

Darktrace plc 1H 2022 results

3 March 2022



Disclaimer

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.

Past performance of the Company cannot be relied on as a guide for future performance. Nothing in this presentation should be construed as a profit forecast or profit estimate.

The financial information in this presentation does not contain sufficient detail to allow a full understanding of the results of the Company. For more detailed information, please see the half year results announcement for the six months ended 31 December 2021.

Meet the Team



Poppy Gustafsson
Chief Executive Officer
with Darktrace since inception
16 years' industry experience

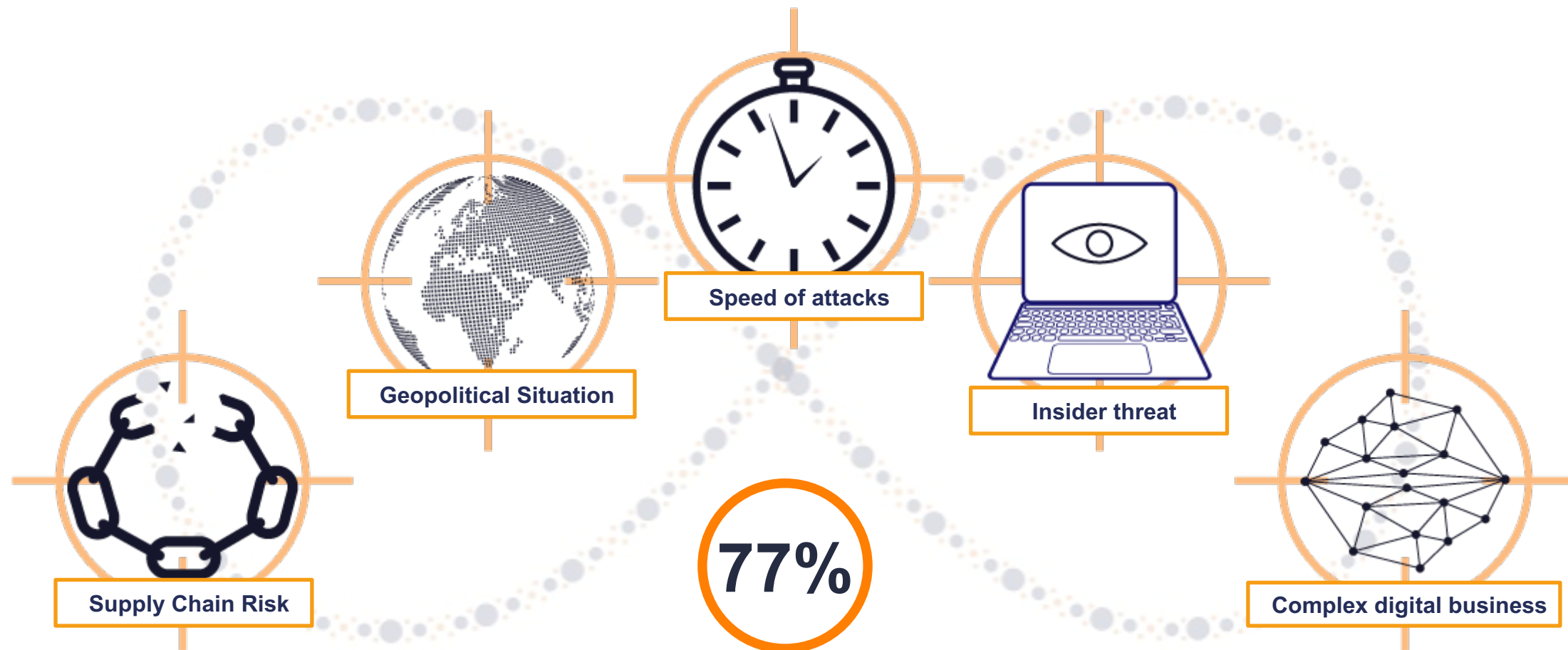


Cathy Graham
Chief Financial Officer
Joined Darktrace in 2020
30 years' industry experience

