

COMPANY OVERVIEW

November 6, 2024

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), free cash flow, and our other non-GAAP measures, our business strategy, plans and objectives for future operations and expectations regarding non-GAAP targets, our future financial and business performance for the fourth quarter and full-year 2024, and the assumptions underlying such guidance, are forward-looking statements. Our use of the words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "will" and similar expressions are intended to identify forward-looking statements. The events described in our forward-looking statements are subject to a number of risks and uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Risks that could cause or contribute to such differences include, but are not limited to, growing macroeconomic uncertainty, unstable market and economic conditions, fluctuations in our quarterly results, effectiveness of our restructuring plan, failure to meet our publicly announced guidance or other expectations about our business, our ability to sustain our revenue growth rate, the ability of our products and professional services to correctly detect vulnerabilities, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to integrate acquired companies, actions by activist stockholders, exposure to greater than anticipated tax liability, 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 Reports on Form 10-Q filed with the Securities and Exchange Commission (SEC) on August 7, 2024 and May 8, 2024, and our most recent Annual Report on Form 10-K filed with the SEC on February 26, 2024 and in the subsequent reports that we file with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed in any forward-looking statements we may make. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

This presentation also contains certain non-GAAP financial measures as defined by the SEC rules. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Please refer to our November 6, 2024 press release for additional information as to why we believe these non-GAAP financial measures are useful to investors and others in assessing our operating results. As required by Regulation G, we have provided a reconciliation of those measures to their most directly comparable GAAP measures, which is available in the end notes to this presentation. However, the reconciliation of non-GAAP guidance measures to the most comparable GAAP measures does not reflect any items that are unknown at this time, such as non-ordinary course litigation-related expenses, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

Rapid7 Overview

FINANCIAL SCALE

MASSIVE OPPORTUNITY TO CONSOLIDATE SECOPS

$54BN+
Total Addressable Market

SUBSTANTIAL RECURRING REVENUE BASE

$800M+
ARR

RAMPING CASH FLOW

$150M
Free Cash Flow Target in 2024[1]

GLOBAL SCOPE

11K+
Global Customers

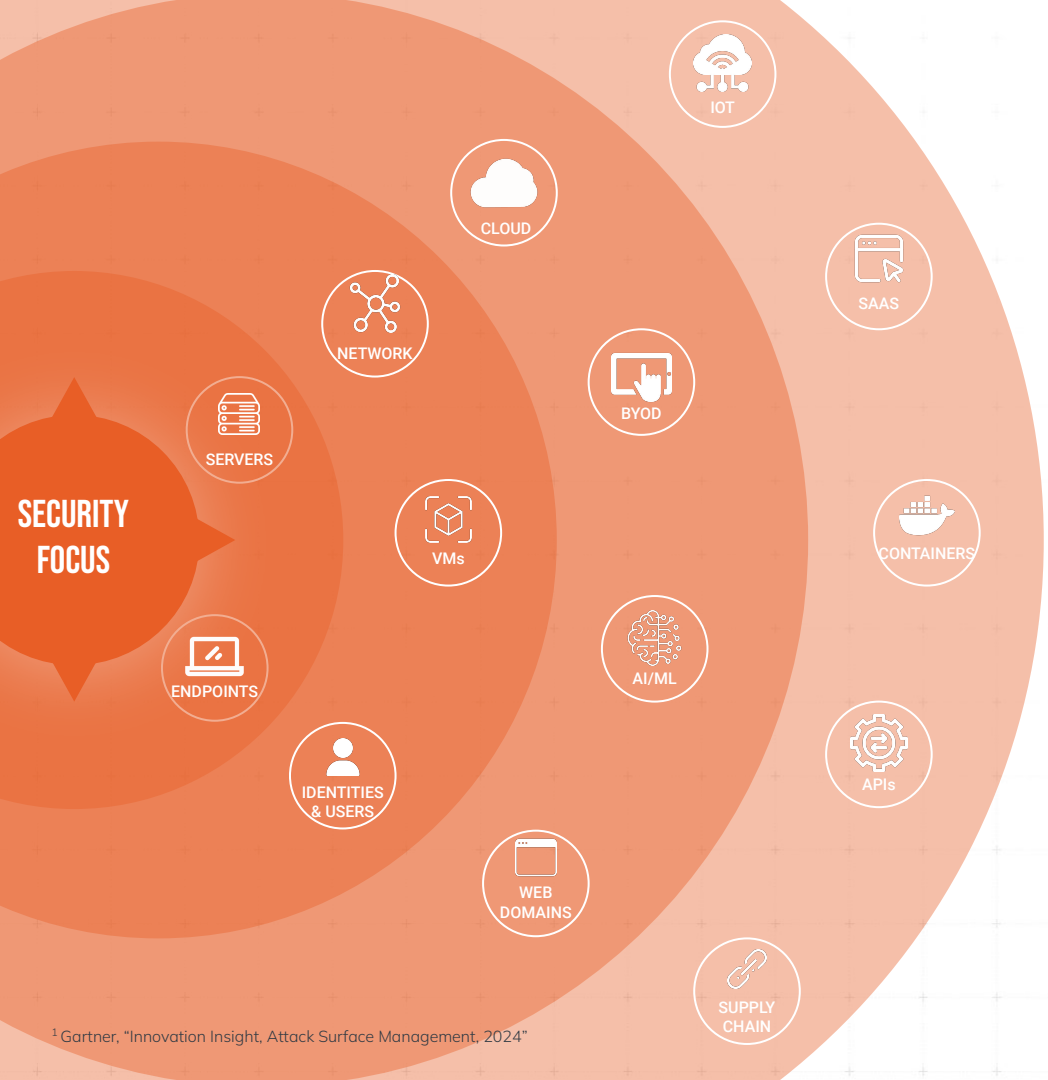
300T+
Events Collected & Analyzed by R7 Threat Engine

28M
Automation Workflows

500+
Platform Integrations for Connectivity

60+
Patents Granted and Pending Related to AI

[1]Based on FY 2024 guidance provided as of November 6, 2024. Growth rates are at the mid-point of the guidance range.



