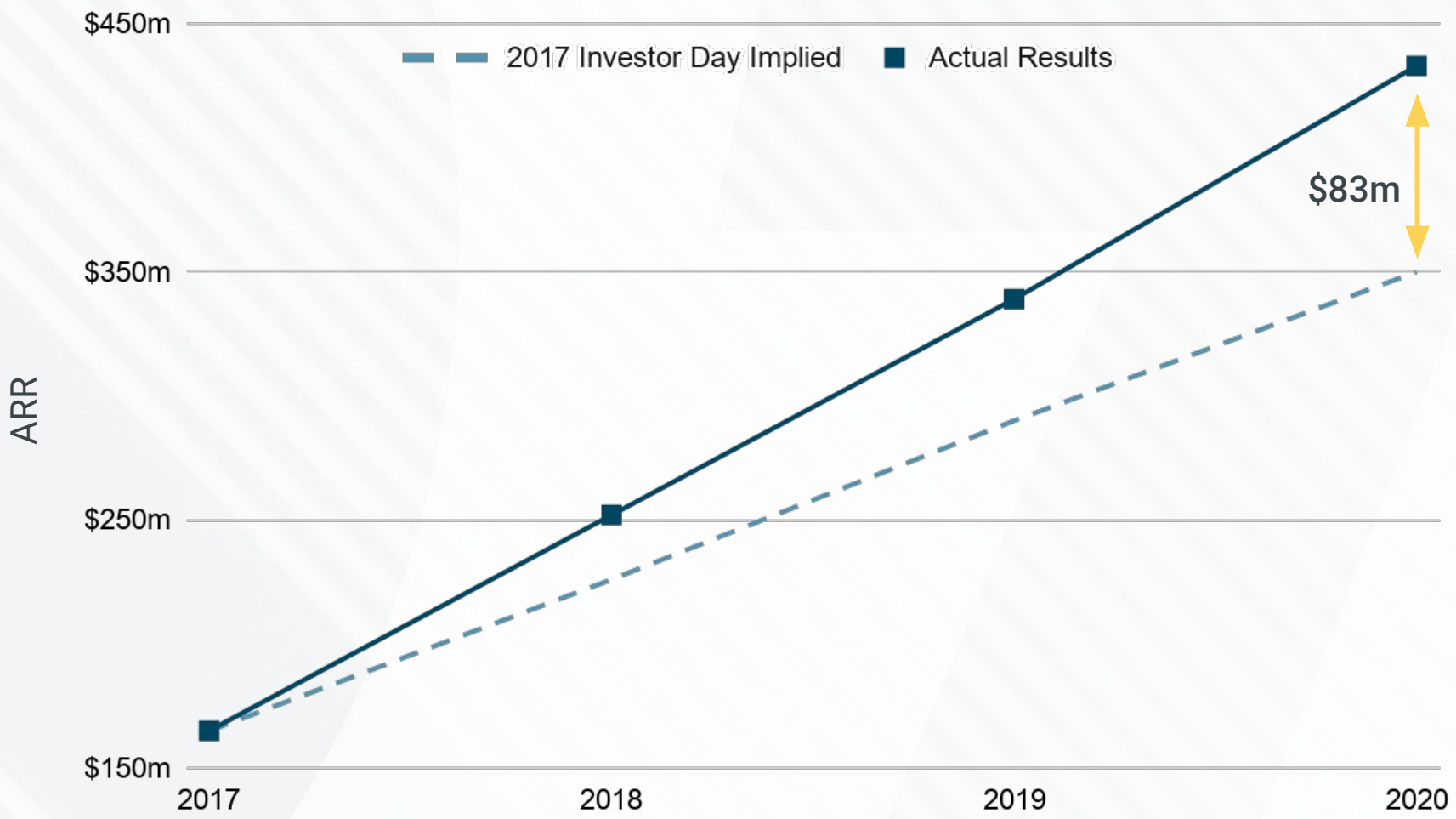
**Path to $1bn+**

# Executing on Our 2020 Vision

| 2017 INVESTOR DAY TARGETS FOR 2020 | | 2020 EXECUTION |
|---|---|---|
| ~$350m ARR<br>30% CAGR | ESTABLISHED MULTI-PRODUCT LEADERSHIP | $433m ARR<br>38% CAGR |
| ~$350m Total Revenue<br>20% CAGR | TRANSITIONED TO SAAS RECURRING REVENUE MODEL | $411m Total Revenue<br>27% CAGR |
| 4-7% Non-GAAP Operating Margin | REINVESTED TO CAPTURE MARKET OPPORTUNITY | 0.5% Non-GAAP Operating Margin |

Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.

# Generating Return on our Investments




**Re-investment in the business drove >$80m in ARR upside to 2020**

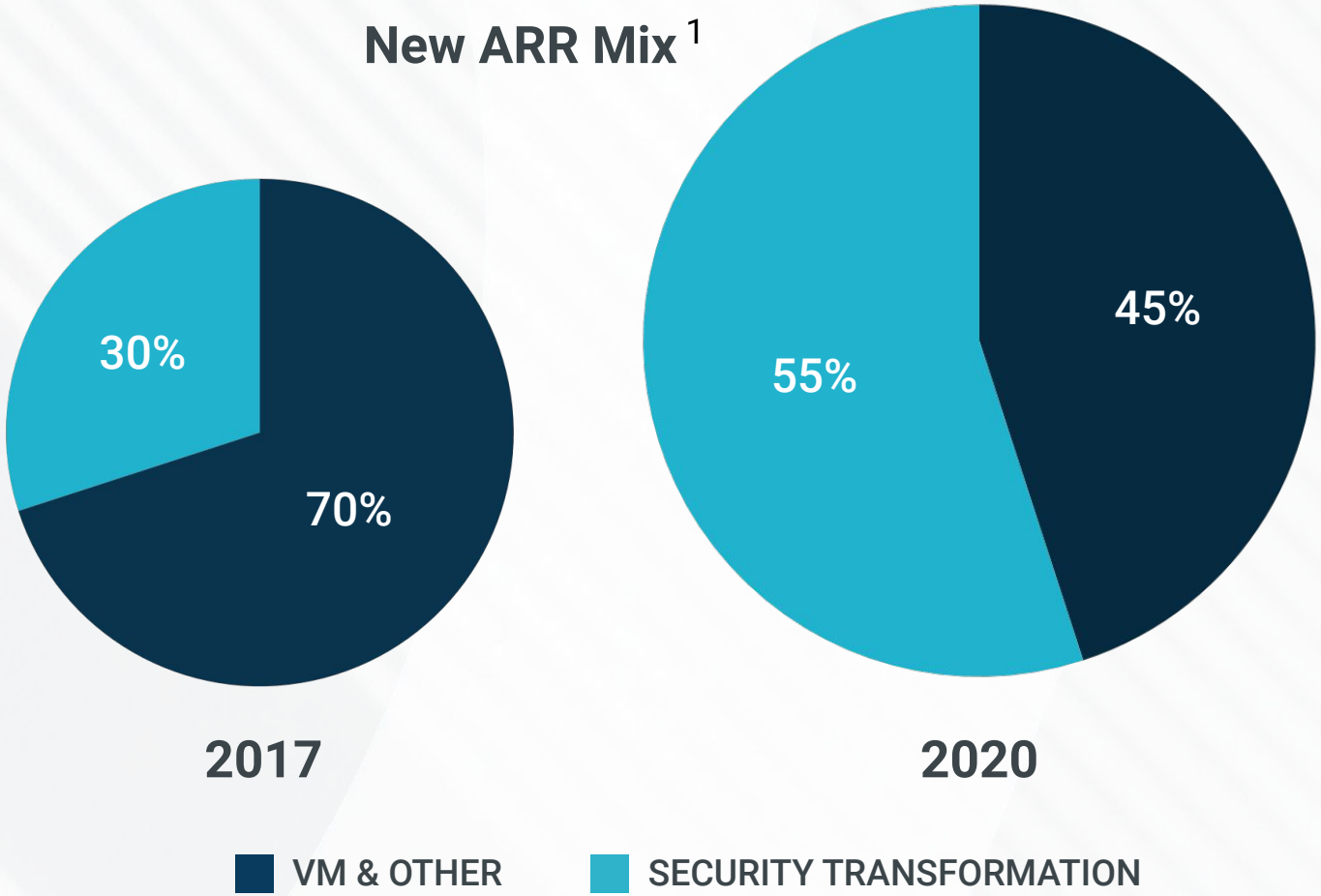


# Multiple Paths to Durable Growth

- Platform Opportunity
- Land to Expand
- Strategic Customer Growth
- Underpenetrated International Opportunity

GROWTH PATH ONE

# Large market opportunity drives new business...




Growing urgency to secure Cloud & Digital Transformation

Strong demand for Security Transformation

Sustained growth in Vulnerability Management

[1] See End Notes for definition of New ARR.