Highlights: 1H 2022



Complex Cyber Challenge



**of Darktrace trial deployments detect
serious threats others have missed**

Protecting some of society's most important organisations

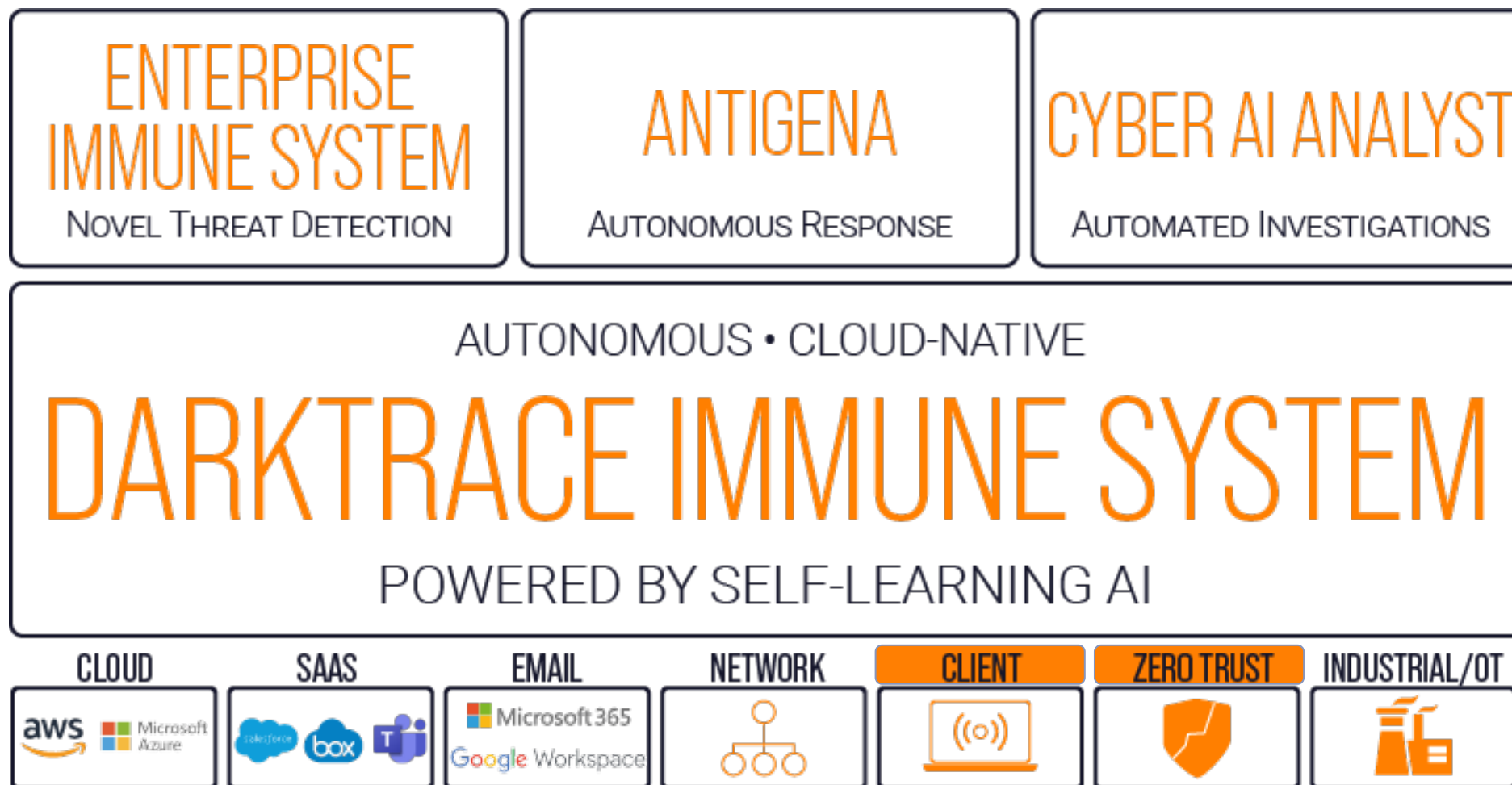


Self-Learning AI

*Built from the ground up
to defend across the entire
attack spectrum*

- Learns on the job
- Understands 'self' for any organization
- No reliance on historical attack data, no need for constant updating
- Brings the AI to your data
- Continually learns as a business evolves and grows

Leading Autonomous Cyber AI Platform



Darktrace spans the digital business, providing overarching capabilities critical to complete cyber security

Constantly Innovating



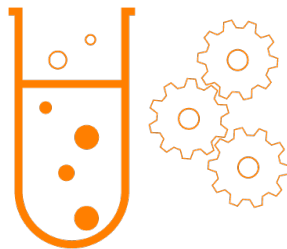
Growth of
development team



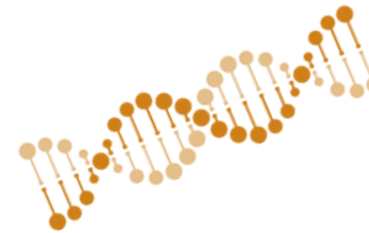
90+ patents
granted or pending



Darktrace for
Endpoint



AI Research Centre



Shipped first module
of Prevent to early
adopters

Continuous AI Loop



Acquisition of Cybersprint



Expanding our global customer base

Sir Robert McAlpine Adopts Darktrace AI to Protect Against Email Attacks

Sir Robert McAlpine Says AI Stops an Average of 18,000 Email Attacks Against the Company Every Month

Darktrace AI Stops 4,000 Threats a Week at Fashion Brand Ted Baker

Darktrace Self-Learning AI Defends Organizations Across All 16 CISA Critical Infrastructure Sectors



**Top Telco company
in Americas**



**Global Airline
company**



**Multinational electronics
corporation**



**Global Leader in
Automotive Technology**

Customer Success



Independent customer survey*

Gartner

100% of customers surveyed were satisfied or very satisfied



65% of Darktrace users expect to spend more with the company



94% open to buying one of Darktrace's new products



4.7 (94%)
overall score

*Conducted by a third party on behalf of Berenberg

Darktrace Customer: Boardriders



Willem Lock, Head of Global Infrastructure, Boardriders



- Global action sports company
- HQs in USA, EMEA and APAC
- Brands include Quiksilver and Billabong

Our People

Darktrace people survey

79%

response rate
(benchmark = 65-80%)

7.8

Overall score out of 10
(benchmark = 7.2)

79%

Of responses to a
question were 7 or
higher

10

The most common
score was 10

Highest scoring metrics

8.7

Relationships

8.7

Meaning and Purpose

Training & Development

Coaching Programme



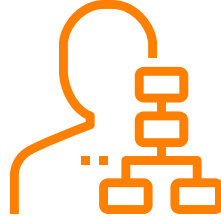
Over 200
applicants



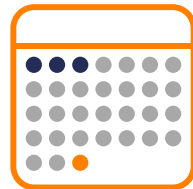
Matched first
cohort with coaches

All participants have had
first session

Leadership Development Programme



Pilot program
30 in first cohort



Three-day programme
delivered by external
coaching partner, Track
Record

Online Training Portal



Launched new
portal in 2021



Ongoing training
opportunities and
resources to develop
skills

Salesforce Evolution



**High Velocity
SMB**



**Field Sales
Mid-Market**



**Field Sales
Enterprise**

VentureBeat

Darktrace on where security AI goes next: 'Turning the tables' on attackers

WIRED

Get Ready for Cyber-Attacks on Global Food Supplies



**CROWDFUND
INSIDER**

**Ransomware Attempts Jump by 30%
During Holidays: Darktrace**



REUTERS®

**Ukraine defence
ministry website, banks,
knocked offline**

CNBC

**FBI issues cybersecurity
warnings to athletes at
Winter Olympics in Beijing**

FINANCIAL TIMES

Rupert Murdoch's News Corp hit by cyber
attack

THE TIMES

**Cyberattack launched on Foreign
Office**



Darktrace self-learning AI defends organisations
across all 16 CISA critical infrastructure sectors

DARKReading 

**Darktrace's Justin Fier on the New
Endpoint Security**

THE IT NERD

Darktrace AI Neutralizes IoT Attack That
Threatened to Disrupt the Tokyo Olympics