THE REALITIES OF SECURING A FRAGMENTED ATTACK SURFACE

Collecting more data, while getting less from it.

More than 80% of organizations[1] are not able to see the majority of their attack surface.

Manually integrating without confidence.

Spending cycles (and budget) integrating disparate systems without clarity and confidence in the data.

Lacking the clarity and context to prioritize.

Lacking the context to be able to zero-in on what actually matters, take action, and collaborate effectively across teams.

[1] Gartner, "Innovation Insight, Attack Surface Management, 2024"

Compelling Customer Value Proposition

ANTICIPATE, PINPOINT, AND ACT WITH CONFIDENCE



Anticipate and prevent breaches with tailored threat-aware risk context



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

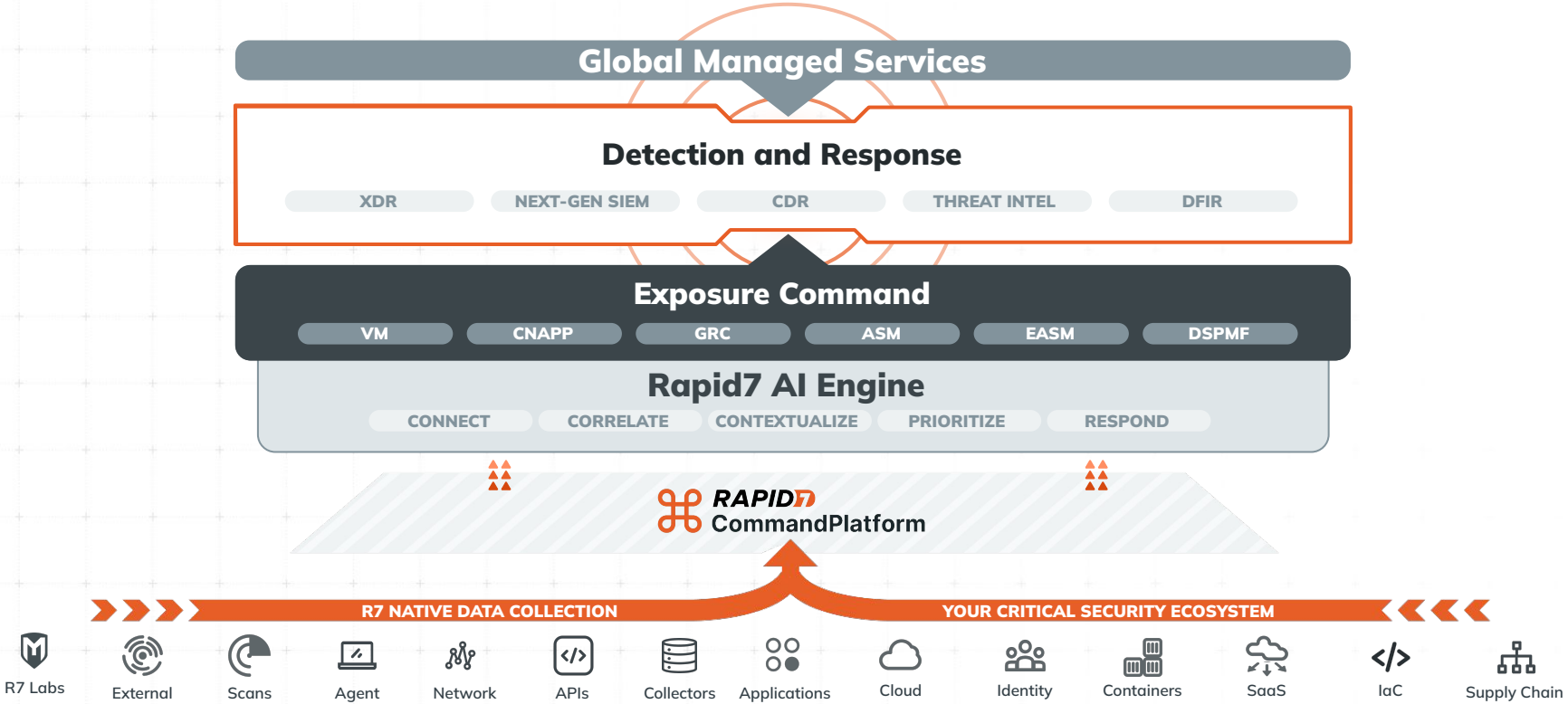


Detect and take action confidently on threats with experts by your side



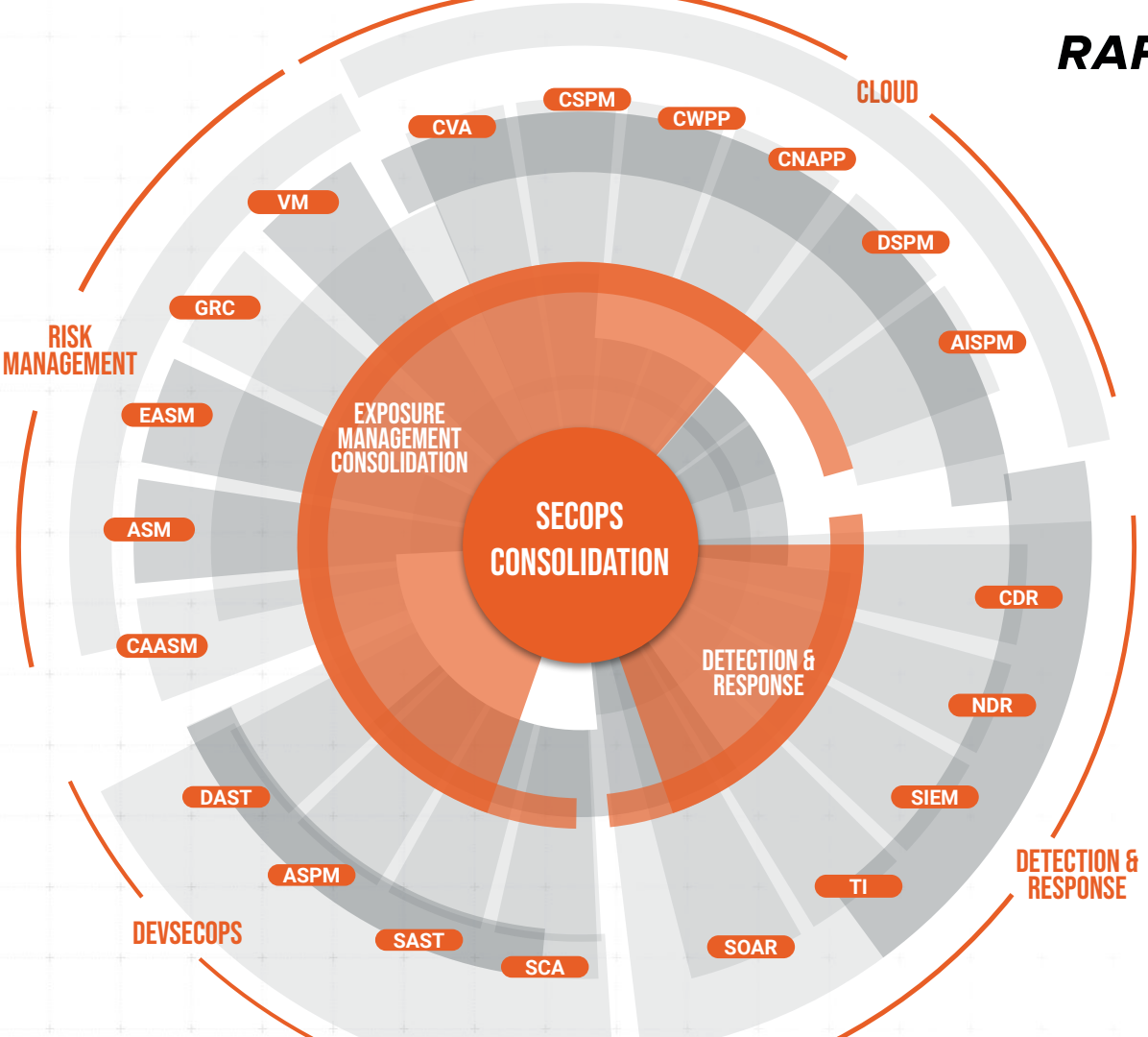
Deliver tangible ROI and outcomes that make it easy to demonstrate success

