

Secureworks®

Investor Presentation

DA Davidson

September 2021

Safe Harbor

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In some cases, you can identify these statements by such forward-looking words as “anticipate,” “believe,” “confidence,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “outlook,” “should,” “will” and “would,” or similar words or expressions that refer to future events or outcomes. Forward-looking statements contained in this presentation include, but are not limited to, statements concerning estimates of market size and opportunity, strategic plans or objectives, growth prospects, projections (including the Company’s long-term financial model), product roadmap and future initiatives, and the performance and benefits of the Company’s products. Such forward-looking statements reflect the Company’s current analysis of existing trends and information. These forward-looking statements represent the Company’s judgment only as of the date of this presentation. Actual results and events in future periods may differ materially from those expressed or implied by these forward-looking statements because of a number of risks, uncertainties and other factors, including those discussed in the Company’s annual report on Form 10-K, as well as in the Company’s other filings with the Securities and Exchange Commission. The Company does not undertake to update, and expressly disclaims any obligation to update, any of its forward-looking statements, whether as a result of circumstances or events that arise after the date the statements are made, new information or otherwise.

Product roadmaps do not represent a commitment, obligation or promise to deliver any product, feature or functionality.

Certain information contained in this presentation and statements made orally during this presentation relate to or are based on studies, publications, surveys and other data obtained from third-party sources. While the Company believes these third-party studies, publications, surveys and other data to be reliable as of the date of this presentation, it has not independently verified, and makes no representations as to the adequacy, fairness, accuracy or completeness of, any information obtained from third-party sources.

Operating Metrics

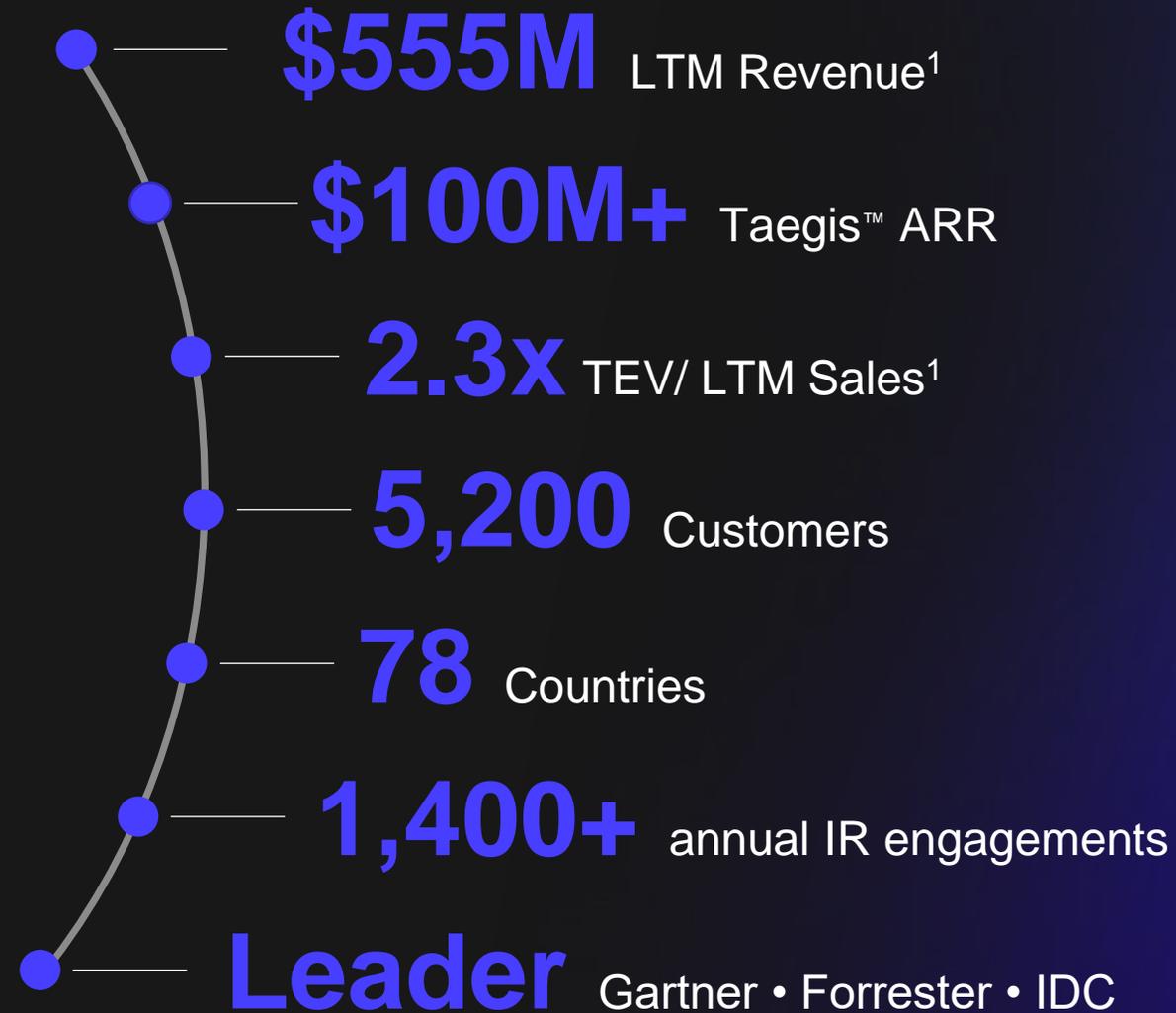
The Company defines annual recurring revenue (ARR) as the value of its subscription contracts as of a particular date. Because the Company uses recurring revenue as a leading indicator of future annual revenue, it includes operational backlog. Operational backlog is defined as the recurring revenue associated with pending contracts, which are contracts that have been sold but for which the service period has not yet commenced.