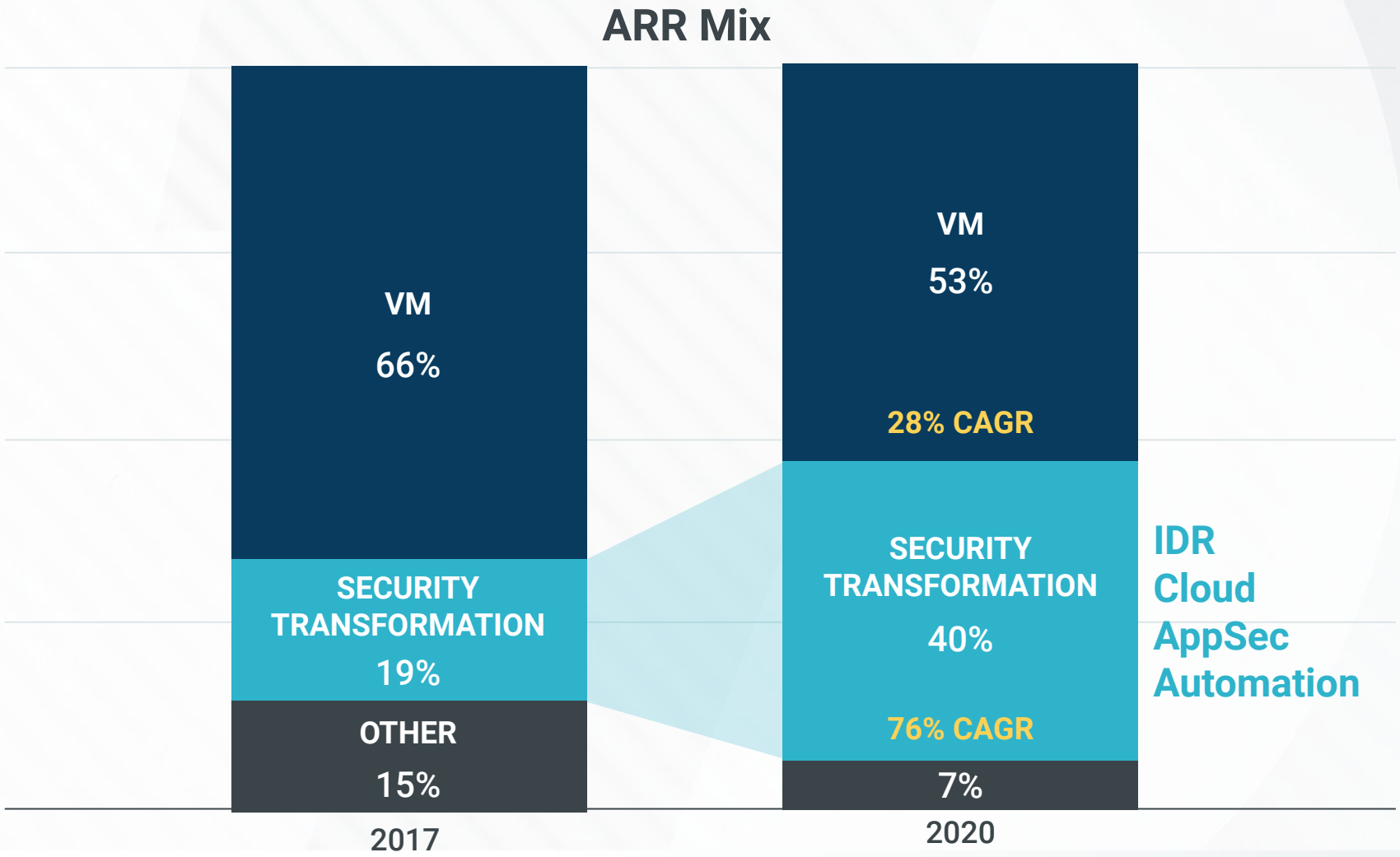
GROWTH PATH ONE

# ...Scaling our Platform opportunity

Multiple market leading solutions

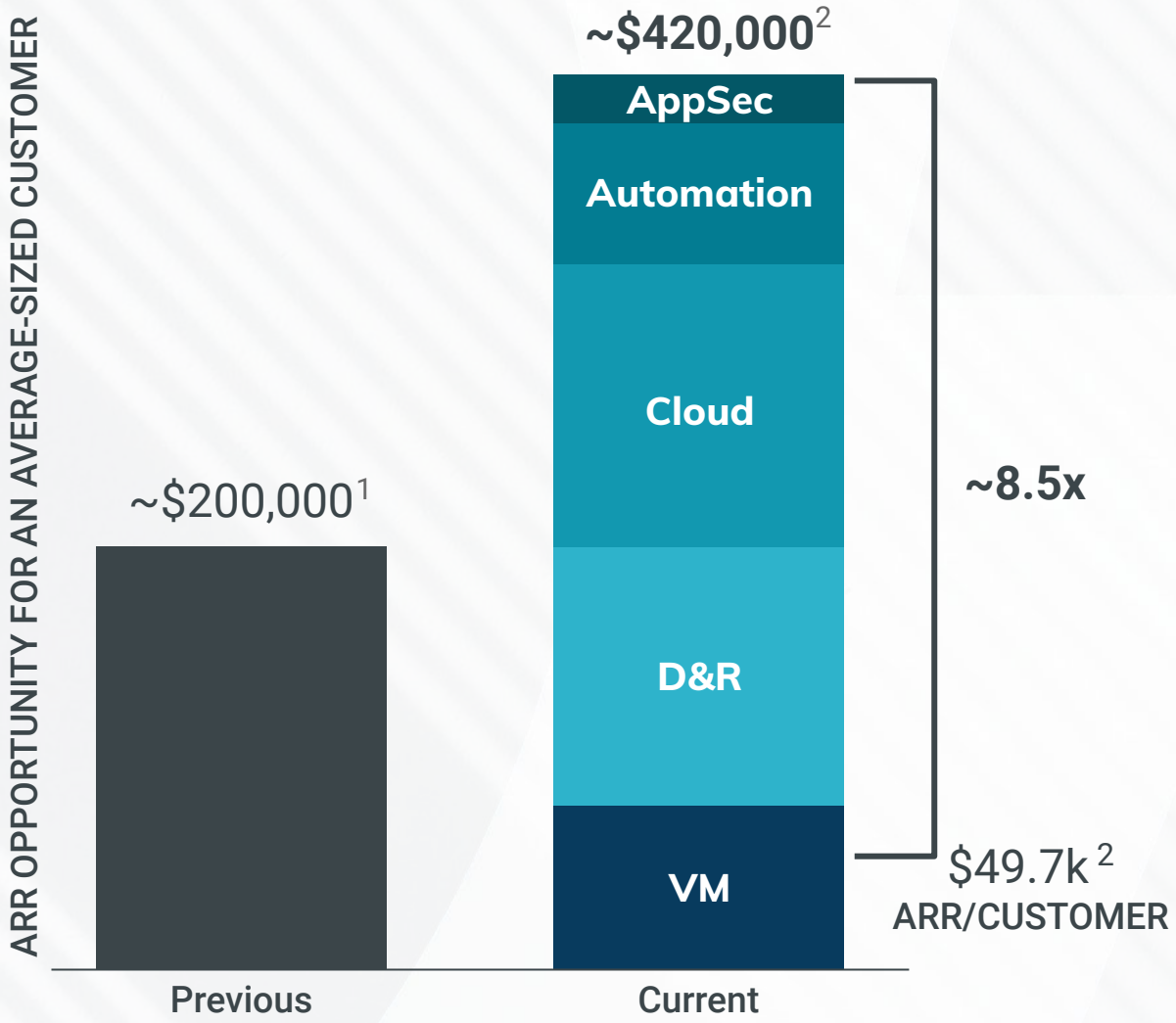
Growing Security Transformation mix

Multi-product sales opportunity



GROWTH PATH TWO

# Land to Expand Engine...




## Expanded wallet share opportunity

- Market-leading IDR
- Enterprise-class Cloud Security
- Platform services (i.e. Automation)

