11th January 2024

Darktrace plc 1H FY 2024 Trading Update

2Q rebound drives strong 1H ARR and Revenue growth
Raising FY 2024 ARR and Revenue midpoint guidance, increasing margin 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 2023.

Operating and Financial Performance

At its FY 2024 constant currency rates[1], Darktrace expects Annualised Recurring Revenue ("ARR") at 31st December 2023 of at least $701.7 million, representing year-over-year growth of at least 24.3%.

This continued high constant currency ARR growth was supported by what Darktrace believes is a change in trajectory, moving to Net constant currency ARR added growth in its second half. During 1H FY 2024, the Group added Net constant currency ARR of at least $64.4 million, for a year-over-year decline of at most (11.3)%. In its second quarter, Darktrace added ARR of at least $43.3 million, a decline of at most (5.3)% from the prior year period and a significant improvement over its first quarter, when the impact of changes made to its Go-to-Market strategy and teams affected performance.

Darktrace expects revenue for 1H FY 2024 of at least $329.6 million, reflecting year-over-year growth of at least 27.1%. It also expects that gross margin for 1H FY 2024 has remained in the range of recent reported periods and that 1H FY 2024 Adjusted EBITDA margin will be above the top end of its previously communicated 17% to 19% FY 2024 guidance range.

Ending 1H 2024 with 9,232 customers, year-over-year growth in Darktrace's customer base was 12.9%, with the customer base having grown by 433 since 30th June 2023. The Group is driving an increased amount of new ARR added from its existing customer base during this economic period which, with respect to new prospects, appears to have stabilised but not yet materially improved. A year-over-year increase in average contract ARR of at least 10% across its customer base, has largely been driven by an increase in average ARR of existing customer contracts, which is up at least 12% year-over-year for contracts aged one year or more.

Darktrace anticipates slight improvements in its existing customer and related ARR metrics during the first half of the financial year, largely returning to December 2022 levels. One-year gross ARR churn and Net ARR retention rates at 31st December 2023 are expected to be approximately 6.6% (6.8% at 30th June 2023 and 6.5% at 31st December 2022), and 105.0% (104.6% at 30th June 2023 and 105.1% at 31st December 2022), respectively.

(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 Pound and the Euro, respectively.
(2) Darktrace's USD ARR at 31st December 2023 is expected to be at least $705.4 million, which represents year-over-year growth of at least 26.3%.

FY 2024 Outlook

In its 1Q 2024 Trading Update, Darktrace acknowledged that initiatives undertaken to ready its Go-to-Market strategy and teams for the next phase of its evolution had a larger impact on sales activity in the first quarter than expected, and, while it held its ARR and Net ARR added guidance for FY 2024, it said that recovering that impact would likely occur in the second half of the financial year. At the end of the first half, with its initiatives continuing to gain traction, recovery of that first quarter softness had accelerated, showing in Darktrace's second quarter results.

As a result, Darktrace is narrowing its guidance range for year-over-year constant currency ARR growth to between 21.5% and 23.0% (previously 21.0% to 23.0%), raising its midpoint expectation by approximately $1.6 million. This implies FY 2024 net ARR additions of between $137.0 million and $146.6 million (previously $133.8 million to $146.6 million) and year-over-year growth in Net ARR added of between (6)% and 1% (previously (8)% to 1%). Darktrace continues to frame FY 2024 in terms of first half stabilisation and second half re-acceleration and believes that its second quarter performance supports this outlook. However, the Group is taking the opportunity provided by its second quarter results to reduce risk in its second half guidance by returning to its earlier expectation that approximately 45% and 55% of FY 2024 Net ARR should be added in the first half and second half, respectively (previously revised to approximately 44% first half, 56% second half at the end of first quarter).

Additionally, based on overall first half results, and particularly the marked progress made in its second quarter, Darktrace is also raising its expectations for year-over-year Revenue growth and Adjusted EBITDA margin. It now expects FY 2024 Revenue growth of between 23.0% and 24.5% (previously 22.0% and 23.5%), 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 a range of between 18.0% and 20.0% (previously 17.0% and 19.0%). The Group 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 that impacted performance in our first quarter, we were very pleased to see the resulting benefits play out in our strong second quarter financial performance. Today's results, along with continued acceleration in top and mid-funnel prospect engagement across our key partner and large strategic customer segments, support our belief that we are seeing a return to positive and sustainable growth and reinforces our view of first half stabilisation and second half re-acceleration. We are pleased to be able to make the resulting upward revisions to our full year ARR, revenue and profitability guidance as well as reduce risk associated with achieving second half financial targets.

Our strong margins and cash position enable us to continue making smart investments in our future product pipeline, Go-to-Market strategy, and business foundations. Looking forward, we expect to emerge from a period of relative market uncertainty in an even stronger position, and well-placed to capitalise on the large market opportunity for our

AI-powered cyber security products as attackers capitalise on the availability of increasingly sophisticated tools and tactics, including generative AI."

Reporting Half Year Results

Darktrace intends to report its 1H FY 2024 results on 7th March 2024. 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 its Cyber AI Research Centre have resulted in over 165 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 your business data and applies that understanding to optimise your state of optimal cyber security. Darktrace's cyber AI technology provides a full lifecycle approach to cyber resilience across the entire organisation that can autonomously spot and respond to novel in progress threats within seconds. Darktrace employs over 2,300 people around the world and protects approximately 9,200 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 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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