



SECURITY
DATA &
ANALYTICS

Q1 2016 Financial Results

May 11, 2016

RAPID7 PROPRIETARY

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Q1 2016 | Financial Highlights

- 1 Strong **Revenue Growth** of 48% YoY
- 2 Strong continued **Deferred Revenue Growth** of 49% YoY
- 3 High-visibility **Recurring & Ratable Revenue** model with **86%** of Q1 revenue on balance sheet as of January 1, 2016 and **61%** subscription-based recurring revenue
- 4 Increased **Renewal Rate to 126%** reflecting successful customer land-and-expand and monetization of growing technology offerings
- 5 **Operating Cash Outflow** of \$1.6m improved by \$1.4m YoY

See End Notes for additional information and definitions

Summary Selected Financial Results | Q1 2016

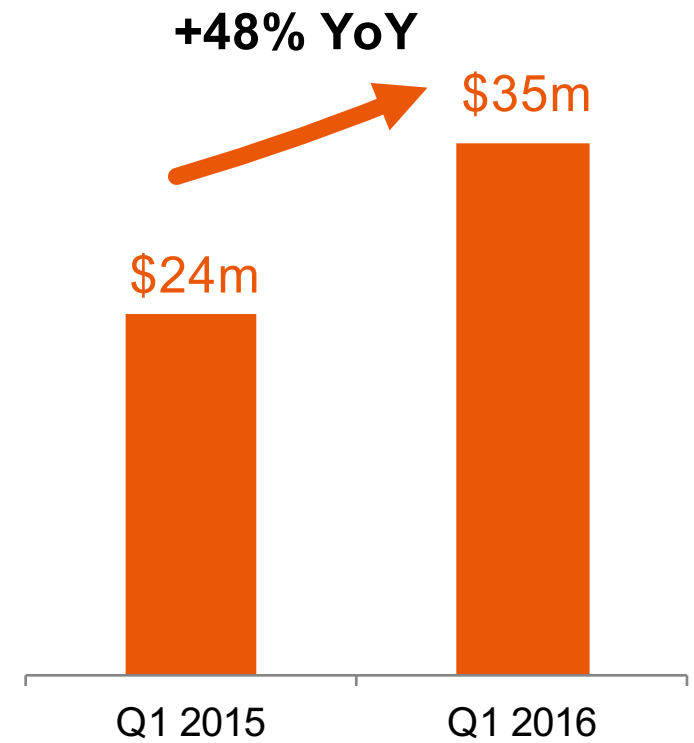
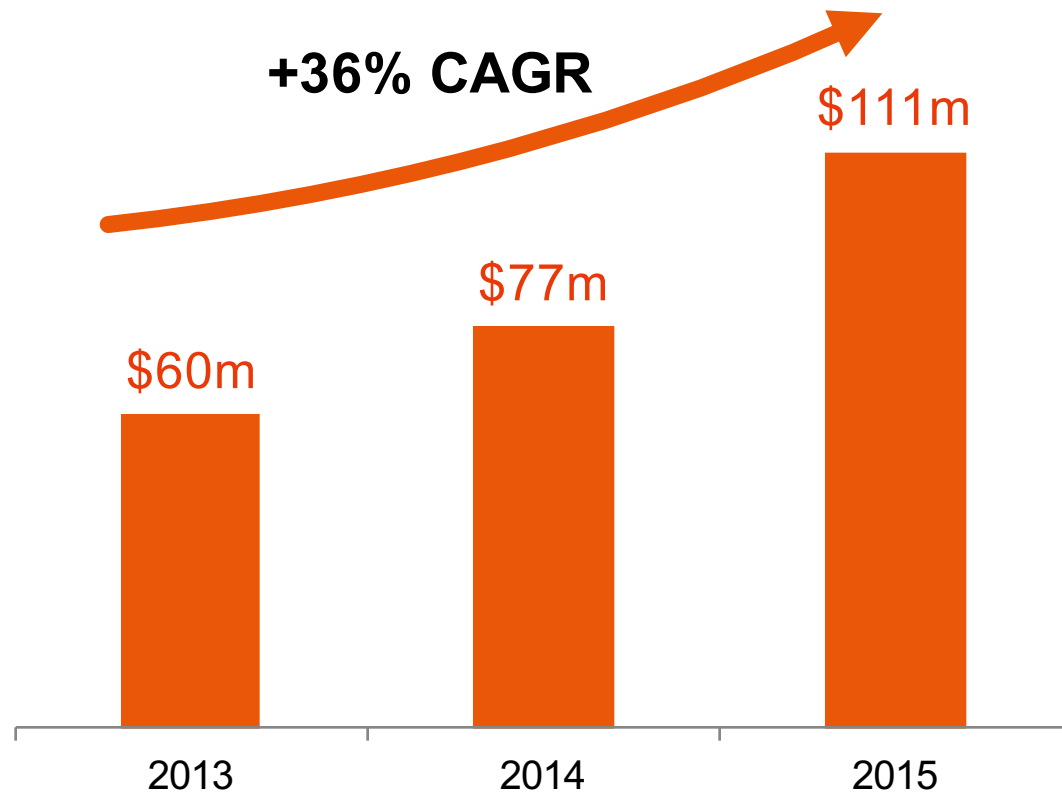
(amounts in millions, except per share data)