## Recent Customer Validation

**Customer:** Mid-market Technology customer
**Solutions:** InsightVM, InsightIDR + NTA + EET
**ARR:** >$350k

**Value Statement:** Leveraging aggregated data to unlock extensive visibility across a diverse technology footprint, enabling improved visibility and expedited incident response.

[1] Previous calculations are based on data as of fiscal quarter ended December 31, 2020 using methodology presented at Investor Day held on December 12, 2017, and excludes contribution from acquisitions of Divvy Cloud Corporation and Alcide.IO Ltd.
[2] Current calculations are based on data as of the fiscal quarter ended December 31, 2020 based on new methodology on customer count provided in this presentation. 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.

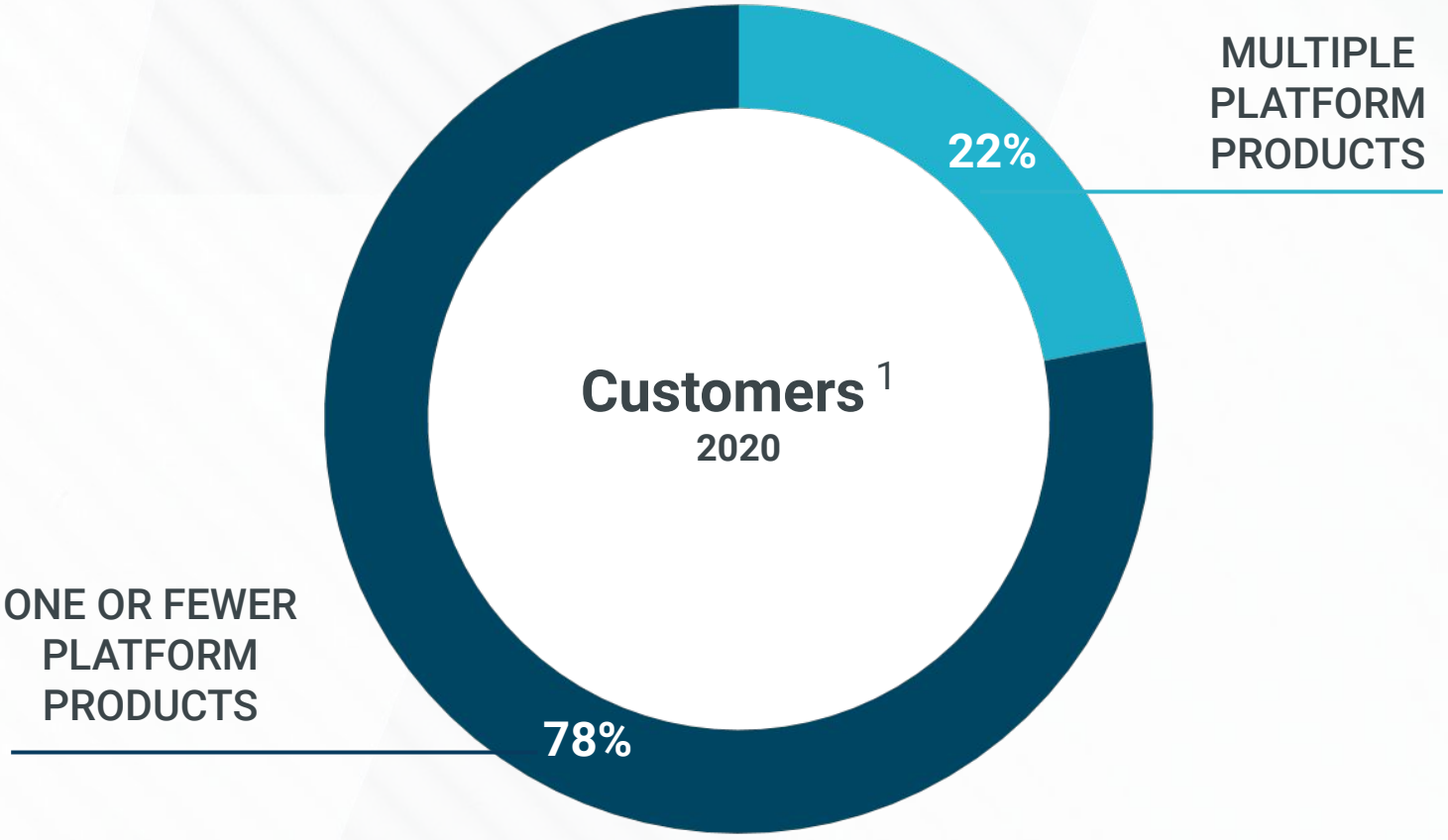
GROWTH PATH TWO

# ...Creates huge cross sell opportunity

Underpenetrated Install Base

Lowering barriers to expansion

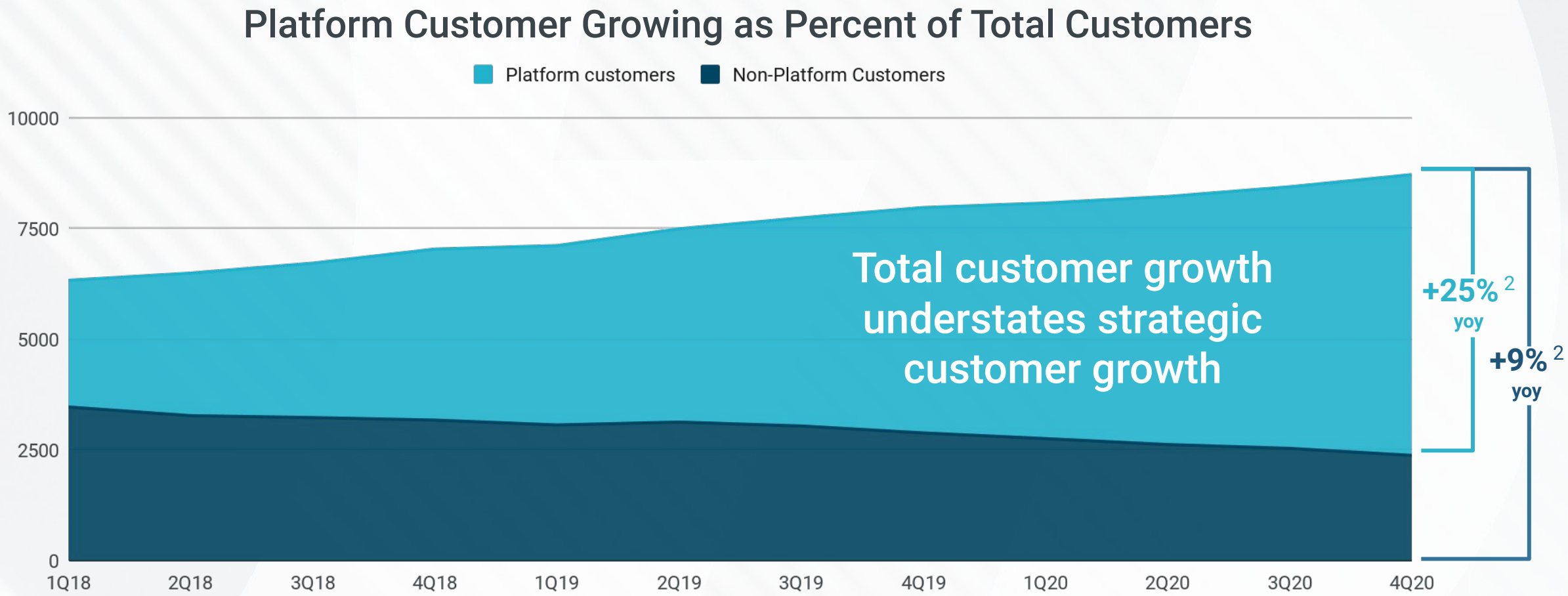
Increasing monetization paths




[1] Based on new customer count methodology provided in this presentation.

