18th July 2023

Darktrace plc FY 2023 Trading Update

Preliminary results deliver against expectations for both Q4 and FY 2023; increased margins expected on continued operating efficiency trends

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 fourth quarter and full financial year ended 30th June 2023.

Highlights

- FY 2023 year-over-year growth of at least:
  - 31.0% in revenue;
  - 29.2% in constant currency ARR;

- 18.3% year-over-year growth in number of customers;

- Adjusted EBITDA margin of at least 22.0%;

- Ernst & Young LLP review has been completed; and

- FY 2024 guidance incorporates continuation of stabilising year-over-year sales trends through 1H and expected benefits of improving economic conditions and recent investments in 2H.

Operating and Financial Performance

Leveraging its multi-year contract model, Darktrace maintained strong year-over-year constant currency Annualised Recurring Revenue (ARR) growth. The Group currently expects, at its FY 2023 constant currency rates, ARR at 30th June 2023 of at least $626.5 million, for at least 29.2% year-over-year growth. This implies net ARR added for the year of at least $141.6 million, at most down (1.8)% from FY22 despite the impacts of a challenging macro-economic environment.

The Group added 396 net new customers in the fourth quarter, for a total of 1,362 in the financial year, bringing its customer base at 30th June 2023 to 8,799, up 18.3% year-over-year.

At 30th June 2023, Darktrace expects its one-year gross ARR churn will have increased by up to 0.3 percentage points year-over-year, to not more than 6.9%. This has been driven by a higher number of defaults and non-renewals across the customer base, as might be expected in a difficult macro-economic environment. This has contributed to the expectation that the Group's net ARR retention rate at 30th June will have decreased by up to 0.7 percentage points, to not less than 104.6%.

Darktrace expects revenue for FY 2023 of at least $544.3 million, reflecting year-over-year growth of approximately 31%. It also expects that gross margin for FY 2023 will have remained in the range of recent reported periods.

While work remains before Darktrace can finalise full year costs, its preliminary view is that adjusted EBITDA margin for the year should be no less than 22.0%, above previous guidance of at or around 19%. While this outperformance is after significant investments made in the second half of FY 2023 in its Go-To-Market strategy and wider organisation, the Group has continued to drive offsetting efficiencies in its operations. Further, from the preliminary financial information currently available, Darktrace does not have any reason to believe that its free cash flow for FY 2023 should not be at least within the previously communicated 50% to 55% of adjusted EBITDA range.

(1) The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency. For FY 2023, its constant currency rates are 1.2146 and 1.0450 for the Pound and the Euro, respectively.
(2) Darktrace's USD ARR at 30th June 2023 was at least $635.5 million, for year-over-year growth of at least 31.1%.

FY 2024 Outlook

To enable a consistent basis for evaluating its performance, Darktrace reports ARR in constant currency, established as the average rates on the last day of the prior financial year[3]. Applying FY 2024 rates to the Group's ARR balance for 30th June 2023 and all prior comparison periods, results in a rebased ARR balance of at least $635.5 million, implying net ARR added for FY 2023 of at least $143.6

million. These amounts, when finalised, will become the new amounts against which Darktrace will measure constant currency ARR and net ARR added growth for FY 2024.

It remains clear that macro-economic uncertainty is continuing to affect new customer acquisitions and some existing customer behaviour. However, with early signs of recovery across the global economy, and with the opportunity to benefit from the recent and ongoing investments in its Go-To-Market strategy and wider organisation, Darktrace is framing its FY 2024 in terms of first half stabilisation and second half re-acceleration.

Darktrace currently expects a year-over-year increase in its constant currency ARR (against a rebased 30th June 2023 constant currency balance and at FY 2024 constant currency rates) of between 21% and 23%. This implies year-over-year growth in net ARR added of between (7)% and 2%, or in FY 2024 constant currency, net ARR additions between $133.4 million and $146.2 million. Darktrace is anticipating FY 2024 to be a "tale of two halves" and currently expects approximately 45% of FY 2024 net ARR added to be added in the first half and approximately 55% to be added in the second half.

Expecting sales, and therefore ARR growth, to be weighted towards the second half of the financial year has an impact on year-over-year revenue growth, as a larger number of contracts are likely to be generating revenue for a smaller portion of the year. The Group currently expects year-over-year revenue growth of between 22.0% and 23.5%.

Darktrace is currently predicting that it will hold its margins in the range of FY 2022 and expected FY 2023 levels, and so expects an adjusted EBITDA margin for FY 2024 of at or around 22%.

(3) The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency. For FY 2024, it is using constant currency rates of 1.2682 and 1.0908 for the Pound and the Euro, respectively. For FY 2023, constant currency rates were 1.2146 and 1.0450 for the Pound and the Euro, respectively. For reference, ARR at the end of the most recent five quarters, at FY 2024 and FY 2023 constant currency rates, rebase to the following amounts:

(in $millions)	30 Jun 2022	30 Sept 2022	31 Dec 2022	31 Mar 2023	30 Jun 2023
FY'24 CC Rates	$491.9	$518.7	$564.5	$591.8	At least $635.5
FY'23 CC Rates	$484.9	$511.5	$556.6	$583.6	At least $626.5

Recent Developments

Conclusion of Ernst & Young LLP Review

Concurrent with this Trading Update, Darktrace announced that Ernst & Young LLP (EY) has concluded the independent third-party review of the policies, processes and controls related to the areas of scope referenced in Darktrace's 20 February statement commissioned by Darktrace's Audit and Risk Committee in February, 2023. Management and the Board do not believe that EY's report has any impact on Darktrace's previously filed public company financial statements nor does it change their belief that those financial statements fairly represent Darktrace's financial position and results. In addition, Grant Thornton's audit opinions for prior years remain unchanged and the audit for FY 2023 is in progress.

Poppy Gustafsson, CEO of Darktrace, said:

"The release of ChatGPT late last year created a significant shift impacting consumers and, perhaps more importantly, enterprises. The risks of IP loss, data protection breaches and evergreen novel attacks at scale are now much higher. AI is increasingly fighting against AI so building a bigger database of known attack data is not enough. Deploying Darktrace's enterprise cyber-AI allows organisations to respond at machine speed to attacks that have never been seen before, making our technology core to cyber-defence in this evolving ChatGPT era.

Despite the macro-economic backdrop, Darktrace remains one of the fastest-growing companies listed on the London Stock Exchange, underpinned by our subscription-based business model, strength of our balance sheet, and product innovation. During the past year, we have launched new products like Prevent and upgraded Email Detect and Respond and invested significantly in our Go-To-Market organisation, including hiring experienced new leaders. We look forward to these investments paying off in a re-acceleration of sales in the second half of FY 2024 as we continue to protect our growing customer base against these fast-evolving cyber threats."

Reporting Full Year Results

Darktrace intends to report its FY 2023 results on 6th September 2023. Conference call and other details will be made available in due course.

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 our Cyber AI Research Centre in Cambridge, UK have resulted in over 145 patents 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 2,200 people around the world and protects approximately 8,800 customers globally from advanced cyber threats. Darktrace was named one of TIME magazine's 'Most Influential Companies' in 2021. To learn more, visit http://www.darktrace.com.

Cautionary Statement

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