**The
Guardian**

Hacking attack on Red Cross exposes
data of 515,000 vulnerable people

sky news

KP Snacks hit by ransomware attack
with retailers warned of crisps and nuts
shortage

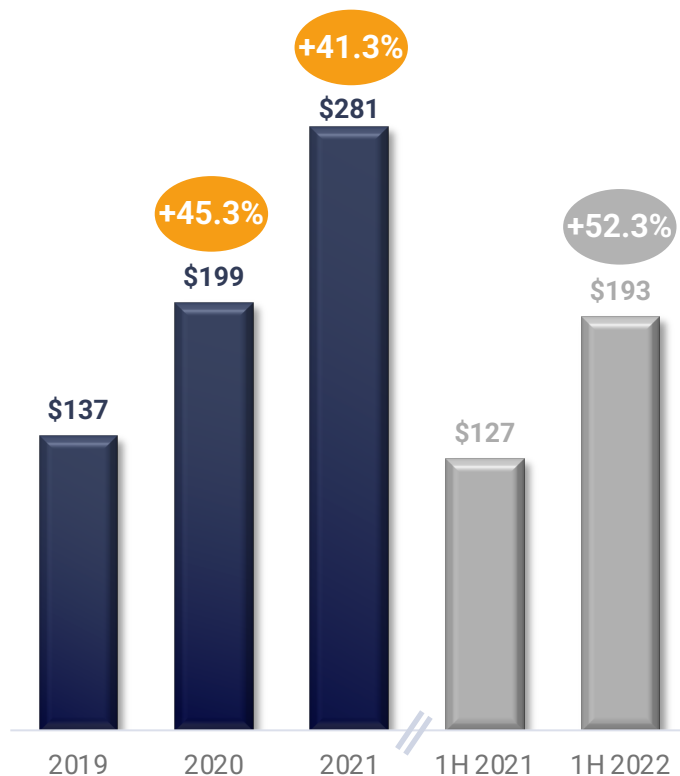
GIZMODO

**Sporting Events Are No Longer Immune From
Cybercriminals, Warns Darktrace**

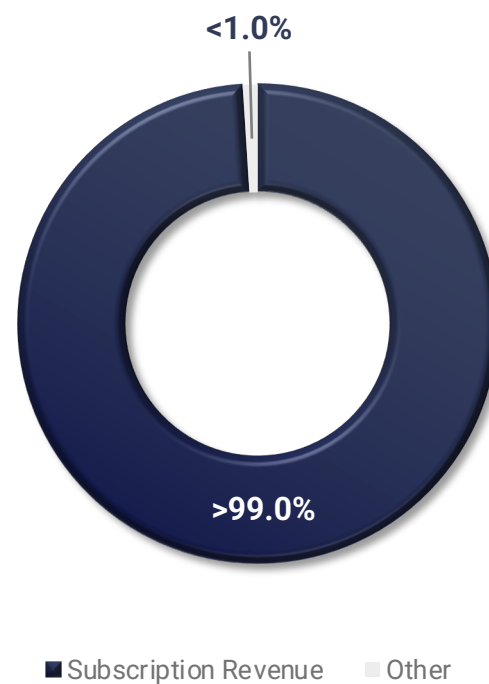
Cathy Graham, CFO

Revenue: Robust Growth & Recurring Features

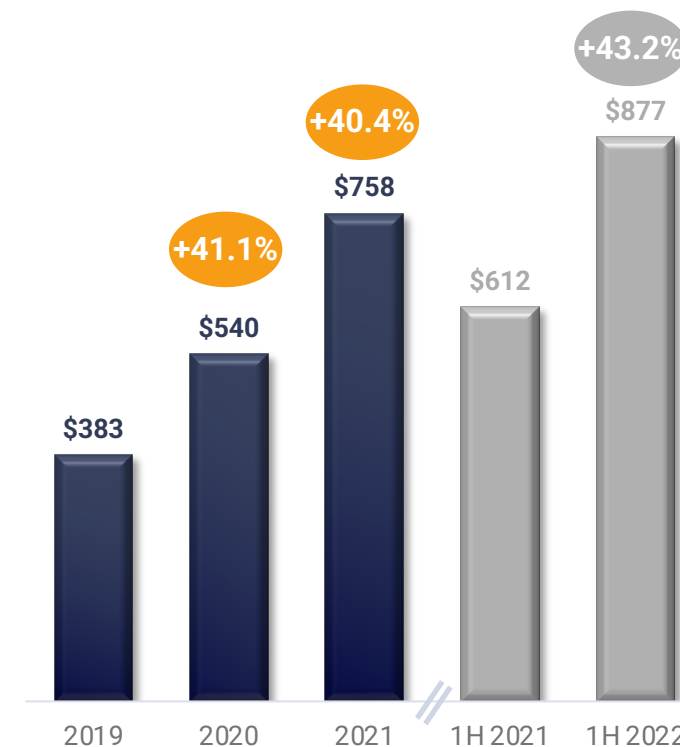
Revenue
(\$m, FY 30 Jun)



Highly recurring revenue
(% of 1H 2022 Revenue, FY 30 Jun)

