

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 1, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-37748

Secureworks®

SecureWorks Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

27-0463349

(I.R.S. Employer Identification No.)

One Concourse Parkway NE

Suite 500

Atlanta, Georgia

30328

(Address of Principal Executive Offices)

(Zip Code)

(Registrant's telephone number, including area code): **(404) 327-6339**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.01 per share	SCWX	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of December 4, 2019, there were 81,229,007 shares of the registrant's common stock outstanding, consisting of 11,229,007 outstanding shares of Class A common stock and 70,000,000 outstanding shares of Class B common stock.

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Except where the content otherwise requires or where otherwise indicated, all references in this report to "Secureworks," "we," "us," "our" and "our Company" to refer to SecureWorks Corp. and our subsidiaries on a consolidated basis.

Part I. Financial Information

Item 1. Financial Statements

SECUREWORKS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)
(in thousands)

	November 1, 2019	February 1, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 138,788	\$ 129,592
Accounts receivable, net of allowances of \$5,734 and \$6,160, respectively	118,396	141,344
Inventories, net	906	468
Other current assets	26,177	27,604
Total current assets	284,267	299,008
Property and equipment, net	30,580	35,978
Operating lease right-of-use assets, net	24,035	—
Goodwill	416,487	416,487
Intangible assets, net	187,135	206,448
Other non-current assets	87,502	78,238
Total assets	\$ 1,030,006	\$ 1,036,159
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20,407	\$ 16,177
Accrued and other	71,166	86,495
Short-term deferred revenue	169,576	157,865
Total current liabilities	261,149	260,537
Long-term deferred revenue	14,276	16,064
Operating lease liabilities, non-current	27,091	—
Other non-current liabilities	60,518	66,851
Total liabilities	363,034	343,452
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock - \$0.01 par value: 200,000 shares authorized; 0 shares issued	—	—
Common stock - Class A of \$0.01 par value: 2,500,000 shares authorized; 11,225 and 11,016 issued and outstanding, respectively.	112	110
Common stock - Class B of \$0.01 par value: 500,000 shares authorized; 70,000 shares issued and outstanding	700	700
Additional paid in capital	891,981	884,567
Accumulated deficit	(202,701)	(176,263)
Accumulated other comprehensive (loss) income	(3,224)	(2,884)
Treasury stock, at cost - 1,257 and 819 shares, respectively	(19,896)	(13,523)
Total stockholders' equity	666,972	692,707
Total liabilities and stockholders' equity	\$ 1,030,006	\$ 1,036,159

The accompanying notes are an integral part of these condensed consolidated financial statements.

SECUREWORKS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
Net revenue	\$ 141,332	\$ 133,060	\$ 410,779	\$ 387,999
Cost of revenue	61,568	62,133	188,004	185,211
Gross margin	79,764	70,927	222,775	202,788
Research and development	24,095	21,114	71,600	65,921
Sales and marketing	40,726	34,773	116,966	105,964
General and administrative	25,078	21,619	73,862	69,235
Total operating expenses	89,899	77,506	262,428	241,120
Operating loss	(10,135)	(6,579)	(39,653)	(38,332)
Interest and other income (expense), net	(1,257)	1,074	961	2,582
Loss before income taxes	(11,392)	(5,505)	(38,692)	(35,750)
Income tax benefit	(3,484)	(1,770)	(12,254)	(8,427)
Net loss	\$ (7,908)	\$ (3,735)	\$ (26,438)	\$ (27,323)
Loss per common share (basic and diluted)	\$ (0.10)	\$ (0.05)	\$ (0.33)	\$ (0.34)
Weighted-average common shares outstanding (basic and diluted)	80,518	80,892	80,553	80,751

The accompanying notes are an integral part of these condensed consolidated financial statements.

SECUREWORKS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
Net loss	\$ (7,908)	\$ (3,735)	\$ (26,438)	\$ (27,323)
Foreign currency translation adjustments, net of tax	1,602	(349)	(340)	(3,084)
Comprehensive loss	\$ (6,306)	\$ (4,084)	\$ (26,778)	\$ (30,407)

The accompanying notes are an integral part of these condensed consolidated financial statements.

SECUREWORKS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Nine Months Ended	
	November 1, 2019	November 2, 2018
Cash flows from operating activities:		
Net loss	\$ (26,438)	\$ (27,323)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,017	30,872
Stock-based compensation expense	15,617	14,475
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(102)	(1,924)
Income tax benefit	(12,254)	(8,427)
Other non cash impacts	1,830	—
Provision for doubtful accounts	1,651	2,371
Changes in assets and liabilities:		
Accounts receivable	21,689	20,756
Net transactions with parent	(18,571)	2,272
Inventories	(438)	398
Other assets	10,838	(4,472)
Accounts payable	9,086	573
Deferred revenue	9,848	11,252
Accrued and other liabilities	(8,921)	(14,784)
Net cash provided by operating activities	<u>35,852</u>	<u>26,039</u>
Cash flows from investing activities:		
Capital expenditures	(12,082)	(6,974)
Net cash used in investing activities	<u>(12,082)</u>	<u>(6,974)</u>
Cash flows from financing activities:		
Principal payments on financing arrangement with Dell Financial Services	—	(1,104)
Taxes paid on vested restricted shares	(8,197)	(2,153)
Purchases of stock for treasury	(6,377)	(1,068)
Payments on financed capital expenditures	—	(500)
Net cash used in financing activities	<u>(14,574)</u>	<u>(4,825)</u>
Net increase in cash and cash equivalents	9,196	14,240
Cash and cash equivalents at beginning of the period	129,592	101,539
Cash and cash equivalents at end of the period	<u>\$ 138,788</u>	<u>\$ 115,779</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SECUREWORKS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(in thousands, except per share data)

Three Months Ended November 1, 2019

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, August 2, 2019	11,203	\$ 112	70,000	\$ 700	\$ 887,014	\$ (194,793)	\$ (4,826)	\$ (19,896)	\$ 668,311
Net loss	—	—	—	—	—	(7,908)	—	—	(7,908)
Other comprehensive loss	—	—	—	—	—	—	1,602	—	1,602
Vesting of restricted stock units	32	—	—	—	—	—	—	—	—
Grant of restricted stock awards	—	—	—	—	—	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(10)	—	—	—	(125)	—	—	—	(125)
Stock-based compensation	—	—	—	—	5,092	—	—	—	5,092
Shares repurchased	—	—	—	—	—	—	—	—	—
Balances, November 1, 2019	11,225	\$ 112	70,000	\$ 700	\$ 891,981	\$ (202,701)	\$ (3,224)	\$ (19,896)	\$ 666,972

Nine Months Ended November 1, 2019

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, February 1, 2019	11,016	\$ 110	70,000	\$ 700	\$ 884,567	\$ (176,263)	\$ (2,884)	\$ (13,523)	\$ 692,707
Net loss	—	—	—	—	—	(26,438)	—	—	(26,438)
Other comprehensive loss	—	—	—	—	—	—	(340)	—	(340)
Vesting of restricted stock units	939	9	—	—	(9)	—	—	—	—
Grant of restricted stock awards	122	1	—	—	(1)	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(414)	(4)	—	—	(8,193)	—	—	—	(8,197)
Stock-based compensation	—	—	—	—	15,617	—	—	—	15,617
Shares repurchased	(438)	(4)	—	—	—	—	—	(6,373)	(6,377)
Balances, November 1, 2019	11,225	\$ 112	70,000	\$ 700	\$ 891,981	\$ (202,701)	\$ (3,224)	\$ (19,896)	\$ 666,972

Three Months Ended November 2, 2018

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, August 3, 2018	11,797	\$ 118	70,000	\$ 700	\$ 874,907	\$ (160,750)	\$ (2,705)	\$ —	\$ 712,270
Net loss	—	—	—	—	—	(3,735)	—	—	(3,735)
Other comprehensive loss	—	—	—	—	—	—	(349)	—	(349)
Vesting of restricted stock units	6	—	—	—	—	—	—	—	—
Grant of restricted stock awards	—	—	—	—	—	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(3)	—	—	—	(14)	—	—	—	(14)
Stock-based compensation	—	—	—	—	4,833	—	—	—	4,833
Shares repurchased	(71)	(1)	—	—	—	—	—	(1,067)	(1,068)
Balances, November 2, 2018	11,729	\$ 117	70,000	\$ 700	\$ 879,726	\$ (164,485)	\$ (3,054)	\$ (1,067)	\$ 711,937

Nine Months Ended November 2, 2018

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, February 2, 2018*	11,085	\$ 111	70,000	\$ 700	\$ 867,411	\$ (137,162)	\$ 30	\$ —	\$ 731,090
Net loss	—	—	—	—	—	(27,323)	—	—	(27,323)
Other comprehensive loss	—	—	—	—	—	—	(3,084)	—	(3,084)
Vesting of restricted stock units	551	5	—	—	(5)	—	—	—	—
Grant of restricted stock awards	386	4	—	—	(4)	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(222)	(2)	—	—	(2,151)	—	—	—	(2,153)
Stock-based compensation	—	—	—	—	14,475	—	—	—	14,475
Shares repurchased	(71)	(1)	—	—	—	—	—	(1,067)	(1,068)
Balances, November 2, 2018	11,729	\$ 117	70,000	\$ 700	\$ 879,726	\$ (164,485)	\$ (3,054)	\$ (1,067)	\$ 711,937

* Certain prior period amounts have been adjusted as a result of the adoption of the accounting standard for revenue recognition set forth in ASC 606.

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 — DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION***Description of the Business***

SecureWorks Corp. (individually and collectively with its consolidated subsidiaries, "Secureworks" or the "Company") is a leading global provider of technology-driven information security solutions singularly focused on protecting the Company's customers from cyber attacks.

On April 27, 2016, the Company completed its initial public offering ("IPO"). Upon the closing of the IPO, Dell Technologies Inc. ("Dell Technologies"), a parent holding corporation, owned, indirectly through Dell Inc. (individually and collectively with its consolidated subsidiaries, "Dell") and Dell Inc.'s subsidiaries, no shares of the Company's outstanding Class A common stock and all outstanding shares of the Company's outstanding Class B common stock, which as of November 1, 2019 represented approximately 86.2% of the Company's total outstanding shares of common stock and approximately 98.4% of the combined voting power of both classes of the Company's outstanding common stock.

The Company has one primary business activity, which is to provide customers with information security solutions. The Company's chief operating decision maker, who is the President and Chief Executive Officer, makes operating decisions, assesses performance, and allocates resources on a consolidated basis. There are no segment managers who are held accountable for operations and operating results below the consolidated unit level. Accordingly, Secureworks operates its business as a single reportable segment.

Basis of Presentation and Consolidation

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements. The condensed consolidated financial statements include assets, liabilities, revenue and expenses of all majority-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

For the periods presented, Dell has provided various corporate services to the Company in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities-related services. The costs of these services are charged in accordance with a shared services agreement that went into effect on August 1, 2015. For more information regarding the charges for these services and related party transactions, see "Note 11—Related Party Transactions."

During the periods presented in the financial statements, Secureworks did not file separate federal tax returns, as the Company is generally included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expected to be utilized by other members of the Dell consolidated group. See "Note 10—Income and Other Taxes" for more information.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the requirements of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statement presentation. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments consisting of normal recurring accruals and disclosures considered necessary for a fair statement have been included. All inter-company accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended February 1, 2019 included in Part II, Item 8 of the Company's Annual Report on Form 10-K filed with the SEC on March 28, 2019 (the "Annual Report").

Fiscal Year

The Company's fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. The Company refers to the fiscal year ending January 31, 2020 and the fiscal year ended February 1, 2019 as fiscal 2020 and fiscal 2019, respectively. Both fiscal 2020 and fiscal 2019 have 52 weeks, and each quarter has 13 weeks.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. In the Condensed Consolidated Statements of Operations, estimates are used when accounting for revenue arrangements, determining the cost of revenue, allocating costs and estimating the impact of contingencies. In the Condensed Consolidated Statements of Financial Position, estimates are used in determining the valuation and recoverability of assets, such as accounts receivables, inventories, fixed assets, goodwill and other identifiable intangible assets, and estimates are used in determining the reported amounts of liabilities, such as taxes payable and the impact of contingencies, all of which also impact the Condensed Consolidated Statements of Operations. Actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements

Leases—The Company adopted Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)," effective February 2, 2019. Accounting Standards Codification ("ASC") 842 "Leases" requires lessees to recognize operating lease right-of-use ("ROU") assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with lease terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The Company adopted ASU 2016-02 using the modified retrospective method and utilized the optional transition method under which the Company will continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative period presented. In addition, Secureworks elected the package of practical expedients permitted under the transition guidance which permits the following: (i) carry forward the historical lease classification, (ii) not separate lease components from non-lease components within the Company's facility lease contracts, (iii) not present comparative periods but rather record a cumulative catch-up during fiscal 2020, and (iv) allow the Company to elect, by asset class, not to record on the balance sheet a lease whose term is twelve months or less including reasonably certain renewal options. As a result of the adoption for the fiscal year beginning February 2, 2019, the Company recorded initial operating lease ROU assets and operating lease liabilities, all related to real estate, of \$28.0 million and \$31.8 million, respectively.

Summary of Significant Accounting Policies

Except for the accounting policies for leases, updated as a result of adopting ASC 842, there have been no significant changes to the Company's significant accounting policies as of and for the nine months ended November 1, 2019, as compared to the significant accounting policies described in the Annual Report.

Leases—The Company determines if any arrangement is, or contains, a lease at inception based on whether or not the Company has the right to control the asset during the contract period and other facts and circumstances. Secureworks is the lessee in a lease contract when the Company obtains the right to control the asset. Operating leases are included in the line items operating lease right-of-use assets, net; accrued and other; and operating lease liabilities, non-current in the condensed consolidated statements of financial position. Leases with a lease term of 12 months or less at inception are not recorded in the condensed consolidated statements of financial position and are expensed on a straight-line basis over the lease term in the condensed consolidated statements of operations. The Company determines the lease term by assuming the exercise of renewal options that are reasonably certain. As most of the Company's leases do not provide an implicit interest rate, Secureworks uses the Company's incremental borrowing rate, based on the information available at commencement date, in determining the present value of future payments. When the Company's contracts contain lease and nonlease components, the Company accounts for both components as a single lease component. Refer to "Note 7 —Leases" for further discussion.

Recently Issued Accounting Pronouncements

Intangibles - Goodwill and Other - Internal-Use Software—In August 2018, the Financial Accounting Standards Board (the "FASB") issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 aligns the requirements for capitalizing implementation costs in such cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The updated guidance is effective for the Company for annual and interim periods beginning in the Company's 2021 fiscal year, with early adoption permitted. Entities may choose to adopt the new guidance prospectively or retrospectively. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Intangibles - Goodwill and Other—In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." ASU 2017-04 eliminates Step 2 of the goodwill impairment test,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

which required the Company to determine the implied fair value of goodwill by allocating the reporting unit's fair value to each of its assets and liabilities as if the reporting unit was acquired in a business acquisition. Instead, the updated guidance requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit to its carrying value, and recognizing a non-cash impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. The updated guidance is effective for the Company for annual and interim periods beginning in the Company's 2021 fiscal year, with early adoption permitted, and will be applied on a prospective basis. The Company does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

Financial Instruments - Credit Losses—In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The update is effective for the Company for fiscal years beginning with the Company's 2021 fiscal year, including interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

NOTE 2 — LOSS PER SHARE

Loss per share is calculated by dividing net loss for the periods presented by the respective weighted-average number of common shares outstanding, and excludes any share-based awards that may be anti-dilutive. Diluted loss per common share is computed by giving effect to all potentially dilutive common shares, including common stock issuable upon the exercise of stock options and unvested restricted common stock and restricted stock units. The Company applies the two-class method to calculate earnings per share. Because the Class A common stock and the Class B common stock share the same rights in dividends and earnings, earnings per share (basic and diluted) are the same for both classes. Since losses were incurred in all periods presented, all potential common shares were determined to be anti-dilutive.

The following table sets forth the computation of loss per common share (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
Numerator:				
Net loss	\$ (7,908)	\$ (3,735)	\$ (26,438)	\$ (27,323)
Denominator:				
Weighted-average number of shares outstanding:				
Basic and Diluted	80,518	80,892	80,553	80,751
Loss per common share:				
Basic and Diluted	\$ (0.10)	\$ (0.05)	\$ (0.33)	\$ (0.34)
Weighted-average anti-dilutive stock options, non-vested restricted stock and restricted stock units	5,122	5,287	5,275	5,355

NOTE 3 — CONTRACT BALANCES AND CONTRACT COSTS

Promises to provide services related to the Company's subscription-based managed security solutions are accounted for as a single performance obligation over an average period of two years. Performance obligations related to the Company's security and risk consulting professional service contracts are separate obligations associated with each service. Although the Company has many multi-year customer relationships for its various professional services, the arrangement is typically structured as separate performance obligations over the contract period and recognized over a duration of less than one year.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table presents revenue by service type (in thousands):

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
Managed Security Solutions revenue	\$ 109,344	\$ 100,521	\$ 311,210	\$ 297,656
Security and Risk Consulting revenue	31,988	32,539	99,569	90,343
Total revenue	\$ 141,332	\$ 133,060	\$ 410,779	\$ 387,999

Deferred revenue represents the aggregate amount of billing in advance of service delivery. Therefore, the Company invoices its customers based on a variety of billing schedules. The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. During the nine months ended November 1, 2019, on average, 57% of the Company's recurring revenue was billed in advance and approximately 43% was billed on either a monthly or a quarterly basis. In addition, many of the Company's professional services engagements are billed in advance of service commencement. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration and invoice timing.