Non-GAAP Financial Measures

This presentation presents information about one or more of the following non-GAAP financial measures: the Company's non-GAAP subscription cost of revenue and gross margin, non-GAAP gross margin, non-GAAP gross profit and adjusted EBITDA, which are non-GAAP financial measures provided as a supplement to the results provided in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Subject to the next paragraph, the Company has provided a reconciliation of the non-GAAP measures to the most directly comparable GAAP measures in the slides captioned "GAAP to non-GAAP Reconciliations."

We do not provide a reconciliation of forward-looking gross margin or adjusted EBITDA to the most directly comparable GAAP financial measures because the GAAP financial measures are not accessible on a forward-looking basis and reconciling information is not available without unreasonable effort due to the inherent difficulty of forecasting and quantifying certain amounts that are necessary for such a reconciliation. The probable significance of each of these items is high and, based on historical experience, could be material.

Secureworks®



State of The Security Landscape

Cyber security needs a better solution to stem the tide of attacks

\$20B Cost of ransomware payouts in 2020

66% Organizations concerned about siloed threat detection tools

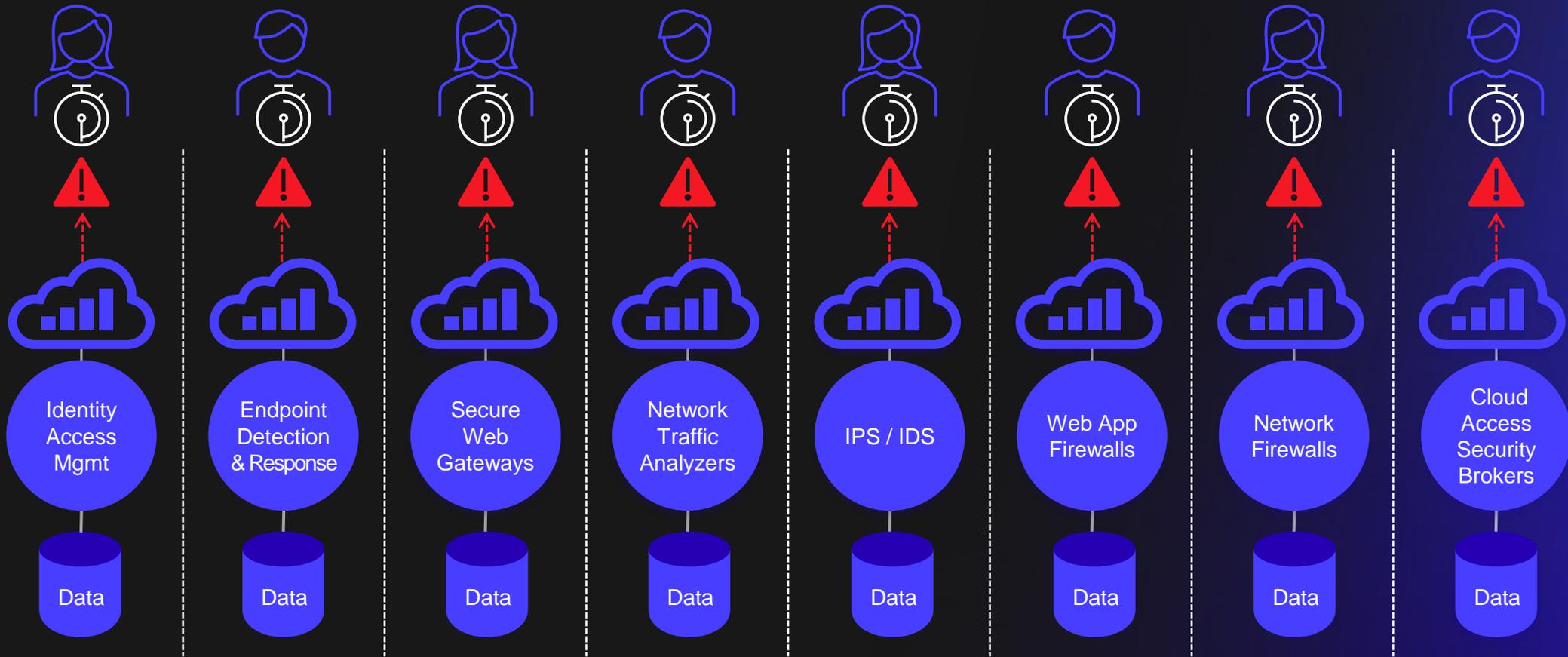
80% Successful breaches are new or unknown

2.9M Global Shortage of Cybersecurity Experts

\$126 Cost of hacking tools on the dark web

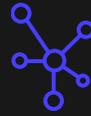
Siloed Defense is Costly and Ineffective

Security Analysts spend ~24-30 minutes investigating each alert



What Does Taegis Do?