	<u>March 31st</u>		<u>Change</u>	
	<u>2016</u>	<u>2015</u>	<u>\$</u>	<u>%</u>
Revenue:				
Products	\$ 20.1	\$ 13.7	\$ 6.4	48%
Maintenance and support	8.4	5.8	2.6	45%
Professional services	6.3	4.1	2.2	52%
Total Revenue	\$ 34.8	\$ 23.6	\$ 11.2	48%
Loss from operations (GAAP)	\$ (15.6)	\$ (6.6)	\$ (9.0)	(136%)
Loss from operations (non-GAAP)	\$ (9.5)	\$ (5.8)	\$ (3.7)	(65%)
Net loss (GAAP)	\$ (15.6)	\$ (7.7)	\$ (7.9)	(103%)
Net loss (non-GAAP)	\$ (9.5)	\$ (6.8)	\$ (2.7)	(38%)
Net loss per share (GAAP)	\$ (0.38)	\$ (1.50)	\$ 1.12	75%
Net loss per share (non-GAAP)	\$ (0.23)	\$ (0.54)	\$ 0.31	57%
Weighted-average common shares outstanding, basic and diluted	40.5	12.6		
Operating cash flow	\$ (1.6)	\$ (3.0)	\$ 1.4	47%
Deferred revenue at period-end	\$ 131.9	\$ 88.6	\$ 43.3	49%