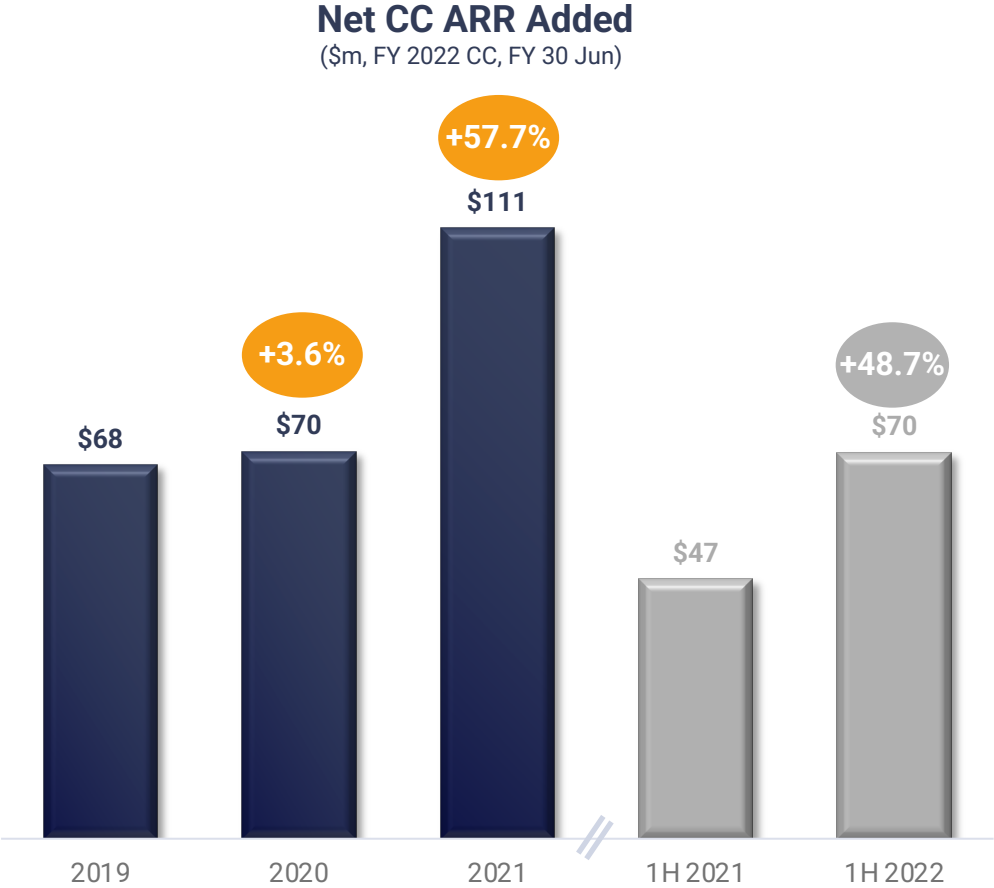
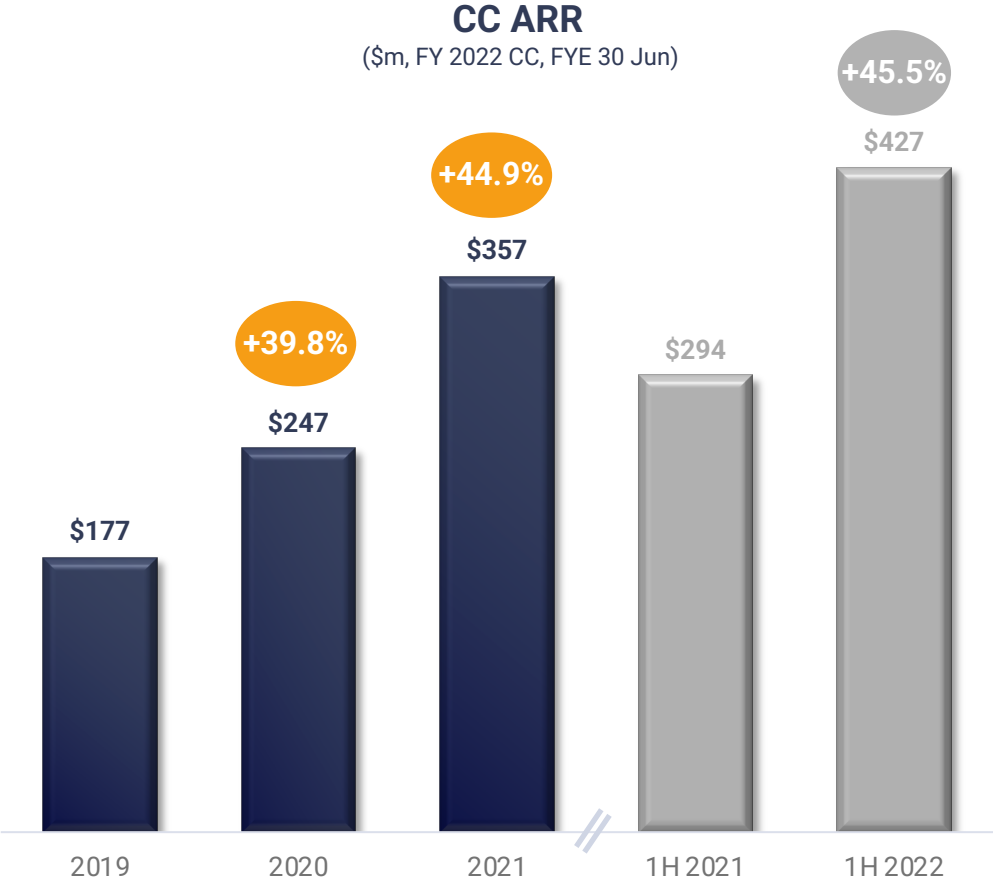


Significant Contracted Backlog
(Remaining Performance Obligations, \$m, FYE 30 Jun)



Note: Alternative Performance Measures (APMs) are used by Darktrace management and Board of Directors to understand and manage performance. Definitions of the company's APMs can be found in the Appendix.