GROWTH PATH THREE

# Focus on Strategic Customers [1]




[1] Based on new customer count methodology provided in this presentation.
[2] Growth rate reflects year-over-year growth from Q4 2019 to Q4 2020.

# Better Aligning Our Customer Metric to ARR

## Updates to Customer Methodology:

Eliminating 90 day Lag in Churned Customers

Removing Services-only Customers

Removing Low-Value InsightOps Customers

| | Q1 '20 | Q2 '20 | Q3 '20 | Q4 '20 |
|---|---|---|---|---|
| NEW METHOD **Customer Count** | 8,075 | 8,223 | 8,442 | 8,718 |
| NEW METHOD **Customer Count YoY Growth** | 14% | 10% | 9% | 9% |
| PUBLICLY REPORTED **Customer Count** | 9,024 | 9,142 | 9,347 | 9,736 |
| PUBLICLY REPORTED **Customer Count YoY Growth** | 14% | 9% | 8% | 8% |
| NEW METHOD **ARR per Customer** [1] | $43.5 | $46.2 | $47.2 | $49.7 |
| NEW METHOD **ARR per Customer YoY Growth** | 15% | 19% | 18% | 17% |
| PUBLICLY REPORTED **ARR per Customer** | $38.9 | $41.6 | $42.7 | $44.5 |
| PUBLICLY REPORTED **ARR per Customer YoY Growth** | 15% | 20% | 19% | 18% |

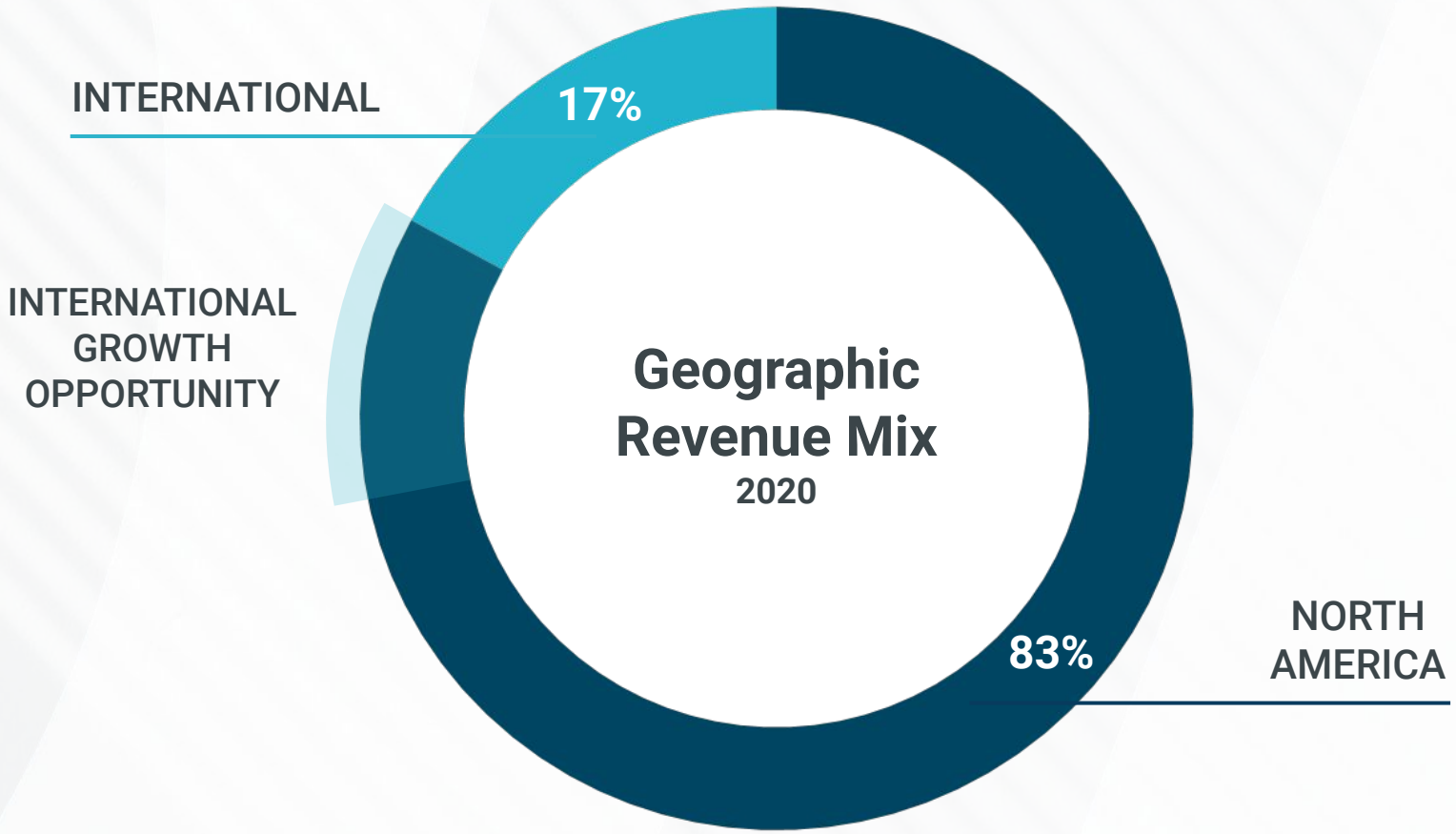
Reduction in customers but **growth rates remain consistent**

Corresponding increase to ARR per customer but **growth rates remain consistent**

[1] See End Notes for definitions.