- ✓ Full security coverage
- ✓ Reduce risks
- ✓ Enhance operational capability



Correlates and **enriches** security-relevant data from endpoint, network, cloud, and business systems



Detects vulnerabilities in addition **known and unknown** threats to protect your hybrid environment



Prioritizes vulnerabilities and threats with a risk-based understanding of your environment



Streamlines collaborative investigations



Automates prevention, containment and response actions



Embeds Secureworks' market-leading threat intelligence

The Value of Taegis ManagedXDR

When customers win, we win

ROI

413%

PAYBACK PERIOD

<3 Months

RISK REDUCTION

85%

PRODUCTIVITY GAINS

\$1.33M

AVOIDED COSTS

\$1.25M

Market Convergence

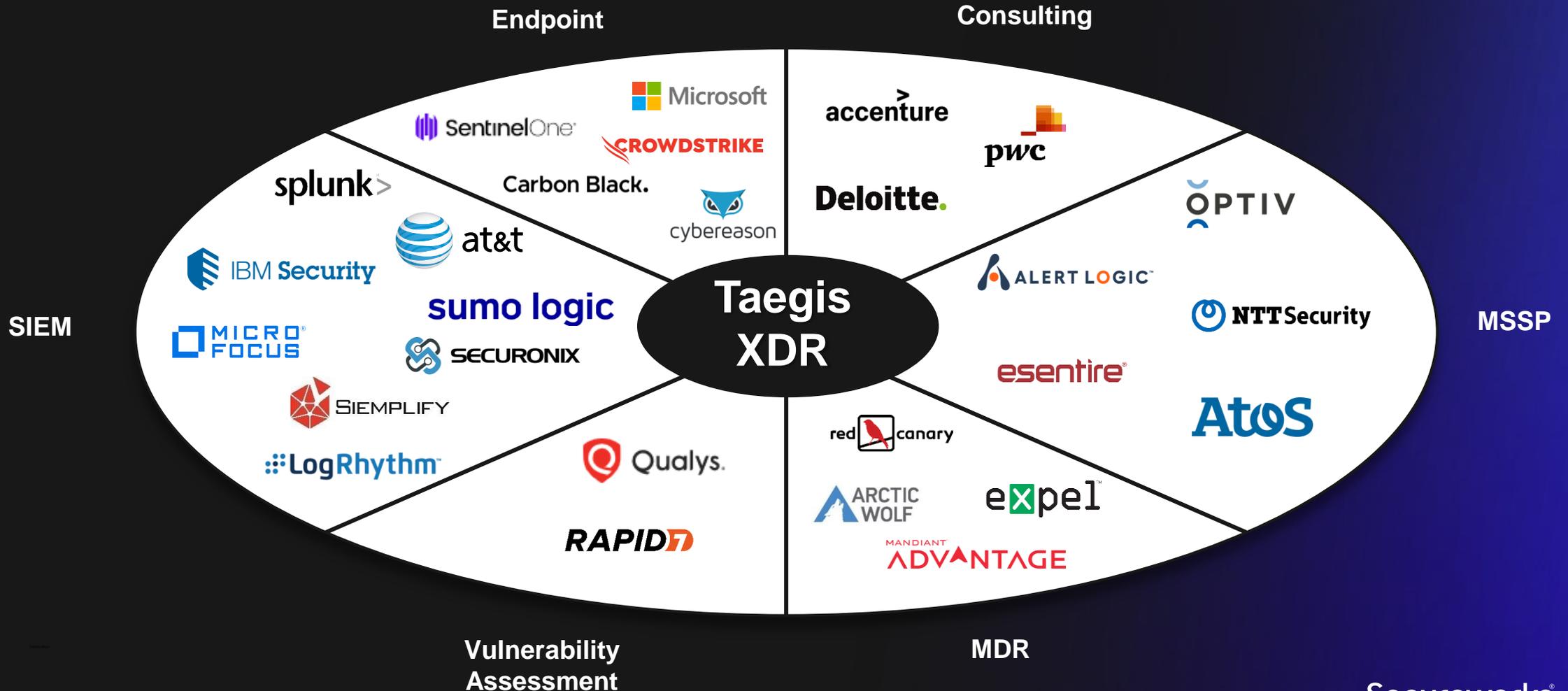
TAM Expanding with holistic Endpoint, Network, Cloud, Email & Container Coverage



¹Market size information from Gartner Forecast: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update. TAM includes Vulnerability Assessment, SIEM, Threat Intelligence and Endpoint Protection Platform Software. TAM excludes services.