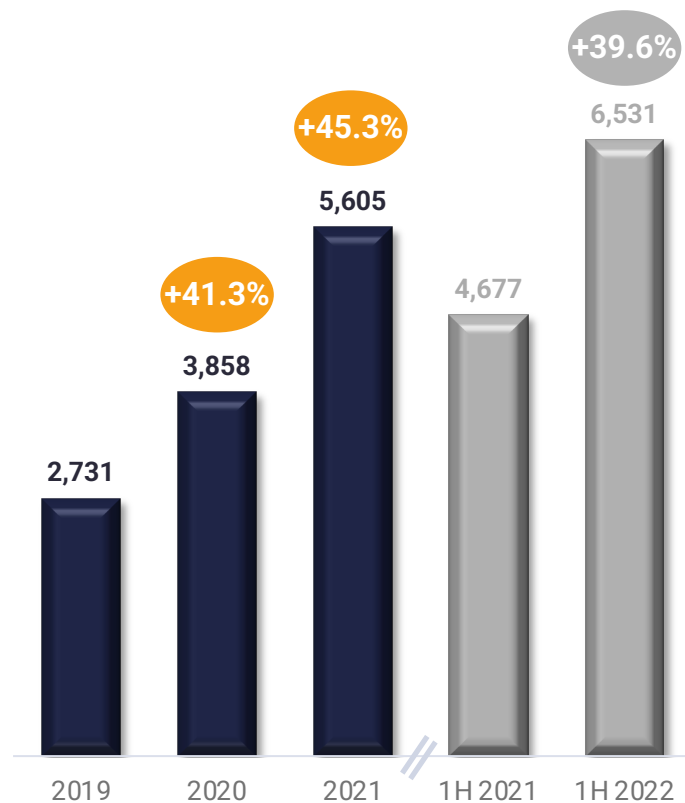
Strong Constant Currency ARR Growth



Increasing Customer Base, Contract Size & Platform Adoption

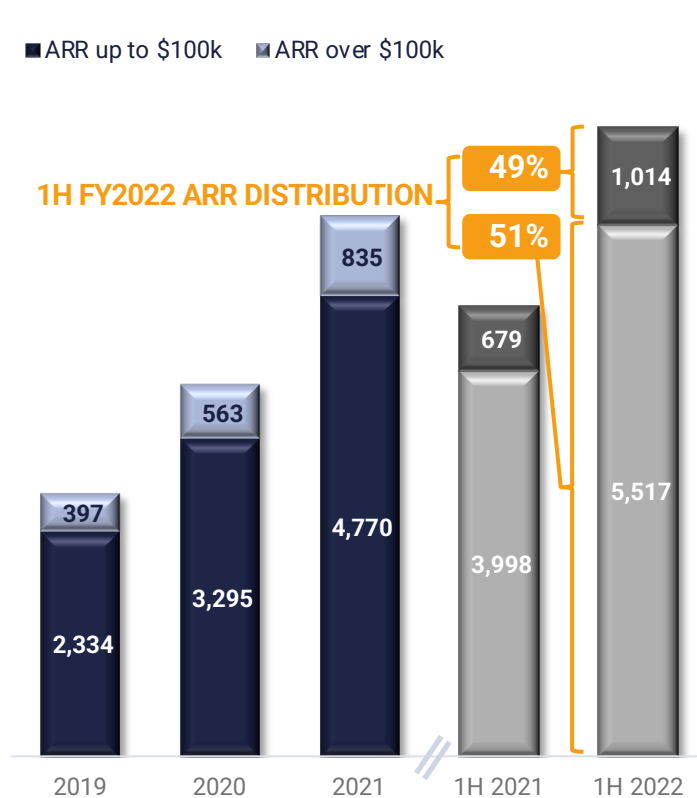
Customer logos

(# customer logos, FYE 30 Jun)



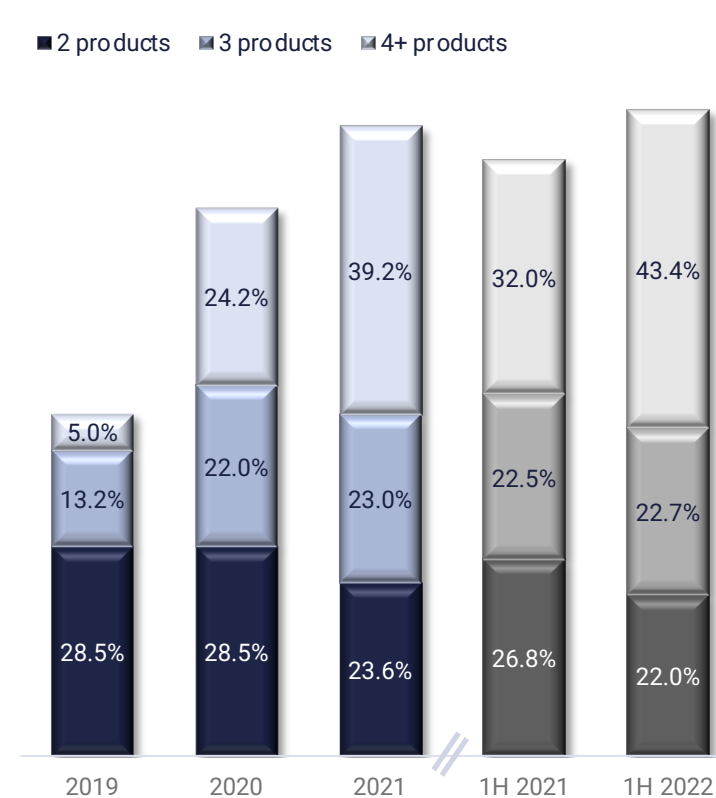
Customers with ARR over \$100k

(% customers, FY 2022 CC, FYE 30 Jun)



Platform Adoption

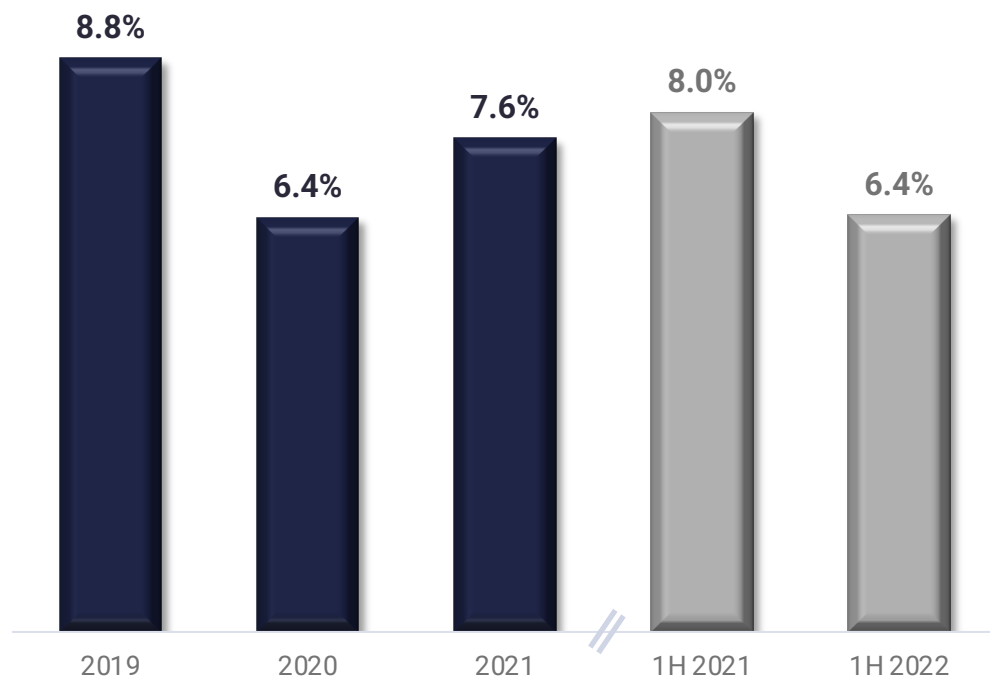
(% customers with multiple products, FYE 30 Jun)