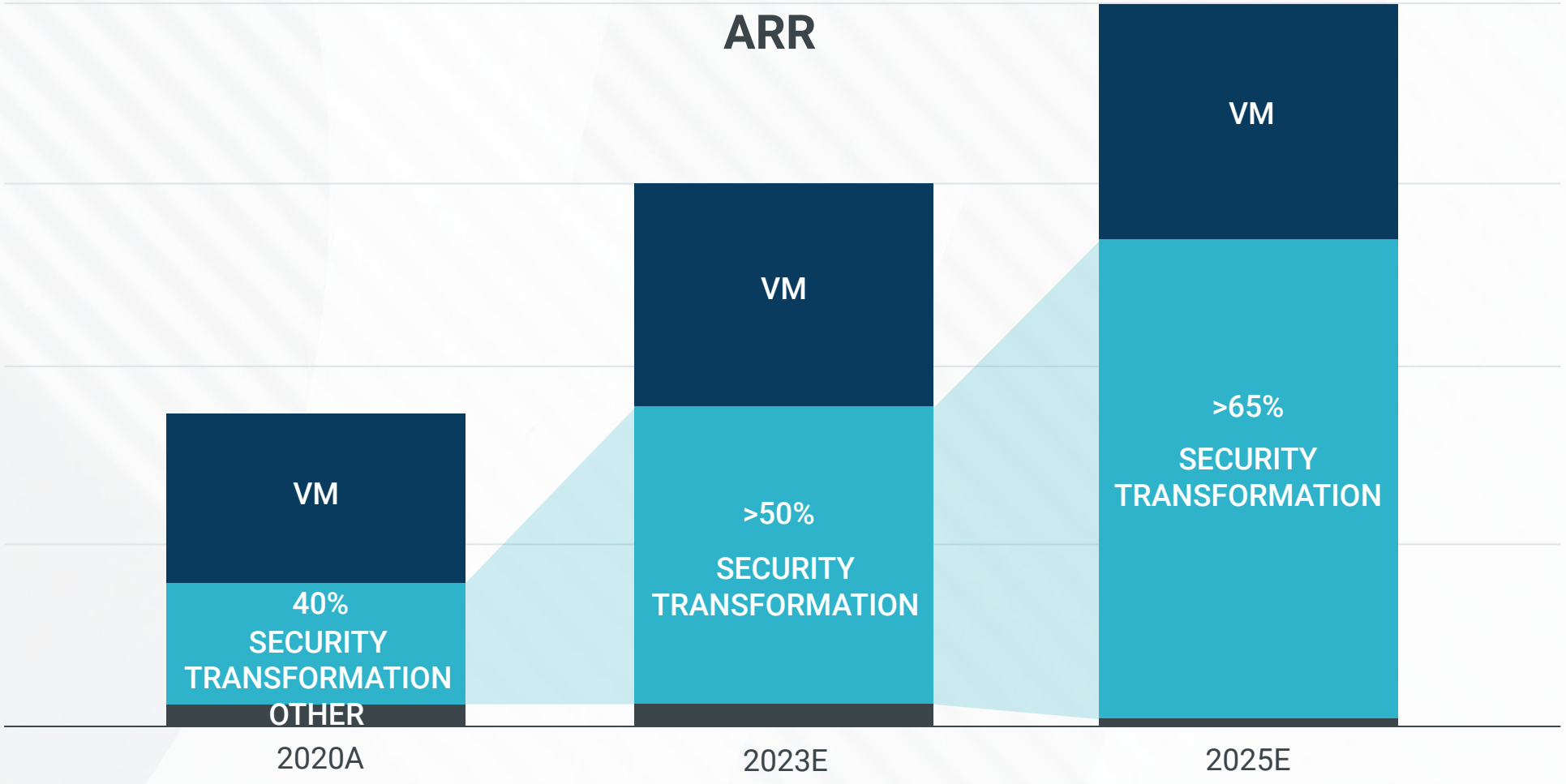
GROWTH PATH FOUR

# Underpenetrated International Market Opportunity



## DRIVING DURABLE GROWTH

# Well positioned to capture our growing TAM




Based on data as of the fiscal quarter ended December 31, 2020. The future financial results presented are based on achievement of certain scenarios and are not intended to be a projection for Rapid7's future financial results.