Competitive Landscape

Customer demands for convergence driving vendors to claim XDR capabilities



Distinct Competitive Advantages



Purpose built XDR Solution

Big data answer to security problems



Breadth and depth of detection

Advanced AI and ML fueled by Human intelligence

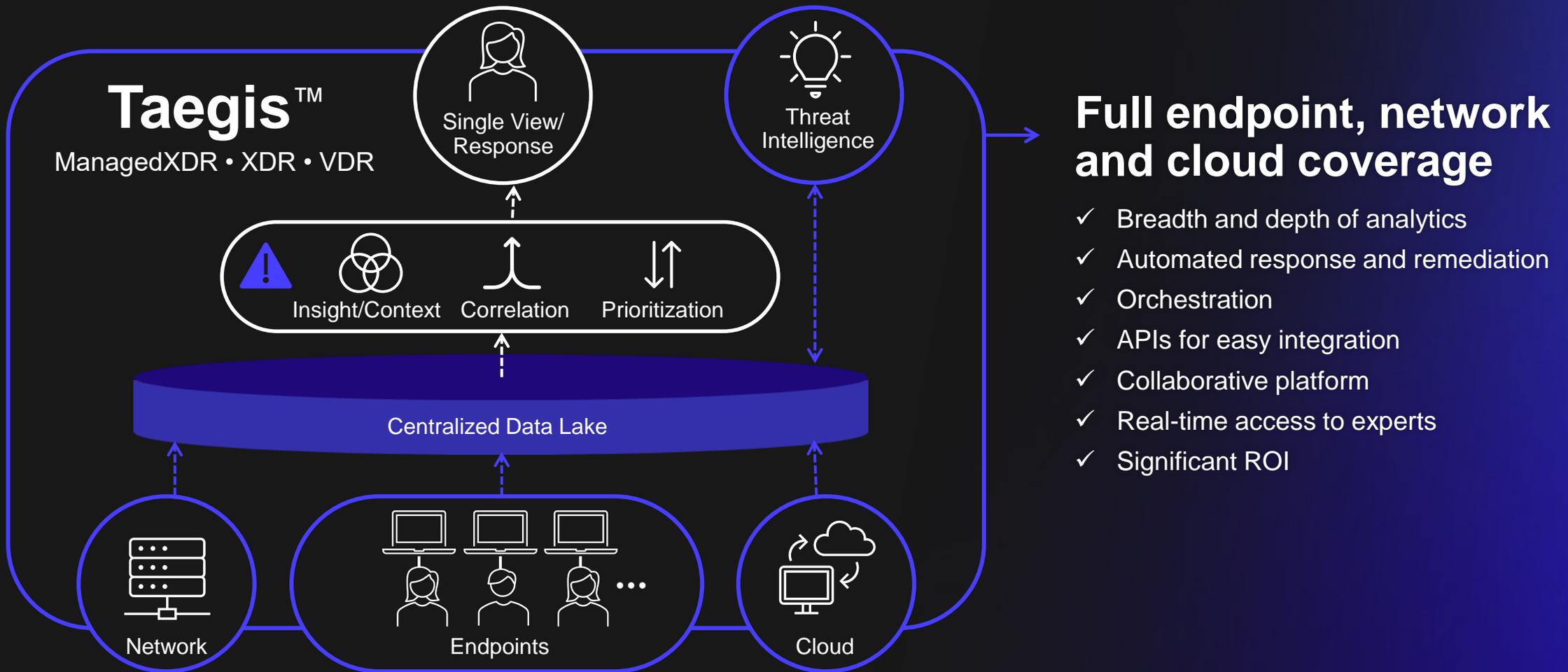


Security Operations Expertise