See End Notes for additional information and definitions

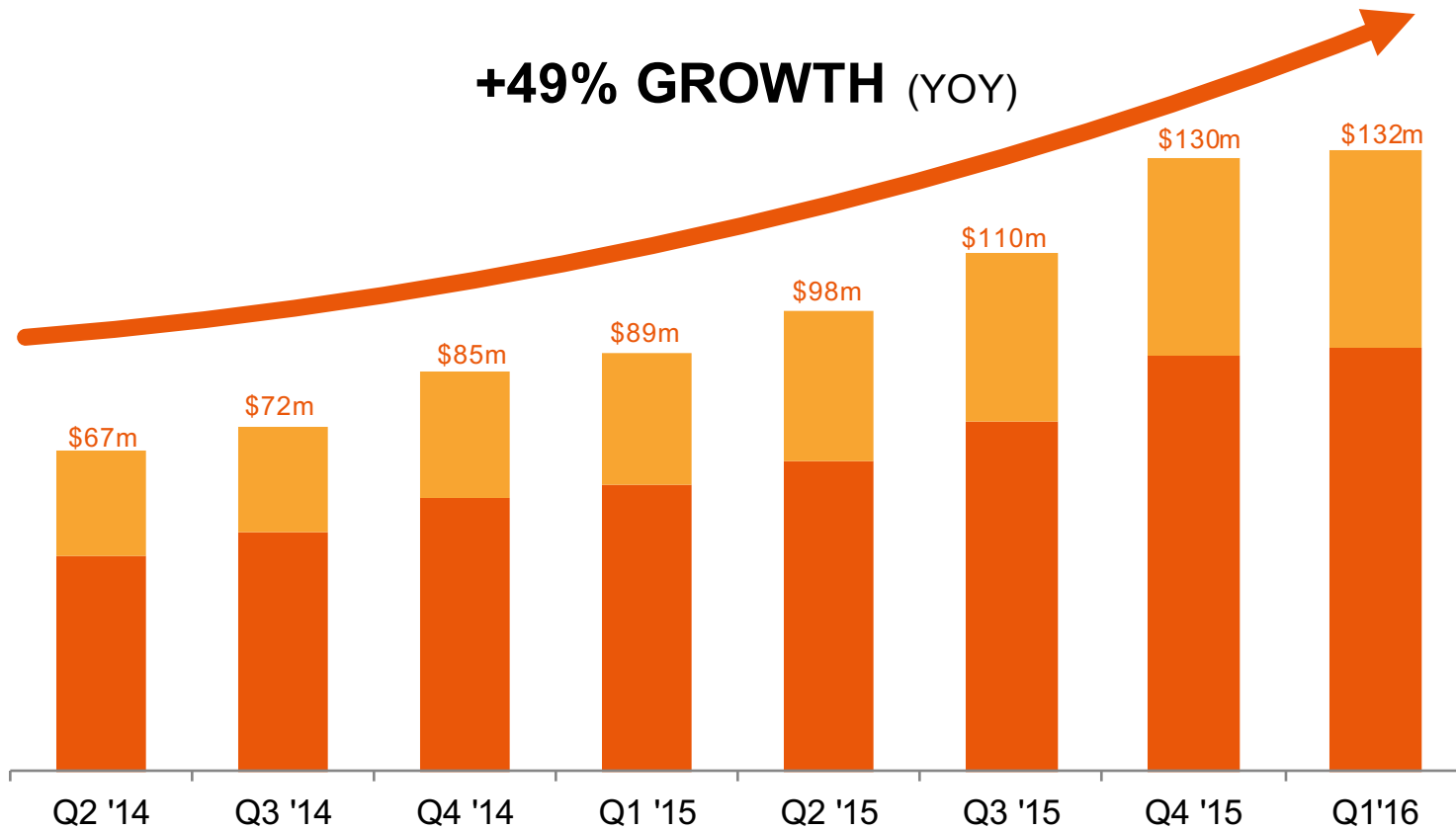


Total Revenue | Strong Growth



Deferred Revenue | Strong Continued Growth

+49% GROWTH (YOY)