# Tracking Our Progress

~~Calculated Billings~~

~~Deferred Revenue~~

~~Net Retention~~

ARR

Customers

ARR Per Customer

# Drive Long-Term Scale



**Driving Durable Growth**

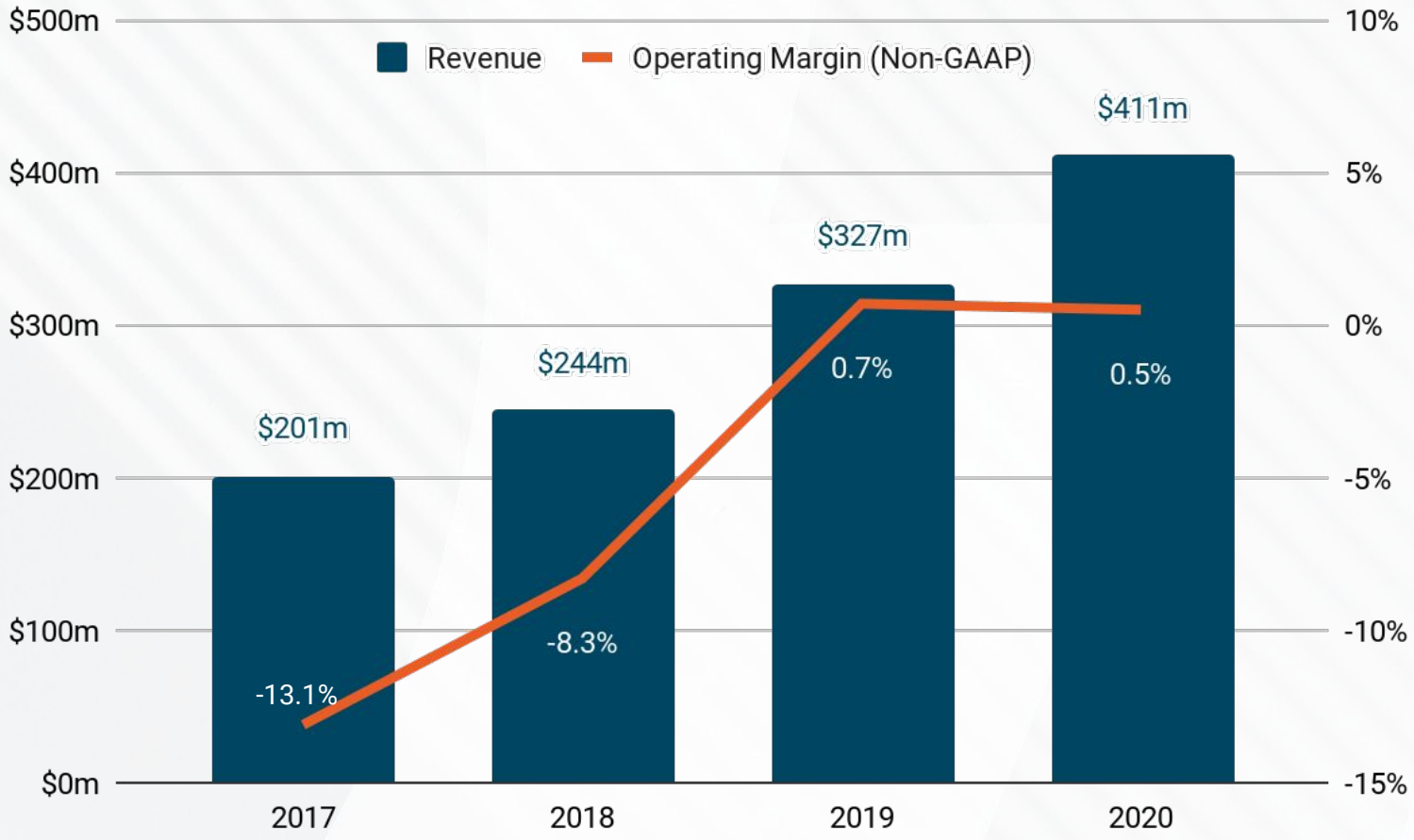


**Scaling Profitability**



**Path to $1bn+**

# Scaling Efficiently

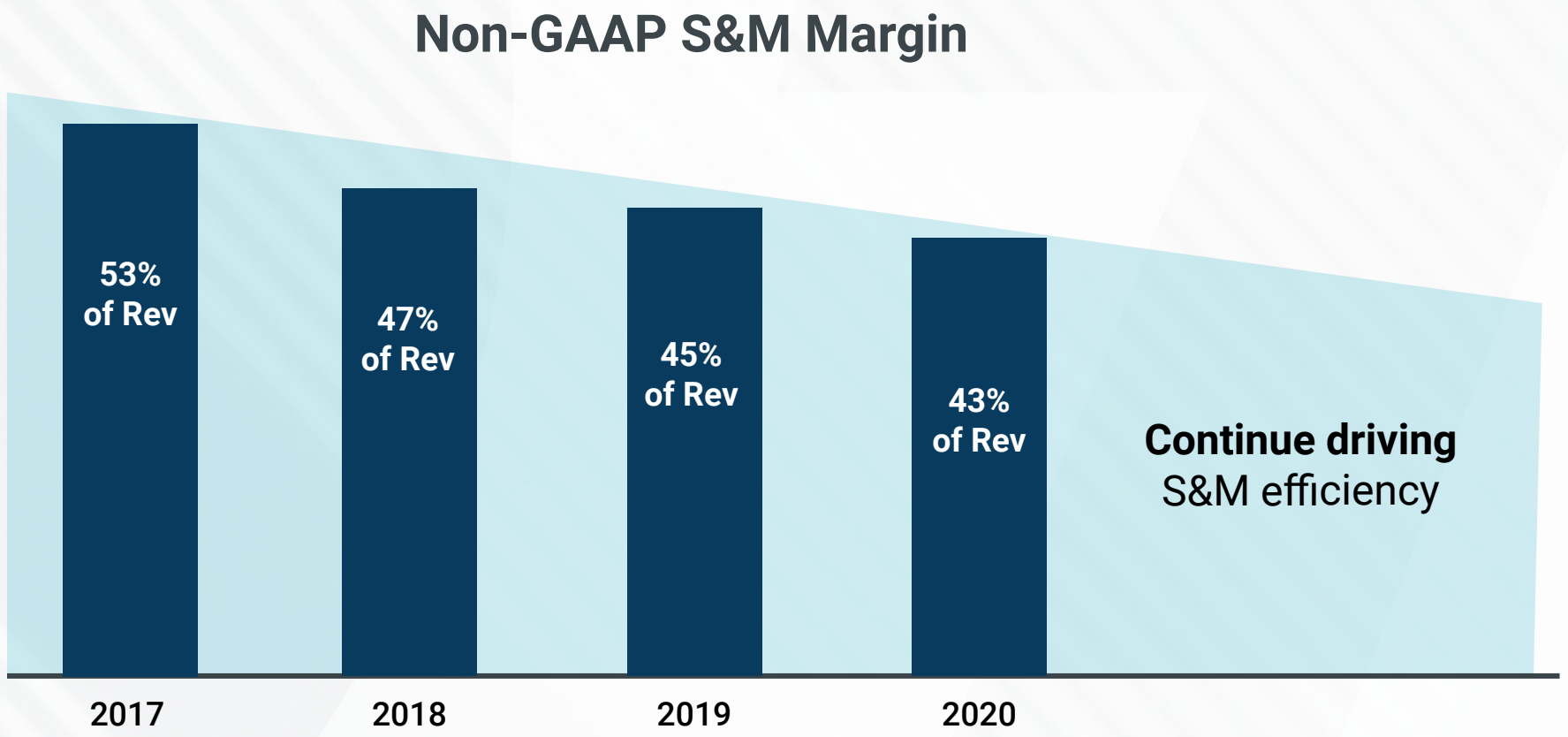



## Growth & Profitability Framework

| ARR Growth | Non-GAAP Operating Margin Expansion |
|---|---|
| 20-25% | 2-3% |
| 25-30% | 1-2% |
| 30%+ | <1% |

Non-GAAP Operating Margin represents Non-GAAP loss from operations as a percentage of Revenue. Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.
Growth & Profitability Framework is presented based on achievement of certain scenarios and is not intended to be a projection for Rapid7's future financial results.

# Lowering Barriers for Customer Adoption Increases Sales Efficiency



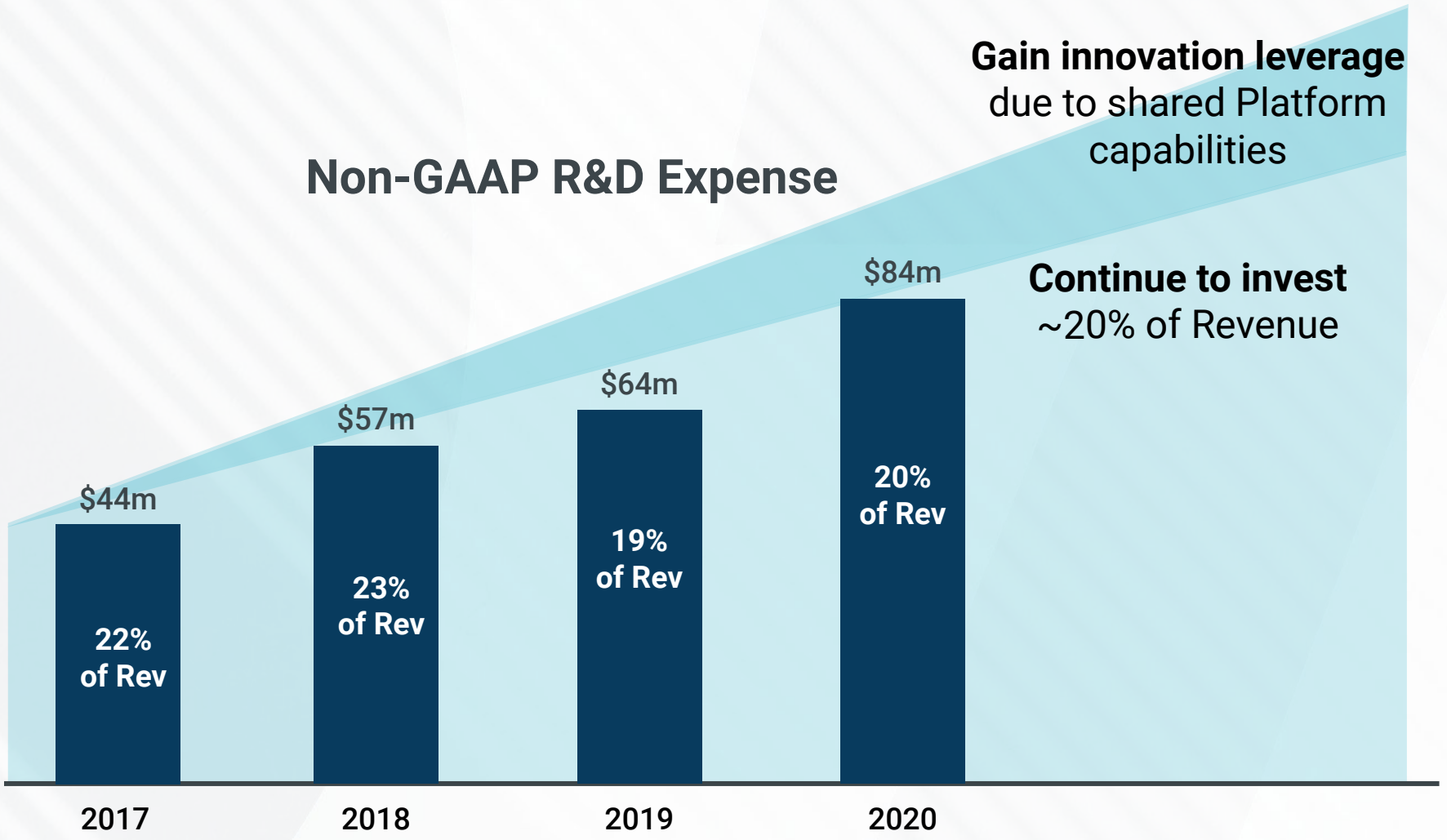

Platform Consumption Drives Sales Efficiency

More products enables Sales Productivity

Higher ASPs Drive Leverage Over Time

Non-GAAP S&M Margin represents Non-GAAP sales and marketing expenses as a percentage of Revenue. Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.