Changes to the Company's deferred revenue during the nine months ended November 1, 2019 and November 2, 2018 are as follows (in thousands):

	As of February 1, 2019	Upfront payments received and billings during the nine months ended November 1, 2019	Revenue recognized during the nine months ended November 1, 2019	As of November 1, 2019
	Deferred revenue	\$ 173,929	\$ 209,596	\$ (199,673)

	As of February 2, 2018*	Upfront payments received and billings during the nine months ended November 2, 2018	Revenue recognized during the nine months ended November 2, 2018	As of November 2, 2018
	Deferred revenue	\$ 152,645	\$ 171,946	\$ (160,359)

* Certain prior period amounts have been adjusted as a result of the adoption of the accounting standard for revenue recognition set forth in ASC 606.

Remaining Performance Obligation

The remaining performance obligation represents the transaction price allocated to contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable contracts that will be invoiced and recognized as revenue in future periods. The remaining performance obligation consists of two elements: (i) the value of remaining services to be provided through the contract term for customers whose services have been activated ("active"); and (ii) the value of services contracted with customers that have not yet been installed ("backlog"). Backlog is not recorded in revenue, deferred revenue or elsewhere in the condensed consolidated financial statements until the Company establishes a contractual right to invoice, at which point it is recorded as revenue or deferred revenue, as appropriate. The Company applies the practical expedient in ASC paragraph 606-10-50-14(a) and does not disclose information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less.

The Company expects that the amount of backlog relative to the total value of its contracts will change from year to year due to several factors, including the amount invoiced at the beginning of the contract term, the timing and duration of the Company's customer agreements, varying invoicing cycles of agreements and changes in customer financial circumstances. Accordingly, fluctuations in backlog are not always a reliable indicator of future revenues.

SECUREWORKS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of November 1, 2019, the Company expects to recognize remaining performance obligations as follows (in thousands):

	Total	Expected to be recognized in the next 12 months	Expected to be recognized in 12-24 months	Expected to be recognized in 24-36 months	Expected to be recognized thereafter
Performance obligation - active	\$ 274,332	\$ 157,836	\$ 85,636	\$ 27,731	\$ 3,129
Performance obligation - backlog	19,004	7,251	6,948	4,685	120
Total	\$ 293,336	\$ 165,087	\$ 92,584	\$ 32,416	\$ 3,249

Deferred Commissions and Fulfillment Costs

The Company capitalizes a significant portion of its commission expense and related fringe benefits earned by its sales personnel. Additionally, the Company capitalizes certain costs to install and activate hardware and software used in its managed security solutions, primarily related to a portion of the compensation for the personnel who perform the installation activities. These deferred costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Changes in the balance of total deferred commission and total deferred fulfillment costs during the nine months ended November 1, 2019 and November 2, 2018 are as follows (in thousands):

	As of February 1, 2019	Amount capitalized	Amount recognized	As of November 1, 2019
Deferred commissions	\$ 62,895	\$ 11,113	\$ (13,823)	\$ 60,185
Deferred fulfillment costs	10,973	4,520	(4,115)	11,378

	As of February 2, 2018*	Amount capitalized	Amount recognized	As of November 2, 2018
Deferred commissions	\$ 57,229	\$ 13,938	\$ (10,643)	\$ 60,524
Deferred fulfillment costs	10,163	4,426	(3,779)	10,810

* Certain prior period amounts have been adjusted as a result of the adoption of the accounting standard for revenue recognition set forth in ASC 606.

As referenced in the Company's Annual Report, deferred commissions are recognized on a straight-line bases over the life of the customer relationship, which is estimated to be seven years. During the three months ended November 1, 2019, the Company determined a change in the estimated life of the customer relationship to be six years, which led to additional commission expense of \$2.2 million. The net impact of this change is an increase in operating loss for the three and nine months ended November 1, 2019 of \$2.2 million on a pre-tax basis, or \$0.02 on a per share basis. The Company did not record any impairment losses on the deferred commissions or deferred fulfillment costs during the three and nine months ended November 1, 2019 and November 2, 2018.

NOTE 4 — GOODWILL AND INTANGIBLE ASSETS

Goodwill relates to the acquisition of Dell by Dell Technologies and represents the excess of the purchase price attributable to Secureworks over the fair value of the assets acquired and liabilities assumed. There were no additions, adjustments or impairments to goodwill during the periods presented. Accordingly, goodwill totaled \$416.5 million as of November 1, 2019 and February 1, 2019.

Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis during the third fiscal quarter of each fiscal year, or earlier if an indicator of impairment occurs. The Company completed the most recent annual impairment test in the third quarter of fiscal 2020 by performing a qualitative assessment of goodwill at the reporting unit level. In performing this qualitative assessment, the Company evaluated events and circumstances since the date of the last quantitative impairment test, including the results of that test, macroeconomic conditions, industry and market conditions, key financial metrics and the overall financial performance of the Company. After assessing the totality of the events and circumstances, the Company determined that it was not more likely than not that the fair value of the Secureworks reporting unit was less than its

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

carrying amount and, therefore, that the first step of the quantitative goodwill impairment test was unnecessary. Further, no triggering events have subsequently transpired that would indicate potential impairment as of November 1, 2019.

Intangible Assets

The Company's intangible assets as of November 1, 2019 and February 1, 2019 were as follows:

	November 1, 2019			February 1, 2019		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Customer relationships	\$ 189,518	\$ (87,723)	\$ 101,795	\$ 189,518	\$ (77,152)	\$ 112,366
Technology	137,371	(82,149)	55,222	135,584	(71,620)	63,964
Finite-lived intangible assets	326,889	(169,872)	157,017	325,102	(148,772)	176,330
Trade name	30,118	—	30,118	30,118	—	30,118
Total intangible assets	\$ 357,007	\$ (169,872)	\$ 187,135	\$ 355,220	\$ (148,772)	\$ 206,448

Amortization expense related to finite-lived intangible assets was approximately \$7.1 million and \$21.1 million for each of the three and nine months ended November 1, 2019, and \$6.9 million and \$20.8 million for each of the three and nine months ended November 2, 2018. Amortization expense is included within cost of revenue and general and administrative expense in the Condensed Consolidated Statements of Operations. There were no impairment charges related to intangible assets during the three and nine months ended November 1, 2019 or November 2, 2018.

NOTE 5 — DEBT**Revolving Credit Facility**

On November 2, 2015, SecureWorks, Inc., a wholly-owned subsidiary of SecureWorks Corp., entered into a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which the Company obtained a \$30 million senior unsecured revolving credit facility. This facility was initially available for a one-year term beginning on April 21, 2016 and was extended on the same terms for successive one-year terms ending on March 27, 2019. During the three months ended May 3, 2019, the facility was amended and restated to extend the maturity date to March 26, 2020 and to increase the annual rate at which interest accrues to the applicable London Interbank Offered Rate plus 1.50%. All other terms remained substantially the same.

Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. Amounts under the facility may be borrowed, repaid, and reborrowed from time to time during the term of the facility. The proceeds from loans made under the facility may be used for general corporate purposes. The credit agreement contains customary representations, warranties, covenants and events of default. The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility.

The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The borrower will be required to repay, in full, all of the loans outstanding, including all accrued interest, and the facility will terminate upon a change of control of SecureWorks Corp. or following a transaction in which SecureWorks, Inc. ceases to be a direct or indirect wholly-owned subsidiary of SecureWorks Corp. The facility is not guaranteed by SecureWorks Corp. or its subsidiaries. There was no outstanding balance under the credit facility as of November 1, 2019 or February 1, 2019.

NOTE 6 — COMMITMENTS AND CONTINGENCIES

Legal Contingencies—From time to time, the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews the status of such matters at least quarterly and adjusts its liabilities as necessary to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. Whether the outcome of any claim, suit, assessment, investigation or legal proceeding, individually or collectively, could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of factors, including the nature, timing and amount of any associated expenses, amounts paid in settlement, damages or other remedies or consequences. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in accrued liabilities

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

would be recorded in the period in which such a determination is made. As of November 1, 2019, the Company does not believe that there were any such matters that, individually or in the aggregate, would have a material adverse effect on its business, financial condition, results of operations or cash flows.

Customer-based Taxation Contingencies—Various government entities ("taxing authorities") require the Company to bill its customers for the taxes they owe based on the services they purchase from the Company. The application of the rules of each taxing authority concerning which services are subject to each tax and how those services should be taxed involves the application of judgment. Taxing authorities periodically perform audits to verify compliance and include all periods that remain open under applicable statutes, which generally range from three to four years. These audits could result in significant assessments of past taxes, fines and interest if the Company were found to be non-compliant. During the course of an audit, a taxing authority may question the Company's application of its rules in a manner that, if the Company were not successful in substantiating its position, could result in a significant financial impact to the Company. In the course of preparing its financial statements and disclosures, the Company considers whether information exists that would warrant disclosure or an accrual with respect to such a contingency.

Indemnifications—In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to indemnify its customers from certain losses incurred by the customer as to third-party claims relating to the services performed on behalf of the Company or for certain losses incurred by the customer as to third-party claims arising from certain events as defined within the particular contract. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnifications have been immaterial.

Concentrations—The Company sells solutions to customers of all sizes primarily through its direct sales organization, supplemented by sales through channel partners. The Company had no customer that represented 10% or more of its net revenue for the three and nine months ended November 1, 2019 or November 2, 2018.

NOTE 7 — LEASES

The Company recorded operating lease cost for facilities of approximately \$1.5 million and \$5.5 million for the three and nine months ended November 1, 2019, respectively, which included expenses of \$1.2 million incurred in connection with the consolidation of certain facilities in the nine months ended November 1, 2019. The Company incurred additional variable lease costs of \$0.5 million and \$1.2 million for the three and nine months ended November 1, 2019, respectively, which primarily consisted of utilities and common area charges.

The Company recorded operating lease cost of approximately \$0.2 million and \$0.9 million for the three and nine months ended November 1, 2019, respectively, for equipment leases. Lease expense for equipment was included in cost of revenues. The Company also incurred costs for short-term equipment leases of \$0.3 million and \$0.9 million for the three and nine months ended November 1, 2019, respectively.

Cash paid for amounts included in the measurement of operating lease liabilities was \$1.8 million and \$5.2 million during the three and nine months ended November 1, 2019, respectively.

Weighted-average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

	November 1, 2019
Weighted-average remaining lease term	5.9 years
Weighted-average discount rate	5.32%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes the maturity of the Company's operating lease liabilities as of November 1, 2019 (in thousands):

	Fiscal Years Ending
2020	\$ 1,362
2021	4,979
2022	6,705
2023	5,893
2024	5,347
Thereafter	12,216
Total operating lease payments	\$ 36,502
Less imputed interest	(6,436)
Total operating lease liabilities	\$ 30,066

The Company's leases have remaining lease terms of 2 months to 7 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise.

Disclosure related to periods prior to adoption of the new lease standard

As of February 1, 2019, the Company had the following future minimum lease payments under non-cancelable leases prior to the adoption of the new lease standard:

	Fiscal Years Ending	February 1, 2019
2020	\$	5,237
2021		4,446
2022		6,190
2023		5,440
2024		4,936
Thereafter		11,825
Total operating lease payments	\$	38,074

NOTE 8 — STOCKHOLDERS' EQUITY

On September 26, 2018, the Company's board of directors authorized a stock repurchase program, under which the Company was authorized to repurchase up to \$15 million of the Company's Class A common stock through September 30, 2019. On March 26, 2019, the board of directors expanded the repurchase program to authorize the repurchase up to an additional \$15 million of the Company's Class A common stock through May 1, 2020. Repurchases may be made from time to time through open market purchases, in privately negotiated transactions, or in other types of transactions. The timing and amount of any repurchases under the program will be determined by management based upon market conditions and other factors. During the nine months ended November 1, 2019, the Company repurchased 438,380 shares of Class A common stock at an average price of \$14.55, for an aggregate cost of \$6.4 million. As of November 1, 2019, \$10.1 million remained available for further purchases under the stock repurchase program.

NOTE 9 — STOCK-BASED COMPENSATION AND OTHER LONG-TERM PERFORMANCE INCENTIVES

The Company's board of directors adopted the SecureWorks Corp. 2016 Long-Term Incentive Plan (the "2016 Plan") effective April 18, 2016. The 2016 Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, unrestricted stock, dividend equivalent rights, other equity-based awards, and cash bonus awards. Awards may be granted under the 2016 Plan to individuals who are employees, officers, or non-employee directors of the Company or any of its affiliates, consultants and advisors who perform services for the Company or any of its affiliates, and any other individual whose participation in the 2016 Plan is determined to be in the best interests of the Company by the compensation committee of the board of directors. During Fiscal 2019, the 2016 Plan was amended to increase the total shares of Class A common stock available for issuance by an additional 4,000,000 shares.

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Under the 2016 Plan, the Company granted 171,100 and 1,444,104 restricted stock units during the three and nine months ended November 1, 2019, respectively, and 131,600 and 1,850,008 restricted stock units during the three and nine months ended November 2, 2018, respectively. The Company granted no restricted stock awards for the three months ended November 1, 2019 and November 2, 2018, and 175,000 and 405,000 restricted stock awards during the nine months ended November 1, 2019 and November 2, 2018, respectively. The annual restricted stock unit and restricted stock awards granted during fiscal 2020 and fiscal 2019 vest over a three-year period and approximately 50% of such awards are subject to performance conditions.

In March 2017, the Company began granting long-term performance cash awards to certain employees under the 2016 Plan. The employees who receive these performance cash awards do not receive equity awards as part of the long-term incentive program. The long-term performance cash awards are subject to various performance conditions and vest in equal annual installments over a three-year period. During the three and nine months ended November 1, 2019, the Company granted long-term performance cash awards of \$0.2 million and \$6.9 million, respectively. The Company made no grants for the three months ended November 2, 2018 and granted \$15.7 million for the nine months ended November 2, 2018. The Company recognized \$1.8 million and \$5.3 million of related compensation expense for the three and nine months ended November 1, 2019, respectively, and related compensation expense of \$1.6 million and \$5.1 million for the three and nine months ended November 2, 2018, respectively.

NOTE 10 — INCOME AND OTHER TAXES

The Company's effective income tax rate for the three and nine months ended November 1, 2019 and November 2, 2018 was as follows (in thousands, except percentages):

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
Loss before income taxes	\$ (11,392)	\$ (5,505)	\$ (38,692)	\$ (35,750)
Income tax benefit	\$ (3,484)	\$ (1,770)	\$ (12,254)	\$ (8,427)
Effective tax rate	30.6%	32.2%	31.7%	23.6%

During the periods presented in the accompanying condensed consolidated financial statements, the Company did not file separate federal tax returns as the Company generally was included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits-for-loss approach. Under the benefits-for-loss approach, net operating losses or other tax attributes are characterized as realized by the Company when those attributes are utilized by other members of the Dell consolidated group.

The Company's effective tax benefit rate was 30.6% and 31.7% for the three and nine months ended November 1, 2019, respectively, and 32.2% and 23.6% for the three and nine months ended November 2, 2018, respectively. The change in the Company's effective income tax rate for the three and nine months ended November 1, 2019 compared with the effective income tax rate for the three and nine months ended November 2, 2018 was primarily attributable to the impact of certain discrete adjustments related to stock-based compensation expense in the current periods of approximately \$0.5 million and \$2.6 million, respectively. The change related specifically to the impact of the vesting of certain equity awards for which the fair value on the vesting date was higher than the fair value on the date the equity awards were originally granted. This change in fair value, which is measured by the price of the Class A common stock as reported on the NASDAQ Global Select Market, resulted in a higher actual tax deduction than was deducted for financial reporting purposes.

As of November 1, 2019 and February 1, 2019, the Company had \$4.8 million and \$4.7 million, respectively, of deferred tax assets related to net operating loss carryforwards for state tax returns that are not included with those of other Dell entities. These net operating loss carryforwards began expiring in the fiscal year ended February 1, 2019. Due to the uncertainty surrounding the realization of these net operating loss carryforwards, the Company has provided valuation allowances for the full amount as of November 1, 2019 and February 1, 2019. Because the Company is included in the tax filings of other Dell entities, management has determined that it will be able to realize the remainder of its deferred tax assets. If the Company's tax provision had been prepared using the separate return method, the unaudited pro forma pre-tax loss, tax benefit and net loss for the nine months ended November 1, 2019 would have been \$38.7 million, \$4.2 million and \$34.5 million, respectively, as a result of the recognition of a valuation allowance that would have been recorded on certain deferred tax assets as well as certain attributes from the Tax Cuts and Jobs Act of 2017 that would be lost if not utilized by the Dell consolidated group.