Gartner, Forrester, IDC Leader

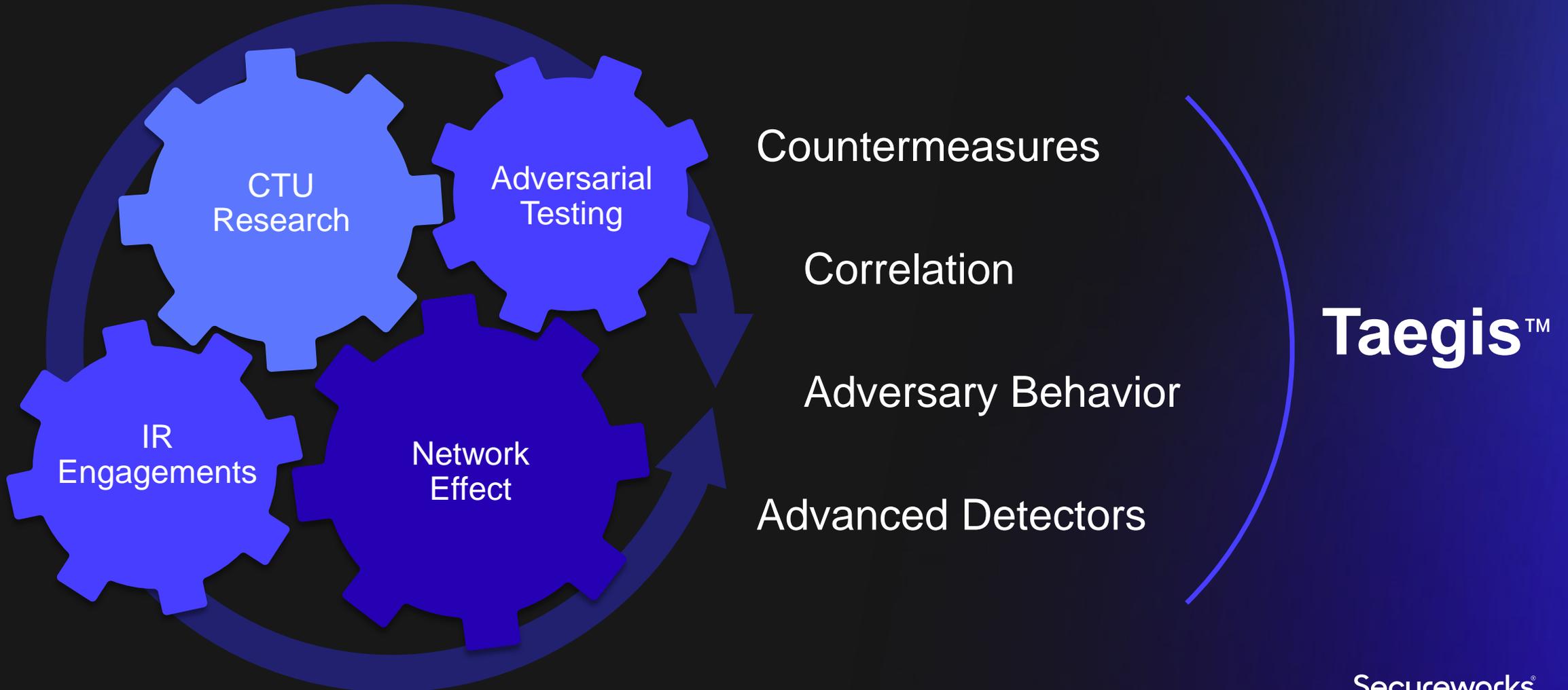
Purpose Built XDR Solution

Big data answer to security's biggest challenges



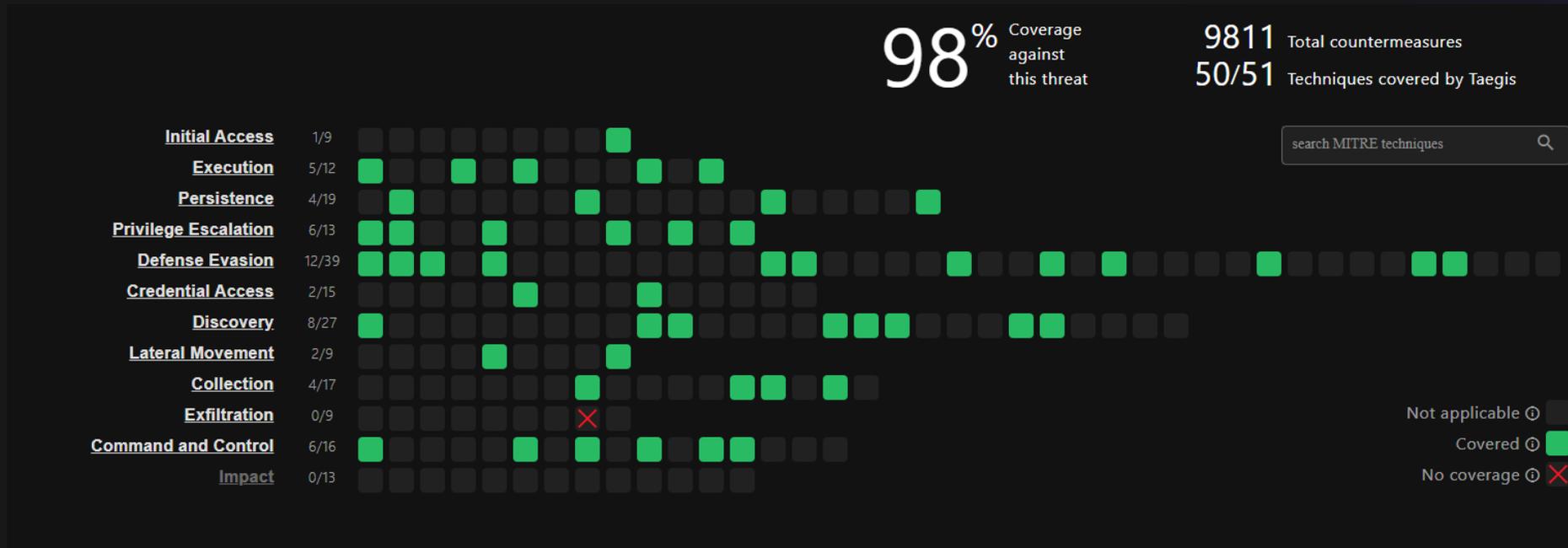
Breadth and Depth of Detections

AI and ML continuously fueled by Human intelligence



Transparent With Our Security Coverage

Would Taegis have covered your attack? Find out [here](#)