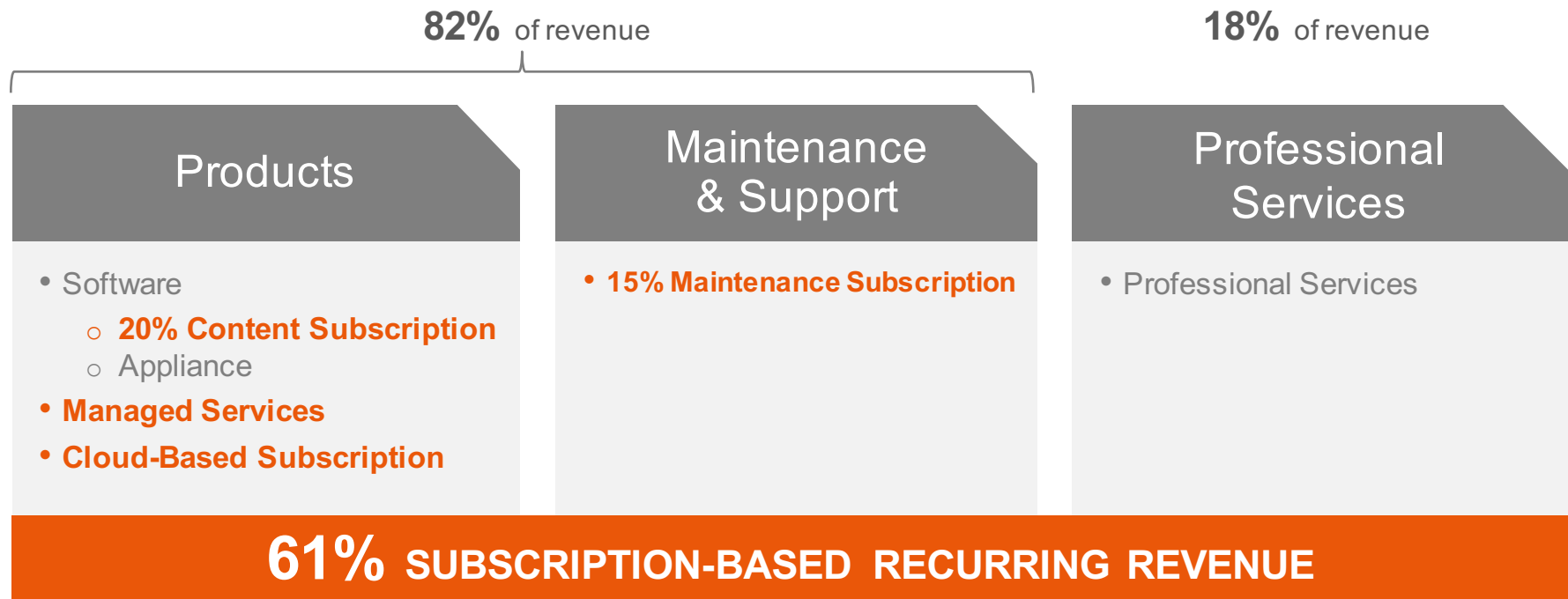


86%

of Q1 2016
revenue

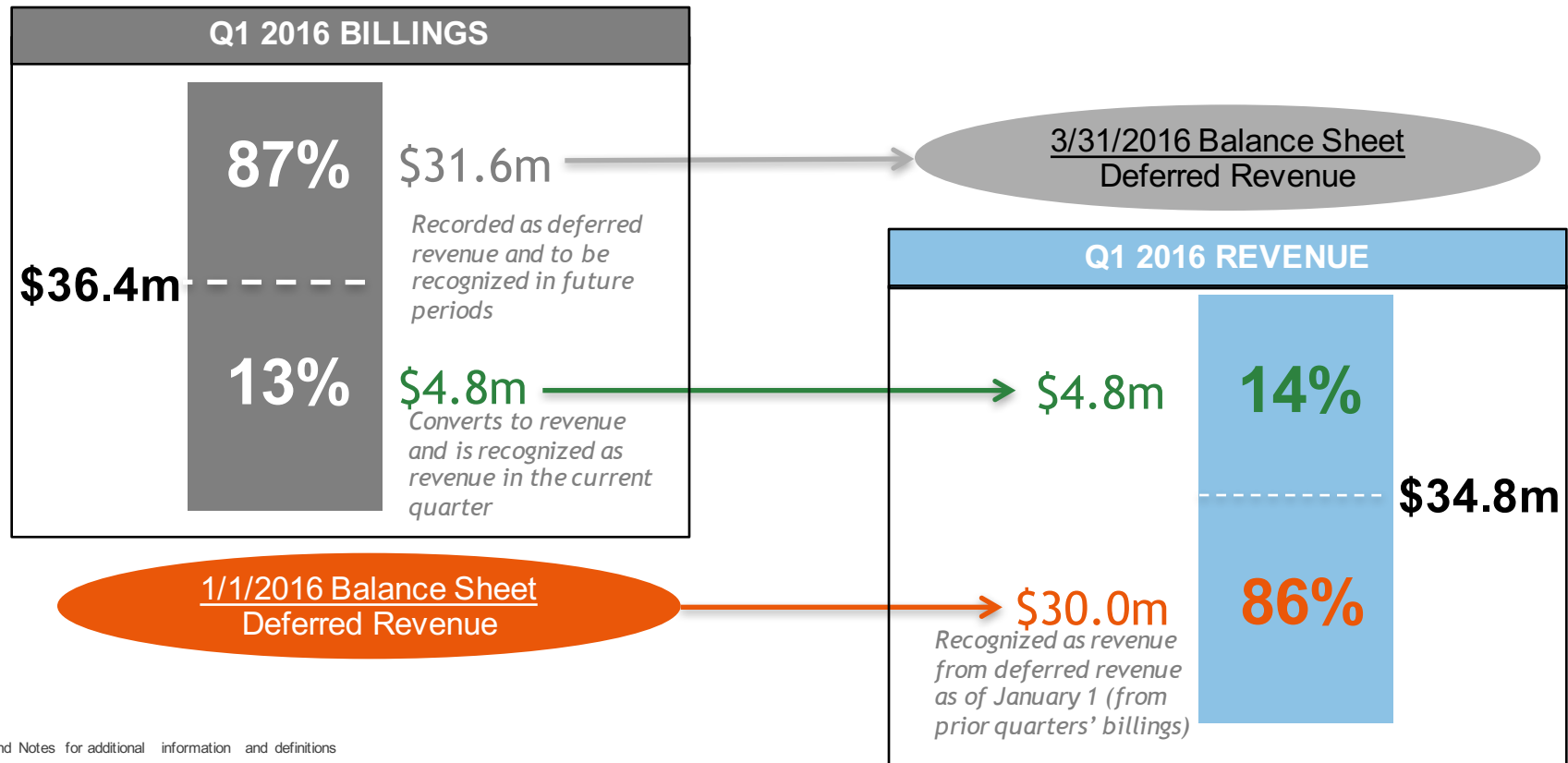
**already
booked**
entering
the quarter

Revenue Model | High Proportion of Recurring



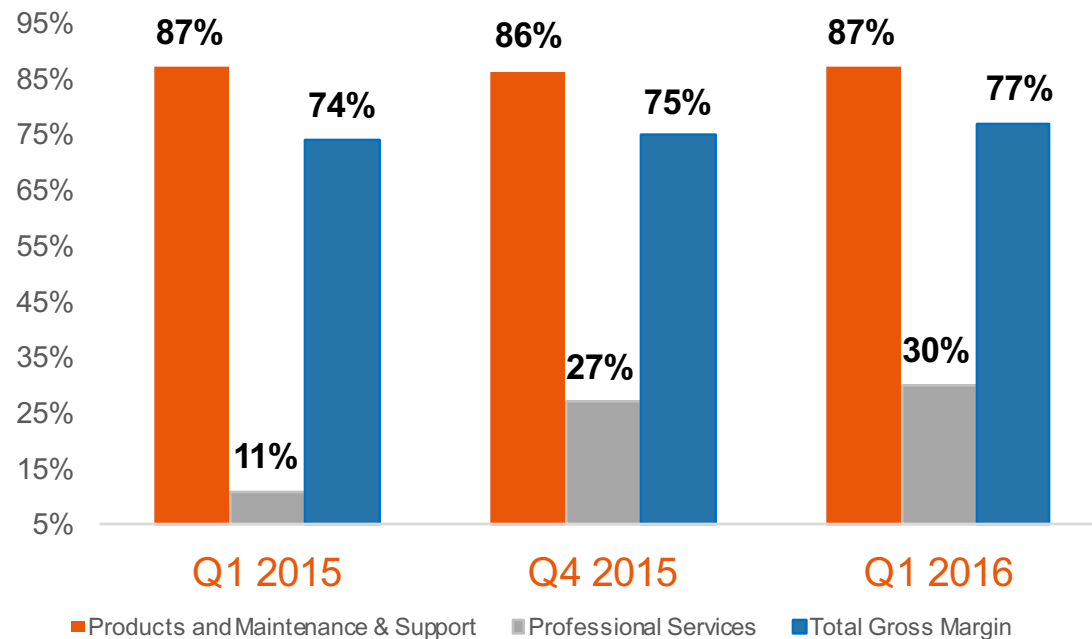
See End Notes for additional information and definitions