Command Your Attack Surface



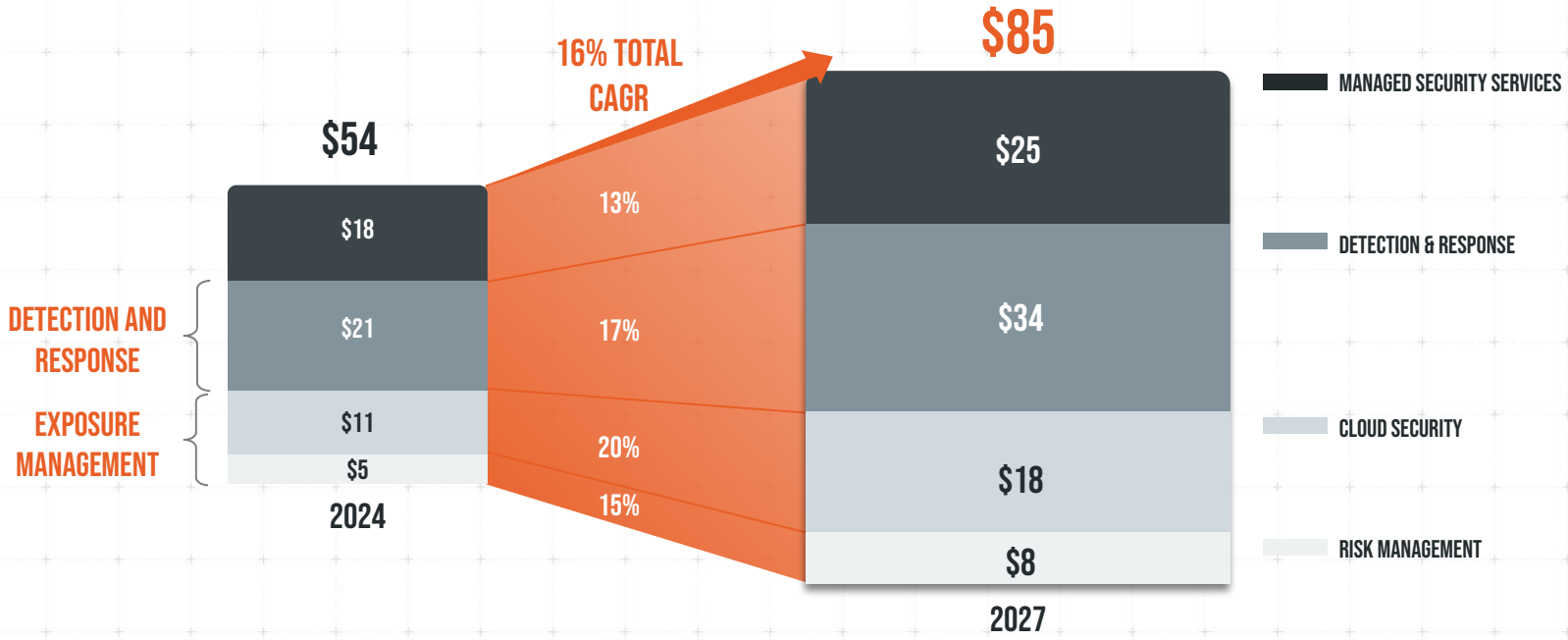
SECURITY OPERATIONS PLATFORM CONSOLIDATION

Rapid7 offers a broader and more comprehensive SecOps platform than traditional competitors



Large Market Opportunity for Security Operations

$ in billions



Source: Gartner, "Forecast: Information Security and Risk Management, Worldwide, 2022-2028, 2Q24 Update," Gartner, "Emerging Tech: Adoption Growth Insights in Digital Risk Protection Services, Gartner, "Forecast: Cloud Security Posture Management Worldwide, 2021-2017, 4Q23 Update", Gartner "Market Share Analysis: Managed Security Services Worldwide, 2022", and IDC, "Worldwide SOAR and Firewall Automation Market Share," IDC, "Worldwide Cloud-Native XDR Forecast, 2024–2028," IDC, "Worldwide Attack Surface Management and Breach and Attack Simulation Software Forecast, 2024–2028."

Rapid7 Labs: Global Threat Intelligence Community

Intelligence built into our products & services

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

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

ETR advisory, research reports, vulnerability disclosures

Active security research & open source communities

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



Ingestion Sources

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

Analysis & Development

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

Customer Delivery

- Pro editions of open source software like Metasploit
- Datasets from proprietary research
- Research reports and high-priority vulnerability analysis

Robust Partner Ecosystem



Extensive Partner Integration Ecosystem



Technology Leadership: Industry Analyst Recognition

Gartner	Gartner	Gartner	Gartner	Gartner	Gartner
A Challenger	**Recognition**	**Recognition**	**Recognition**	**Recognition**	**Recognition**
2024 Magic Quadrant™ for Security Information and Event Management[1]	2024 Market Guide for Managed Detection and Response Services[1]	2023 Market Guide for Vulnerability Assessment[1]	2024 Market Guide for Cloud-Native Application Protection Platforms[1]	2023 Market Guide for Extended Detection and Response[1]	2023 Market Guide for Security Threat Intelligence Products and Services[1]
IDC	IDC	IDC	IDC	FORRESTER®	FORRESTER®
A Leader	**A Leader**	**A Leader**	**Major Player**	**A Strong Performer**	**A Strong Performer**
IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment[2]	IDC MarketScape: Worldwide SIEM for Enterprise 2024[4]	IDC MarketScape: Worldwide SIEM for SMB 2024[5]	IDC MarketScape: Worldwide Managed Detection and Response 2024 Vendor Assessment[3]	The Forrester Wave™: MDR, Q2 2023	The Forrester Wave™: Vulnerability Risk Management, Q3 2023

[1]Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
IntSights, a Rapid7 company was recognized in the 2023 Market Guide for Security Threat Intelligence Products and Services
[2]IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment, #US50302323
[3]IDC MarketScape: Worldwide Managed Detection and Response 2024 Vendor Assessment, April 2024, #US49006922
[4]IDC MarketScape: Worldwide SIEM for Enterprise 2024, September 2024, #US51541324
[5]IDC MarketScape: Worldwide SIEM for SMB 2024, September 2024, #US52038824

Rapid7 for Social Good Beyond ESG

Rapid7 Core Values

Bring You
Thrive by celebrating individuality and diverse perspectives

Be an Advocate
Relentlessly champion our customers to propel the security industry forward

Challenge Convention
Forge new paths with foresight, discipline, and determination

Impact Together
Actively support, collaborate with, and learn from each other

Never Done
Pursue personal and professional excellence through continuous learning

Diversity, Equity, & Inclusion
Leverage diverse hiring practices and data-driven focus to advance a diverse workforce, inclusive culture, and equitable pay. Recognized in Bloomberg Gender Equality Index 2019, 2020, 2021, 2022, and 2023.

Environment & Climate Change
Focus on reducing environmental impact by minimizing greenhouse gas emissions.