# Scaling Innovation



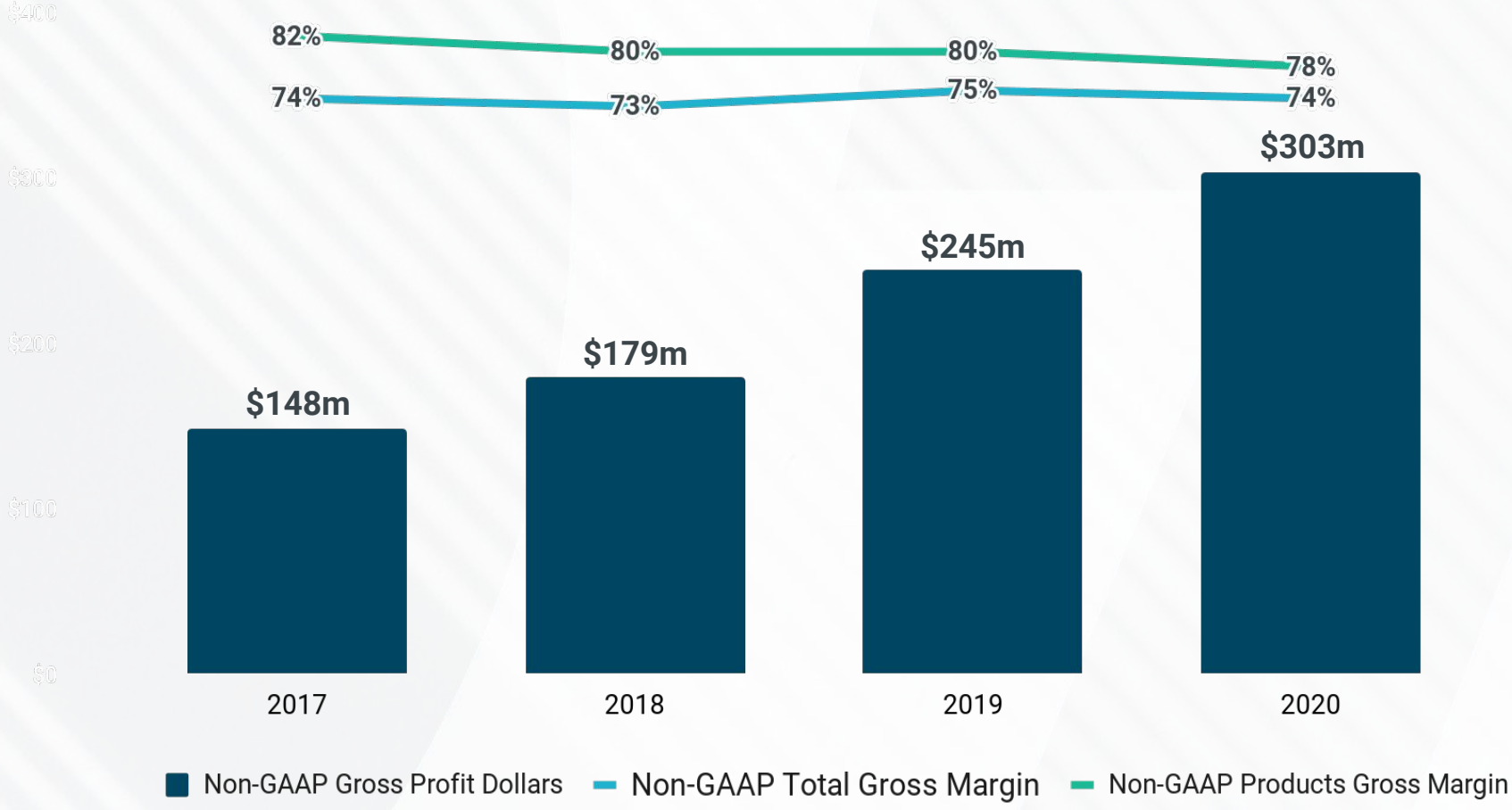

Innovation drives best-in-class leadership

Focus on common capabilities enables scaling efficiently

Efficient building brings new opportunities to market quicker

Non-GAAP R&D Margin represents Non-GAAP Research and Development expenses as a percentage of Revenue. Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.

# Strong SaaS economics and margin profile




Growing cloud mix has modestly impacted Non-GAAP Gross Margin

Expect Non-GAAP Product Gross Margins consistent with SaaS models in the mid-70s

Non-GAAP Total Gross Margin and Non-GAAP Products Gross Margin represents Non-GAAP Total Gross Profit and Non-GAAP Products Gross Profit as a percentage of Revenue. Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.

# Positioned to scale Free Cash Flow





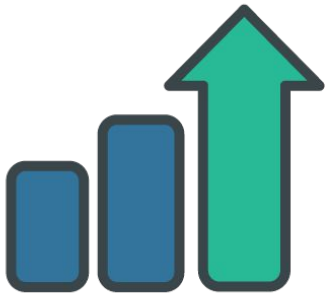




# Drive Long-Term Scale



**Driving Durable Growth**

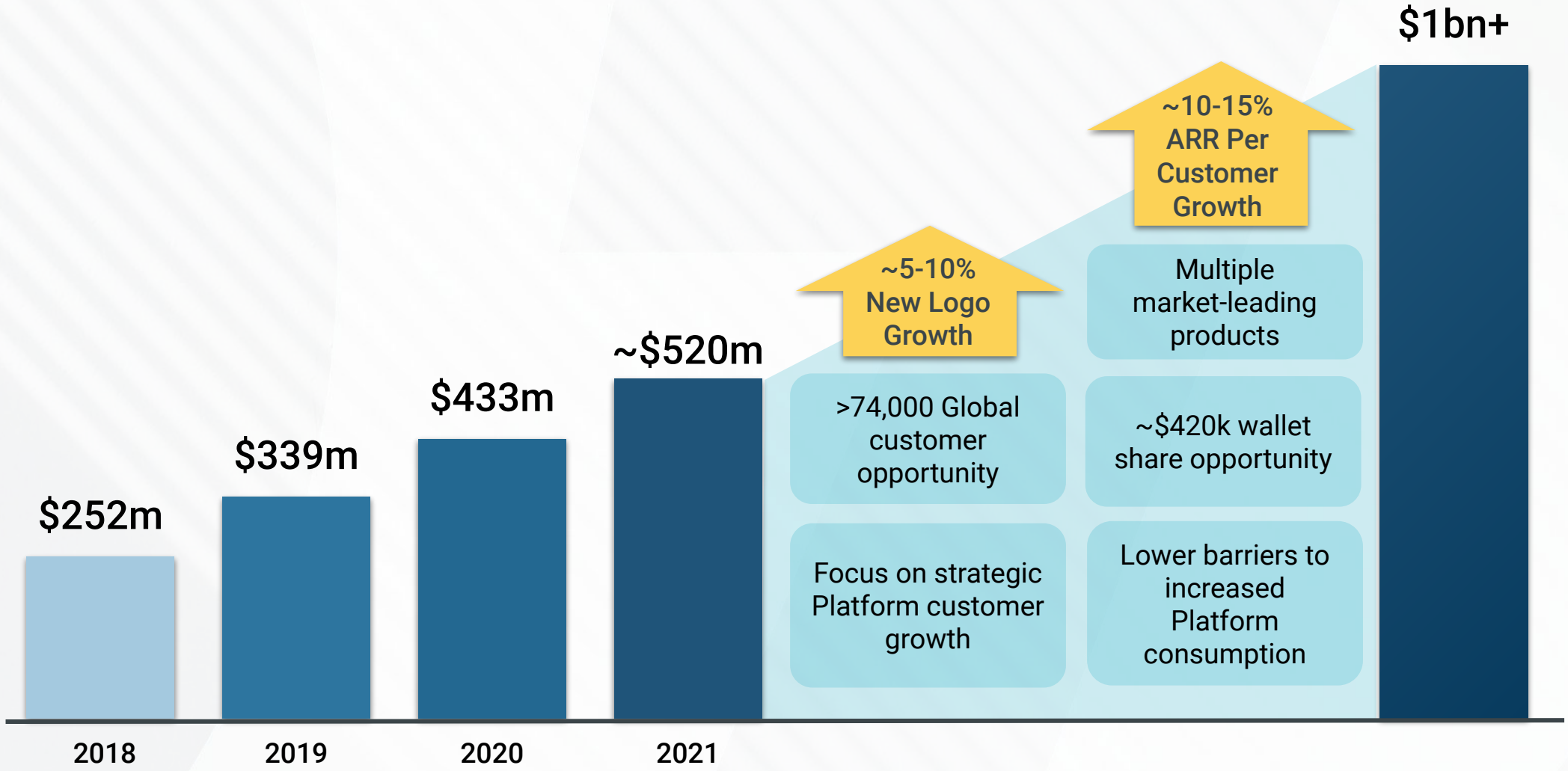


**Scaling Profitability**



**Path to $1bn+**

# Our ARR Path to $1 Billion




The above data for 2021 is based on guidance provided as of February 9, 2021. The data beyond 2021 is designed to be illustrative of potential trends and should not be construed as guidance or a financial outlook of any kind.