Revenue Flow | Strong Quarterly Visibility



See End Notes for additional information and definitions

Gross Margin | Continued Gains Toward Profitability



Continued **drive to profitability**

leading with solid & steady **Gross Margin %**

Professional Services Margin improvement driven by higher revenues in assessment, deployment and training as well as cost efficiencies

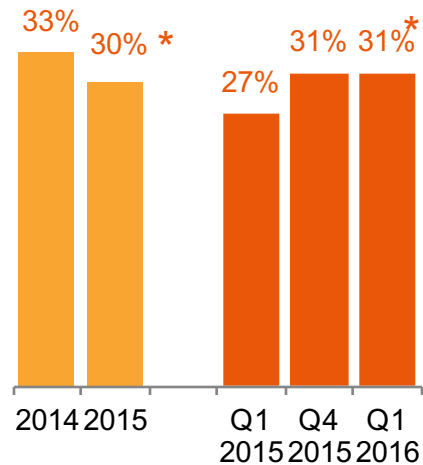
See End Notes for additional information and definitions

Operating Expenses as % of Revenue (Non-GAAP)

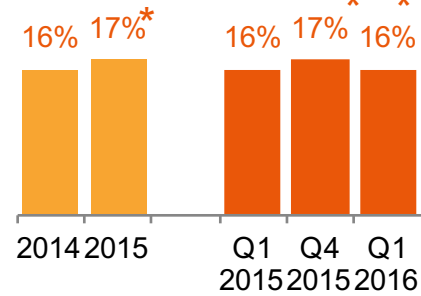
Sales & Marketing (non-GAAP)



Research & Development (non-GAAP)



General & Administrative (non-GAAP)