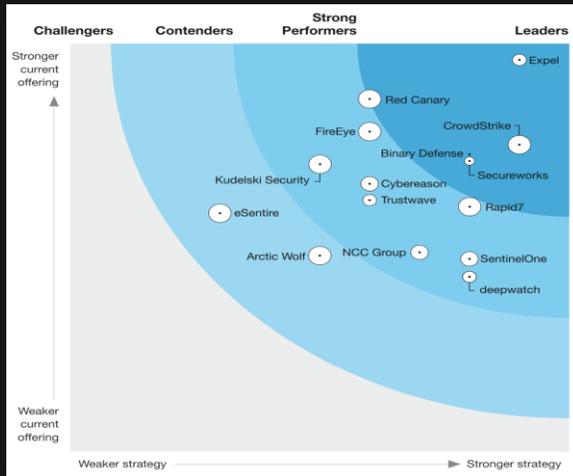
[Cobalt Strike](#) is a commercial, full-featured, remote access tool that bills itself as “adversary simulation software designed to execute targeted attacks and emulate the post-exploitation actions of advanced threat actors”. Cobalt Strike’s interactive post-exploit capabilities cover the full range of ATT&CK tactics, all executed within a single, integrated system...

Security Expertise at Scale

Recognized Leader in the Industry

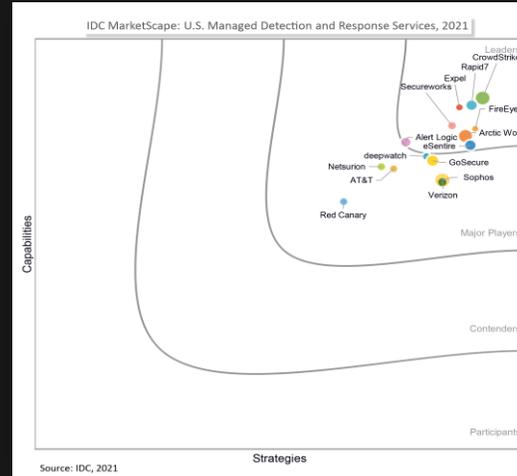
Forrester

Leader, Wave 2021
Managed Detection
and Response**



IDC

Leader, IDC MarketScape
U.S. Managed Detection and
Response Services 2021***



Frost & Sullivan

Wins 2021 Customer
Value Leadership Award
for Taegis XDR



Gartner

Secureworks recognized
as a Leader in the Gartner®
Magic Quadrant™ for
Managed Security Services,
Worldwide.

11 times in a row*

* From 2008-2019. In 2020, Gartner graduated the Gartner Managed Security Services Magic Quadrant to a Gartner MSS Market Guide that does not rank vendors. Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's Research & Advisory organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. GARTNER and MAGIC QUADRANT are registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and are used herein with permission. All rights reserved. This recognition does not reflect the current market scenario. This Magic Quadrant was last published in 2019. Due to change in the market, the Magic Quadrant report was retired and Gartner published a Market Guide for Managed Security Services.

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***IDC MarketScape: U.S. Managed Detection and Response Services 2021 Assessment (doc # US48129921, August 2021) IDC MarketScape vendor analysis model is designed to provide an overview of the competitive fitness of ICT suppliers in a given market. The research methodology utilizes a rigorous scoring methodology based on both qualitative and quantitative criteria that results in a single graphical illustration of each vendor's position within a given market. The Capabilities score measures vendor product, go-to-market and business execution in the short-term. The Strategy score measures alignment of vendor strategies with customer requirements in a 3-5-year timeframe. Vendor market share is represented by the size of the icons.