Net deferred tax balances are included in other non-current assets and other non-current liabilities in the Condensed Consolidated Statements of Financial Position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of November 1, 2019 and February 1, 2019, the Company had \$17.8 million and \$6.9 million, respectively, of a net operating loss tax receivable from Dell. The Company had \$7.6 million and \$7.5 million of unrecognized tax benefits as of November 1, 2019 and February 1, 2019, respectively.

NOTE 11 — RELATED PARTY TRANSACTIONS**Allocated Expenses**

For the periods presented, Dell has provided various corporate services to Secureworks in the ordinary course of business. The costs of services provided to Secureworks by Dell are governed by a shared services agreement between Secureworks and Dell Inc. The total amounts of the charges under the shared services agreement with Dell were \$3.5 million and \$7.6 million for the three and nine months ended November 1, 2019, respectively, and \$0.9 million and \$2.9 million for the three and nine months ended November 2, 2018, respectively. Management believes that the basis on which the expenses have been allocated is a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented.

Related Party Arrangements

For the periods presented, related party transactions and activities involving Dell Inc. and its wholly-owned subsidiaries were not always consummated on terms equivalent to those that would prevail in an arm's-length transaction where conditions of competitive, free-market dealing may exist.

The Company purchases computer equipment for internal use from Dell that is capitalized within property and equipment in the Condensed Consolidated Statements of Financial Position. These purchases were made at pricing that is intended to approximate arm's-length pricing. Purchases of computer equipment from Dell and EMC Corporation, a wholly-owned subsidiary of Dell ("EMC"), totaled \$0.2 million and \$2.8 million for the three and nine months ended November 1, 2019, respectively, and \$0.8 million and \$2.2 million for the three and nine months ended November 2, 2018, respectively.

EMC, a company that provides enterprise software and storage, maintains a majority ownership interest in a subsidiary, VMware, Inc. ("VMware"), that provides cloud and virtualization software and services. The Company's purchases of annual maintenance services, software licenses and hardware systems for internal use from Dell, EMC and VMware totaled \$0.9 million and \$2.7 million for the three and nine months ended November 1, 2019, respectively, and \$0.6 million and \$1.1 million for the three and nine months ended November 2, 2018, respectively. During the three months ended November 1, 2019, VMware acquired Carbon Black Inc., a security business with which the Company had an existing commercial relationship. From the date of its acquisition, purchases of solutions from Carbon Black totaled \$0.5 million and, as of November 1, 2019, the Company had liabilities totaling \$0.4 million.

The Company recognized revenue related to solutions provided to other subsidiaries of Dell, consisting of RSA Security LLC, Pivotal Software, Inc. and Boomi, Inc. The revenue recognized by the Company for security solutions provided to these entities totaled \$11 thousand and \$49 thousand for the three and nine months ended November 1, 2019, respectively, and \$0.1 million and \$0.3 million for the three and nine months ended November 2, 2018, respectively. Purchases by the Company from these subsidiaries totaled \$30 thousand and \$0.1 million for the three and nine months ended November 1, 2019, respectively, and \$0.2 million and \$0.7 million for the three and nine months ended November 2, 2018, respectively.

The Company recognized revenue related to solutions provided to significant beneficial owners of Secureworks, which include Michael S. Dell, Chairman and Chief Executive Officer of Dell Technologies and Dell Inc. and Silver Lake Partners III, L.P. The revenues recognized by the Company from solutions provided to Mr. Dell, MSD Capital, L.P. (a firm founded for the purposes of managing investments of Mr. Dell and his family), DFI Resources LLC, an entity affiliated with Mr. Dell, and the Michael and Susan Dell Foundation, as well as Silver Lake Partners III, L.P., totaled \$0.1 million and \$0.3 million for the three and nine months ended November 1, 2019, respectively, and \$0.2 million and \$0.3 million for the three and nine months ended November 2, 2018, respectively.

The Company provides solutions to certain customers whose contractual relationship has historically been with Dell rather than Secureworks, although the Company has the primary responsibility to provide the services. Effective August 1, 2015, upon the creation of new subsidiaries to segregate some of the Company's operations from Dell's operations, as described in "Note 1—Description of the Business and Basis of Presentation," many of such customer contracts were transferred from Dell to the Company, forming a direct contractual relationship between the Company and the end customer. For customers whose contracts have not yet been transferred and for contracts subsequently originated through Dell under a reseller agreement, the Company recognized revenues of approximately \$13.6 million and \$43.9 million for the three and nine months ended November 1, 2019,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

respectively, and \$14.5 million and \$43.6 million for the three and nine months ended November 2, 2018, respectively. In addition, as of November 1, 2019, the Company had approximately \$1.8 million of contingent obligations to Dell related to outstanding performance bonds for certain customer contracts, which Dell issued on behalf of the Company.

As the Company's customer and on behalf of certain of its own customers, Dell also purchases solutions from the Company at pricing that is intended to approximate arm's-length pricing. Such revenues totaled approximately \$10.6 million and \$19.4 million for the three and nine months ended November 1, 2019, respectively, and \$3.8 million and \$13.9 million for the three and nine months ended November 2, 2018, respectively.

As a result of the foregoing related party arrangements, the Company has recorded the following related party balances in the Condensed Consolidated Statements of Financial Position as of November 1, 2019 and February 1, 2019. The Company settles in cash its related party balances with Dell on a quarterly basis.

	November 1, 2019	February 1, 2019
	(in thousands)	
Net intercompany receivable (included in "Other current assets") / (payable) (included in "Accrued and other")	\$ 2,920	\$ (15,634)
Accounts receivable from customers under reseller agreements with Dell (included in "Accounts receivable, net")	\$ 17,205	\$ 21,760
Net operating loss tax sharing receivable under agreement with Dell (included in "Other current assets" and "Other non-current assets" at November 1, 2019 and in "Other current assets" at February 1, 2019)	\$ 17,769	\$ 6,853

NOTE 12 — FAIR VALUE MEASUREMENTS

The Company measures fair value within the guidance of the three-level valuation hierarchy. This hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization of a measurement within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Other observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Significant unobservable inputs

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities of the Company that are measured at fair value on a recurring basis using the respective input levels as of November 1, 2019 and February 1, 2019 were as follows:

	November 1, 2019	February 1, 2019
	Level 1	Level 1
	(in thousands)	
Cash equivalents - Money Market Funds	\$ 75,268	\$ 90,673

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The carrying amounts of the Company's accounts receivable, accounts payable and accrued expenses approximate their respective fair value due to their short-term nature.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis is based upon the financial statements of Secureworks which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, and should be read in conjunction with our audited financial statements and related notes for the year ended February 1, 2019 included in Part II, Item 8 of our Annual Report on Form 10-K as filed with the SEC on March 28, 2019, which we refer to as the Annual Report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed or implied in our forward-looking statements. Factors that could cause or contribute to these differences include those discussed in "Risk Factors" in Part I, Item 1A of our Annual Report.

Our fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. We refer to the fiscal year ending January 31, 2020 and the fiscal year ended February 1, 2019 as fiscal 2020 and fiscal 2019, respectively. Fiscal 2020 and fiscal 2019 each have 52 weeks, and each quarter has 13 weeks. All percentage amounts and ratios presented in this management's discussion and analysis were calculated using the underlying data in thousands. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal periods.

Except where the context otherwise requires or where otherwise indicated, (1) all references to "Secureworks," "we," "us," "our" and "our Company" in this management's discussion and analysis refer to SecureWorks Corp. and our subsidiaries on a consolidated basis, (2) all references to "Dell" refer to Dell Inc. and its subsidiaries on a consolidated basis and (3) all references to "Dell Technologies" refer to Dell Technologies Inc., the ultimate parent company of Dell Inc.

Overview

We are a leading global provider of technology-driven information security solutions singularly focused on protecting our customers from cyber attacks. We combine visibility from thousands of customers, machine learning and automation from our proprietary technology and actionable insights from our team of elite researchers and analysts to create a powerful network effect that provides increasingly strong protection for our customers. By aggregating and analyzing data from various sources around the world, we prevent security breaches, detect malicious activity in real time, respond rapidly and predict emerging threats.

Our mission is to unlock the value of our customers' security investments by simplifying their complex security operations and amplifying their defenses. Through our vendor-neutral approach, we create integrated and comprehensive solutions by proactively managing the collection of "point" products deployed by our customers to address specific security issues and provide supplemental solutions where gaps exist in our customers' defenses. We provide the right level of security for each customer's unique situation, which evolves as the customer's organization grows and changes.

We have pioneered an integrated approach that delivers a broad portfolio of information security solutions to organizations of varying size and complexity. Our flexible and scalable solutions support the evolving needs of the largest, most sophisticated enterprises staffed with in-house security experts, as well as small and medium-sized businesses and government agencies with limited in-house capabilities and resources.

Our solutions enable organizations to:

- prevent security breaches by fortifying their cyber defenses,
- detect malicious activity,
- respond rapidly to security breaches, and
- predict emerging threats.

Our solutions leverage the proprietary technologies, processes and extensive expertise and knowledge of the tactics, techniques, and procedures of the adversary that we have developed over more than 20 years. Key elements of our strategy include:

- maintain and extend our technology leadership,
- expand and diversify our customer base,
- deepen our existing customer relationships, and
- attract and retain top talent.

Our technology-driven information security solutions offer an innovative approach to prevent, detect, respond to and predict cybersecurity breaches. Through our *managed security solutions*, which are largely sold on a subscription basis, we provide global visibility and insight into malicious activity, enabling our customers to detect and effectively remediate threats quickly.

In the first quarter of fiscal 2020, the Company launched its first software as a service application, Red Cloak Threat Detection and Response (TDR), which gives customers visibility across their entire environment, applies advanced analytics developed using machine and deep learning on diverse data from a wide range of sources, and leverages workflows designed using the Company's 20 years of security operations expertise and integrated orchestration and automation capabilities that increase the speed of response actions. *Threat intelligence*, which is typically deployed as part of our managed security solutions, delivers early warnings of vulnerabilities and threats along with actionable information to help prevent any adverse impact. In addition to these solutions, we also offer a variety of professional services, which include security and risk consulting and incident response. Through *security and risk consulting*, we advise customers on a broad range of security and risk-related matters. *Incident response* minimizes the impact and duration of security breaches through proactive customer preparation, rapid containment and thorough event analysis followed by effective remediation. We continuously evaluate potential investments and acquisitions of businesses, services and technologies that could complement our existing offerings. We have a single organization responsible for the delivery of our security solutions, which enables us to respond quickly to our customers' evolving needs and help them secure themselves against cyber attacks.

The fees we charge for our solutions vary based on a number of factors, including the solutions selected, the number of customer devices covered by the selected solutions, and the level of management we provide for the solutions. In the third quarter of fiscal 2020, approximately 77% of our revenue was derived from subscription-based solutions, attributable to managed security contracts, while approximately 23% was derived from professional services engagements. As we respond to the evolving needs of our customers, the relative mix of subscription-based solutions and professional services we provide our customers may fluctuate.

Key Operating Metrics

In recent years, we have experienced broad growth across our portfolio of technology-driven information security solutions being provided to all sizes of customers. We have achieved much of this growth by providing solutions to large enterprise customers, which generate substantially more average revenue than our small and medium-sized business, or SMB, customers and by continually expanding the volume and breadth of the security solutions that we provide to all customers. This has resulted in steady growth in our average revenue per customer. This growth has required continuous investment in our business, resulting in net losses. We believe these investments are critical to our success, although they may continue to impact our profitability.

We believe the operating metrics described below provide further insight into the long-term value of our subscription agreements and our ability to maintain and grow our customer relationships. Relevant key operating metrics are presented below as of the dates indicated and for the quarterly periods then ended:

	November 1, 2019	November 2, 2018
Subscription customer base	4,100	4,300
Total customer base	4,988	4,840
Monthly recurring revenue (in millions)	\$ 36.9	\$ 35.1
Annual recurring revenue (in millions)	\$ 442.8	\$ 421.7
Average subscription revenue per customer (in thousands)	\$ 107.8	\$ 99.3
Revenue retention rate	99%	91%

Subscription Customer Base. We define our subscription customer base as the number of customers who subscribe to our managed security solutions as of a particular date. We believe that growing our existing customer base and our ability to grow our average subscription revenue per customer represent significant future revenue opportunities for us.

Total Customer Base. We define our total customer base as the number of customers that, as of a particular date, subscribe to our managed security solutions or buy professional and other services from us.

Annual and Monthly Recurring Revenue. We define recurring revenue as the value of our subscription contracts as of a particular date. Because we use recurring revenue as a leading indicator of future annual revenue, we include operational backlog. We define operational backlog as the recurring revenue associated with pending contracts, which are contracts that have been sold but for which the service period has not yet commenced. Our increase in recurring revenue has been driven primarily by our continuing ability to expand our offerings and sell additional solutions to existing customers, as well as by larger subscription contracts to our enterprise customers. Overall, we expect both annual and monthly recurring revenue to continue to grow as we retain and expand our customer base, and as our customers extend the use of our solutions over time.

Average Subscription Revenue Per Customer. The increase in our average subscription revenue per customer is primarily related to the persistence of cyber threats and the results of our sales and marketing efforts to increase the awareness of our solutions. Additionally, our customer composition of both enterprise and SMB companies provides us with an opportunity to expand our professional services revenue.

Revenue Retention Rate. Our revenue retention rate is an important measure of our success in retaining and growing revenue from our subscription-based customers. To calculate our revenue retention rate for any period, we compare the monthly recurring revenue excluding operational backlog of our subscription-based customer base at the beginning of the fiscal year, which we call our base recurring revenue, to the monthly recurring revenue excluding operational backlog from that same cohort of customers at the end of the period, which we call our retained recurring revenue. By dividing the retained recurring revenue by the base recurring revenue, we measure our success in retaining and growing installed revenue from the specific cohort of customers we served at the beginning of the period. Our calculation includes the positive revenue impacts of selling and installing additional solutions to this cohort of customers and the negative revenue impacts of customer or service attrition during the period. However, the calculation does not include the positive impact on revenue from sales of solutions to any customers acquired during the period. Our revenue retention rates may decline or increase from period to period as a result of several factors, including the timing of solution installations and customer renewal rates.

Non-GAAP Financial Measures

We use supplemental measures of our performance, which are derived from our financial information, but which are not presented in our financial statements prepared in accordance with GAAP. Non-GAAP financial measures presented in this management's discussion and analysis include non-GAAP revenue, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP earnings (loss) per share and adjusted EBITDA. We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe these non-GAAP financial measures provide useful information to help evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling more meaningful period-to-period comparisons.

In particular, we have excluded the impact of certain purchase accounting adjustments related to a change in the basis of deferred revenue for the acquisition of Dell by Dell Technologies in fiscal 2014. We believe it is useful to exclude such purchase accounting adjustments related to the foregoing transactions as this deferred revenue generally results from multi-year service contracts under which deferred revenue is established upon sale and revenue is recognized over the term of the contract. Pursuant to the fair value provisions applicable to the accounting for business combinations, GAAP requires this deferred revenue to be recorded at its fair value, which is typically less than the book value. In presenting non-GAAP earnings, we add back the reduction in revenue that results from this revaluation on the expectation that a significant majority of these service contracts will be renewed in the future and therefore the revaluation is not helpful in predicting our ongoing revenue trends. We believe that this non-GAAP financial adjustment is useful to investors because it allows investors to (1) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making, and (2) compare past and future reports of financial results of our Company as the revenue reduction related to acquired deferred revenue will not recur when related service contracts are renewed in future periods.