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

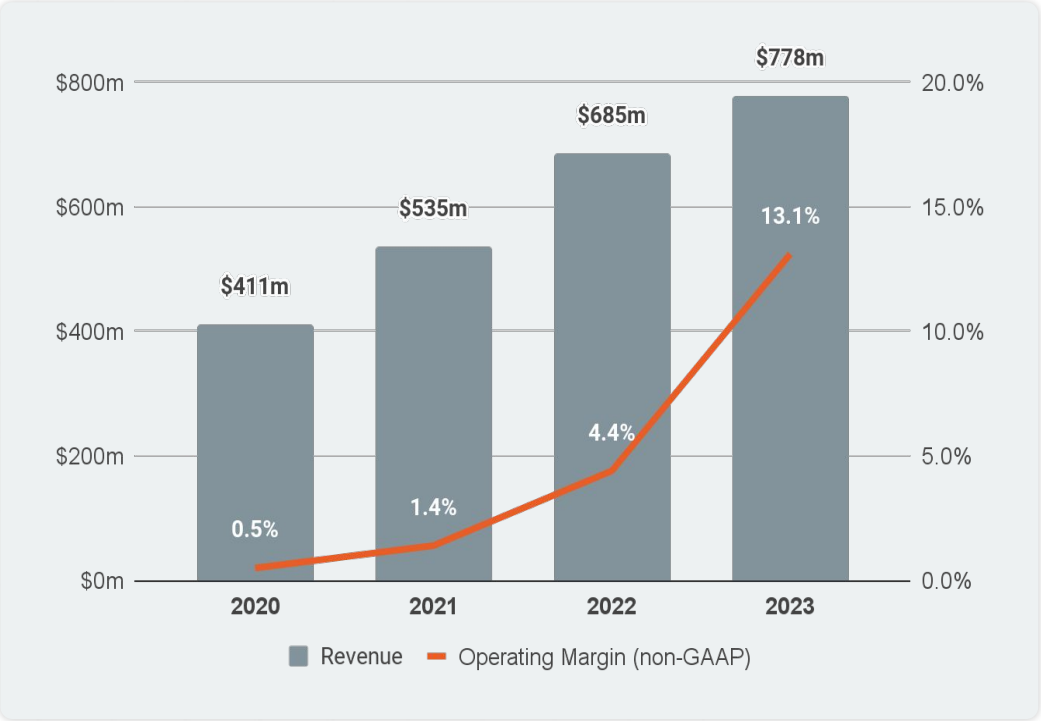
Community Engagement & Social Impact
Giving back to our communities through partnerships with STEM and inclusion-focused programs, charitable giving, and employee volunteerism.

Non-Profit Support
Offering solution discounts to eligible non-profit organizations so they can focus more of their resources pursuing the good they do in the world.