Taegis Traction & ARR Momentum

+\$155M ARR

- Taegis ARR of \$101M



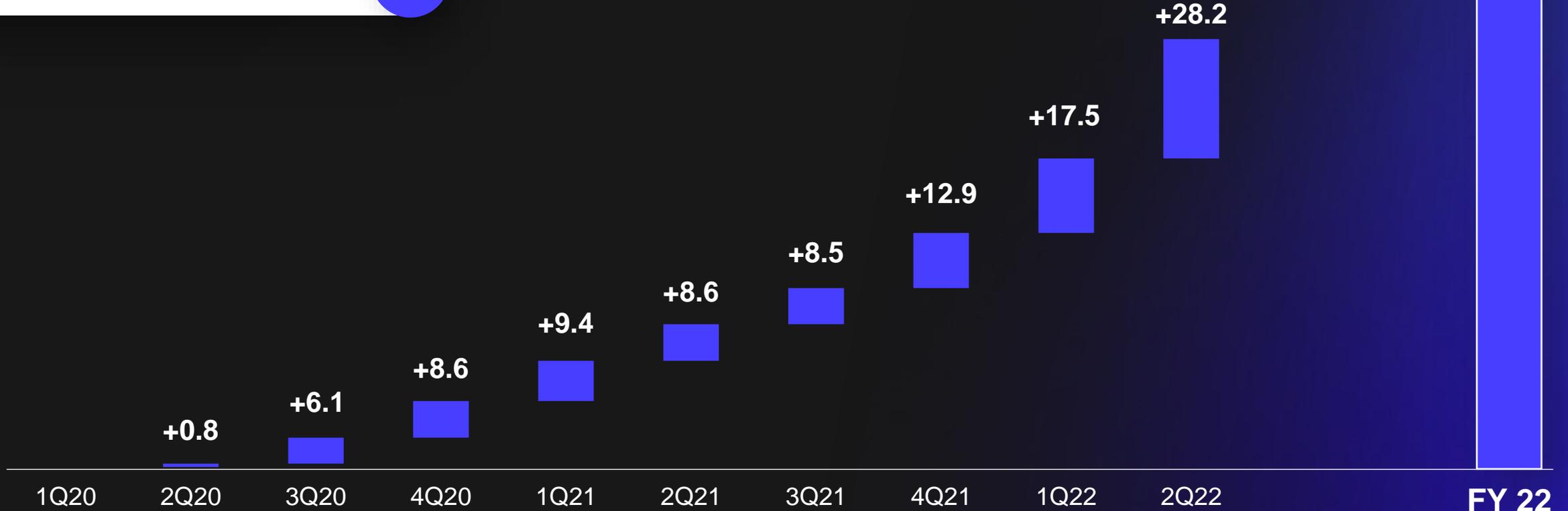
+39% Q/Q

- 700 Taegis customers

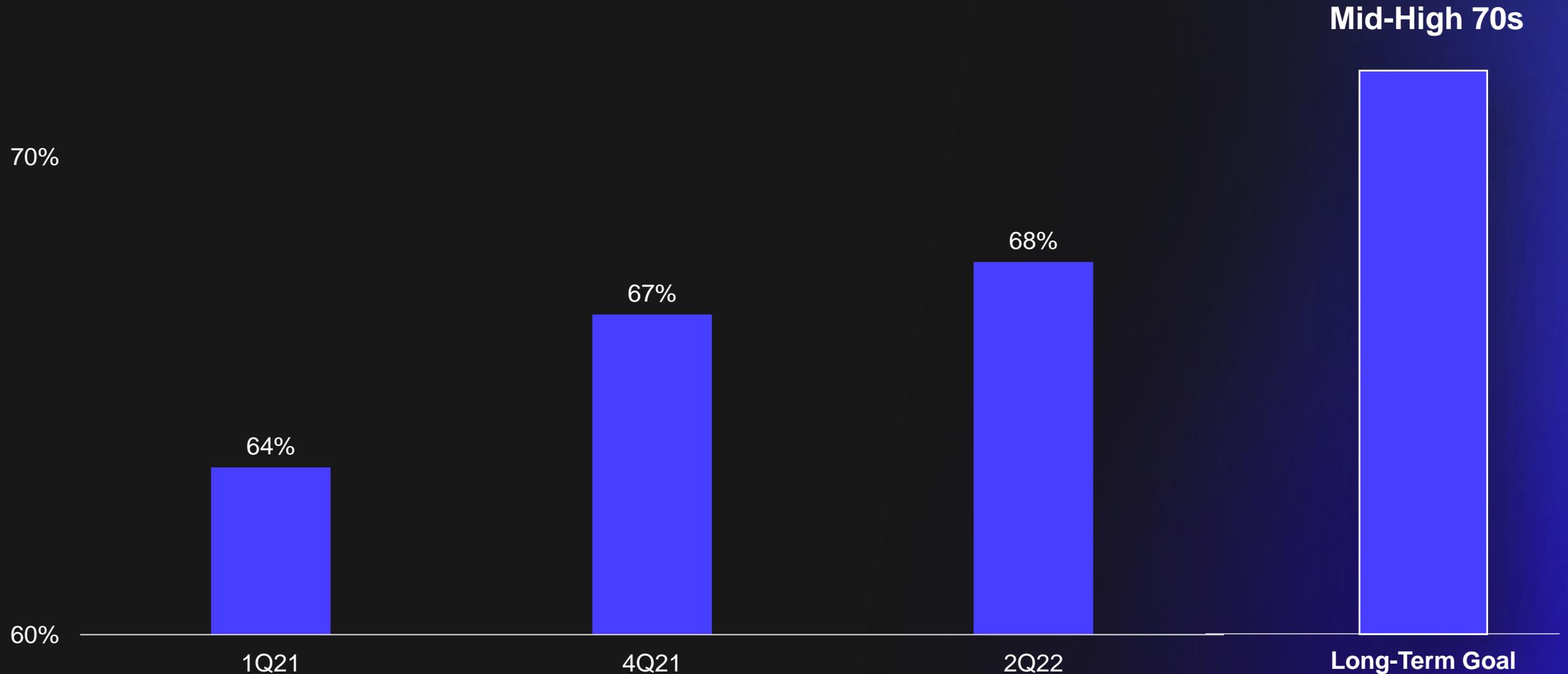


+40% Q/Q

On track to
FY22 Guide



Non-GAAP Subscription Gross Margins



Long-Term Financial Model

	<u>FY 21¹</u>	<u>Long-term Target</u>
 Highly Recurring Revenue Model	75%+ Subscription Revenue	1.5x SaaS Industry ARR Growth
 Significant Margin Expansion	60% Gross Margin* 6% Adj. EBITDA	Mid-High 70s Gross Margin Low-Mid 30s Adj. EBITDA
 Strong Balance Sheet and Cash Flow	\$220MM Cash CFFO Positive since FY18	Mid-Upper 30s CFFO Margin
 Attractive ARPC Profile	\$138k	\$200k+

¹ Full Year FY21 Non-GAAP

Appendix

GAAP to Non-GAAP Reconciliations

Subscription Gross Margins

\$Thousands

	Q1 FY21	Q4 FY21	Q2 FY22
GAAP & Non-GAAP Subscription Revenue	\$106,357	\$107,056	\$102,426
GAAP subscription cost of revenue	\$ 42,466	\$ 39,633	\$ 37,058
Amortization of intangibles	(3,460)	(3,833)	(4,044)
Stock-based compensation expense	(229)	(133)	(15)
Non-GAAP subscription cost of revenue	\$ 38,777	\$ 35,667	\$ 32,999
GAAP subscription gross margin	\$ 63,891	\$ 67,423	\$ 65,368
Amortization of intangibles	3,460	3,833	4,044
Stock-based compensation expense	229	133	15
Non-GAAP subscription gross margin	\$ 67,580	\$ 71,389	\$ 69,427
Non-GAAP subscription gross margin %	63.5%	66.7%	67.8%

GAAP to Non-GAAP Reconciliations

Full Year Fiscal 2021

\$Thousands

	Full Year FY21		Full Year FY21
Subscription Revenue	\$ 427,937	GAAP general and administrative expenses	\$ 101,760
Professional Services Revenue	133,097	Amortization of intangibles	(14,094)
GAAP & Non-GAAP Revenue	\$ 561,034	Stock-based compensation expense	(14,982)
		Non-GAAP general and administrative expenses	\$ 72,684
GAAP subscription cost of revenue	\$ 162,139		
Amortization of intangibles	(14,587)	GAAP operating income (loss)	\$ (32,835)
