

Dear Secureworks Stakeholder:

“Secureworks has eliminated the noise from too many non-critical alerts, compared to what I was getting with my previous provider. Previously, I had zero visibility into what data was being looked at and acted upon, but visibility was critical to my ability to make the best security decisions for my company.”

These are such powerful and motivating words to hear from a customer. They tell us what our customers’ greatest needs are and serve to drive Secureworks towards creating stronger platforms and solutions to help meet those needs.

Our customers’ security is *everything*, and today’s organizations are subject to an increasingly complex threat landscape. Bookended by SUNBURST and Log4j, 2021 was yet another year of relentless threats. Now, the prospect of cyber warfare has significantly increased in light of geopolitical tensions, further escalating an already elevated threat environment.

Ultimately, security is a big data problem – not just in volume, but in the diversity of data as well. To turn the tide, we knew that organizations required a big data platform with the scale and agility to prevent and detect threats across their entire environment. Our Secureworks Taegis™ platform is that big data answer, combined with our deep security expertise, giving security teams the visibility they need across endpoint, network, cloud, email, and beyond.

As I reflect on my first year as CEO, I am struck by the magnitude of our responsibility to protect these organizations. Our purpose at Secureworks is to secure human progress, and we do that by outpacing and outmaneuvering the adversary. We secure our customers, so they can fulfill *their* missions . . . the thousands of organizations responsible for the health, livelihood, and prosperity of the communities they serve.

A Holistic Approach to Security with Taegis

For too many years, organizations have faced the threat landscape trying to manage disparate security point products that do not work well together and leave gaps for the adversary to successfully attack. Furthermore, they do so with a significant shortage of security talent to help them triage the overwhelming number of alerts and noise they receive every day.

To solve these pain points, we built Secureworks Taegis, an open XDR platform that provides holistic visibility and detection capabilities across an organization’s entire technology estate, with the capabilities to detect and contain threats quickly, before the adversary can cause serious damage. Unlike many XDR solutions in the market today, Taegis was developed from day one to be an extensible platform built for collaboration and innovation, helping to unify an organization’s existing security infrastructure even as digital infrastructure continues to evolve.

With 20 years of leadership in the security space, we also understand the value of human intelligence to fully secure a customer’s environment. After all, our adversaries have similar software, technology, and capabilities to what we have, and they are just as human.

We are continually making Taegis stronger through the threat intelligence that our Security Operations team and the Counter Threat Unit™ (CTU™) embed directly into the platform every day, offering the broadest and deepest threat detection capabilities in the market. We believe no other solution has the capabilities to create actionable insights and detectors from data pulled across thousands of Incident Response engagements, adversarial testing, threat research, and on-the-ground insights from the SOC.

It is the combination of our human intelligence and the Taegis platform that drives clear differentiated threat detection for our customers. For example, this year we introduced our patent-pending hands-on-keyboard detector that alerts on suspicious behavior based on someone’s keyboard strokes and usage. This detector was only possible after analyzing 3.3 trillion events stored in more than 16-petabytes worth of data collected by Secureworks.

Business Growth and Opportunity

When we began building Taegis, the XDR market did not exist. Now, as industry analysts are beginning to view XDR as a category, we are consistently recognized for our clear vision, security leadership and the unique solutions we have built around Taegis.

As the first true XDR solution, Taegis has had some of the fastest growth rates for both XDR customers and ARR due to the superior outcomes and ROI we are delivering. Just two and a half years after launch, Taegis reached \$165 million in ARR. We also finished FY22 with 1,200 Taegis customers, of which over a third are now software-only, adding a record 400 customers in Q4 alone. These results are a true testament to our team and their contribution during every single stage of a customer's journey with us.

This is just the beginning. The market opportunity for Secureworks – and our partners – is large and growing, with an estimated Total Addressable Market approaching \$100 billion by 2025 and growing in the double digits annually.

We are continuing to transform our company by offering higher-value security solutions and driving scale and operational efficiencies in the business. In FY22, as we actively exited non-strategic, lower margin services to drive scale and operational efficiencies in the business, we saw an expected decline in total revenues. However, gross profit remained relatively stable, reflecting the value we are creating for our business as we transform to more scaled, higher margin solutions on the Taegis platform.

We began actively re-solutioning our existing customers to the Taegis platform at the start of last year, and we expect to close FY23 with a substantial majority of our ARR on Taegis. We have been building steadfastly toward this moment for years now, and we look forward to realizing this milestone.

Our People and Our Purpose

Above all else, I am fortunate to work with such a dedicated and talented team of security experts. Together, we are driven by our purpose and motivated by the opportunity to turn the tide in the cybersecurity battle. Our purpose does not stop short of cybersecurity. We are committed to securing human progress as a global company with diverse representation. This year, I am proud of our progress to better reflect the global markets we serve with an 8% increase of diverse representation globally. I celebrate our progress here, and am committed to furthering this progress in FY23 and beyond.

On behalf of all the Secureworks team, we thank you for your support and look forward to our continued partnership in 2022 and beyond.

Sincerely,

Wendy K. Thomas,
President and Chief Executive Officer

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.

Special Note Regarding Forward-Looking Statements

This letter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward-looking statements in this letter include statements related to our operations, results of operations, product and service offerings and other matters that are based on our current expectations, estimates, assumptions and projections. In some cases, words such as “will,” “plan,” “believe” and similar expressions are used to identify these forward-looking statements. Secureworks' expectations expressed or implied in these forward-looking statements may not turn out to be correct. Secureworks' actual results could be materially different from our expectations because of various risks and uncertainties including, but not limited to, competitive uncertainties and general economic and business conditions in Secureworks' markets as well as the other risks and uncertainties that are described in Secureworks' periodic and current reports and other filings with the Securities and Exchange Commission, which are available for review through the SEC's website at www.sec.gov. Any forward-looking statement speaks only as of the date as of which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement after the date as of which such statement was made, whether to reflect changes in circumstances or our expectations, the occurrence of unanticipated events, or otherwise.