FINANCIAL OVERVIEW

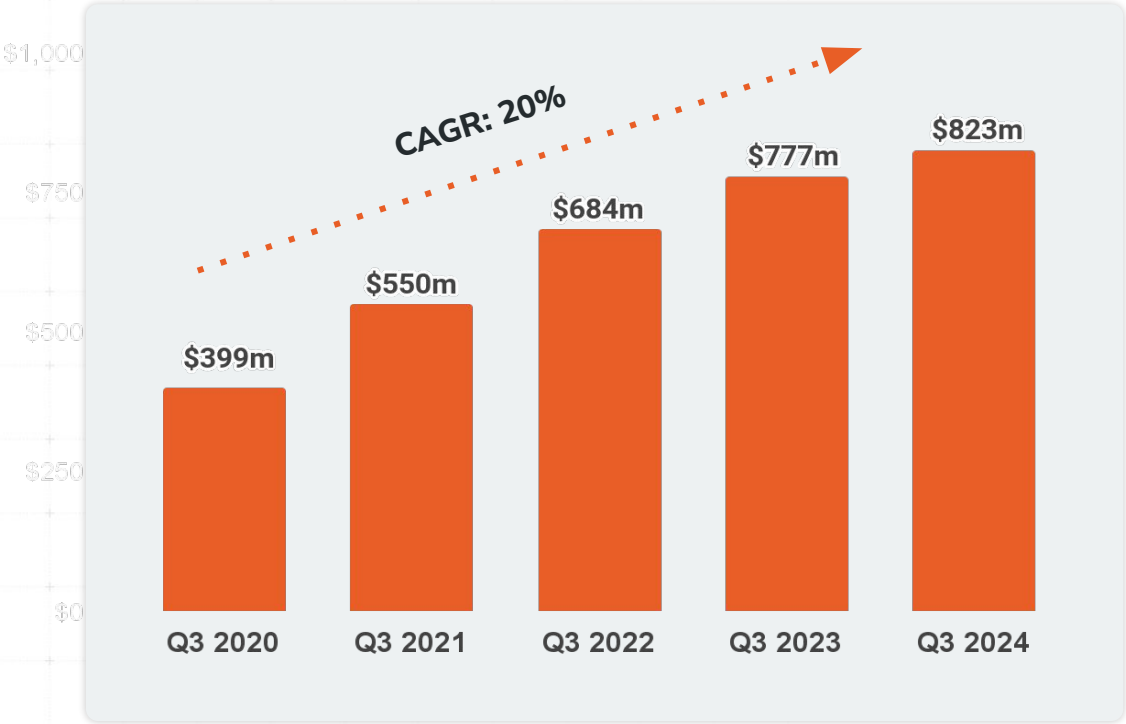
Sustained Revenue Growth

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



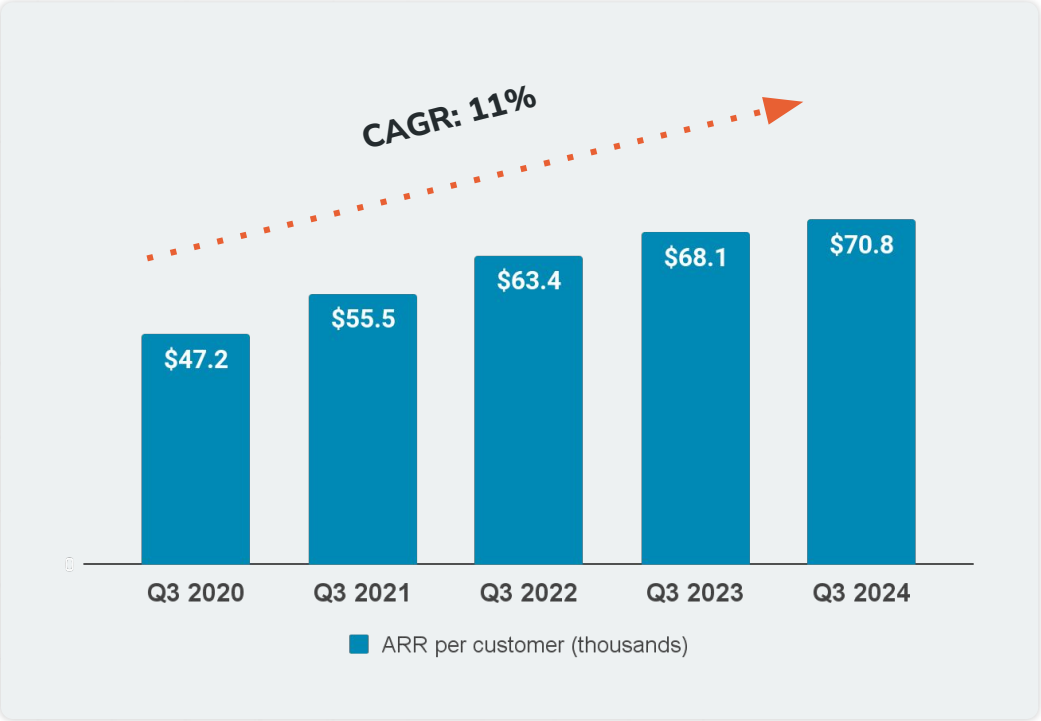
Annualized Recurring Revenue

- ARR grew by **6%** year-over-year in Q3 2024