Improving Churn and Retention Trends

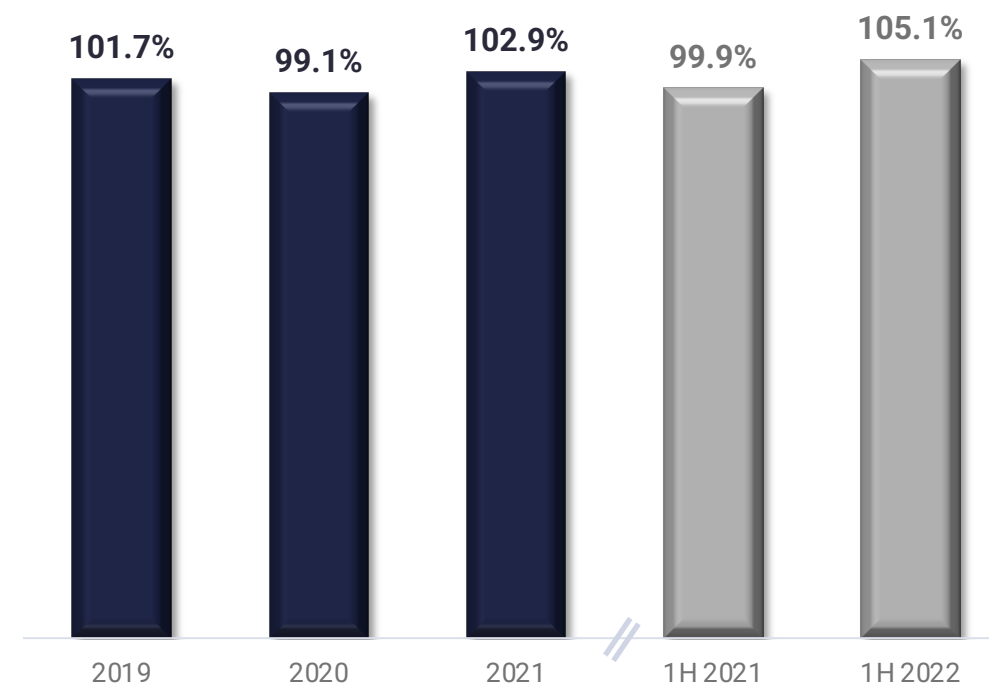
One Year Gross CC ARR Churn

(One Year Gross ARR Churn %, FY 2022 CC, FYE 30 Jun)



Net ARR Retention Rate

(%, FY 2022 CC, FYE 30 Jun)



Summary P&L

\$000	1H FY 2021 Unaudited	1H FY 2022 Unaudited	%
Revenue	126,514	192,642	52.3%
Cost of sales	(12,399)	(20,651)	66.6%
Gross profit	114,115	171,991	50.7%
<i>Gross Margin (%)</i>	90.2%	89.3%	
Sales and marketing costs	(86,738)	(107,858)	24.3%
Administrative expenses			
Research and development costs	(10,657)	(15,653)	46.9%
Other administrative expenses	(21,500)	(40,576)	88.7%
Expected credit loss charge	(423)	(103)	-75.7%
Other operating income	322	847	163.0%
Operating profit /(loss)	(4,881)	8,648	n/a
<i>Operating Margin (%)</i>	-3.9%	4.5%	
Finance costs	(43,044)	(1,360)	-96.8%
Finance income	59	68	15.3%
Profit/(loss) for the year before taxation	(47,866)	7,356	n/a
<i>PBT Margin (%)</i>	-37.8%	3.8%	
Taxation	(545)	(1,439)	164.0%
Net profit / (loss) for the year	(48,411)	5,917	n/a
<i>Net Income Margin (%)</i>	-38.3%	3.1%	

- Non-T&E operating costs made up 92% of total Sales & Marketing expenses in 1H FY 2022
- 13.0 ppt reduction in these costs as a percent of revenue

- Non-T&E operating costs made up 92% of total Research & Development expenses in 1H FY 2022
- 2.3 ppt increase in these costs as a percent of revenue

- Non-T&E operating costs made up 72% of total Other Administrative expenses in 1H FY 2022
- 1.0 ppt increase in these costs as a percent of revenue

EBITDA & Adj. EBITDA Reconciliation

\$000	1H FY 2021 Unaudited	1H FY 2022 Unaudited
Net Profit / (Loss)	(48,411)	5,917
Taxation	545	1,439
Finance income	(59)	(68)
Finance costs	43,044	1,360
Operating profit/ (loss)/ EBIT	(4,881)	8,648
Depreciation & Amortisation	19,149	26,197
EBITDA	14,268	34,845
Appliance depreciation in Cost of sales	(5,803)	(7,018)
Share-based payment (SBP) charges	5,810	13,091
SBP related employer tax charges	6,522	5,784
Adjusted EBITDA	20,797	46,702

	COS	S&M	R&D	G&A
<u>Depreciation & Amortisation</u>				
Amort'n of capitalised commission		9,818		
Amort'n of intangible assets			3,138	
Dep'n of PPE (excl. Appliances)		495	440	572
Dep'n of Right of Use Assets		1,821	410	558
Dep'n of Appliances (Opex only)		1,928		
Dep'n of Appliances (COS only)*	7,018			
<u>Share-based payments</u>				
Share-based payment (SBP) charge		6,216	3,148	6,384
Capitalised development cost			(2,657)	
SBP related employer tax charge		1,236	896	3,854
Capitalised development cost			(202)	
Total adjustments	n/a	21,514	5,171	11,369
<i>*Adj. EBIT & EBITDA includes depreciation of appliances attributed to cost of sales</i>				

