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Darktrace plc 3Q FY 2024 Trading Update

Return to positive Net ARR added growth drives strong growth in ARR and Revenue Raising ARR, Revenue, margin and FCF expectations for FY 2024

Darktrace plc (DARK.L) (together with its subsidiaries, "Darktrace" or "the Group") a global leader in cyber security AI, today provides a trading update for the three months ended 31 March 2024.

Operating and Financial Performance

At its FY 2024 constant currency rates⁽¹⁾, Annualised recurring revenue ("ARR") at 31 March 2024 was \$731.1 million, representing year-over-year growth of 23.5%⁽²⁾. In the third quarter, Darktrace added Net ARR of \$29.0 million, for year-over-year growth of 6.2% on a constant currency basis. This marked a return to year-over-year growth and the second consecutive quarter of upward trajectory in Net ARR added.

Revenue for Darktrace's third quarter was \$176.1 million, reflecting year-over-year growth of 26.5%. Gross margin remained in the range reported at 31 December 2023, while at 6.6%, One-year gross ARR churn remained equal to the range reported at December 2023 and showed a 0.2 percentage point improvement on March 2023. Net ARR retention rate at 31 March 2024 was 105.3%, improved by 0.3 and 0.6 percentage points from December 2023 and March 2023, respectively, as higher upsell rates began to show within a stabilised churn environment.

Though its accounts for the period are not yet fully closed, Darktrace expects Adjusted EBITDA margin for the third quarter to be above its previously communicated FY 2024 guidance range of at least 21%.

With 9,402 customers at 31 March 2024, year-over-year growth in Darktrace's customer base was 11.9%, having added 170 customers in the third quarter for a total of 999 net new customers since March 2023. Darktrace continues to drive a significant amount of new ARR added from its existing customer base, but expects new customer ARR additions to increase once this economic environment, which appears to have stabilised, begins to improve.

(1) The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency. For FY 2024, its constant currency rates are 1.2682 and 1.0908 for the British Pound and the Euro, respectively.

(2) Darktrace's USD ARR at 31 March 2024 was \$727.3 million, which represents year-over-year growth of 23.4%.

FY 2024 Outlook

At the end of its first half Darktrace reported that Go-to-Market initiatives undertaken early in its financial year were continuing to gain traction, and this is further reflected in its third quarter results. As a result, Darktrace is again narrowing its guidance range for year-over-year constant currency ARR growth to between 22.25% and 23.0% (previously 21.5% and 23.0%), raising its midpoint expectation by approximately \$2.4 million. This implies FY 2024 net ARR additions of between \$141.8 million and \$146.6 million (previously \$137.0 million to \$146.6 million) and year-over-year growth in Net ARR added of between (2.5)% and 1% (previously between (6)% and 1%).

Darktrace is also raising its expectations for year-over-year Revenue growth and Adjusted EBITDA margin. It now expects FY 2024 Revenue growth of at least 25.5%, 0.5 percentage points above the high end of its previous 23.5% and 25.0% range, reflecting continued strong ARR to revenue conversion and a relatively stable exchange rate environment. Further, as it continues to control its discretionary spending without sacrificing planned investment, Darktrace is increasing its expectation for Adjusted EBITDA margin to at least 23.0% (previously at least 21.0%). It also confirms its guidance for Free cash flow (FCF) in the range of 50% to 60% of a now increased Adjusted EBITDA expectation.

Cathy Graham, CFO of Darktrace, said:

“Following the roll-out of significant Go-to-Market changes in our first quarter, we were very pleased to see the resulting benefits that drove strong second quarter results, continue to accelerate third quarter financial performance. Today’s results reinforce our view of first half stabilisation and second half re-acceleration, with a return to Net ARR added growth supporting our view that Darktrace has a sustainable opportunity for ARR, revenue and margin expansion. We are pleased to be able to make the resulting upward revisions to our full year guidance as we enter this final quarter of our financial year.

Our strong margin and cash generation profile enables us to continue making smart investments in our product pipeline and positioning, Go-to-Market effectiveness and business foundations. We believe the markets in which we operate are emerging from a period of relative economic uncertainty and moving to an environment where organisations can prioritise proactive cyber defense. Darktrace products are uniquely effective at combating attackers who are increasingly exploiting generative AI, automation and cybercrime-as-a-service to increase the speed, sophistication, and success of cyber security attacks. With this week’s announcement of the Darktrace ActiveAI Security Platform, we believe we can now better explain the power of our approach as we continue to evolve our existing best-in-class security products with new innovations and enhanced features to enable proactive cyber resilience in an increasingly challenging environment.”

Recent Developments

Announcement of Darktrace ActiveAI Security Platform

On 9 April 2024, Darktrace introduced the [Darktrace ActiveAI Security Platform](#)™, its new positioning for the Darktrace product offering, replacing the Cyber AI Loop. It encompasses Darktrace’s existing [best-in-class security products](#), supplemented by new industry-first innovations and features, including for email and operational technology (OT). Darktrace believes the ActiveAI Security Platform provides a better framework to communicate how it uses AI to transform security operations from reactive to proactive, and improves cyber resilience by visualising, correlating, and investigating security incidents across cloud, email, network, endpoint, identity, OT, and third-party tools and applications.

Termination of Pre-IPO Shareholder Agreements

As a result of share sales made between May 2023 and March 2024, each of the three shareholder agreements dated 30 April 2021 between Darktrace and the Invoke Shareholders, KKR DA, and the Summit Shareholders have terminated in accordance with their terms (as described in the Darktrace IPO prospectus). Consequentially, no shareholders have rights to nominate potential directors for consideration by the Darktrace Board of Directors.

About Darktrace

Darktrace (DARK.L), a global leader in cybersecurity artificial intelligence, is on a mission to free the world from cyber disruption. Breakthrough innovations from our R&D teams in Cambridge, UK, and The Hague, Netherlands have resulted in over 175 patent applications filed. Rather than study historic attacks, Darktrace’s technology continuously learns and updates its knowledge of your business data and applies that understanding to help transform security operations to a state of proactive cyber resilience. The Darktrace ActiveAI Security Platform™ provides a full lifecycle approach to cyber resilience that can autonomously spot and respond to known and unknown in progress threats within seconds across the entire organisation, including cloud, apps, email, endpoint, network and operational technology (OT). Darktrace, which listed on the London Stock Exchange in 2021, employs over 2,300 people around the world and protects over 9,400 customers globally from advanced cyber threats. To learn more, visit <http://www.darktrace.com>.

Cautionary Statement

This announcement contains certain forward-looking statements, including with respect to the Group’s current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as “aim”, “anticipate”, “believe”, “intend”, “plan”, “estimate”, “expect” and words of similar

meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations, made in good faith and based on the information available to them at the time of the announcement. Such statements involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement and should be treated with caution. Any forward-looking statements made in this announcement by or on behalf of Darktrace speak only as of the date they are made. Except as required by applicable law or regulation, Darktrace expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Important Information

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018). Upon publication of this announcement, this information is now considered in the public domain.

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