disciplined cost management driving continued improvements

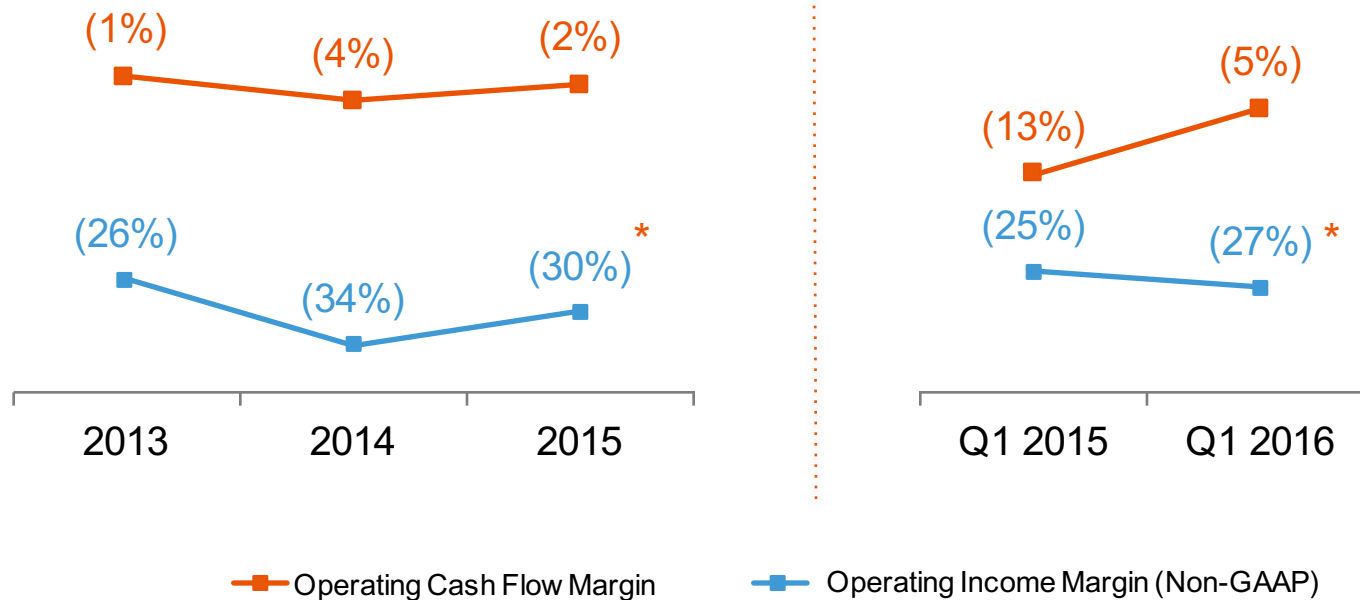
in Expense to Revenue Ratios

** Note: 2015, Q4 2015 and Q1 2016 includes acquisition of Logentrics and costs of operating as a public company*

See End Notes for additional information and definitions



Operating Cash Flow & Operating Income Margins



* 2015 and Q1 2016 includes acquisition of Logentrics

See End Notes for additional information and definitions



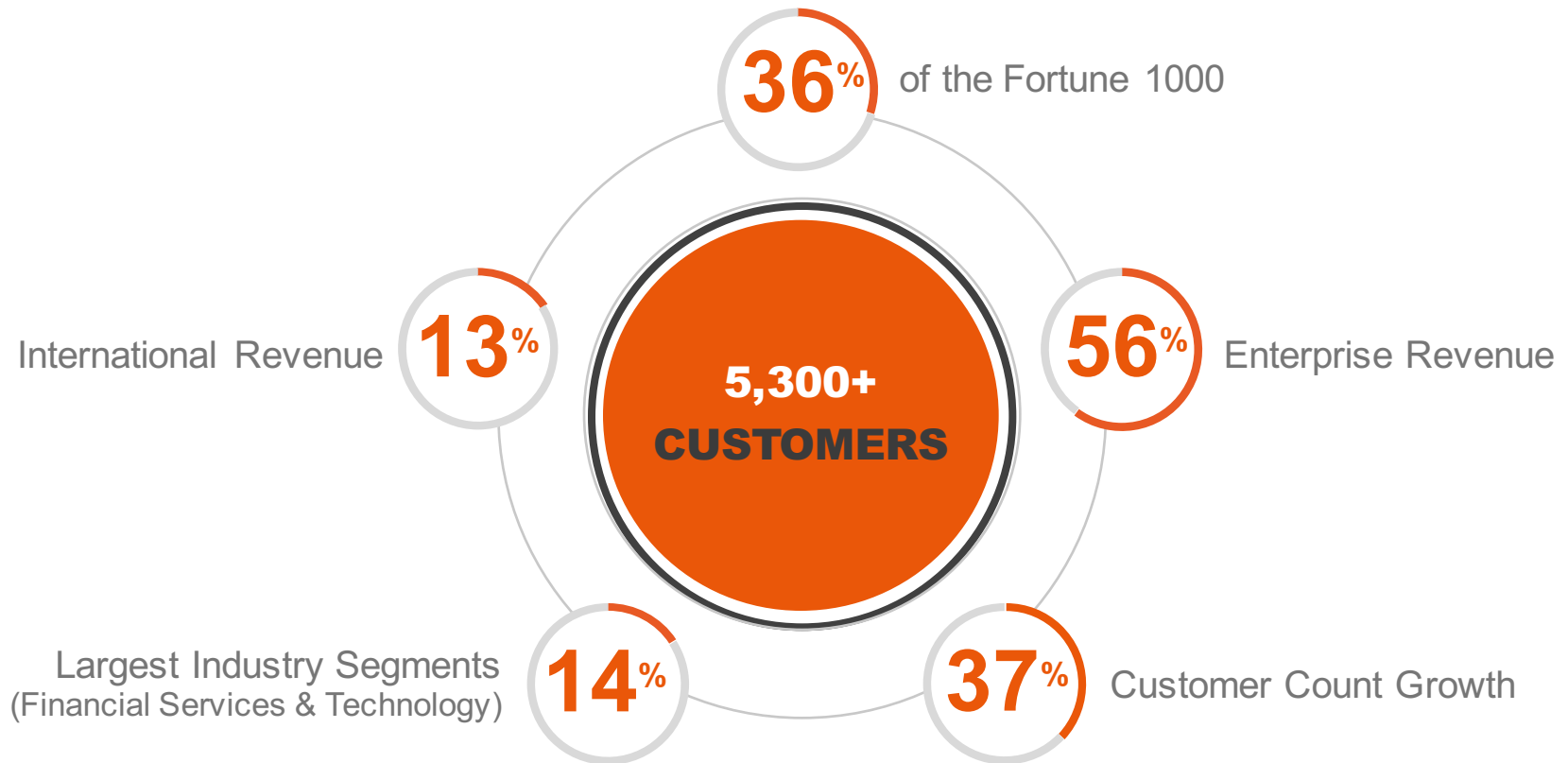
Q1 OCF

driven by
**up-front
customer
payments**

Q1 OpInc

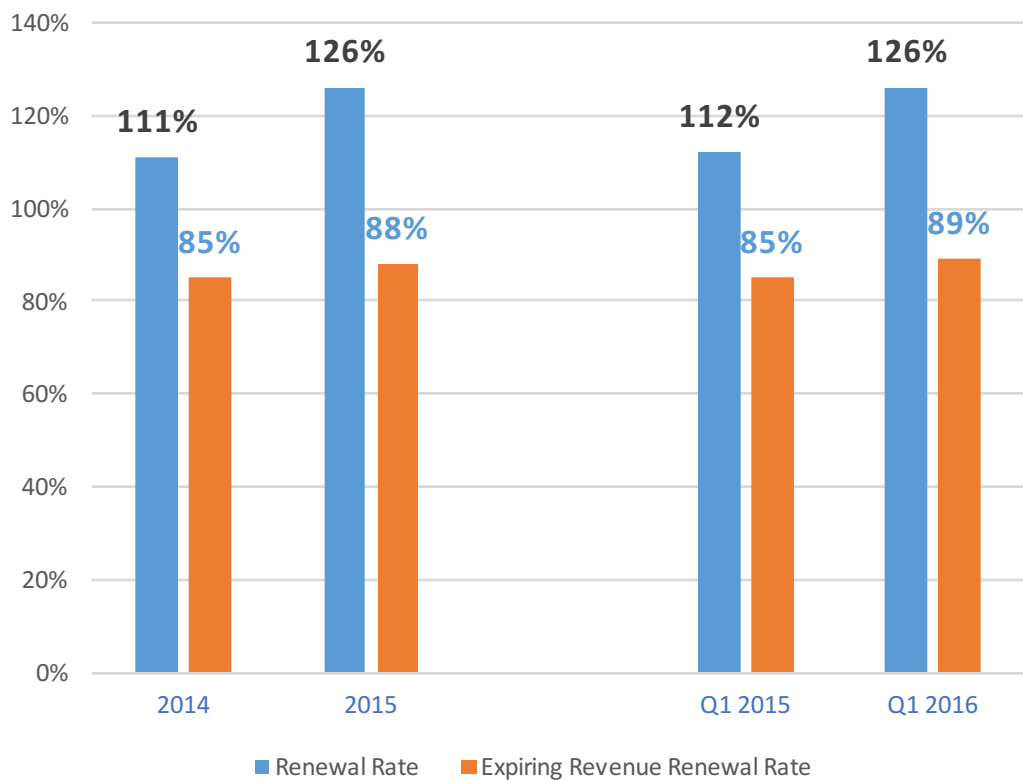
driven by
investments in R&D
and S&M

Customer Base | High-Quality & Rapidly Growing



See End Notes for additional information and definitions

Renewal Rates | Continued Growth & Expansion



**Strong Renewal Rates
at 126%**

Improvement

driven by combination of large renewals, up-sells and cross-sells driving better customer economics.

continued
increase in
Expiring Revenue
Renewal Rate

See End Notes for additional information and definitions

Summary Balance Sheet | March 31, 2016

<i>(\$ in millions)</i>	March 31, 2016
<u>Assets</u>	
Cash	\$ 83.5
Accounts Receivable, Net	29.8
Prepaid Expenses & Other Current Assets	6.6
Total Current Assets	\$ 119.9
Property & Equipment, Net	7.6
Goodwill & Intangible Assets, Net	85.8
Other Assets	0.5
Total Assets	\$ 213.8
<u>Liabilities & Stockholders' Equity</u>	
Current Liabilities	16.8
Total Deferred Revenue	131.9
Other Long-Term Liabilities	4.5
Total Liabilities	\$ 153.2
Total Stockholders' Equity	60.6
Total Liabilities & Stockholders' Equity	\$ 213.8

See End Notes for additional information and definitions

Guidance | Q2 2016 and 2016

Rapid7 anticipates total revenue, non-GAAP loss from operations, and non-GAAP loss per share to be in the following ranges for Q2 2016 and the full-year 2016:

	Q2 2016	2016
Total Revenue	\$35.4 to \$36.8 million	\$149.0 to \$154.0 million
Loss From Operations (non-GAAP)	\$(10.4) to \$(9.4) million	\$(39.5) to \$(35.5) million
