

11th January, 2022

Darktrace plc Pre-Open Trading Update

Strong 1H FY 2022 performance leading to increased FY 2022 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 the six months ended 31st December 2021.

Highlights

- Year-over-year growth of:
 - 39.6% in number of customers
 - at least 45% in constant currency ARR
 - at least 50% in revenue
- Significant improvement in one-year ARR gross churn and net ARR retention rates
- Raising FY 2022 constant currency ARR and revenue guidance as well as adjusted EBITDA margin based on strong 1H FY 2022 performance and unchanged view of 2H FY 2022 expectations

Operating and Financial Performance

Darktrace continued to demonstrate the power of its business model, delivering significant growth over the first six months of its financial year. The Group ended 1H FY 2022 with 6,531 customers, having grown its customer base by 39.6% year-over-year.

The Group also delivered strong results in its constant currency Annualised Recurring Revenue (ARR). At its FY 2022 constant currency rates⁽¹⁾, Darktrace expects ARR at 31st December 2021 of at least \$426 million, which represents year-over-year growth of at least 45%. Darktrace also reports that its one-year gross ARR churn and net ARR retention rate have improved over the past six months and at 31st December 2021, are expected to be not more than 6.9% (7.6% at 30th June 2021) and at least 104.6% (102.9% at 30th June 2021), respectively.

Further, Darktrace expects revenue for 1H FY 2022 of at least \$190 million, reflecting year-over-year growth of at least 50%. It also expects that gross margin for 1H FY 2022 has remained in the range of recent reported periods.

(1) The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency. For FY 2022, it is using constant currency rates of 1.3835 and 1.1878 for the Pound and the Euro, respectively.

FY 2022 Outlook

Q2 FY 2022 sales performance was better than expected, both because of strong new customer acquisition and improvements in ARR churn and net ARR retention rates. Based on 1H FY 2022 outperformance, and management's unchanged view of the 2H FY 2022 balance between positive sales momentum and potential impacts from efforts to evolve its salesforce structure, Darktrace is increasing constant currency ARR guidance. For FY 2022, Darktrace now expects a year-over-year increase in its constant currency ARR of between 37% and 38.5% (previously 34% to 36%).

Foreign exchange headwinds have continued to be less than previously forecasted, accelerating the conversion of constant currency ARR to US dollar denominated revenue. Based on this, and higher than expected ARR growth in 1H FY 2022, Darktrace is now expecting year-over-year revenue growth of between 42% and 44% (previously 37% to 39%),

Darktrace is also increasing the guidance for its FY 2022 adjusted EBITDA margin to between 3% and 6% (previously 2% to 5%), applied to a now higher expected revenue range.

Recent developments

Product Pipeline: Prevent

In line with what was set out when Darktrace reported its FY 2021 results, Darktrace released the AI Red Teaming module of its newest product line, Prevent, to early adopter customers in December 2021. It is in the process of obtaining initial feedback from customers.

More information on the Prevent product line and other research developments can be found in Jack Stockdale's ['Year in Review'](#) for calendar year 2021.

Cathy Graham, CFO of Darktrace, said:

"I am very pleased that we have continued to deliver strong growth across our customer base, ARR and revenue in 1H FY 2022. We also achieved our aim of driving improvement in churn and net ARR retention rates over the past six months by leveraging our customer success team and focusing on upsell programmes.

In December, we delivered the first module of our new Prevent product line to early adopters. This is the next logical step in fulfilling our vision of creating a Continuous AI Loop, a virtuous circle that equips customers with a suite of technologies that strengthen and reinforce each other. The power of our innovative underlying technology, Self-Learning AI, enables us to expand our ability to protect organisations from the cyber threats of today and tomorrow."

About Darktrace

Darktrace (DARK:L), a global leader in cyber security AI, delivers world-class technology that protects over 6,500 customers worldwide from advanced threats, including ransomware and cloud and SaaS attacks. Darktrace's fundamentally different approach applies Self-Learning AI to enable machines to understand the business in order to autonomously defend it. Headquartered in Cambridge, UK, Darktrace has over 1,700 employees and over 30 offices worldwide. Darktrace was named one of TIME magazine's 'Most Influential Companies' for 2021.

Cautionary Statement

This announcement contains certain forward-looking statements, including with respect to Darktrace'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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