There are limitations to the use of the non-GAAP financial measures presented in this management's discussion and analysis. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Non-GAAP revenue, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP earnings (loss) per share, as defined by us, exclude the items described in the reconciliation below. As the excluded items can have a material impact on earnings, our management compensates for this limitation by relying primarily on GAAP results and using non-GAAP financial measures supplementally. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for revenue, gross margin, research and development expenses, sales and marketing expenses, general and administrative expenses, operating income (loss) or net income (loss) prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

Reconciliation of Non-GAAP Financial Measures

The table below presents a reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measure. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

The following is a summary of the items excluded from the most comparable GAAP financial measures to calculate our non-GAAP financial measures:

- *Amortization of Intangible Assets.* Amortization of intangible assets consists of amortization of customer relationships and acquired technology. In connection with the acquisition of Dell by Dell Technologies in fiscal 2014, all of our tangible and intangible assets and liabilities were accounted for and recognized at fair value on the transaction date. Accordingly, amortization of intangible assets consists of amortization associated with intangible assets recognized in connection with this transaction.
- *Stock-based Compensation Expense.* Non-cash stock-based compensation relates to both the Dell Technologies and Secureworks equity plans. We exclude such expenses when assessing the effectiveness of our operating performance since stock-based compensation does not necessarily correlate with the underlying operating performance of the business.
- *Aggregate Adjustment for Income Taxes.* The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

	Three Months Ended		Nine Months Ended	
	November 1, 2019	November 2, 2018	November 1, 2019	November 2, 2018
	(in thousands)		(in thousands)	
GAAP and non-GAAP revenue	\$ 141,332	\$ 133,060	\$ 410,779	\$ 387,999
GAAP gross margin	\$ 79,764	\$ 70,927	\$ 222,775	\$ 202,788
Amortization of intangibles	3,559	3,410	10,529	10,231
Stock-based compensation expense	353	224	1,009	768
Non-GAAP gross margin	\$ 83,676	\$ 74,561	\$ 234,313	\$ 213,787
GAAP research and development expenses	\$ 24,095	\$ 21,114	\$ 71,600	\$ 65,921
Stock-based compensation expense	(996)	(933)	(3,157)	(2,970)
Non-GAAP research and development expenses	\$ 23,099	\$ 20,181	\$ 68,443	\$ 62,951
GAAP sales and marketing expenses	\$ 40,726	\$ 34,773	\$ 116,966	\$ 105,964
Stock-based compensation expense	(691)	(800)	(2,389)	(2,141)
Non-GAAP sales and marketing expenses	\$ 40,035	\$ 33,973	\$ 114,577	\$ 103,823
GAAP general and administrative expenses	\$ 25,078	\$ 21,619	\$ 73,862	\$ 69,235
Amortization of intangibles	(3,524)	(3,524)	(10,571)	(10,571)
Stock-based compensation expense	(3,052)	(2,876)	(9,062)	(8,596)
Non-GAAP general and administrative expenses	\$ 18,502	\$ 15,219	\$ 54,229	\$ 50,068
GAAP operating income (loss)	\$ (10,135)	\$ (6,579)	\$ (39,653)	\$ (38,332)
Amortization of intangibles	7,083	6,934	21,100	20,802
Stock-based compensation expense	5,092	4,833	15,617	14,475
Non-GAAP operating income (loss)	\$ 2,040	\$ 5,188	\$ (2,936)	\$ (3,055)
GAAP net income (loss)	\$ (7,908)	\$ (3,735)	\$ (26,438)	\$ (27,323)
Amortization of intangibles	7,083	6,934	21,100	20,802
Stock-based compensation expense	5,092	4,833	15,617	14,475
Aggregate adjustment for income taxes	(3,438)	(2,801)	(11,997)	(8,130)
Non-GAAP net income (loss)	\$ 829	\$ 5,231	\$ (1,718)	\$ (176)
GAAP earnings (loss) per share	\$ (0.10)	\$ (0.05)	\$ (0.33)	\$ (0.34)
Amortization of intangibles	0.09	0.09	0.26	0.26
Stock-based compensation expense	0.06	0.06	0.19	0.18
Aggregate adjustment for income taxes	(0.04)	(0.03)	(0.15)	(0.10)
Non-GAAP earnings (loss) per share *	\$ 0.01	\$ 0.06	\$ (0.02)	\$ —
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>				
GAAP net income (loss)	\$ (7,908)	\$ (3,735)	\$ (26,438)	\$ (27,323)
Interest and other, net	1,257	(1,074)	(961)	(2,582)
Income tax benefit	(3,484)	(1,770)	(12,254)	(8,427)
Depreciation and amortization	10,869	10,360	32,017	30,872
Stock-based compensation expense	5,092	4,833	15,617	14,475
Adjusted EBITDA	\$ 5,826	\$ 8,614	\$ 7,981	\$ 7,015

Our Relationship with Dell and Dell Technologies

On April 27, 2016, we completed our IPO. Upon the closing of our IPO, Dell Technologies owned, indirectly through Dell Inc. and Dell Inc.'s subsidiaries, no shares of our outstanding Class A common stock and all shares of our outstanding Class B common stock, which as of November 1, 2019 represented approximately 86.2% of our total outstanding shares of common stock and approximately 98.4% of the combined voting power of both classes of our outstanding common stock.

As a majority-owned subsidiary of Dell, we receive from Dell various corporate services in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities related services. The costs of these services have been charged in accordance with a shared services agreement that went into effect on August 1, 2015, the effective date of our carve-out from Dell. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

During the periods presented in the condensed consolidated financial statements included in this report, Secureworks did not file separate federal tax returns, as Secureworks generally was included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expect to be utilized by other members of the Dell consolidated group. For more information, see "Notes to Condensed Consolidated Financial Statements —Note 10—Income and Other Taxes" in our condensed consolidated financial statements included in this report.

Additionally, we participate in various commercial arrangements with Dell under which, for example, we provide information security solutions to third-party customers with which Dell has contracted to provide our solutions, procure hardware, software and services from Dell, and sell our solutions through Dell in the United States and some international jurisdictions. In connection with our IPO, effective August 1, 2015 we entered into agreements with Dell that govern these commercial arrangements. These agreements generally were initially effective for up to one to three years and include extension and cancellation options. To the extent that we choose to or are required to transition away from the corporate services currently provided by Dell, we may incur additional non-recurring transition costs to establish our own stand-alone corporate functions. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

Components of Results of Operations

Revenue

We sell managed security solutions and threat intelligence solutions on a subscription basis and various professional services, including security and risk consulting and incident response solutions. Our managed security subscription contracts typically range from one to three years and, as of November 1, 2019, averaged two years in duration. The revenue and any related costs for these deliverables are recognized ratably over the contract term, beginning on the date on which service is made available to customers. Professional services customers typically purchase solutions pursuant to customized contracts that are shorter in duration. In general, these contracts have terms of less than one year. Professional services consist primarily of fixed-fee and retainer-based contracts. Revenue from these engagements is recognized under the proportional performance method of accounting. Revenue from time-and materials-based contracts is recognized as costs are incurred at amounts represented by the agreed-upon billing rates.

The fees we charge for our solutions vary based on a number of factors, including the solutions selected, the number of customer devices covered by the selected solutions, and the level of management we provide for the solutions. In the third quarter of fiscal 2020, approximately 77% of our revenue was derived from subscription-based solutions, attributable to managed security contracts, while approximately 23% was derived from professional services engagements. As we respond to the evolving needs of our customers, the relative mix of subscription-based solutions and professional services we provide our customers may fluctuate. International revenue, which we define as revenue contracted through non-U.S. entities, represented approximately 25% of our total net revenue in the third quarter of fiscal 2020 and 23% of our total net revenue in the third quarter of fiscal 2019. Although our international customers are located primarily in the United Kingdom, Japan, and Canada, we provided managed security solutions to customers across 49 countries as of November 1, 2019.

Over all of the periods presented in this report, our pricing strategy for our various offerings was relatively consistent, and accordingly did not significantly affect our revenue growth. However, we may adjust our pricing to remain competitive and support our strategic initiatives.

During the second quarter of fiscal 2019, a significant portion of our contract with Bank of America, N.A., a large customer, was amended and extended for two more years. During the term of the extended contract, the mix of services is different from the mix in prior periods, with higher gross margin, although the total value of services is lower than in prior periods.

Gross Margin

We operate in a challenging business environment, where the complexity and number of cyber attacks are constantly increasing. Accordingly, initiatives to drive the efficiency of our Counter Threat Platform and the continued training and development of our employees are critical to our long-term success. Gross margin has been and will continue to be affected by these factors as well as others, including the mix of solutions sold, the mix between large and small customers, timing of revenue recognition and the extent to which we expand our counter threat operations centers.

Cost of revenue consists primarily of personnel expenses, including salaries, benefits and performance-based compensation for employees who maintain our Counter Threat Platform and provide solutions to our customers, as well as perform other critical functions. Also included in cost of revenue are amortization of equipment and costs associated with hardware provided to customers as part of their subscription services, amortization of technology licensing fees, amortization of intangible assets, fees paid to contractors who supplement or support our solutions, maintenance fees and overhead allocations. As our business grows, the cost of revenue associated with our solutions may fluctuate.

We operate in a high-growth industry and have experienced significant revenue growth since our inception. Accordingly, we expect our gross margin to increase in absolute dollars. We continue to invest in initiatives to drive the efficiency of our business to increase gross margin as a percentage of total revenue. However, as we balance revenue growth and efficiency initiatives, gross margin as a percentage of total revenue may fluctuate from period to period.

Operating Costs and Expenses

Our operating costs and expenses consist of research and development expenses, sales and marketing expenses and general and administrative expenses.

- *Research and Development, or R&D, Expenses.* Research and development expenses include compensation and related expenses for the continued development of our solutions offerings, including a portion of expenses related to our threat research team, which focuses on the identification of system vulnerabilities, data forensics and malware analysis. R&D expenses also encompass expenses related to the development of prototypes of new solutions offerings and allocated overhead. Our customer solutions have generally been developed internally. We operate in a competitive and highly technical industry. Therefore, to maintain and extend our technology leadership, we intend to continue to invest in our R&D efforts by hiring more personnel to enhance our existing security solutions and to add complementary solutions.
- *Sales and Marketing, or S&M, Expenses.* Sales and marketing expenses include salaries, sales commissions and performance-based compensation, benefits and related expenses for our S&M personnel, travel and entertainment, marketing and advertising programs (including lead generation), customer advocacy events, and other brand-building expenses, as well as allocated overhead. As we continue to grow our business, both domestically and internationally, we will invest in our sales capability, which will increase our sales and marketing expenses in absolute dollars.
- *General and Administrative, or G&A, Expenses.* General and administrative expenses include primarily the costs of human resources and recruiting, finance and accounting, legal support, information management and information security systems, facilities management, corporate development and other administrative functions, and are partially offset by allocations of information technology and facilities costs to other functions.

Interest and Other, Net

Interest and other, net consists primarily of the effect of exchange rates on our foreign currency-denominated asset and liability balances and interest income earned on our cash and cash equivalents. All foreign currency transaction adjustments are recorded as foreign currency gains (losses) in the Condensed Consolidated Statements of Operations. To date, we have had minimal interest income.

Income Tax Benefit

Our effective tax benefit rate was 30.6% and 32.2% for the three months ended November 1, 2019 and November 2, 2018, respectively, and 31.7% and 23.6% for the nine months ended November 1, 2019 and November 2, 2018, respectively. The change in the Company's effective income tax rate for the three and nine months ended November 1, 2019 compared with the three and nine months ended November 2, 2018 was primarily attributable to the impact of the intra-period allocation of certain permanent items and international tax expenses as well as discrete adjustments related to stock-based compensation expense. We calculate a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting

purposes. We provide valuation allowances for deferred tax assets, where appropriate. We file U.S. federal returns on a consolidated basis with Dell and we expect to continue doing so until such time (if any) as we are deconsolidated for tax purposes with respect to the Dell consolidated group. According to the terms of the tax matters agreement between Dell Technologies and Secureworks that went into effect on August 1, 2015, Dell Technologies will reimburse us for any amounts by which our tax assets reduce the amount of tax liability owed by the Dell group on an unconsolidated basis. For a further discussion of income tax matters, see "Notes to Condensed Consolidated Financial Statements—Note 10—Income and Other Taxes" in our condensed consolidated financial statements included in this report.

Results of Operations

The following tables summarize our key performance indicators for the three and nine months ended November 1, 2019 and November 2, 2018.

	Three Months Ended				
	November 1, 2019		% Change	November 2, 2018	
	\$	% of Revenue		\$	% of Revenue
	(in thousands, except percentages)				
Net revenue	\$ 141,332	100.0 %	6.2 %	\$ 133,060	100.0 %
Cost of revenue	\$ 61,568	43.6 %	(0.9)%	\$ 62,133	46.7 %
Total gross margin	\$ 79,764	56.4 %	12.5 %	\$ 70,927	53.3 %
Operating expenses	\$ 89,899	63.6 %	16.0 %	\$ 77,506	58.2 %
Operating income (loss)	\$ (10,135)	(7.2)%	54.1 %	\$ (6,579)	(4.9)%
Net income (loss)	\$ (7,908)	(5.6)%	111.7 %	\$ (3,735)	(2.8)%

Other Financial Information ⁽¹⁾

Non-GAAP net revenue	\$ 141,332	100.0 %	6.2 %	\$ 133,060	100.0 %
Non-GAAP cost of revenue	\$ 57,656	40.8 %	(1.4)%	\$ 58,499	44.0 %
Non-GAAP gross margin	\$ 83,676	59.2 %	12.2 %	\$ 74,561	56.0 %
Non-GAAP operating expenses	\$ 81,636	57.8 %	17.7 %	\$ 69,373	52.1 %
Non-GAAP operating income (loss)	\$ 2,040	1.4 %	(60.7)%	\$ 5,188	3.9 %
Non-GAAP net income (loss)	\$ 829	0.6 %	(84.2)%	\$ 5,231	3.9 %
Adjusted EBITDA	\$ 5,826	4.1 %	(32.4)%	\$ 8,614	6.5 %

	Nine Months Ended				
	November 1, 2019		% Change	November 2, 2018	
	\$	% of Revenue		\$	% of Revenue
	(in thousands, except percentages)				
Net revenue	\$ 410,779	100.0 %	5.9 %	\$ 387,999	100.0 %
Cost of revenue	\$ 188,004	45.8 %	1.5 %	\$ 185,211	47.7 %
Total gross margin	\$ 222,775	54.2 %	9.9 %	\$ 202,788	52.3 %
Operating expenses	\$ 262,428	63.9 %	8.8 %	\$ 241,120	62.1 %
Operating income (loss)	\$ (39,653)	(9.7)%	3.4 %	\$ (38,332)	(9.9)%
Net income (loss)	\$ (26,438)	(6.4)%	(3.2)%	\$ (27,323)	(7.0)%

Other Financial Information ⁽¹⁾

Non-GAAP net revenue	\$ 410,779	100.0 %	5.9 %	\$ 387,999	100.0 %
Non-GAAP cost of revenue	\$ 176,466	43.0 %	1.3 %	\$ 174,212	44.9 %
Non-GAAP gross margin	\$ 234,313	57.0 %	9.6 %	\$ 213,787	55.1 %
Non-GAAP operating expenses	\$ 237,249	57.8 %	9.4 %	\$ 216,842	55.9 %
Non-GAAP operating loss	\$ (2,936)	(0.7)%	(3.9)%	\$ (3,055)	(0.8)%
Non-GAAP net loss	\$ (1,718)	(0.4)%	876.1 %	\$ (176)	— %
Adjusted EBITDA	\$ 7,981	1.9 %	13.8 %	\$ 7,015	1.8 %

(1) See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for more information about these non-GAAP financial measures, including our reasons for including the measures, material limitations with respect to the usefulness of the measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. Non-GAAP financial measures as a percentage of revenue are calculated based on non-GAAP revenue.

Three and nine months ended November 1, 2019 compared to the three and nine months ended November 2, 2018

Revenue

Net revenue, which we refer to as revenue, increased \$8.3 million, or 6.2%, and \$22.8 million, or 5.9%, for the three and nine months ended November 1, 2019. The revenue increase resulted primarily from revenue generated by our subscription-based solutions. Revenue attributable to our subscription-based solutions represented approximately 77% and 76% of total revenue for the three and nine months ended November 1, 2019, respectively. Our existing customers continued to increase their contracted subscriptions for our solutions, with average revenue per customer increasing 9% year over year.

Revenue for certain services provided to or on behalf of Dell under our commercial agreements with Dell totaled approximately \$10.6 million and \$19.4 million for the three and nine months ended November 1, 2019, respectively, and \$3.8 million and \$13.9 million for the three and nine months ended November 2, 2018, respectively. For more information regarding the commercial agreements, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

We primarily generate revenue from sales in the United States. However, for the three months ended November 1, 2019, international revenue, which we define as revenue contracted through non-U.S. entities, increased to \$35.1 million, or 17.9%, from the three months ended November 2, 2018. Currently, our international customers are primarily located in the United Kingdom, Japan, and Canada. We are focused on continuing to grow our international customer base in future periods.

Gross Margin

Our total gross margin increased \$8.8 million, or 12.5%, and \$20.0 million, or 9.9%, for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, our gross margin increased 310 basis points to 56.4% and 190 basis points to 54.2% for the three and nine months ended November 1, 2019, respectively. Gross margin on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. On a non-GAAP basis, excluding these adjustments, gross margin increased \$9.1 million, or 12.2%, and \$20.5 million, or 9.6%, for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, our non-GAAP gross margin increased 320 basis points to 59.2% and 190 basis points to 57.0% for three and nine months ended November 1, 2019, respectively. The increase in gross margin as a percentage of revenue on both a GAAP and non-GAAP basis during the three and nine months ended November 1, 2019 was primarily attributable to improvement in our subscription-based solutions margins as we continue to focus on delivering comprehensive higher-value security solutions and driving scale and operational efficiencies. Growth in revenue from Safeguard and Response solutions sold through Dell, which have higher margins, also contributed to the increase in gross margins.

Operating Expenses

The following table presents information regarding our operating expenses during the three and nine months ended November 1, 2019 and November 2, 2018.