Net Loss Per Share (non-GAAP)	\$(0.25) to \$(0.23)	\$(0.96) to \$(0.86)
<i>Weighted-average common shares outstanding</i>	<i>41.5 million</i>	<i>41.7 million</i>

See End Notes for additional information and definitions



End Notes

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- 61% Recurring Revenue defined as revenue from Content Subscription, Managed Services, Cloud-Based Subscriptions, and Maintenance & Support for Q1 2016.
- Renewal rate is calculated by dividing the dollar value of renewed customer agreements, including upsells and cross-sells of additional products, but excluding professional services, on a monthly basis in a trailing 12-month period by the dollar value of the corresponding expiring customer agreements, and then determining the average for the applicable period.

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- The Company defines non-GAAP loss from operations and non-GAAP net loss as GAAP loss from operations and GAAP net loss excluding stock-based compensation expense, amortization of intangible assets and acquisition related expenses. Net loss per share (GAAP) is calculated from using the net loss attributable to common shareholders, rather than net loss.

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- 20% Content Subscription and 15% Maintenance & Support arrangements represent the approximate percentage of software license list price per year.
- 82% Products and Maintenance & Support and 18% Professional Services metrics represents revenue from those two categories as a percentage of total revenue for Q1 2016
- 61% Recurring Revenue defined as revenue from Content Subscription, Managed Services, Cloud-Based Subscription and Maintenance & Support for Q1 2016.

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- \$36.4m in billings is for Q1 2016 and derived from financial statements as Q1 2016 revenue of \$34.8m + Q1 2016 deferred revenue balance of \$131.9m – Q4 2015 deferred revenue balance of \$130.3m.