- ARR CAGR of **20%** from Q3 2020 to Q3 2024



Upsells & Cross-Sells Drive ARR per Customer Growth

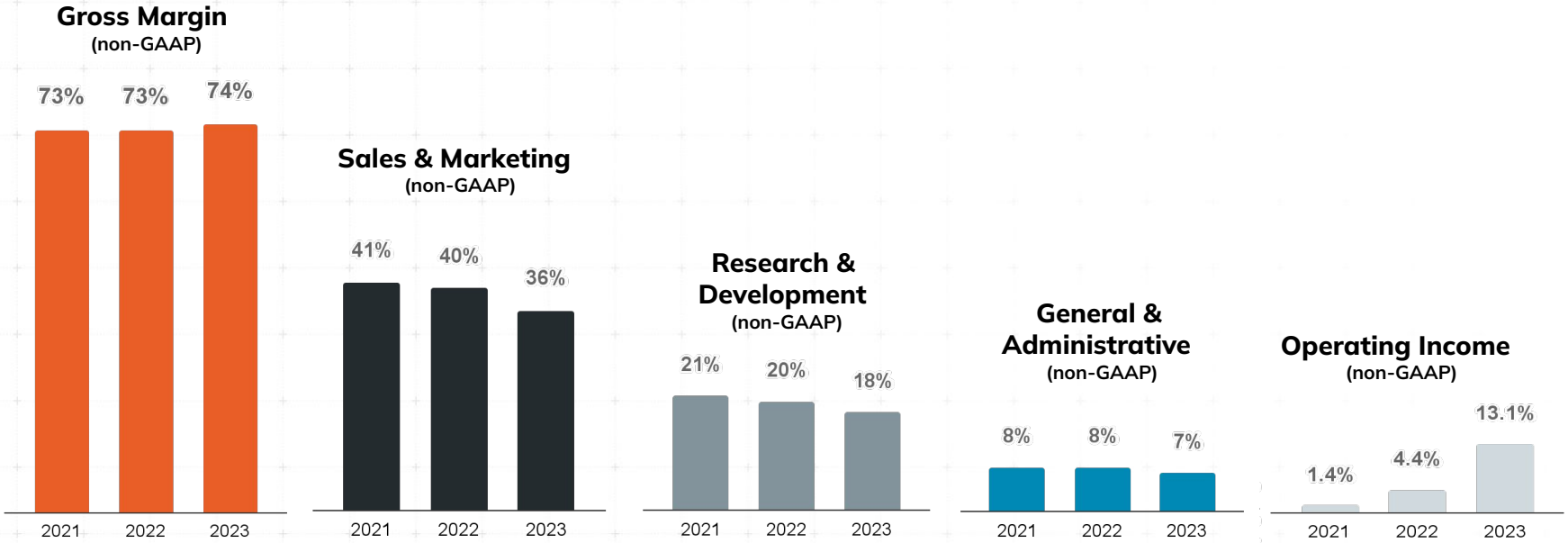
- ARR per customer was approximately **$71k** in Q3 2024
- ARR per customer CAGR of **11%** from Q3 2020 to Q3 2024