	Three Months Ended				
	November 1, 2019			November 2, 2018	
	Dollars	% of Revenue	% Change	Dollars	% of Revenue
	(in thousands, except percentages)				
<i>Operating expenses:</i>					
Research and development	\$ 24,095	17.0%	14.1%	\$ 21,114	15.9%
Sales and marketing	40,726	28.8%	17.1%	34,773	26.1%
General and administrative	25,078	17.7%	16.0%	21,619	16.2%
Total operating expenses	<u>\$ 89,899</u>	63.6%	16.0%	<u>\$ 77,506</u>	58.2%
Other Financial Information					
Non-GAAP research and development	\$ 23,099	16.3%	14.5%	\$ 20,181	15.2%
Non-GAAP sales and marketing	40,035	28.3%	17.8%	33,973	25.5%
Non-GAAP general and administrative	18,502	13.1%	21.6%	15,219	11.4%
Non-GAAP operating expenses ⁽¹⁾	<u>\$ 81,636</u>	57.8%	17.7%	<u>\$ 69,373</u>	52.1%

	Nine Months Ended				
	November 1, 2019			November 2, 2018	
	Dollars	% of Revenue	% Change	Dollars	% of Revenue
	(in thousands, except percentages)				
<i>Operating expenses:</i>					
Research and development	\$ 71,600	17.4%	8.6%	\$ 65,921	17.0%
Sales and marketing	116,966	28.5%	10.4%	105,964	27.3%
General and administrative	73,862	18.0%	6.7%	69,235	17.8%
Total operating expenses	<u>\$ 262,428</u>	63.9%	8.8%	<u>\$ 241,120</u>	62.1%
Other Financial Information					
Non-GAAP research and development	\$ 68,443	16.7%	8.7%	\$ 62,951	16.2%
Non-GAAP sales and marketing	114,577	27.9%	10.4%	103,823	26.8%
Non-GAAP general and administrative	54,229	13.2%	8.3%	50,068	12.9%
Non-GAAP operating expenses ⁽¹⁾	<u>\$ 237,249</u>	57.8%	9.4%	<u>\$ 216,842</u>	55.9%

⁽¹⁾ See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

Research and Development Expenses. R&D expenses increased \$3.0 million, or 14.1%, and \$5.7 million, or 8.6%, for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, R&D expenses increased 110 basis points to 17.0% and 40 basis points to 17.4% for the three and nine months ended November 1, 2019, respectively. On a non-GAAP basis, R&D expenses as a percentage of revenue increased 110 basis points to 16.3% and 50 basis points to 16.7% for the three and nine months ended November 1, 2019, respectively. The increase in R&D expenses was primarily attributable to increased compensation and benefits, and other technology related costs for the continued development of our solutions offerings, including the development of a new security analytics platform and software applications.

Sales and Marketing Expenses. S&M expenses increased \$6.0 million, or 17.1%, and \$11.0 million, or 10.4%, for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, S&M expenses increased 270 basis points to 28.8% and 120 basis points to 28.5% for the three and nine months ended November 1, 2019, respectively. On a non-GAAP basis, S&M expenses as a percentage of revenue increased 280 basis points to 28.3% and 110 basis points to 27.9% for the three and nine months ended November 1, 2019, respectively. The increases in S&M expenses were primarily attributable to

sales cost associated with the new offerings launched in the first quarter of fiscal 2020 in partnership with Dell. In addition, commission expense increased due to the reduction in the period over which deferred commission costs are recognized.

General and Administrative Expenses. G&A expenses increased \$3.5 million, or 16.0%, and \$4.6 million, or 6.7%, for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, G&A expenses increased 150 basis points to 17.7% and increased 20 basis points to 18.0% for the three and nine months ended November 1, 2019, respectively. On a non-GAAP basis, G&A expenses as a percentage of revenue increased 170 basis points to 13.1% and increased 30 basis points to 13.2% for the three and nine months ended November 1, 2019, respectively. The increase in G&A expenses were primarily attributable to an increase in compensation and benefits, sales tax expense, as well as higher facilities-related costs.

Operating Income (Loss)

Our GAAP operating loss was \$(10.1) million and \$(39.7) million for the three and nine months ended November 1, 2019, respectively. As a percentage of revenue, our operating loss increased to (7.2)% and decreased to (9.7)% for the three and nine months ended November 1, 2019, respectively. The increase in our GAAP operating loss on a dollar basis was primarily attributable to increased operating expenses as we continue to invest in the business to drive growth. Operating loss on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. The changes in our non-GAAP operating income and non-GAAP operating loss as a percentage of revenue during the three and nine months ended November 1, 2019 were attributable to the same drivers as above.

Interest and Other Income (Expense), Net

Our interest and other income (expense), net was \$(1.3) million and \$1.0 million of income for the three and nine months ended November 1, 2019, respectively, compared with \$1.1 million and \$2.6 million, respectively, for the prior year periods. The changes primarily reflected the effects of foreign currency transactions and related exchange rate fluctuations.

Income Tax Benefit

Our income tax benefit was \$3.5 million, or 30.6%, and \$12.3 million, or 31.7%, of our pre-tax loss during the three and nine months ended November 1, 2019, respectively, and \$1.8 million, or 32.2%, and \$8.4 million, or 23.6%, during the three and nine months ended November 2, 2018, respectively. The changes in the effective tax benefit rate were primarily attributable to the impact of certain discrete adjustments related to the vesting of stock-based compensation units in the current periods.

Net Income (Loss)

Our net loss of \$(7.9) million increased \$4.2 million, or 111.7%, for the three months ended November 1, 2019. For the nine months ended November 1, 2019, our net loss of \$(26.4) million decreased \$0.9 million, or 3.2%. Net income on a non-GAAP basis was \$0.8 million, which represented a decrease of \$4.4 million, from the three months ended November 2, 2018. On a non-GAAP basis for the nine months ended November 1, 2019, our net loss was \$(1.7) million, which represented an increase of \$1.5 million, from the nine months ended November 2, 2018. The changes in net loss were attributable to our operating results, which reflected higher business investment, the impacts of foreign currency fluctuations, partially offset by the higher income tax benefit recognized in the current periods.

Liquidity and Capital Commitments

Overview

We believe that our cash and cash equivalents together with our accounts receivable will provide us with sufficient liquidity to fund our business and meet our obligations for at least 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the rate of expansion of our workforce, the timing and extent of our expansion into new markets, the timing of introductions of new functionality and enhancements to our solutions, potential acquisitions of complementary businesses and technologies, continuing market acceptance of our solutions, and general economic conditions. We may need to raise additional capital or incur indebtedness to continue to fund our operations in the future or to fund our needs for less predictable strategic initiatives, such as acquisitions. In addition to our \$30 million revolving credit facility from Dell, described below, sources of financing may include arrangements with unaffiliated third parties, depending on the availability of capital, the cost of funds and lender collateral requirements.

Selected Measures of Liquidity and Capital Resources

As of November 1, 2019, our principal sources of liquidity consisted of cash and cash equivalents of \$138.8 million and accounts receivable of \$118.4 million.

Selected measures of our liquidity and capital resources are as follows:

**November 1,
2019** **February 1,
2019**

(in thousands)

Cash and cash equivalents	\$	138,788	\$	129,592
Accounts receivable, net	\$	118,396	\$	141,344

We invoice our customers based on a variety of billing schedules. During the nine months ended November 1, 2019, on average, approximately 57% of our recurring revenue was billed in advance and approximately 43% was billed on either a monthly or a quarterly basis. Invoiced accounts receivable generally are collected over a period of 30 to 120 days. The decrease in accounts receivable as of November 1, 2019, reflected increased collection activity, partially offset by an increase in revenue. We regularly monitor our accounts receivable for collectability, particularly in markets where economic conditions remain uncertain, and continue to take actions to reduce our exposure to credit losses. As of November 1, 2019 and February 1, 2019, the allowance for doubtful accounts was \$5.7 million and \$6.2 million, respectively. The decrease in the allowance for doubtful accounts was due to overall improvement in our longer-aged receivables balances. Based on our assessment, we believe we are adequately reserved for credit risk.

Revolving Credit Facility

SecureWorks, Inc., our wholly-owned subsidiary, has a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which we have a \$30 million senior unsecured revolving credit facility. Effective March 26, 2019, the facility was amended and restated to extend the maturity date to March 26, 2020 and to increase the annual rate at which interest accrues to the applicable London Interbank Offered Rate plus 1.50%. Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The proceeds from loans made under the facility may be used for general corporate purposes. The facility is not guaranteed by us or our subsidiaries. There was no outstanding balance under the facility as of November 1, 2019 or February 1, 2019.

The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility. For additional information about the facility, see "Notes to Condensed Consolidated Financial Statements—Note 5—Debt" in our condensed consolidated financial statements included in this report.

Cash Flows

The following table presents information concerning our cash flows during the nine months ended November 1, 2019 and November 2, 2018.

Nine Months Ended

	November 1, 2019		November 2, 2018
	(in thousands)		

<i>Net change in cash from:</i>			
Operating activities	\$	35,852	\$ 26,039
Investing activities		(12,082)	(6,974)
Financing activities		(14,574)	(4,825)
Change in cash and cash equivalents	\$	9,196	\$ 14,240

Operating Activities — Cash provided by operating activities totaled \$35.9 million and \$26.0 million for the nine months ended November 1, 2019 and November 2, 2018, respectively. The improvement in our operating cash flows was primarily driven by the decrease in our net accounts receivable balance due to improved collection rates, partially offset by our net transactions with Dell. We expect that our future transactions with Dell will be a source of cash over time as we anticipate that our charges to Dell will continue to exceed Dell's charges to us, although the timing of charges and settlements may vary from period to period.

Investing Activities — Cash used in investing activities totaled \$12.1 million and \$7.0 million for the nine months ended November 1, 2019 and November 2, 2018, respectively. For the periods presented, investing activities consisted primarily of capital expenditures for property and equipment to support our data center and facility infrastructure as well as certain capitalized cost related to the development of our new security software application.

Financing Activities — Cash flows used in financing activities totaled \$14.6 million and \$4.8 million for the nine months ended November 1, 2019 and November 2, 2018, respectively. The usage in the nine months ended November 1, 2019 reflected

employee tax withholding payments of \$8.2 million on restricted stock awards paid by us, and our repurchase of \$6.4 million of our Class A common stock pursuant to our stock repurchase program. The usage in the nine months ended November 2, 2018 reflected employee tax withholding payments of \$2.2 million on restricted stock awards paid by us and payments of long-term financing arrangements of \$1.6 million, including an intercompany obligation of \$1.1 million with a Dell subsidiary, and our repurchase of \$1.1 million of our Class A common stock pursuant to our stock repurchase program.

Off-Balance Sheet Arrangements

As of November 1, 2019, we were not subject to any obligations pursuant to any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

Critical Accounting Policies

The unaudited condensed consolidated financial statements included elsewhere in this report have been prepared in accordance with GAAP for interim financial information and the requirements of the SEC. Accordingly, they do not include all of the information and disclosures required by GAAP for a complete financial statement presentation. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments consisting of normal recurring accruals and disclosures considered necessary for a fair interim presentation have been included. All inter-company accounts and transactions have been eliminated in consolidation.

As described in "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation," we have adopted the new lease accounting guidance set forth in ASC 842. Management assessed the critical accounting policies as disclosed in our Annual Report and determined that, other than the change in recognition of right-of-use assets and lease liabilities, there were no changes to our critical accounting policies or our estimates associated with those policies during the three and nine months ended November 1, 2019.

Recently Issued Accounting Pronouncements

See "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation" in our condensed consolidated financial statements included in this report for a description of recently issued accounting pronouncements and our expectation of their impact, if any, on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our results of operations and cash flows have been and will continue to be subject to fluctuations because of changes in foreign currency exchange rates, particularly changes in exchange rates between the U.S. dollar and the Euro, the British Pound, the Romanian Leu and the Canadian Dollar, the currencies of countries where we currently have our most significant international operations. Our expenses in international locations are generally denominated in the currencies of the countries in which our operations are located.

As our international operations grow, we may begin to use foreign exchange forward contracts to partially mitigate the impact of fluctuations in net monetary assets denominated in foreign currencies.

Item 4. Controls and Procedures

Limitations on Effectiveness of Disclosure Controls and Procedures

In designing and evaluating our disclosure controls and procedures, as defined below under SEC rules, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange of 1934, or Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of November 1, 2019. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of November 1, 2019.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures which (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

There were no changes in our internal control over financial reporting that occurred during the quarter ended November 1, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

We have discussed risks affecting us under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 1, 2019 filed with the SEC on March 28, 2019. The risks described in our Annual Report are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that may also materially adversely affect our business, financial condition or operating results.

Item 6. Exhibits

Secureworks hereby files or furnishes the following exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Amendment No. 5 to Amended and Restated Reseller Agreement, dated as of October 1, 2019, between Dell Inc., for itself and its subsidiaries other than SecureWorks, Inc., and SecureWorks, Inc., for itself and its subsidiaries. Filed herewith.</u>
10.2*	<u>Amendment No. 6 to Amended and Restated Reseller Agreement, dated as of October 23, 2019, between Dell Inc., for itself and its subsidiaries other than SecureWorks, Inc., and SecureWorks, Inc., for itself and its subsidiaries. Filed herewith.</u>
10.3**	<u>SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees. Filed herewith.</u>
31.1	<u>Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
31.2	<u>Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u>
32.1	<u>Certifications of Chief Executive Officer and Chief Financial Officer of the Company pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Portions of this exhibit containing confidential information have been omitted because the omitted provisions both are not material and would be competitively harmful to the registrant if publicly disclosed.

** Management contract or compensation plan or arrangement in which directors or executive officers participate.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SecureWorks Corp.

By:

/s/ R. Wayne Jackson

R. Wayne Jackson
Chief Financial Officer
(Duly Authorized Officer)

Date: December 5, 2019

Amendment No. 5 to Amended and Restated Reseller Agreement

Dell, Inc., for itself and its Subsidiaries other than SecureWorks, Inc., (“**Reseller**”) and SecureWorks, Inc., for itself and its Subsidiaries (“**Spyglass**”) hereby enter into this Amendment No. 5 (“**Amendment**”) as of the date of last signature below (“**Amendment Effective Date**”) for the purpose of amending the Amended and Restated Reseller Agreement, dated as of October 28, 2015, and those amendments, addenda or riders thereto dated prior to the Amendment Effective Date (collectively the “**Reseller Agreement**”).

WHEREAS, Dell Marketing LP, a Texas limited partnership, on behalf of Reseller and its direct and indirect subsidiaries (other than Spyglass) (collectively, “**Dell**”), Spyglass, and CrowdStrike, Inc., a Delaware corporation (“**CS**”) are parties to an agreement (including any amendments, addenda or riders, the “**Tri-Party Agreement**”) pursuant to which Dell may sell certain products and services of Spyglass and/or CS (the “**Solutions**”) to Clients.

WHEREAS, the parties entered into Amendment No. 1 to the Reseller Agreement as of January 23, 2019 (“**Amendment No. 1**”), and Amendment No.2 to the Reseller Agreement as of May 21, 2019 (“**Amendment No. 2**”) in order to clarify the understandings under the Reseller Agreement with respect to sales of Solutions under the Tri-Party Agreement, and

WHEREAS, the parties entered into Amendment No. 3 to the Reseller Agreement as of June 13, 2019, and

WHEREAS, the parties entered into Amendment No. 4 to the Reseller Agreement as of July 30, 2019, and

WHEREAS, the parties wish to enter this Amendment No. 5 to make certain amendments to Amendment No. 1.

WHEREAS, the terms and conditions of this Amendment only apply to transactions under the Reseller Agreement involving sales of Solutions to Clients.

NOW, THEREFORE, in consideration of the promises and obligations contained herein, the parties agree as follows:

RELATIONSHIP TO RESELLER AGREEMENT. This Amendment hereby incorporates by reference and amends the above-referenced Reseller Agreement. The Reseller Agreement shall remain in effect and unchanged except to the extent provided in this Amendment. In case of any conflict between this Amendment and the Reseller Agreement, the provisions of this Amendment shall control with regard to the subject matter set forth herein.

1. **INCORPORATED DEFINITIONS.** Unless specifically stated otherwise in this Amendment, all terms defined in the Reseller Agreement shall have the same meaning when used in this Amendment.
2. **CHANGES TO AMENDMENT NO. 1:** The parties agree to add the following provision as Section 2.1. of Amendment No. 1:

“Unless otherwise agreed by the Parties in writing, Spyglass’s obligation to repay Dell any royalties or other payments for Client returns and/or credits issued associated with Solutions sold under the Tri-Party Agreement is limited to 1) returns by the Client prior to accepting the End User Terms (as defined in the Tri-Party Agreement), 2) as permitted under law applicable to the Client or 3) returns within thirty (30) days’ of an Client’s purchase of a Solution.”

IN WITNESS WHEREOF, the parties have caused this Amendment to be signed on the respective dates indicated below.

Dell, Inc. (“Reseller”)

By: /s/ Kyle Beam

Name: Kyle Beam

Title: Sr. Manager

Date: October 1, 2019

SecureWorks, Inc. (“Spyglass”)

By: /s/ R. Wayne Jackson

Name: R. Wayne Jackson

Title: CFO

Date: October 1, 2019

Amendment No. 6 to Amended and Restated Reseller Agreement

Dell Inc., for itself and its Subsidiaries other than SecureWorks, Inc., (“**Reseller**”) and SecureWorks, Inc., for itself and its Subsidiaries (“**Spyglass**”) hereby enter into this Amendment No. 6 (“**Amendment No. 6**”) as of the date of last signature below (“**Amendment Effective Date**”) for the purpose of amending the Amended and Restated Reseller Agreement, dated as of October 28, 2015, and those amendments, addenda or riders thereto dated prior to the Amendment Effective Date (collectively the “**Reseller Agreement**”).