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- Non-GAAP gross margins represent the GAAP gross profit, excluding stock-based compensation expense and amortization of intangible assets calculated as a % of revenue. See GAAP to Non-GAAP reconciliation.

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- Operating expenses presented are on a non-GAAP basis and exclude stock-based compensation expense, amortization of intangible assets and acquisition related expenses.

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- Operating cash flow margin represents operating cash flow as a percentage of total revenue.
- Non-GAAP operating margin represents GAAP loss from operations, excluding stock-based compensation expense, amortization of intangible assets, and acquisition related expenses as a percentage of total revenue.

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- All statistics are for Q1 2016 or as of March 31, 2016, as applicable.
- International revenue is the percentage of global revenue, excluding North America.
- Enterprise customers represent revenues with greater than \$1 billion in annual revenue or greater than 2,500 employees as a percentage of revenue
- Customer count includes 300+ customers acquired through the Logentrics acquisition in October 2015.
- A customer is defined as any entity that has 1) has an active Rapid7 contract or a contract that expired within 90 days or less of the applicable measurement date, 2) purchased Rapid7 professional services within the 12 months preceding the applicable measurement date or 3) an active subscription to our Logentrics product with a contract value equal to or greater than \$2,400 per year.
- Financial services and Technology segment individually represent 14% of our customer profiles in Q1 2016.

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- Renewal rate is calculated by dividing the dollar value of renewed customer agreements, including upsells and cross-sells of additional products, but excluding professional services, on a monthly basis in a trailing 12-month period by the dollar value of the corresponding expiring customer agreements, and then determining the average for the applicable period.
- Expiring revenue renewal rate is calculated similar to the renewal rate however does not take into account any upsells or cross-sells.

End Notes (cont'd)

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- Current liabilities represents accounts payable, accrued expense and other current liabilities.
- Total deferred revenue represents both current and non-current portions of deferred revenue.

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- Guidance for the second quarter and full-year 2016 does not include any potential impact of foreign exchange gains or losses.
- Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of intangible assets, and acquisition related expenses. A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is not available on a forward-looking basis. Rapid7 has provided a reconciliation of historical non-GAAP financial measures to the most comparable GAAP measures in the financial statement tables included in these End Notes.

End Notes | GAAP to Non-GAAP Gross Profit & Operating Loss Reconciliations

(in thousands, except per share data)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Total gross profit (GAAP)	\$ 26,084	\$ 17,079
Plus: Stock-based compensation expense ¹	137	49
Plus: Amortization of intangible assets ²	446	203
Total gross profit (non-GAAP)	<u>\$ 26,667</u>	<u>\$ 17,331</u>
Gross margin (non-GAAP)	77%	74%
Gross profit (GAAP) - Products and Maintenance and support	\$ 24,247	\$ 16,688
Plus: Stock-based compensation expense	77	5
Plus: Amortization of intangible assets	446	203
Total gross profit (non-GAAP) - Products and Maintenance and support	<u>\$ 24,770</u>	<u>\$ 16,896</u>
Gross margin (non-GAAP) - Products and Maintenance and support	87%	87%
Gross profit (GAAP) - Professional services	\$ 1,837	\$ 391
Plus: Stock-based compensation expense	60	44
Total gross profit (non-GAAP) - Professional services	<u>\$ 1,897</u>	<u>\$ 435</u>
Gross margin (non-GAAP) - Professional services	30%	11%
Loss from operations (GAAP)	\$ (15,619)	\$ (6,618)
Plus: Stock-based compensation expense ¹	5,519	575
Plus: Amortization of intangible assets ²	583	203
Plus: Acquisition related expenses ³	-	56
Loss from operations (non-GAAP)	<u>\$ (9,517)</u>	<u>\$ (5,784)</u>

End Notes | GAAP to Non-GAAP Net Loss & EPS Reconciliations

(in thousands, except per share data)

	Three Months Ended	
	March 31, 2016	March 31, 2015
Net loss attributable to common stockholders (GAAP)	\$ (15,580)	\$ (18,955)
Plus: Accretion of preferred stock to redemption value	-	11,273
Net loss (GAAP)	(15,580)	(7,682)
Plus: Stock-based compensation expense ¹	5,519	575
Plus: Amortization of intangible assets ²	583	203
Plus: Acquisition related expenses ³	-	56
Net loss (non-GAAP)	\$ (9,478)	\$ (6,848)
Net loss per share, basic and diluted (non-GAAP)	\$ (0.23)	\$ (0.54)
Weighted-average common shares outstanding, basic and diluted	40,547,669	12,642,188
¹ Includes stock-based compensation expense as follows:		
Cost of revenue	\$ 137	\$ 49
Research and development	1,493	144
Sales and marketing	2,901	115
General and administrative	988	267
² Includes amortization of intangible assets as follows:		
Cost of revenue	\$ 446	\$ 203
Sales and marketing	38	-
General and administrative	99	-
³ Includes acquisition related expenses as follows:		
General and administrative	\$ -	\$ 56



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