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

Focused on Long-term Profitability Improvement

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



Guidance: Q4 2024 and Full-Year 2024

Rapid7 anticipates Annualized Recurring Revenue, Revenue, Non-GAAP Income from Operations, Non-GAAP Net Income per Share and Free Cash Flow to be in the following ranges:

	Q4 2024	Full Year 2024
Annualized Recurring Revenue		$835 to $845m
Annualized Recurring Revenue Growth		4% to 5%
Revenue	$211 to $213m	$839 to $841m
Revenue Growth	3% to 4%	8%
Non-GAAP Income From Operations [1]	$33 to $35m	$157 to $159m
Non-GAAP Net Income Per Share [1]	$0.48 to $0.51	$2.28 to $2.31
Weighted-average Shares Outstanding, Diluted	75.7m	74.7m
Free Cash Flow		$145 to $155m

See End Notes for additional information and definitions

SUPPLEMENTAL

GAAP to Non-GAAP Reconciliations: Q3 2024

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Acquisition-related expenses	Amortization of debt issuance costs	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:									
Product subscriptions	$ 205,593	$ -	$ -	$ -	$ -	$ 205,593	$ -	$ -	$ 205,593
Professional services	9,061	-	-	-	-	9,061	-	-	9,061
Total revenue	214,654	-	-	-	-	214,654	-	-	214,654
Cost of revenue:									
Product subscriptions	$ 56,653	$ 2,564	$ 4,410	$ -	$ -	$ 49,679	$ 379	$ 3,413	$ 45,887
Professional services	6,364	437	-	-	-	5,927	130	-	5,797
Total cost of revenue	63,017	3,001	4,410	-	-	55,606	509	3,413	51,684
Gross margin %	71%					74%			
Research and development	44,565	9,535	-	-	-	35,030	804	-	34,226
Sales and marketing	74,521	6,823	652	-	-	67,046	1,019	-	66,027
General and administrative	18,590	5,235	45	290	-	13,020	386	-	12,634
Income from operations	$ 13,961	$ (24,594)	$ (5,107)	(290)	$ -	$ 43,952	$ (2,209)	$ (3,413)	$ 50,083
Interest income	5,571	-	-	-	-	5,571			
Interest expense	(2,837)	-	-	-	(1,217)	(1,620)			
Other income (expense), net	2,811	-	-	-	-	2,811			
Income before income taxes	19,506	(24,594)	(5,107)	(290)	(1,217)	50,714			
Provision for income taxes	2,952	-	-	-	-	2,952			
Net income	$ 16,554	$ (24,594)	$ (5,107)	(290)	$ (1,217)	$ 47,762			
Add: Interest expense of convertible senior notes						1,571			
Numerator for non-GAAP earnings per share calculation						$ 49,333			
Net income per share:									
Basic	$ 0.26					$ 0.76			
Diluted	$ 0.22					$ 0.66			
Weighted average shares used in non-GAAP earnings per share calculation:									
Basic	62,898,078					62,898,078			
Diluted	74,537,085					74,537,085			

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

GAAP to Non-GAAP Reconciliations: Q3 2023

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Amortization of debt issuance costs	Induced conversion expense	Change in fair value of derivative assets	Impairment of long-lived assets	Restructuring expense	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:												
Product subscriptions	$ 189,876	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 189,876	$ -	$ -	$ 189,876
Professional services	8,967	-	-	-	-	-	-	-	8,967	-	-	8,967
Total revenue	198,843	-	-	-	-	-	-	-	198,843	-	-	198,843
Cost of revenue:												
Product subscriptions	$ 51,261	$ 1,940	$ 4,775	$ -	$ -	$ -	$ -	$ -	$ 44,546	$ 467	$ 2,809	$ 41,270
Professional services	6,569	587	-	-	-	-	-	-	5,982	162	-	5,820
Total cost of revenue	57,830	2,527	4,775	-	-	-	-	-	50,528	629	2,809	47,090
Gross margin %	71%								75%			
Research and development	39,940	8,436	-	-	-	-	-	-	31,504	1,010	-	30,494
Sales and marketing	75,699	7,106	652	-	-	-	-	-	67,941	1,237	-	66,704
General and administrative	17,866	5,699	70	-	-	-	-	-	12,097	467	-	11,630
Impairment of long-lived assets	3,553	-	-	-	-	-	3,553	-	-	-	-	-
Restructuring	19,996	-	-	-	-	-	-	19,996	-	-	-	-
(Loss) income from operations	$ (16,041)	$ (23,768)	$ (5,497)	$ -	$ -	$ -	$ (3,553)	$ (19,996)	$ 36,773	$ (3,343)	$ (2,809)	$ 42,925
Interest income	2,545	-	-	-	-	-	-	-	2,545			
Interest expense	(56,515)	-	-	(1,041)	(53,889)	-	-	-	(1,585)			
Other income (expense), net	(4,518)	-	-	-	-	(2,851)	-	-	(1,667)			
(Loss) income before income taxes	(74,529)	(23,768)	(5,497)	(1,041)	(53,889)	(2,851)	(3,553)	(19,996)	36,066			
Provision for income taxes	2,082	-	-	-	-	-	-	-	2,082			
Net (loss) income	$ (76,611)	$ (23,768)	$ (5,497)	$ (1,041)	$ (53,889)	$ (2,851)	$ (3,553)	$ (19,996)	$ 33,984			
Add: Interest expense of convertible senior notes									604			
Numerator for non-GAAP earnings per share calculation									$ 34,588			
Net (loss) income per share:												
Basic	$ (1.25)								$ 0.56			
Diluted	$ (1.25)								$ 0.50			
Weighted average shares used in non-GAAP earnings per share calculation:												
Basic	61,065,157								61,065,157			
Diluted	61,065,157								68,899,221			