# Path to a $1bn Rule of 40 Company

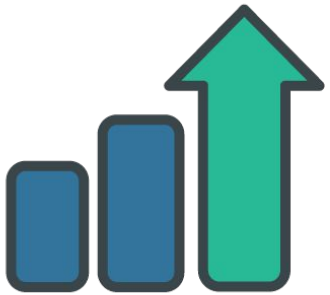
| | FY '20 | FY '21 [1] GUIDANCE | FY '23 MID-TERM TARGET | FY '25 LONG-TERM TARGET Rule of 40: ARR Growth + FCF Margin |
|---|---|---|---|---|
| **ARR** | $433m | $520m | **~$750m** | **>$1bn** |
| **Revenue** | $411m | $492m | ~$700m | |
| **Non-GAAP Operating Margin** | 0.5% | ~2.5-3% | ~6.5-9% | |
| **Free Cash Flow** | ($15m) | ~$10m | **~$70m** | **~$200m** |

[1] Based on guidance provided as of February 9, 2021. Refer to the GAAP to non-GAAP reconciliation in the Appendix for further details.

# Drive Long-Term Scale



**Driving Durable Growth**



**Scaling Profitability**



**Path to $1bn+**

## Secure the Digital Experience



**Corey Thomas**
Chairman &
Chief Executive Officer

## Deliver Unified SecOps in the Cloud



**Lee Weiner**
Chief Innovation Officer

## Increase Platform Consumption



**Andrew Burton**
President &
Chief Operating Officer

## Drive Long-term Scale



**Jeff Kalowski**
Chief Financial Officer

# Appendix

# 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.

New ARR

- New ARR is defined as ARR associated with any new customer contracts or up-sells and cross-sells contracts of existing customers during the specified measurement period.

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.

Free cash flow

- Free cash flow is defined as cash flow from operations less purchases of property and equipment and capitalization of internal-use software.

Guidance

- Guidance for the full-year 2021 does not include any potential impact of foreign exchange gains or losses, and does include the anticipated impact of the Alcide.IO Ltd. acquisition.
- Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of acquired intangible assets, amortization of debt discount and 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 full year 2021, which we are not able to predict without unreasonable effort due to their inherent uncertainty.
- In addition, fluctuations in Rapid7's quarterly operating results may be particularly pronounced in the current economic environment due to the uncertainty caused by, and the unprecedented nature of, the current COVID-19 pandemic, whose severity, duration and ultimate impact is difficult to predict at this time. The primary set of drivers of Rapid7's actual financial performance relative to the ranges provided will be a function of how long portions of the economy remain closed, especially if there are broad regional or systematic closures as a result of a sustained pandemic resurgence, and the pace of recovery.

# GAAP to Non-GAAP Reconciliations

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **GAAP Total Gross Profit** | $144,030 | $173,008 | $235,801 | $289,969 |
| Stock-based compensation expense | $1,085 | $1,692 | $2,580 | $4,298 |
| Amortization of acquired intangible assets | $2,639 | $3,985 | $6,339 | $8,700 |
| **Non-GAAP Total Gross Profit** | **$147,754** | **$178,685** | **$244,720** | **$302,967** |
| *Non-GAAP Total Gross Margin* | *74%* | *73%* | *75%* | *74%* |
| | | | | |
| **GAAP Products Gross Profit** | $129,942 | $163,306 | $229,718 | $286,058 |
| Stock-based compensation expense | $583 | $726 | $1,405 | $2,740 |
| Amortization of acquired intangible assets | $2,639 | $3,985 | $6,339 | $8,700 |
| **Non-GAAP Products Gross Profit** | **$133,164** | **$168,017** | **$237,462** | **$297,498** |
| *Non-GAAP Products Gross Margin* | *82%* | *80%* | *80%* | *78%* |
| | | | | |
| **GAAP Research and Development Expense** | $50,938 | $67,743 | $79,364 | $108,568 |
| Stock-based compensation expense | $7,205 | $10,822 | $15,670 | $24,423 |
| **Non-GAAP Research and Development Expense** | **$43,733** | **$56,921** | **$63,694** | **$84,145** |
| *Non-GAAP Research and Development Expense as a % of Revenue* | *22%* | *23%* | *19%* | *20%* |

(Amounts reflected in thousands.)

# GAAP to Non-GAAP Reconciliations

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **GAAP Sales and Marketing Expense** | $111,593 | $123,310 | $157,722 | $195,981 |
| Stock-based compensation expense | $5,756 | $7,569 | $11,883 | $16,826 |
| Amortization of acquired intangible assets | $152 | $154 | $137 | $247 |
| **Non-GAAP Sales and Marketing Expense** | **$105,685** | **$115,587** | **$145,702** | **$178,908** |
| *Non-GAAP Sales and Marketing Expense as a % of Revenue* | *53%* | *47%* | *45%* | *43%* |
| | | | | |
| **GAAP Loss from Operations** | ($48,794) | ($53,038) | ($45,995) | ($74,099) |
| Stock-based compensation expense | $19,541 | $27,593 | $40,664 | $63,888 |
| Amortization of acquired intangible assets | $2,813 | $4,144 | $6,479 | $9,138 |
| Acquisition-related expenses | $167 | $115 | $514 | $1,343 |
| Litigation-related expenses | $0 | $600 | $742 | $1,762 |
| Follow-on public offering costs | $0 | $205 | $0 | $0 |
| **Non-GAAP (Loss) Income from Operations** | **($26,273)** | **($20,381)** | **$2,404** | **$2,032** |
| *Non-GAAP Operating Margin* | *-13.1%* | *-8.3%* | *0.7%* | *0.5%* |

(Amounts reflected in thousands.)

# GAAP to Non-GAAP Reconciliations

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **Cash provided by (used in) operating activities** | $13,286 | $6,066 | ($1,420) | $4,887 |
| Less: Purchases of property and equipment | ($4,824) | ($12,813) | ($29,428) | ($13,802) |
| Less: Capitalization of internal-use software | ($1,162) | ($3,265) | ($6,087) | ($6,130) |
| **Free cash flow** | **$7,300** | **($10,012)** | **($36,935)** | **($15,045)** |

(Amounts reflected in thousands.)

# GAAP to Non-GAAP Guidance Reconciliations

| | Full-Year 2021 | | |
|---|---|---|---|
| **Anticipated GAAP loss from operations** | $ (88.3) to | $ (84.3) | |
| Anticipated stock-based compensation expense | $ 89.0 to | $ 89.0 | |
| Anticipated amortization of acquired intangible assets | $ 10.3 to | $ 10.3 | |
| Anticipated acquisition-related expenses | $ 1.0 to | $ 1.0 | |
| **Anticipated Non-GAAP income from operations** | $ 12.0 to | $ 16.0 | |

| | |
|---|---|
| **Anticipated GAAP cash flow provided by operations** | $ 26.5 |
| Less: Anticipated purchases of property and equipment | $ (8.5) |
| Less: Anticipated capitalization of internal-use software | $ (8.0) |
| **Anticipated Non-GAAP free cash flow** | $ 10.0 |

*The reconciliation does not reflect any items that are unknown at this time, such as acquisition-related expenses, litigation-related expenses and the amortization of acquired intangible assets associated with the Alcide acquisition, 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 is expected to change.*

(Amounts reflected in millions.)