Stock-based compensation expense	(665)	Amortization of intangibles	28,682
Non-GAAP subscription cost of revenue	\$ 146,887	Stock-based compensation expense	24,414
		Non-GAAP operating income (loss)	\$ 20,261
GAAP professional services cost of revenue	\$ 80,028		
Stock-based compensation expense	(680)	GAAP net income (loss)	\$ (21,902)
Non-GAAP professional services cost of revenue	\$ 79,348	Amortization of intangibles	28,682
		Stock-based compensation expense	24,414
GAAP gross profit	\$ 318,867	Aggregate adjustment for income taxes	(13,267)
Amortization of intangibles	14,587	Non-GAAP net income (loss)	\$ 17,927
Stock-based compensation expense	1,346		
Non-GAAP gross profit	\$ 334,800	GAAP net income (loss)	\$ (21,902)
		Interest and other, net	(1,034)
GAAP research and development expenses	\$ 105,008	Income tax expense (benefit)	(9,899)
Stock-based compensation expense	(4,410)	Depreciation and amortization	41,614
Non-GAAP research and development expenses	\$ 100,598	Stock-based compensation expense	24,414
		Adjusted EBITDA	\$ 33,193
GAAP sales and marketing expenses	\$ 144,934		
Stock-based compensation expense	(3,676)		
Non-GAAP sales and marketing expenses	\$ 141,258		

Accompanying Disclaimers

¹ Fiscal Year GAAP Revenue, reported March 11, 2021.

² Gartner, “Magic Quadrant for Managed Security Services, Worldwide,” Toby Bussa, Kelly M. Kavanagh, Sid Deshpande, Pete Shoard, 2 May 2019. The report was formerly titled Magic Quadrant for Global MSSPs and Magic Quadrant for MSSPs, North America. Positioned as Secureworks from 2019-2018, SecureWorks in 2017, 2010-2007, and as Dell SecureWorks from 2015-2011. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

³ The Forrester Wave™: Managed Detection and Response, Q1 2021.

⁴ Taegis XDR supports detection and response, providing evidence for 90 percent of 2020 MITRE ATT&CK evaluation techniques and providing a comprehensive view of environments through 40+ third-party integrations.