FY 2022 Guidance

	CURRENT FY 2022 GUIDANCE ¹ As at 1H FY 2022 Results	PREVIOUS GUIDANCE As at 1H FY 2022 Trading Update
YoY Revenue Growth	44.5% to 46.5%	42% to 44%
YoY CC ARR Growth	38.5% to 40.0%	37.0% to 38.5%
Net CC ARR Added	24% to 29% (As implied by CC ARR Growth Range)	19% to 24% (As implied by CC ARR Growth Range)
Adj. EBITDA Margin	10% to 12%	3% to 6%

¹Cybersprint acquisition

Following the acquisition of Cybersprint on 1st March 2022, Darktrace has incorporated the expected impact of this transaction into its guidance:

- No material impact on the Group's FY 2022 revenue expectations;
- c1% of the increase in expected year-over-year ARR growth, and c3.5% of the increase in expected net ARR added, are related to the acquisition of Cybersprint;
- No material impact on the Group's FY 2022 adjusted EBITDA expectations.

Poppy Gustafsson, CEO

Continuous AI Loop

Prevent

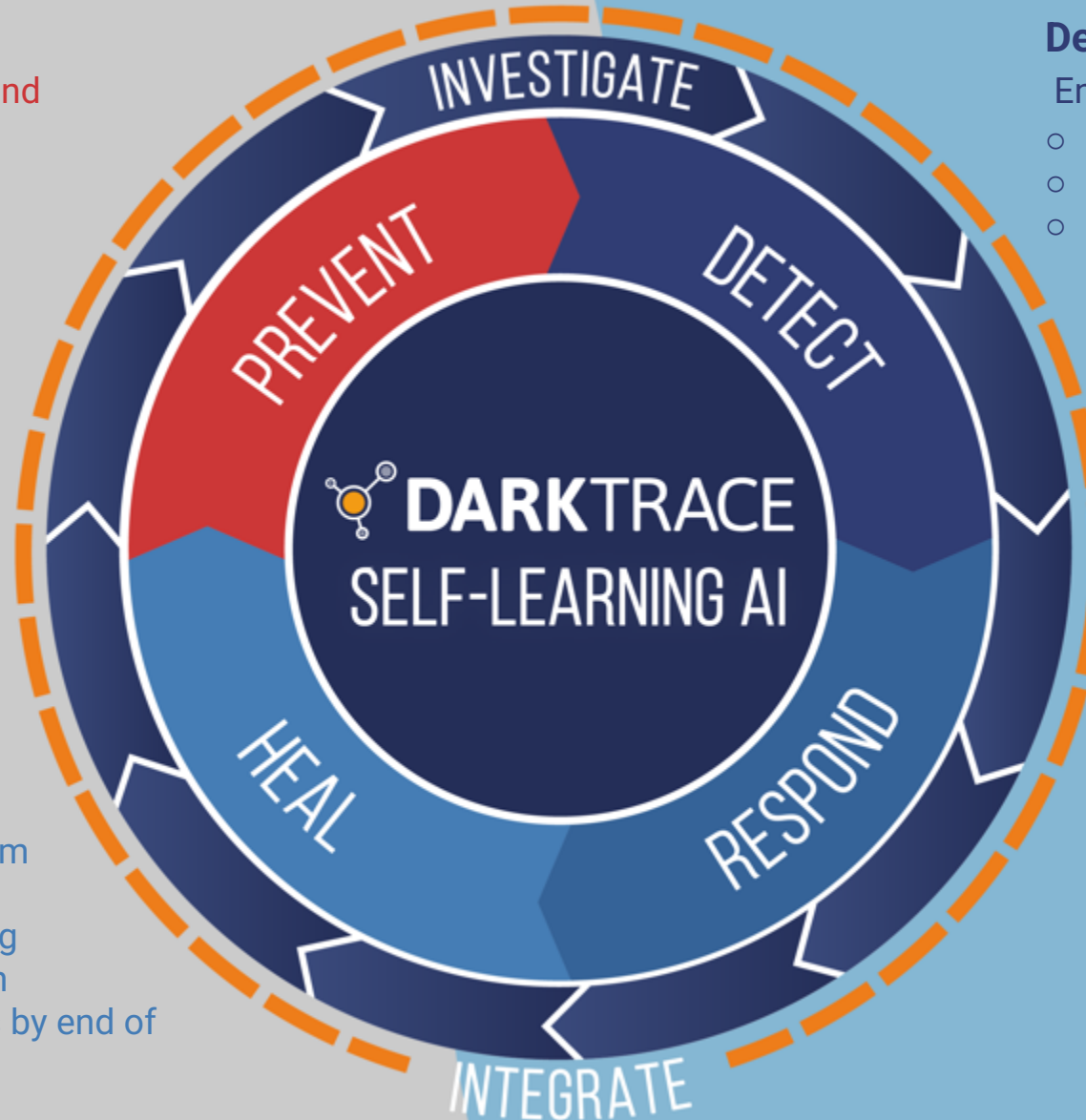
- AI-powered mitigation of risks and weaknesses
- Shipped to early adopters in December 2021
- Currently collating feedback



**TECHNOLOGY
ECOSYSTEM**

Heal

- In development – dedicated team focused on Heal
- Self-healing and self-remediating technologies – attack aftermath
- Aiming to ship to early adopters by end of calendar 2022



Detect

- Enterprise Immune System
- Launched 2014
- Self-learning AI system
- Spots the subtle signals of advanced attacks with no reliance on rules



**HUMAN
ECOSYSTEM**

Respond

- Antigena Network & Email
- Launched 2018
- World's first autonomous response solution
- Digital antibody
- Responds in seconds

Total Addressable Market



Bottom-up
TAM



Top-down
TAM



~6,500

The number of companies currently benefiting from the Darktrace cyber security platform