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

GAAP to Non-GAAP Guidance Reconciliation: FY 2024

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net cash provided by operating activities	$ 43,969	$ 3,665	$ 107,897	$ 40,812
Less: Purchases of property and equipment	(1,342)	(295)	(2,242)	(3,999)
Less: Capitalized internal-use software costs	(4,125)	(3,952)	(10,414)	(13,033)
Free cash flow	$ 38,502	$ (582)	$ 95,241	$ 23,780

(All amounts in millions,)

GAAP to Non-GAAP Guidance Reconciliation: Q4 & FY 2024

	Fourth Quarter 2024		Full-Year 2024	
Reconciliation of GAAP income from operations to non-GAAP income from operations:				
Anticipated GAAP income from operations	$ 1.0 to $ 3.0		$ 32.1 to $ 34.1	
Add: Anticipated stock-based compensation expense	27.0 to 27.0		104.0 to 104.0	
Add: Anticipated amortization of acquired intangible assets	5.0 to 5.0		20.0 to 20.0	
Add: Anticipated acquisition-related expense	— to —		0.6 to 0.6	
Add: Anticipated restructuring expense	— to —		(0.2) to (0.2)	
Anticipated non-GAAP income from operations	$ 33.0 to $ 35.0		$ 156.5 to $ 158.5	
Reconciliation of GAAP net income to non-GAAP net income:				
Anticipated GAAP net income	$ 2.1 to $ 4.1		$ 29.1 to $ 31.1	
Add: Anticipated stock-based compensation expense	27.0 to 27.0		104.0 to 104.0	
Add: Anticipated amortization of acquired intangible assets	5.0 to 5.0		20.0 to 20.0	
Add: Anticipated acquisition-related expense	— to —		0.6 to 0.6	
Add: Anticipated amortization of debt issuance costs	1.0 to 1.0		4.0 to 4.0	
Add: Anticipated restructuring expense	— to —		(0.2) to (0.2)	
Add: Anticipated discrete tax items	— to —		6.4 to 6.4	
Anticipated non-GAAP net income	$ 35.1 to $ 37.1		$ 163.9 to $ 165.9	
Add: Anticipated interest expense on convertible senior notes	1.6 to 1.6		6.4 to 6.4	
Numerator for non-GAAP earnings per share calculation	$ 36.7 to $ 38.7		$ 170.3 to $ 172.3	
Anticipated GAAP net income per share, diluted	$ 0.03	$ 0.05	$ 0.39	$ 0.42
Anticipated non-GAAP net income per share, diluted	$ 0.48	$ 0.51	$ 2.28	$ 2.31
Weighted average shares used in earnings per share calculation, diluted	75.7		74.7	

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

End Notes

Annualized Recurring Revenue (ARR)

- Annualized Recurring Revenue (ARR) is defined as the annual value of all recurring revenue related to contracts in place at the end of the period. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. ARR is not a forecast of future revenue and can be impacted by contract start and end dates and renewal rates, and does not include revenue reported as professional services revenue in our consolidated statement of operations.

Recurring Revenue

- Recurring revenue is defined as revenue from the sale of term software licenses, content subscriptions, managed services, cloud-based subscriptions and maintenance and support calculated as % of total revenue.

Customer

- A Customer is defined as any entity that has an active recurring revenue contract as of the specified measurement date, excluding InsightOps and Logentries only customers with a contract value less than $2,400 per year.

ARR per Customer

- ARR per Customer is defined as ARR divided by the number of Customers at the end of the period.

Non-GAAP metrics

- Non-GAAP gross margins represent the GAAP gross profit, excluding stock-based compensation expense and amortization of acquired intangible assets calculated as a % of revenue. See GAAP to Non-GAAP reconciliation.
- Operating expenses and operating income margin presented are on a non-GAAP basis and exclude stock-based compensation expense, amortization of acquired intangible assets, and certain other items such as acquisition-related expenses and litigation-related expenses.
- Free cash flow is defined as cash flow provided by operations less purchases of property and equipment and capitalization of internal-use software costs.

Guidance

- Guidance for the fourth quarter and full-year 2024 does not include any potential impact of foreign exchange gains or losses.
- Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of acquired intangible assets, amortization of debt issuance costs and certain other items such as restructuring expense and discrete tax items. A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is provided in the financial statement tables included in these End Notes. The reconciliation does not reflect any items that are unknown at this time, such as non-ordinary course litigation-related expenses, for the fourth quarter and full-year 2024, which we are not able to predict without unreasonable effort due to their inherent uncertainty.

THANK YOU