WHEREAS, the parties entered into Amendment No. 1 (“**Amendment No. 1**”) to the Reseller Agreement as of January 23, 2019, Amendment No.2 to the Reseller Agreement as of May 21, 2019 (“**Amendment No. 2**”), Amendment No. 4 to the Reseller Agreement as of July 30, 2019 (“**Amendment No. 4**”), and Amendment No. 5 to the Reseller Agreement as of Oct 1, 2019 (“**Amendment No. 5**”) in order to clarify the understandings under the Reseller Agreement with respect to sales of certain products and services of Spyglass and/or CrowdStrike, Inc. (“**CS**”) under an agreement between Dell Marketing LP (on behalf of Reseller and its direct and indirect subsidiaries (other than Spyglass)), Spyglass, and CS (the “**Tri-Party Agreement**”);

WHEREAS, the parties entered into Amendment No. 3 to the Reseller Agreement as of June 13, 2019 (“**Amendment No. 3**”) in order to clarify the understandings under the Reseller Agreement with respect to end user clients who are public and/or educational institutions located within the United States;

WHEREAS, Amendment No. 1, Amendment No. 2, Amendment No. 4, and Amendment No. 5 are referred to herein as the “**Tri-Party Amendments**”;

WHEREAS, the parties wish to enter this Amendment No. 6 to provide for the marketing and sale by Reseller of cloud-enabled security services (“**Cloud Services**”) of Spyglass to Clients in accordance with the terms and conditions of (1) the Reseller Agreement other than the Tri-Party Amendments and Amendment No. 3, and (2) this Amendment No. 6;

WHEREAS, the terms and conditions of this Amendment are intended to apply to transactions under the Reseller Agreement involving sales of Cloud Services to Clients.

NOW, THEREFORE, in consideration of the promises and obligations contained herein, the parties agree as follows:

RELATIONSHIP TO RESELLER AGREEMENT. This Amendment hereby incorporates by reference and amends the above-referenced Reseller Agreement. The Reseller Agreement shall remain in effect and unchanged except to the extent provided in this Amendment. In case of any conflict between this Amendment and the Reseller Agreement, the provisions of this Amendment shall control with regard to the subject matter set forth herein.

- 1) **INCORPORATED DEFINITIONS.** Unless specifically stated otherwise in this Amendment, all terms defined in the Reseller Agreement shall have the same meaning when used in this Amendment.
- 2) **CHANGES TO RESELLER AGREEMENT.** The parties agree to make the following changes to the Reseller Agreement in respect of sales of Cloud Services only to Clients:
 - a) **Services.** The Cloud Services set forth in Schedule A hereto shall be deemed “Services” for purposes of the Reseller Agreement. Schedule A may be amended by mutual agreement of the Parties.
 - b) **Provisioning API.** The parties shall work together in good faith to complete a provisioning API process within six (6) months of the Amendment Effective Date.

- c) **Pricing for Cloud Services.** Section 1.1.1 of the Reseller Agreement is modified by deleting the following provision: “Spyglass will invoice Reseller an amount equal to Reseller’s Services-related invoiced revenue, net of credit memos and write-offs of uncollectible accounts receivable, less [***] percent.”

In lieu thereof, the following provision shall apply: “Spyglass will invoice Reseller for the Services and other one-time fees in accordance with Schedule B to Amendment No. 6. Schedule B to Amendment No. 6 may be amended by mutual agreement of the Parties. Spyglass’s obligation to repay Reseller any payments for Client returns and/or credits issued associated with Services sold under the Agreement are limited to (1) “on the box” sales by Reseller within thirty (30) days of a Client’s purchase of a Service, (2) as permitted under law applicable to the Client, or (3) as the parties may mutually agree in writing on a case-by-case basis. For purposes of sub-section (3) in the immediately preceding sentence, mutual agreement in writing may be evidenced by an email confirmation between an authorized representative of Reseller and Spyglass specifying the specific Cloud Service and other identifying information as to which the obligation to make repayments or issue credit notes shall apply.”

The Parties may mutually agree on special discounting for Services on a case-by-case basis upon request by Reseller on account of significant order size, strategic customer accounts, or to meet pricing from competing service providers. If such additional discounts are provided, such discounts are applicable only to the specified order associated with the additional discounts and shall not apply to any additional orders under this Agreement. Mutual agreement for purposes of this provision may include an email confirmation between authorized representatives of the Parties, specifying the specific order as to which the discount shall apply.”

- d) **Order Submission.** The first two sentences of Section 1.4 of the Reseller Agreement are amended and restated as follows: “Reseller shall provide Spyglass with a service order. Specifically, each service order will set forth the name of each Client, Client’s address and the applicable Products (as defined below) purchased, email address, and unique order identifier that is made available to Client.”
- e) **Provisioning.** Reseller shall make the Cloud Service available to Clients at the time the Reseller hardware is invoiced to Client; where “make available” means providing the Client with the ability to: (i) activate the Cloud Service or (ii) contact Reseller in order to activate the Cloud Service. For the avoidance of doubt the term of the Client’s license to the Cloud Service shall begin on the date of Reseller’s invoice to Client regardless of the Client’s Cloud Service activation date. If Reseller fails to make the Cloud Service available within 2 business days of hardware invoice and a Client requests a credit for the gap in service between invoice and provisioning resulting from the delay, Spyglass shall not be liable to repay Reseller for the aforementioned credit.
- f) **Client Agreements.** Section 3.1 of the Reseller Agreement is modified by deleting the first two sentences of Section 3.1 and replacing them with the following: “All sales of the Services by Reseller to Clients will be subject to the terms and conditions set forth at <https://www.secureworks.com/eula/eula-us>, as updated by Spyglass from time to time, are collectively referred to as the “**Flow Through Terms**”). It is Reseller’s responsibility to ensure that the Flow Through Terms are incorporated into Reseller’s purchase agreement or other purchase documentation, whether or not signed, with the Client (the “**Client Agreement**” or “**Customer Agreement**”) in a way that is legally binding. Only the terms of the applicable Flow Through Terms will govern a Client’s use of the Services, and, unless otherwise mutually agreed by the Parties, any additional or conflicting terms in an agreement between Reseller and Client are Reseller’s responsibility.”

- g) Sections 3.1 and 7.3 of the Reseller Agreement are modified by adding the following as the last sentences to each section: “Notwithstanding anything to the contrary in the Reseller Agreement, (a) Spyglass acknowledges and agrees that Reseller has no obligation to flow-through Spyglass terms and conditions to Clients who are public and/or educational institutions (including but not limited to federal customers) located within the United States (such clients referred to in this Amendment as “**Public Clients**”), and (b) Spyglass agrees that the terms and conditions of the applicable agreement between Reseller and a Public Client (such agreements referred to in this Amendment as “**Public Client Contracts**”) shall govern the Spyglass Services resold or delivered to a Public Client, so long as Spyglass has agreed to abide by the terms of the applicable Public Client Contract(s), and except to the extent that the Public Client Contract is modified by the written agreement of Spyglass and the applicable Public Client. In the event of a conflict between the terms and conditions of the Reseller Agreement and the Public Client Contract, the terms and conditions of the Public Client Contract shall govern with regard to Spyglass Services resold or delivered to a Public Client, so long as Spyglass has agreed to abide by the terms of the applicable Public Client Contract(s).”
- h) Section 4.0 of the Reseller Agreement is modified by adding the following new provision as Section 4.3: “4.3 Spyglass Obligations for Public Client Contracts. So long as Spyglass has agreed to abide by the terms of the applicable Public Client Contract(s), Spyglass agrees that it is solely responsible to provide all of Spyglass Services and other obligations specified in any proposal, service order, statement of work or other similar documentation in connection with a Public Client Contract, in each case pursuant to the terms and conditions of the applicable Public Client Contract, notwithstanding anything to the contrary in the Reseller Agreement, and Reseller is solely responsible for invoicing the Public Client. Additionally and notwithstanding anything to the contrary in the Reseller Agreement, each party agrees that it shall: (a) provide the other party with all proposals service orders, statements of work or other similar documentation which it negotiates or provides to/with a Public Client, and (b) work cooperatively with the other party to address any reporting, administrative fees and other obligations required under the Public Client Contract in connection with Spyglass' Services.
- i) **Payment Terms**. The first sentence of Section 7.1 of the Reseller Agreement is modified by the addition of the following underlined wording: “Spyglass will invoice Reseller on a monthly basis for fees related to the Services as set forth on Schedule B and **one-time fees for installation, shipping and activation** of Services and/or Equipment (on the first monthly invoice only) provided under this Agreement.”
- j) Reporting. Section 1 of the Reseller Agreement is modified for sales of Cloud Services only by adding the following new provision as Section 1.5:
- i. “Reporting. Reseller shall provide the following reports to Spyglass for sales associated with Solutions listed in Schedule A to this Amendment (as the same may be amended):
- For all orders, Reseller shall provide regular reports for reporting and invoicing purposes. Reports will include order-level detail including order number or unique order identifier, order date, order status, invoice number, customer ID, SKU, SKU quantity, product attribute and contact information in addition to term length information.

The Reseller will provide standard royalty reports and other applicable reports and such report shall be presented as-is to Spyglass. Spyglass acknowledges that Reseller has no responsibility to modify or customize these reports in any way. Reseller shall pay Spyglass for in accordance with the intercompany process.

Service Description / Service Level Agreements. Spyglass shall, at Spyglass's expense, provide the support and training set forth in Exhibit A (Support and Maintenance Schedule) for each Cloud Services, unless otherwise specified in the applicable Software Schedule. Spyglass's failure to comply with its support and maintenance obligations shall be a material breach of the Agreement.

- k) **Reseller Indemnification Obligations.** Section 13.2 of the Reseller Agreement is modified for sales of Cloud Services only by replacing Section 13.2 in its entirety with the following:

“Reseller will defend, indemnify and hold harmless Spyglass from and against all Claims by a third party against Spyglass related to: (i) Reseller's use of the Services in any manner other than as permitted under this Agreement; (ii) Reseller's use of Spyglass' Marks in any manner other than as permitted under this Agreement; (iii) Reseller's marketing, promotion or sale of the Services in a manner that is not authorized or permitted under this Agreement; (iv) except (A) as otherwise agreed by Spyglass or (B) for sales to Public Clients, any failure by Reseller to include the Flow Through Terms into the Client Agreement; or (v) Reseller's unauthorized modification of the Cloud Services, Software or Documentation.”

- l) **Spyglass Indemnification Obligation.** Section 13.3 of the Reseller Agreement is modified for sales of Cloud Services only by adding the following new provision as the last sentence:

“In addition to the foregoing, Spyglass will, at its expense, indemnify, defend and hold Reseller harmless from and against any and all third party claims, actions, demands, ensuing legal proceedings, liabilities, damages, losses, judgments, authorized settlements, costs and expenses as incurred, including without limitation reasonable attorney's fees, to the extent caused by any alleged or actual: (a) acts or omissions of Spyglass that result in any violation by Spyglass of any applicable laws; (b) Spyglass's or its representative's grossly negligent act or grossly negligent omission, fraud or willful misconduct; (c) Spyglass's failure to comply with any of its privacy notices or any other terms and conditions Spyglass (i) enters into with a Client or (ii) to the extent Spyglass does not enter into such terms and conditions with respect to a Public Client, the terms and conditions of this Reseller Agreement and Spyglass's standard privacy notices or any other terms the terms and conditions under which Spyglass publicly offers its Services or, so long as Spyglass has agreed to abide by the terms of the applicable Public Client Contract(s), the terms and conditions of the Public Client Contract; or (d) Spyglass's breach of the NDA, or Spyglass's improper access, collection, distribution, processing, transmission, or storing of a Client's personally identifiable information.”

- m) **Limitation of Liability.** Section 14 of the Reseller Agreement is modified for sales of Cloud Services only by replacing Section 14 in its entirety with the following:

“EXCEPT FOR (I) EACH PARTY'S INDEMNIFICATION OBLIGATIONS AS SET FORTH IN SECTION 13, (II) EACH PARTY'S GROSSLY NEGLIGENT ACTS OR GROSSLY NEGLIGENT OMISSIONS, FRAUD OR WILLFUL MISCONDUCT, (III) AN UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL INFORMATION, OR (IV) INFRINGEMENT/MISAPPROPRIATION OF INTELLECTUAL PROPERTY, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY (INCLUDING ANY CLIENT OF RESELLER) FOR ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL, PUNITIVE OR SPECIAL DAMAGES, INCLUDING, WITHOUT LIMITATION,

DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION AND THE LIKE, DAMAGES FOR LOSS OF DATA RESULTING FROM DELAYS, NON-DELIVERIES OR SERVICE INTERRUPTIONS, ARISING OUT OF THIS AGREEMENT, EVEN IN THE EVENT OF FAULT, TORT, STRICT LIABILITY, OR BREACH OF WARRANTY AND EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

EXCEPT FOR (I) AN UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL INFORMATION, (II) INFRINGEMENT/MISAPPROPRIATION OF INTELLECTUAL PROPERTY, (III) EACH PARTY'S INDEMNIFICATION OBLIGATIONS AS SET FORTH IN SECTION 13, (IV) EACH PARTY'S GROSSLY NEGLIGENT ACTS OR GROSSLY NEGLIGENT OMISSIONS, FRAUD OR WILLFUL MISCONDUCT, EACH PARTY'S LIABILITY FOR ALL CLAIMS ARISING OUT OF THIS AGREEMENT, WHETHER IN CONTRACT, TORT OR OTHERWISE, SHALL BE LIMITED TO THE GREATER OF (A) THREE TIMES THE AMOUNT OF FEES PAID BY RESELLER TO SPYGLASS UNDER THIS AGREEMENT DURING THE TWELVE MONTHS PRECEDING THE CLAIM AND (B) THIRTY MILLION DOLLARS (\$30,000,000).

NOTWITHSTANDING ANYTHING TO THE CONTRARY, SO LONG AS SPYGLASS HAS AGREED TO ABIDE BY THE TERMS OF THE APPLICABLE PUBLIC CONTRACT(S), WITH REGARD TO ANY PUBLIC CLIENT THE PARTIES AGREE THAT UNLESS OTHERWISE MUTUALLY AGREED UPON BETWEEN SPYGLASS AND RESELLER IN A SEPARATE WRITING SIGNED BY EACH PARTY'S AUTHORIZED REPRESENTATIVES FOR A SPECIFIC TRANSACTION UNDER A PUBLIC CLIENT CONTRACT, SPYGLASS' LIABILITY WILL BE SUBJECT TO THE LIMITATION OF LIABILITY PROVISIONS (WHICH MAY PROVIDE A LIMITATION ON LIABILITY FOR DIRECT DAMAGES AND/OR A WAIVER OF CONSEQUENTIAL OR OTHER INDIRECT DAMAGES) EXPRESSLY SPECIFIED IN THE APPLICABLE PUBLIC CLIENT CONTRACT UNDER WHICH SPYGLASS' CLOUD SERVICES SUBJECT TO THE DISPUTE OR CLAIM ARE BEING PROVIDED."

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Amendment to be signed on the respective dates indicated below.

Dell, Inc. SecureWorks, Inc.
("Reseller") ("Spyglass")

By: /s/ Kyle Beam By: /s/ David P. Baum

Name (Print): Kyle Beam Name (Print): David P. Baum

Title: Senior Manager SWP Title: Senior Legal Director

Date: October 23, 2019 Date: October 17, 2019

SECUREWORKS CORP.

**AMENDED AND RESTATED
SEVERANCE PAY PLAN
FOR EXECUTIVE EMPLOYEES**

Effective August 10, 2019

SECUREWORKS CORP.

**AMENDED AND RESTATED
SEVERANCE PAY PLAN
FOR EXECUTIVE EMPLOYEES**

Effective August 10, 2019

BACKGROUND AND SCOPE

Dell Inc. (“**Dell**”) previously adopted the Dell Inc. Severance Pay Plan for Executive Employees, amended and restated effective July 14, 2010 (the “**Dell Plan**”), to provide severance benefits under the terms and conditions specified in the Dell Plan. Prior to the effective date of the Initial Plan (as defined below), certain employees of the Company were eligible to participate in the Dell Plan. In connection with the Company’s initial public offering (“**IPO**”), the Company determined it advisable to adopt the SecureWorks Corp. Severance Pay Plan for Executive Employees (the “**Initial Plan**”) for periods on and after April 18, 2016, the effective date of the Initial Plan. Following the Company’s IPO, the Compensation Committee of the Board conducted a review of the Initial Plan and amended and restated the Initial Plan effective September 1, 2016. Effective as of August 10, 2019, the Company now wishes to amend and restate the Plan as provided herein.

The Company intends the Plan to qualify as an “employee welfare benefit plan” within the meaning of Section 3(1) of ERISA. The Plan shall, at all times, be interpreted and administered in accordance with ERISA and any other pertinent provisions of federal law. Except as specified in the Plan, no employee of the Company or any other person shall have any right to severance benefits under the Plan or otherwise as a result of their performance of services for the Company or any of its related or affiliated entities. These Severance Benefits may be modified or eliminated at any time for any reason.

