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02/10/20

Rapid7 Announces Fourth Quarter and Full-Year 2019 Financial Results

- Annualized recurring revenue (ARR) of \$338.7 million, an increase of 35% year-over-year
- Fourth quarter 2019 revenue of \$91.6 million and full year 2019 revenue of \$326.9 million
- Fourth quarter 2019 year-over-year revenue growth of 33% and full-year 2019 year-over-year revenue growth of 34%
- Customer growth of 16% year-over-year
- Guiding 2020 ARR year-over-year growth between 24% to 26% and year-over-year revenue growth between 21% and 24%

BOSTON, Feb. 10, 2020 (GLOBE NEWSWIRE) -- **Rapid7, Inc.** (NASDAQ: RPD), a leading provider of security analytics and automation, today announced financial results for the fourth quarter and full-year 2019.

"Rapid7 capped off another great year in 2019 with strong full-year operating results. Our ARR grew by 35% and we again exceeded the high end of our guidance with revenue growth of 34% while delivering a 9-point improvement in non-GAAP operating margin from the prior year," said Corey Thomas, Chairman and CEO of Rapid7.

"These results reflect a healthy demand environment and consistent execution. With a leading and well-diversified product portfolio, we see a large opportunity in front of us and are well positioned for future growth. As a result, for 2020, we expect strong ARR growth of 25%, at the midpoint, while continuing to deliver operating leverage."

Fourth Quarter 2019 Financial Results and Other Metrics

	Three Months Ended December 31,		
	2019	2018	% Change
(dollars in thousands)			
Annualized recurring revenue	\$ 338,714	\$ 251,819	35%
Number of customers	9,022	7,808	16%
ARR per customer	\$ 37.5	\$ 32.3	16%
Recurring revenue as a percentage of total revenue	87%	83%	
Renewal rate*	108%	119%	

* For the three months ended December 31, 2018, our renewal rate was adjusted from 120%, as previously disclosed, to 119% based on a reclassification of certain upsells and cross-sells.

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	% Change	2019	2018	% Change
(in thousands, except per share data)						
Products revenue	\$ 74,326	\$ 50,420	47%	\$ 261,119	\$ 168,571	55%
Maintenance and support revenue	8,671	10,246	(15)%	36,778	42,223	(13)%
Professional services revenue	8,651	8,104	7%	29,050	33,297	(13)%
Total revenue	\$ 91,648	\$ 68,770	33%	\$ 326,947	\$ 244,091	34%
North America revenue	\$ 76,258	\$ 58,488	30%	\$ 274,481	\$ 207,727	32%
Rest of world revenue	15,390	10,282	50%	52,466	36,364	44%
Total revenue	\$ 91,648	\$ 68,770	33%	\$ 326,947	\$ 244,091	34%

Non-GAAP gross profit	\$ 68,554	\$ 51,138	\$ 244,720	\$ 178,685
Non-GAAP gross margin	75%	74%	75%	73%
GAAP loss from operations	\$ (12,315)	\$ (10,812)	\$ (45,995)	\$ (53,038)
GAAP operating margin	(13)%	(16)%	(14)%	(22)%
Non-GAAP income (loss) from operations	\$ 785	\$ (2,695)	\$ 2,404	\$ (20,381)
Non-GAAP operating margin	1%	(4)%	1%	(8)%
GAAP net loss	\$ (14,346)	\$ (13,020)	\$ (53,845)	\$ (55,545)
GAAP net loss per share, basic and diluted	\$ (0.29)	\$ (0.27)	\$ (1.10)	\$ (1.20)
Non-GAAP net income (loss)	\$ 1,484	\$ (2,368)	\$ 4,306	\$ (19,057)
Non-GAAP net income (loss) per share, basic	\$ 0.03	\$ (0.05)	\$ 0.09	\$ (0.41)
Non-GAAP net income (loss) per share, diluted	\$ 0.03	\$ (0.05)	\$ 0.08	\$ (0.41)
Adjusted EBITDA	\$ 3,654	\$ (658)	\$ 12,453	\$ (13,428)
Cash provided by (used in) operating activities	\$ 7,824	\$ 11,934	\$ (1,420)	\$ 6,066

Recent Business Highlights

- In November 2019, Forrester Consulting conducted a study on behalf of Rapid7 which highlighted that InsightVM customers could realize more than 300% ROI over a three-year period, over 20% reduction in false positives and 60% reduction in patching efforts compared to their incumbent vulnerability management solution.
- In December 2019, Rapid7 announced that InsightIDR, its cloud Security Information and Event Management (SIEM) offering is available for purchase in Amazon Web Services (AWS) Marketplace, highlighting Rapid7's ongoing commitment to helping its customers secure their cloud environments.
- In January 2020, Frost & Sullivan recognized Rapid7 with its 2019 Global SOAR Company of the year award, highlighting Rapid7's focus on mid-market enterprises.

Please see investors.rapid7.com for our Financial Metrics spreadsheet.

For additional details on the reconciliation of non-GAAP measures and certain other business metrics to their nearest comparable GAAP measures, please refer to the accompanying financial data tables included in this press release.

First Quarter and Full-Year 2020 Guidance

Rapid7 anticipates annualized recurring revenue, revenue, non-GAAP (loss) income from operations, and non-GAAP net (loss) income per share to be in the following ranges:

	First Quarter 2020		Full-Year 2020	
Annualized recurring revenue			\$ 420.0	\$ 426.8
Year-over-year growth			24%	26%
Revenue	\$ 91.6	to \$ 93.2	\$ 396.0	to \$ 404.0
Year-over-year growth	25%	to 27%	21%	to 24%
Non-GAAP (loss) income from operations	\$ (6.3)	to \$ (5.3)	\$ 7.0	to \$ 11.0
Non-GAAP net (loss) income per share	\$ (0.13)	to \$ (0.11)	\$ 0.11	to \$ 0.18
Weighted average shares outstanding			50.2	55.0

Guidance for the first quarter and full-year 2020 does not include any potential impact of foreign exchange gains or losses. The weighted average shares outstanding for the first quarter of 2020 represent basic shares outstanding given our projected non-GAAP net loss. The weighted average shares outstanding for full year 2020 represent non-GAAP diluted shares outstanding given our projected non-GAAP net income.

Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of acquired intangible assets, amortization of debt discount and issuance costs, and certain non-recurring items. Rapid7 has provided a reconciliation of each non-GAAP guidance measure to the most comparable GAAP measures in the financial statement tables included in this press release. The reconciliation does not reflect any items that are unknown at this time, such as acquisition-related expenses, follow-on public offering costs, and litigation-related expenses which we are not able to predict without unreasonable effort due to their inherent uncertainty.

Conference Call and Webcast Information

Rapid7 will host a conference call today, February 10, 2020, to discuss its results at 4:30 p.m. Eastern Time. The call will be accessible by telephone at 877-357-4230 (domestic) or 629-228-0721 (international). The call will also be available live via webcast on the Company's website at <http://investors.rapid7.com>. A telephone replay of the conference call will be available at 855-859-2056 or 404-537-3406 (access code 1729437) until February 18, 2020. A webcast replay will be available at <http://investors.rapid7.com>.

About Rapid7

Rapid7 (Nasdaq: RPD) is advancing security with visibility, analytics, and automation delivered through our Insight cloud. Our solutions simplify the complex, allowing security teams to work more effectively with IT and development to reduce vulnerabilities, monitor for malicious behavior, investigate and shut down attacks, and automate routine tasks. Over 9,000 customers rely on Rapid7 technology, services, and research to improve security outcomes and securely advance their organizations. For more information, visit our website, check out our blog, or follow us on Twitter.

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