

12<sup>th</sup> October 2022

## **Darktrace plc Q1 FY 2023 Trading Update**

### **Continuing sales momentum drives Q1 performance, confirmation of FY 2023 expectations**

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 its first quarter FY 2023 ended 30<sup>th</sup> September 2022.

#### **Operating and Financial Performance**

For Q1 FY 2023, Darktrace demonstrated continuing strength and resilience in its sales performance, growing its customer base by 320 net new customers to 7,757, a 29.1% year-over-year increase.

With new customer additions continuing to be the primary driver of constant currency Annual Recurring Revenue (ARR) measures, this resulted in net ARR added for Q1 FY 2023 of \$26.6m, up 13.4% over the same quarter of FY 2022. This was in line with Darktrace's expectations for first quarter net ARR additions, in what is traditionally its slowest sales quarter of the year. The net ARR added during the first quarter, on top of strong performance in recent periods, resulted in constant currency ARR at 30<sup>th</sup> September 2022 of \$511.5 million, reflecting year-over-year growth of 40.5%.

Considering the recent foreign exchange ("FX") rate environment, Darktrace is now also reporting USD ARR to provide context for its revenue reporting and expectations, which are provided in U.S Dollars ("USD"). Darktrace's USD ARR at 30<sup>th</sup> September 2022 was \$494.4 million, highlighting that, particularly late in the first quarter, exchange rate movements created a \$17.1 million headwind that is likely to impact the conversion of constant currency ARR to USD revenue for the rest of FY 2023.

Revenue for Q1 FY 2023 was \$126.3 million, up 37.0% over the same quarter of FY 2022. Had foreign exchange rates remained at the rates in effect on 30<sup>th</sup> June 2022 (the Group's FY 2023 constant currency rates), Darktrace's revenue would have been \$126.1 million. As would be expected, recent exchange rate movements had a limited impact on Q1 FY 2023 revenue. This is because FX rates used to recognise revenue are set at the point of invoicing and most revenue recognised in the first quarter was invoiced either prior to, or early in, the quarter. This headwind is likely to have an increasing impact on future reporting periods, as recent and upcoming invoicing begins to contribute a greater proportion of Darktrace's FY 2023 revenue.

Gross margin, as well as one-year gross ARR churn and net ARR retention rates, remained in the ranges reported in our most recent period.

#### **FY 2023 Outlook**

Darktrace last communicated its expectations for the current financial year on 8<sup>th</sup> September 2022, with its FY 2022 earnings release. In the intervening period, September results were as expected, so it is pleased to reiterate the FY 2023 guidance and related commentary it previously provided for ARR, net ARR added, revenue, adjusted EBITDA, and free cash flow margin. Darktrace is also reconfirming its expectations for the seasonality of net ARR added for the financial year but is updating its seasonality expectation for revenue to reflect recent developments in the FX rate markets.

Though the U.S. Dollar continues to be unusually strong relative to Darktrace's other operating currencies, its key FX rates have recovered somewhat from the lows experienced in late September. On this basis, Darktrace is maintaining its expectation for FY 2023 year-over-year revenue growth of between 30% and 33%, though it will continue to monitor FX rates, and their potential impacts on revenue, for downside movement relative to rates at this reporting date. To reflect that future FY 2023 revenues are likely to experience increasing drag from FX rate impacts, however, Darktrace now expects that 46% to 47% of its revenue will be recognised in the first half of FY 2023 (previously 45% to 46%).

**Cathy Graham, CFO of Darktrace, said:**

*“Using our market-leading Self-Learning AI technology, Darktrace empowers organisations to interrupt cyber threats before they experience a business disruption. This focus, and the value it provides to users of our technology, allowed us to maintain strong sales activity through the first quarter of FY 2023, again expanding our customer base, ARR and revenue.*

*We expect this momentum to be further supported across the rest of this financial year as we complete the phased roll-out of our new PREVENT product family. These products started to be made available to existing and new customers in mid-first quarter, and in September drove a significant increase in upsell proof of value (“POV”) deployments within our customer base. We believe that PREVENT product sales should start making positive contributions to our ARR growth and net retention measures in the second half of FY 2023.”*

**About Darktrace**

Darktrace (DARK:L), a global leader in cyber security artificial intelligence is on a mission to free the world of cyber disruption. Breakthrough innovations in the Darktrace Cyber AI Research Centre in Cambridge, UK have resulted in over 115 patent applications filed and research published to contribute to the cyber security community. Rather than study attacks, Darktrace’s technology continuously learns and updates its knowledge of 'you' and applies that understanding to optimise your state of optimal cyber security. Darktrace is delivering the first ever Cyber AI Loop, fuelling a continuous end-to-end security capability that can autonomously spot and respond to novel in-progress threats within seconds. Darktrace employs over 2,100 people around the world and protects over 7,700 customers globally from advanced cyber threats. Darktrace was named one of TIME magazine’s ‘Most Influential Companies’ in 2021.

**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.

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