ARTICLE I
PURPOSE

The Plan provides Eligible Executives with severance benefits designed to mitigate the effects of unemployment in the event that their employment is terminated by the Company as a result of a Qualifying Termination.

ARTICLE II
DEFINITIONS

Wherever used herein, the following terms have the following meanings unless the context clearly requires a different meaning:

2.1 **“Administrator”** means the Company’s Compensation Committee, as may be appointed from time to time by the Board.

2.2 **“Base Salary”** means compensation equal to:

(i) the annual base salary reported in the Company’s human resources database and as in effect on the last day on which the Eligible Executive was actively performing services for the Company prior to his or her Separation Date (not including shift differentials, commissions, bonuses, incentive payments, benefits, perks, or overtime compensation); divided by

(ii) 12, for computations of monthly Base Salary, or 52, for computations of weekly Base Salary.

2.3 **“Beneficiary”** means the first surviving person of the following: (i) the Severance Benefit Employee’s surviving spouse, (ii) his or her lineal descendants per stirpes, (iii) his or her parents in equal shares, (iv) his or her brothers and sisters in equal shares, or (v) the executor or administrator of his or her estate.

2.4 **“Board”** means the Board of Directors of SecureWorks Corp.

2.5 **“Casual Employee”** means an employee hired to supplement the work force during temporary periods or on an intermittent basis, usually due to unusual or emergency workload.

2.6 **“COBRA”** means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time.

2.7 **“Code”** means the Internal Revenue Code of 1986, as amended from time to time.

2.8 **“Company”** means SecureWorks Corp., any successor entity that adopts the Plan, or any subsidiary or affiliate of the Company which is designated by the Administrator as having adopted the Plan.

2.9 **“Comparable Job”** means a job with the Company where (i) the Base Salary to be paid by the Company is not materially reduced from the Base Salary previously paid by the Company to such executive; (ii) the grade level offered is not less than the grade level the executive held immediately prior to the date the executive was offered the job; and (iii) the executive’s principal place of work is not changed on or before the first date of employment in the new job to a location that is a material distance from the executive’s principal place of work immediately prior to the date the executive was offered the job, without the prior consent of the executive. For purposes of the preceding sentence, a distance of less than fifty (50) miles shall be treated as immaterial.

2.10 **“Effective Date”** means August 10, 2019, the effective date of this amendment and restatement of the Plan. All Eligible Executive separations under the terms of a Separation Agreement and Release made prior to this Effective Date will be subject to terms of the Plan as in effect prior to this amendment and restatement.

2.11 **“Eligible Executive”** means an individual who is classified as an Executive Employee and:

(i) who is designated by the Administrator, in its sole and absolute discretion, as having experienced a Qualifying Termination;

(ii) who is notified in writing by the Administrator or its duly authorized representative that his or her employment with the Company will be terminated as part of a Qualifying Termination;

(iii) who is employed by the Company to perform services for the Company in a capacity of a regular employee of the Company; and

(iv) whose employment with the Company was in fact terminated solely as a result of such Qualifying Termination.

The term “Eligible Executive” shall not include: (i) an Independent Contractor; (ii) a Casual Employee; or (iii) a Temporary Employee.

2.12 **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.13 **“Executive Employee”** means an employee of the Company who is designated as having a status of Vice President/Fellow (grade level E1/I12), Senior Vice President/Senior Fellow (grade level E2/I13) or President & CEO (grade level E3).

2.14 **“Exempt Separation Pay”** means payments that do not exceed the Safe Harbor Amount and may not be paid later than the Safe Harbor Deadline, and that otherwise qualify for the exemption for amounts paid upon certain involuntary terminations under Treasury Regulation Section 1.409A-1(b)(9)(iii).

2.15 **“Independent Contractor”** means a person the Company engaged to perform services with the intention that those services would be performed in a capacity other than that of a common law employee, regardless of whether or not the actual facts and circumstances under which such person actually renders services to the Company could be construed to establish that the person was or could be considered for any purpose to be a common law employee.

2.16 **“Plan”** means this SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees, as set forth herein and as may be amended from time to time.

2.17 **“Qualifying Termination”** means the termination of employment of a Severance Benefit Employee due to Workforce Reduction.

2.18 **“Safe Harbor Amount”** means two (2) times the lesser of (i) the sum of the Eligible Executive’s annualized compensation based on the taxable year immediately preceding the year in which his or her Separation Date occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Eligible

Executive's Separation Date occurs, within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) and the guidance related thereto.

2.19 **"Safe Harbor Deadline"** means the last day of the second calendar year following the calendar year in which the Eligible Executive's Separation Date occurs, within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(iii)(B) and the guidance related thereto.

2.20 **"Separation Agreement and Release"** means the agreement that an Eligible Executive must execute prior to receiving any benefits under the Plan. The Administrator will provide a copy of the Separation Agreement and Release to the Eligible Executive when he or she is designated as a Severance Benefit Employee under the Plan.

2.21 **"Separation Date"** means the date designated by the Administrator on which the Eligible Executive experiences a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h) and the guidance related thereto.

2.22 **"Severance Benefit Employee"** means an Eligible Executive who:

- (i) is designated by the Administrator, in its sole and absolute discretion, as a Severance Benefit Employee;
- (ii) continued to perform all of his or her job responsibilities, in a manner acceptable to the Company, through his or her Separation Date;
- (iii) did not, at any time subsequent to the Company's decision to terminate the employee receive an offer for continued employment in a Comparable Job;
- (iv) did not, at any time subsequent to the Company's decision to terminate the employee, receive an offer for employment in a Similar Job, which was in any way arranged or facilitated by the Company;
- (v) prior to the date of the Company's notification of the termination of employment, did not voluntarily terminate employment or notify the Company of his or her intention or election to terminate employment at some future date by resignation, failure to appear for work, retirement, or otherwise;
- (vi) did not make any statements or engage in any actions that directly or indirectly defamed, disparaged, or detracted from the Company's reputation; damage or destroy any of the Company's property; or otherwise injure or damage the Company; and
- (vii) maintained the confidentiality of any and all confidential or proprietary information of the Company at all times during his employment with the Company.

2.23 **"Severance Benefits"** mean the benefits, if any, provided under ARTICLE III to a Severance Benefit Employee.

2.24 **"Short-Term Deferral"** shall have the meaning set forth in Treasury Regulation Section 1.409A-1(b)(4) and the guidance related thereto.

2.25 “**Short-Term Deferral Period**” means the period of time (i) beginning on the date that an Eligible Executive’s right to Severance Benefits is no longer subject to a substantial risk of forfeiture, and (ii) ending on the later of (A) the 15th day of the third month following the end of the Eligible Executive’s taxable year in which the date described in (i) above occurs, or (B) the 15th day of the third month following the end of the Company’s taxable year in which the date described in (i) above occurs, all within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and the guidance related thereto.

2.26 “**Similar Job**” means a job with a new employer where (i) the compensation offered by the new employer to the executive is not materially less than the Base Salary previously paid by the Company to the executive; (ii) the general nature of the executive’s anticipated duties for the new employer are similar to the general nature of the duties the executive performed for the Company; and (iii) the executive’s principal place of work is not changed by the new employer on or before the first day of employment with the new employer to any location that is a material distance from the executive’s principal place of work on the date prior to the date the executive was offered the job, without the prior consent of the executive. For purposes of the preceding sentence, a distance of less than fifty (50) miles shall be treated as immaterial.

2.27 “**Temporary Employee**” means a person that the Company contracted with through a temporary service, agency, employee leasing company, staffing company, or a person individually who supplements the work force as a temporary employee, or is otherwise hired to perform services for the Company other than as an employee.

2.28 “**Workforce Reduction**” means the reduction of the Company’s workforce as part of a designated cost reduction program.

ARTICLE III
SEVERANCE BENEFITS

3.1 **Cash Severance Benefits.** A Severance Benefit Employee shall receive a cash Severance Benefit equal to the greater of (i) the amount listed on the applicable **Exhibit A** to this Plan, or (ii) if applicable, the cash severance benefit amount described in a separate written agreement between the Eligible Executive and the Company.

3.2 **Form of Payment.** Unless otherwise provided in a Separation Agreement and Release, the Cash Severance Benefit shall be paid in four (4) substantially equal quarterly installments, with the first such installment payable on or about the last day of the third month following the Severance Benefit Employee’s Separation Date, and each subsequent installment payable on or about the last day of the third month following each such payment; provided, however, that if a Severance Benefit Employee’s cash Severance Benefit that is otherwise scheduled to be paid outside the Short-Term Deferral Period would not qualify as Exempt Separation Pay, each quarterly installment that is scheduled to be paid outside the Short-Term Deferral Period will be reduced ratably until the amount scheduled to be paid outside the Short-Term Deferral Period no longer exceeds the amount that would qualify as Exempt Separation Pay, and the total amount of such reduction will be paid to the Severance Benefit Employee no later than the end of the Short-Term Deferral Period. Payments under the Plan shall be delivered in the form of a check or, at the

Company's discretion, through any other payment delivery method used to make payroll payments to a Severance Benefit Employee.

3.3 **Additional Severance Benefits.** Unless otherwise provided in a Separation Agreement and Release, a Severance Benefit Employee shall receive such other Severance Benefits as are listed in **Exhibit A**.

3.4 **Benefits Are Not Salary.** Any Severance Benefits paid under the Plan are not considered as salary for any employee benefit plan purposes. The number of weeks of Severance Benefits provided to a Severance Benefit Employee shall not be considered in calculating his or her entitlement, if any, to vacation, sick leave, bonus, incentive salary, retirement, or other benefits except as is specifically provided in the Company's other employee benefit plans.

3.5 **Re-employment.** Any Eligible Executive who received a Severance Benefit under the Plan will not have any right to be re-employed by the Company. If an Eligible Executive is re-employed by the Company within twelve (12) months from the date of his or her Separation Date, such Eligible Executive may, as a condition of reemployment, be required to repay to the Company a portion of his or her Severance Benefits.

ARTICLE IV DEDUCTIONS & FORFEITURES

4.1 **Deductions.** To the extent permissible under federal or state law, the following items and amounts will be deducted from the amount of Severance Benefits otherwise payable to an Eligible Executive under the Plan:

(i) Any salary or other payments that the Eligible Executive receives (or may be entitled to receive) on termination of employment pursuant to any rights or entitlements that the Eligible Executive possesses or asserts pursuant to a written or oral employment agreement with the Company or any successor thereto, regardless of whether the term of such agreement is expired or unexpired as of the Eligible Executive's Separation Date;

(ii) Any amounts that an Eligible Executive owes to the Company;

(iii) Any severance pay or other wage replacement benefits payable or previously paid to the Eligible Executive or his beneficiary from this Plan or any other plan or program maintained by the Company or any of its affiliates (other than any benefits payable from any pension, profit sharing, or stock bonus plan);

(iv) Any amount of garnished earnings which would have been withheld from the Eligible Executive's pay, if the Company has been garnishing the Eligible Executive's earnings pursuant to an order of garnishment, child support, or tax lien; and

(v) The Company shall have the authority to withhold or to cause to have withheld applicable taxes from any payments under or in accordance with the Plan to the extent required by law.

4.2 **Forfeitures.** An Eligible Executive shall forfeit any and all rights to Severance Benefits under the Plan, and shall be obligated to repay any such benefits previously paid under the Plan, if the Administrator, in its sole discretion, determines that the Eligible Executive:

(i) does not timely submit, and the Administrator does not actually receive, a valid and fully enforceable Separation Agreement and Release from the Eligible Executive;

(ii) fails or has failed to fulfill any requirement of the Plan or otherwise does not satisfy any of the terms and conditions of either the Plan or the Separation Agreement and Release;

(iii) prior to his or her Separation Date or thereafter makes any statements or engages in any actions that directly or indirectly defame, disparage, or detract from the Company's reputation, damage or destroy any of Company's property, otherwise injure or damage the Company, or discloses any confidential or proprietary information regarding the Company; or

(iv) subsequently revokes or otherwise takes action to set aside, avoid, or violate the Separation Agreement and Release or the Plan's terms.

By accepting any benefits under the Plan's terms, an Eligible Executive shall be deemed to have agreed to adhere to all terms of the Plan. The Eligible Executive also shall be deemed to agree that the Eligible Executive will repay any benefits that the Administrator determines he or she has received from the Plan in excess of the amount provided under the Plan. Additionally, the Eligible Executive must repay all Severance Benefits that the Eligible Executive is paid or receives if the Eligible Executive asserts that he or she is or may be entitled to receive compensation or other payments on termination of employment pursuant to any rights or entitlements that he or she possesses or asserts pursuant to a written or oral employment agreement with the Company, any affiliate of the Company, or any successor of either the Company or its affiliates, regardless of whether the term of such agreement is expired or unexpired as of his or her Separation Date.

ARTICLE V REQUIREMENT FOR RECEIPT OF SEVERANCE BENEFITS

In order to receive payment of any Severance Benefits under the Plan, the Eligible Executive must comply with all requirements of this ARTICLE V.

5.1 **Execution of Separation Agreement and Release.** In order for an Eligible Executive to receive his or her Severance Benefit, the Eligible Executive must first execute the Separation Agreement and Release within the particular time period specified in the Separation Agreement and Release, which shall be no later than forty-five (45) days following the Eligible Executive's receipt of the Separation Agreement and Release or such earlier date as required by the Separation Agreement and Release (such deadline, the "**Release Deadline**"). The Separation Agreement and Release may provide for an additional revocation period of at least seven (7) days (the "**Revocation Period**"). The executed Separation Agreement and Release must actually be received by the Administrator, or its duly authorized representative, at the address specified by the Administrator, by the Release Deadline to be considered timely. Notwithstanding the preceding,

if the Eligible Executive does not properly execute the Separation Agreement and Release by the applicable Release Deadline, or, in the case of a Separation Agreement and Release that includes a Revocation Period, timely revokes an executed Separation Agreement and Release, the Eligible Executive will receive only those benefits required by applicable law. If the Eligible Executive's Separation Date and the Release Deadline fall in two (2) separate taxable years, any payments required to be made to the Eligible Executive that are treated as nonqualified deferred compensation for purposes of Code Section 409A shall be made in the later taxable year.

5.2 Right to Recovery. The Company shall have the right to recover any payment made to an Eligible Executive in excess of the amount to which the Eligible Executive is entitled to under the terms of the Plan. Such recovery may be from the Eligible Executive, the Beneficiary, or any insurer or other organization or entity thereby enriched. In the event such repayment is not made by the Eligible Executive, such repayment shall be made either by (i) reducing or suspending any future payments hereunder to the Eligible Executive or (ii) requiring an assignment of a portion of the Eligible Executive's earnings, until the amount of such excess payments are fully recovered. The Company shall also have the right to recover any payment made to an Eligible Executive under the Plan if he or she later asserts to be entitled to compensation or other payments on termination of employment pursuant to any rights or entitlements that he or she possesses or asserts pursuant to a written or oral employment agreement with the Company or any successor thereto, regardless of whether the term of such agreement is expired or unexpired as of his or her Separation Date.

5.3 Payment of Severance Benefits. Severance Benefits provided under the Plan shall be paid to the Eligible Executive within the timeframe provided for in Section 3.2, but no earlier than the day following the expiration of any Revocation Period outlined in the Separation Agreement and Release, if applicable, assuming such Separation Agreement and Release has not been revoked. If the Eligible Executive is, in the opinion of the Administrator, not competent to effect a valid release for payment of any benefit due him or her under the Plan and if no request for payment has been received by the Administrator from a duly appointed guardian or other legally appointed representative of the Eligible Executive, the Company may make direct payment to the individual or institution appearing to the Administrator to have assumed custody or the principal support of the Eligible Executive. If the Eligible Executive dies before receipt of his or her Severance Benefits to which he or she is entitled under the Plan, such benefits shall be paid to the Eligible Executive's Beneficiary, if not otherwise required by law.

5.4 Acceptance of Severance Benefit. By accepting any Severance Benefits from the Plan, the Eligible Executive shall be deemed to have agreed to adhere to all terms of the Plan.

ARTICLE VI CLAIMS AND APPEAL PROCEDURES

6.1 Claims Procedures. Severance Benefits will be automatically paid to an Eligible Executive who qualifies for such benefits under the Plan and who signs and does not revoke the Separation Agreement and Release. An Eligible Executive who believes he or she is entitled to Severance Benefits under this Plan and has not been provided such benefits must file a written claim for such benefits with the Administrator. The Administrator shall render a written decision concerning the claim not later than ninety (90) days after its receipt, unless special circumstances

require an extension of time for processing the claim, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of the claim. Written notice of the extension will be furnished to the Eligible Executive prior to the expiration of the initial ninety (90)-day period and will indicate (i) the special circumstances requiring an extension of time for processing the claim and (ii) the date the Administrator expects to render its decision. For purposes of this Section 6.1, any payment of Severance Benefits under this Plan shall be treated as the issuance of a written decision by the Administrator to approve the claim for benefits.