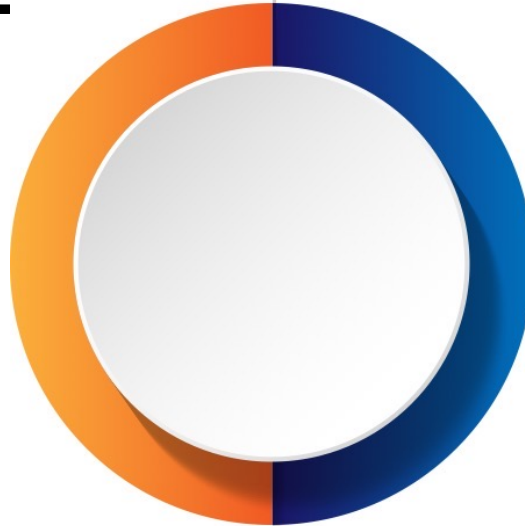
>150,000

The number of companies that could potentially adopt the Darktrace cyber security platform

Summary and Outlook

Summary of 1H FY22

- Added over 900 customers
- Grown workforce to 1,700+ employees
- Continued to work on breakthrough technologies



Looking ahead

- Increasing expectations for FY 2022
- Focused on delivering against key metrics
- Continuous AI-driven loop

Q&A

Appendix

Key Cost Movement Detail

\$000	1H FY 2021 Unaudited	% of Revenue	1H FY 2022 Unaudited	% of Revenue
Revenue	126,514		192,642	
Cost of sales				
Total cost of sales	12,399	9.8%	20,651	10.7%
<i>Gross Margin (%)</i>	<i>90.2%</i>		<i>89.3%</i>	
Sales and marketing costs				
Non T&E operating	81,529	64.4%	99,004	51.4%
Travel and Entertainment (T&E)	782	0.6%	1,402	0.7%
Share-based payment (SBP) charges	2,767	2.2%	6,216	3.2%
SBP related employer tax charges	1,660	1.3%	1,236	0.6%
Total sales and marketing costs	86,738	68.6%	107,858	56.0%
Research and development costs				
Non T&E operating	6,628	5.2%	14,402	7.5%
Travel and Entertainment (T&E)	28	0.0%	67	0.0%
Share-based payment (SBP) charges	940	0.7%	491	0.3%
SBP related employer tax charges	3,061	2.4%	693	0.4%
Total research and development costs	10,657	8.4%	15,653	8.1%
Other administrative costs				
Non T&E operating	17,954	14.2%	29,198	15.2%
Travel and Entertainment (T&E)	65	0.1%	1,243	0.6%
Share-based payment (SBP) charges	2,103	1.7%	6,384	3.3%
SBP related employer tax charges	1,801	1.4%	3,854	2.0%
Total other administrative	21,923	17.3%	40,679	21.1%
Finance costs	43,044	34.0%	1,360	0.7%
Net profit /(loss) for the period	(48,411)	-38.3%	5,917	3.1%

- Cost of sales remain in expected range; slight YoY increase as a percent of revenues primarily driven by hosting fees for cloud deployed products.
- 13.0 percentage point decrease in non-T&E operating costs as a percent of revenue, resulting from continuing economies of scale in underlying sales and marketing costs
- 2.3 percentage point increase in non-T&E operating costs as a percent of revenue reflects planned increases in underlying R&D headcount to broaden core research and product development capacity.
- 1.0 percentage increase in non-T&E operating costs as a percent of revenue reflects expected staffing increases and recognition of public company costs post listing.
- Aggregate increase in SBP charges primarily related to recognising a full period of charges for IPO and private-to-public transition grants made in May 2021. Reduction in R&D SBP charges due to commencement of appropriate capitalisation as these charges have now become material.
- YoY decrease in finance costs driven by the conversion of convertible loan notes at IPO.

Steady State Economic Model

(Cost on adjusted EBIT basis)	% of revenue
Cost of Sales	10 - 13%
Sales & Marketing costs	40 - 43%
Research & Development costs	10 - 13%
General & Administrative expenses	10 - 13%
Adjusted EBIT Margin: +/- mid 20's%	

Note: This long-term steady state is not anticipated to be achieved in the foreseeable future or in a linear fashion, if at all, and the Group's targets may change based on developments in the Group's business.

Alternative Performance Measure Definitions

Alternative Performance Measure	Definition
EBIT	Earnings before interest and taxes, or EBIT is the Group's operating profit or (loss).
Adjusted EBIT	Adjusted EBIT is the Group's EBIT adjusted to remove share-based payment (SBP) charges and share option-related employer tax charges.
EBITDA	EBITDA is the Group's earnings before interest, taxation, depreciation and amortisation.
Adjusted EBITDA	Adjusted EBITDA is the Group's EBITDA, but including appliance depreciation attributed to cost of sales, adjusted to remove share-based payment charges and employee share plan-related employer tax charges.
Annual Recurring Revenue (ARR)	The sum of all ARR, at the period's constant currency rate, for customers as of the measurement date. The ARR for each customer is the annual committed subscription value of each order booked for which it will be entitled to recognise revenue. In the small number of cases where a customer has an opt-out within six months of entering a contract, Darktrace does not recognise ARR on that contract until after that opt-out period has passed.
Net constant currency ARR added	New customer constant currency ARR added, plus the net impact of upsell, down-sell, and churn activity in the existing customer base, in the same constant currency, for a period.
One-year constant currency ARR gross churn rate	Constant currency ARR value of customers lost from the existing customer cohort one year prior to the measurement date, divided by the total ARR value of that existing customer cohort. This churn rate reflects only customer losses and does not reflect customer expansions or contractions.
Net constant currency ARR retention rate	Current constant currency ARR value for all customers that were customers one year prior to the measurement date, divided by their ARR in the same constant currency one year prior to the measurement date. This retention rate reflects customer losses, expansions, and contractions.
Constant currency rates	Rates established at the start of each year and used for reporting ARR and related measures without the impact of foreign exchange movements. For FY 2022, constant currency rates were 1.3835 and 1.1878 for the British Pound and the Euro, respectively.
Number of customers	Count of contracting entities that are generating ARR at the measurement date.
Remaining performance obligations (RPO)	Represents committed revenue backlog. RPO is calculated by summing all committed customer contract ARR values that have not yet been recognised as revenue, valued at the exchange rates on the last day of the reporting period.