If the claim is denied, in whole or in part, such decision shall include (i) the specific reasons for the denial; (ii) a reference to the Plan provision(s) constituting the basis of the denial; (iii) a description of any additional material or information necessary for the Eligible Executive to perfect his or her claim; (iv) an explanation as to why such additional material or information is necessary; and (v) a description of how the claim review procedure is administered. If the notice of denial is not furnished in accordance with the above procedure, the claim shall be deemed denied, and the Eligible Executive is then permitted to appeal the decision.

6.2 Appeal Procedure. If the Eligible Executive's claim is denied, in whole or in part, he or she then has sixty (60) days to appeal the decision. An appeal must be submitted in writing to the Administrator. The Eligible Executive may also submit a written request to review copies of the pertinent Plan documents in connection with his or her appeal. The Administrator will review the appeal and determine if a meeting with the Eligible Executive is necessary to reach a decision. If the Administrator determines a meeting is necessary, the Eligible Executive must submit a written "statement of position" containing all pertinent details of the appeal and the supporting reasons, as well as any questions the Eligible Executive may have regarding the appeal. The statement of position must be received by the Administrator at least fourteen (14) days before the scheduled meeting. If the statement of position is not received in a timely manner, the Administrator may cancel the meeting. No action may be brought for Severance Benefits provided under the Plan or any amendment or modification thereof, or to enforce any right thereunder, until a claim has been submitted and the appeal rights under the Plan have been exhausted.

ARTICLE VII
PLAN ADMINISTRATION

7.1 In General. The general administration of the Plan and the duty to carry out its provisions shall be vested in the Administrator, which shall be the named fiduciary of the Plan for purposes of ERISA. The Administrator shall administer the Plan and any Severance Benefits provided under the Plan. The Administrator may, in its discretion, secure the services of other parties, including agents and/or employees, to carry out the day-to-day functions necessary to an efficient operation of the Plan. The Administrator shall have the exclusive, discretionary right to interpret the terms of the Plan, to determine eligibility for coverage and benefits, and to make such other determinations and to exercise such other powers and responsibilities as shall be provided for in the Plan or shall be necessary or helpful with respect thereto, and its good faith interpretations and decisions shall be final, binding, and conclusive upon all persons.

7.2 **Reimbursement and Compensation.** The Administrator shall receive no compensation for its services as Administrator, but it shall be entitled to reimbursement for all sums reasonably and necessarily expended by it in the performance of such duties.

7.3 **Rulemaking Powers.** The Administrator shall have the discretionary power to make reasonable rules and regulations required in the administration of the Plan; make all determinations necessary for the Plan's administration, except those determinations which the Plan requires others to make; and construe and interpret the Plan wherever necessary to carry out its intent and purpose and to facilitate its administration. The Administrator shall have the exclusive right to determine, in its discretion, eligibility for coverage and benefits under the Plan and waive any requirements under the Plan's terms, and the Administrator's good faith interpretation of the Plan shall be final, binding, and conclusive on all persons. Any dispute as to eligibility, type, amount, or duration of benefits under the Plan or any amendment or modification thereof shall be resolved by the Administrator under and pursuant to the Plan, in its sole and absolute discretion, and its decision of the dispute shall be final, binding, and conclusive on all parties to the dispute. In the exercise of such discretionary powers, the Administrator shall treat all similarly situated Eligible Executives uniformly and equitably under the Plan. The Administrator will be the named fiduciary for purposes of Section 402(a)(1) of ERISA with respect to all duties and powers assigned to the Administrator hereunder and will be responsible for complying with all reporting and disclosure requirements of Part I of Subtitle B of Title I of ERISA.

7.4 **Indemnification.** To the extent permitted by law, the Company shall indemnify any persons acting on its behalf in fulfilling its duties as Administrator against any and all claims, losses, damages, expenses, or liabilities arising from its responsibilities in connection with the Plan, unless the same is deemed to be due to intentional misconduct or such indemnification is prohibited by ERISA.

ARTICLE VIII
MISCELLANEOUS

8.1 **Amendment and Termination.** The Company, acting through its chief executive officer or such other person or committee appointed by its board of directors, reserves the right to amend or terminate the Plan at any time it may deem advisable without the consent of any person or entity. Severance Benefits payable to an Eligible Executive or his or her Beneficiary under the Plan prior to the amendment or termination of the Plan shall continue to be due and payable under the Plan. Any amendment or termination shall be effective when adopted in a written instrument, and all Eligible Executives and their Beneficiaries and other persons shall be bound thereby. If the Plan is amended to improve benefits, the amendment will only apply to Eligible Executives who terminate employment after the effective date of the amendment, unless the amendment specifies that it also applies to employment terminations occurring before the effective date of the amendment. If the Plan is terminated, employment terminations that occur after the effective date of the termination of the Plan will not be covered by the Plan.

8.2 **Limitation of Rights.** Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, will be construed as giving to any Eligible Executive, or other person, any legal or equitable right against the Company or any person acting on behalf of

the Company. Likewise, nothing appearing in or completed pursuant to the Plan shall be held or construed to create a contract of employment with any Eligible Executive, to continue the current employment status, or to modify his or her terms of employment in any way; nor shall any provision hereof restrict the right of the Company to discharge any of its employees or restrict the right of any such employee to terminate his or her employment with the Company.

8.3 **Governing Law.** The Plan shall be governed and construed in accordance with ERISA and any other applicable federal law and, to the extent not preempted by federal law, the laws of the State of Georgia. Except as otherwise mandated by federal law, exclusive jurisdiction over all disputes and actions arising under, or directly or indirectly relating to, the Plan shall be in Fulton County, Georgia.

8.4 **Funding and Source of Severance Benefits Payments.** Any Severance Benefits payable under the Plan shall be paid from the general assets of the Company. Nothing in the Plan shall be construed to create a trust or to establish or evidence any Eligible Executive's claim of any right to payment of any benefits other than as an unsecured general creditor with respect to any payment to which such Eligible Executive may be entitled.

8.5 **Successor Employer.** In the event of a merger, consolidation, dissolution, or reorganization of the Company or transfer of all or substantially all of its assets to any other corporation, partnership, or association, a provision may be made by such successor corporation, partnership, or association, at its election, for the continuation of the Plan created hereunder by such successor entity. Such successor shall, upon its election to continue the Plan, be substituted in place of the Company by an instrument duly authorizing such substitution.

8.6 **Severability.** If any provision of the Plan is held invalid or unenforceable, its validity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provision had not been included herein.

8.7 **Captions.** The captions contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the Plan or the construction of any provision thereof.

8.8 **Gender and Numbers.** Terms used in the masculine shall also include the feminine and be neutral where appropriate. Terms in the singular shall include the plural where appropriate and vice versa.

8.9 **Non-transferability.** No benefit, right, or interest of any Eligible Executive hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, seizure, attachment or legal, equitable, or other process or be liable for, or subject to, the debts, liabilities, or other obligations of such persons, except as otherwise required by law.

8.10 **Limitations.** No action may be brought for benefits provided by this Plan or any amendment or modification thereof, or to enforce any right thereunder, until after the claim has been submitted to and determined by the Administrator, and thereafter the only action which may be brought is one to enforce the decision of the Administrator. Any legal action must commence

within twelve (12) calendar months immediately following the date of such Administrator's decision made pursuant to Section 6.2 above.

8.11 Non-Duplication of Benefit. No provisions in this Plan shall be deemed to duplicate any compensation or benefits provided under any agreement, plan, or program covering the Eligible Executive (including, without limitation, the Dell Plan) with respect to the same Qualifying Termination, and any duplicative amount payable under any such agreement, plan, or program shall be applied as an offset to reduce the amounts otherwise payable hereunder.

8.12 Information Requested. The Eligible Executive or other persons shall provide the Company, the Administrator, or their authorized representatives with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.

8.13 Mistaken Payments. Any amounts paid to an Eligible Executive or other person in excess of the amount to which he or she is entitled hereunder shall be repaid by the Eligible Executive or other person promptly following the sooner of receipt by the Eligible Executive or other person of a notice of such excess payments or when such person has knowledge of the excess payments. In the event such repayment is not made by the Eligible Executive or other person, such repayment shall be made, at the discretion of the Administrator, either by reducing or suspending future payments hereunder to the Eligible Executive or other person or by requiring an assignment of a portion of the Eligible Executive or other person's earnings, until the amount of such excess payments are recovered by the Administrator.

8.14 Integration with WARN Act. To the extent that any federal, state, or local law, including, without limitation, any so-called "plant closing" laws, requires the Company to give advanced notice or make payment of any kind to an Eligible Executive because of his or her involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, change of control, or any other similar event or reason, the Severance Benefits provided under this Plan may either be reduced or eliminated. The benefits provided under this Plan are intended to satisfy any and all statutory obligations that may arise out of any Eligible Executive's involuntary termination for any of the foregoing reasons, and the Administrator shall construe and implement the terms of this Plan in its sole discretion. Included in the scope of the foregoing, (i) if an Eligible Executive receives notice from the Company pursuant to the Workers Adjustment and Retraining Notification (WARN) Act and remains employed during the WARN notice period, then the Severance Benefits payable to the Eligible Executive may be reduced by the pay and benefits received by such Eligible Executive during the WARN notice period, and (ii) if an Eligible Executive receives notice from the Company pursuant to the Workers Adjustment and Retraining Notification (WARN) Act and does not remain employed during some or all of the WARN notice period, then the Severance Benefits payable to the Eligible Executive shall be reduced by any amount the Company is required to pay to such Eligible Executive as compensation for its failure to provide timely notice under the WARN Act. An Eligible Executive shall not be required to sign a Separation Agreement and Release solely with respect to the portion of any payment under this Plan which must be paid pursuant to the Workers Adjustment and Retraining Notification (WARN) Act or any other comparable law.

8.15 **Code Section 409A.** Each payment of Severance Benefits, including any outplacement benefits or continued medical benefits, shall be treated as a separate payment for purposes of the Short-Term Deferral rules under Treasury Regulation Section 1.409A-1(b)(4)(i)(F), the exemption for amounts paid upon certain involuntary terminations under plans providing Exempt Separation Pay under Treasury Regulation Section 1.409A-1(b)(9)(iii), the exemption for medical expense reimbursements under Treasury Regulation Section 1.409A-1(b)(9)(v)(B), and the exemption for in-kind benefits under Treasury Regulation Section 1.409A-1(b)(9)(v)(C). Unless otherwise provided in a Separation Agreement and Release, no amount shall be payable under this Plan unless such amount (i) is paid within the Short-Term Deferral Period or (ii) qualifies as Exempt Separation Pay. If as of an Eligible Executive's Separation Date, the Eligible Executive is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B) or any successor provision thereto), then with regard to any payment that is subject to Code Section 409A as deferred compensation and is due upon or as a result of the Eligible Executive's "separation from service," notwithstanding any contrary provision of the Plan, such payment shall not be made or provided, to the extent making or providing such payment would result in additional taxes or interest under Code Section 409A, until the date which is the earlier of (A) expiration of the six (6)-month period measured from such "separation from service," and (B) the date of the Eligible Executive's death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments delayed pursuant to the preceding sentence (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Eligible Executive in a lump sum, and any remaining payments and benefit due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them in this Agreement. While the Plan is intended to be exempt from Code Section 409A, the Company does not make and has not made any representation, warranty or guarantee of any federal, state or local tax consequences of any Eligible Executive's or Beneficiary's entitlements under the Plan, including, but not limited to, under Code Section 409A.

8.16 **Entire Document.** THE BENEFITS DESCRIBED IN THE PLAN ARE INTENDED TO BE THE ENTIRE BENEFITS PAYABLE TO AN ELIGIBLE EXECUTIVE WHOSE EMPLOYMENT IS TERMINATED SOLELY AS A RESULT OF A QUALIFYING TERMINATION, OTHER THAN BENEFITS PROVIDED BY ANOTHER EMPLOYEE BENEFIT PLAN OF THE COMPANY. BY ELECTING TO PARTICIPATE IN THE PLAN AND SIGNING THE SEPARATION AGREEMENT AND RELEASE ON THE FORM PROVIDED TO THE ELIGIBLE EXECUTIVE BY THE COMPANY, THE ELIGIBLE EXECUTIVE WAIVES HIS OR HER RIGHT TO BENEFITS UNDER ANY AND ALL PRIOR SEVERANCE AGREEMENTS, UNDERSTANDINGS, EMPLOYMENT, OR OTHER AGREEMENTS, DESCRIPTIONS, OR ARRANGEMENTS.

[Signature Page Attached]

IN WITNESS WHEREOF, the Company has caused the SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees to be executed in its name and on its behalf by a duly authorized officer.

SECUREWORKS CORP.

By: /s/ George B. Hanna

Name: George B. Hanna

Title: Chief Legal Officer & Corporate Secretary

Exhibit A

DESCRIPTION OF SEVERANCE BENEFITS

(Attached)

Schedule A-1

Standard Severance Benefits

(Individuals Described in Any Other Schedule to Exhibit A Excluded)

This **Schedule A-1** to **Exhibit A** to the SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees lists the Severance Benefits provided to Severance Benefit Employees under the Plan's terms. Individuals eligible to receive benefits under any other Schedule to **Exhibit A** shall not be eligible to receive benefits under this **Schedule A-1**.

- 1. Cash Severance Benefits - Severance Pay.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release, he or she will be eligible to receive Severance Pay in the amount equal to twelve (12) months of Base Salary. This payment will not include 401(k) or any other benefits-related deductions. However, all applicable taxes will be withheld.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the only benefits payable hereunder shall be such amounts as are required by applicable law.

- 2. Additional Severance Benefits - COBRA Benefits Payment Coverage.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release and he or she enrolls in COBRA coverage, the Company will pay the first twelve (12) months of the Eligible Executive's COBRA premiums.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the only COBRA benefits payable hereunder shall be those benefits required by applicable law.

- 3. Additional Severance Benefits - Short-Term Incentive Plan Payments.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release and such Eligible Executive is participating in the SecureWorks Corp. Incentive Bonus Plan (or any other predecessor or successor plan of the Company or any of its affiliates under which the Eligible Executive is entitled to receive a short-term incentive payment) on his or her Separation Date, the Eligible Executive will receive an additional Severance Benefit equal to a prorated award payout. This payout amount will be calculated using:

- A payout modifier of 75%.
- A proration factor based on the number of days in the fiscal year that the Eligible Executive was employed by the Company, Dell, and their subsidiaries or affiliates through his or her Separation Date.
- The Eligible Executive's Base Salary on his or her Separation Date.

- The plan target for the Eligible Executive's grade.
- Assumed corporate performance and individual modifiers of 100%.

Amounts payable under this Section 3 will be paid to the Eligible Executive through direct deposit (if available) within thirty (30) business days after the Eligible Executive's Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any short-term incentive plan payments.

4. Additional Severance Benefits - Long-Term Incentive Plan Payments. If an Eligible Executive signs and does not revoke a Separation Agreement and Release and such Eligible Executive holds unvested long-term incentive grants which are due to vest within ninety (90) days following his or her Separation Date, such Eligible Executive will receive an additional Severance Benefit equal to a prorated portion of the value of such grants. This payout amount will be calculated using the following calculation formula as applicable:

- Stock Options: 75% TIMES number of options due to vest within ninety (90) days after the Eligible Executive's Separation Date TIMES (the Company's average closing price for the week prior to the week of the Eligible Executive's Separation Date MINUS the option exercise price). If this value is negative, it will be excluded from the payment calculation.
- Restricted (and Performance Based) Stock Units: 75% TIMES number of units due to vest within ninety (90) days after the Eligible Executive's Separation Date TIMES the Company's average closing price for the week prior to the week of the Eligible Executive's Separation Date.
- Long-Term Cash: 75% TIMES value of cash due to vest within ninety (90) days after the Eligible Executive's Separation Date.

Amounts payable under this Section 4 will be paid to the Eligible Executive through direct deposit (if available) within thirty (30) business days after the Eligible Executive's Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any long-term incentive plan payments.

NOTE: The terms and conditions of an Eligible Executive's Long-Term Incentive award agreements remain in full force and effect following the termination of his or her employment. An Eligible Executive's agreements may require the Eligible Executive to return shares of stock, share value, option proceeds, or cash award payments if he or she

engages in certain conduct detrimental to the Company after the Eligible Executive's termination of employment.

5. **Additional Severance Benefits - Outplacement Benefits.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release, such Eligible Executive will receive six (6) months of executive outplacement services, provided the Eligible Executive commences use of such benefits within sixty (60) days following his or her Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any outplacement benefits.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
OF THE COMPANY PURSUANT TO RULE 13a-14(a)
OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael R. Cote, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 5, 2019

/s/ Michael R. Cote

Michael R. Cote
President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
OF THE COMPANY PURSUANT TO RULE 13a-14(a)
OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Wayne Jackson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 5, 2019

/s/ R. Wayne Jackson

R. Wayne Jackson
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER OF THE COMPANY
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of SecureWorks Corp. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The quarterly report on Form 10-Q of the Company for the quarter ended November 1, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2019

/s/ Michael R. Cote

Michael R. Cote

President and Chief Executive Officer

Date: December 5, 2019

/s/ R. Wayne Jackson

R. Wayne Jackson

Chief Financial Officer