Varonis Overview

Q1 2025

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Company Overview

Varonis at a Glance

The leader in data security, fighting a different battle than conventional cybersecurity companies.

VRNS

FOUNDED IN 2004 IPO IN 2014

~2,500

EMPLOYEES WORLDWIDE

$664.3MM

ANNUAL RECURRING REVENUES
19% Y/Y GROWTH

$68.0MM

YTD OPERATING CASH FLOW

~61%

SaaS ARR AS % OF TOTAL ARR

$65.3MM

YTD FREE CASH FLOW

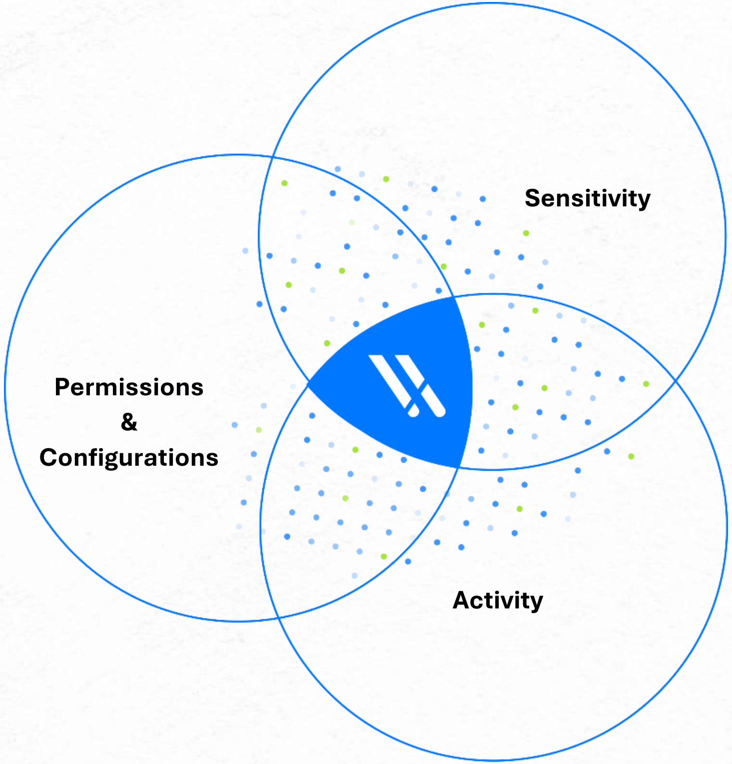
Proven Technology

DATA DOMAINS

On-prem & Cloud
File Storage

SaaS Apps
& Email

Cloud Infrastructure &
Databases



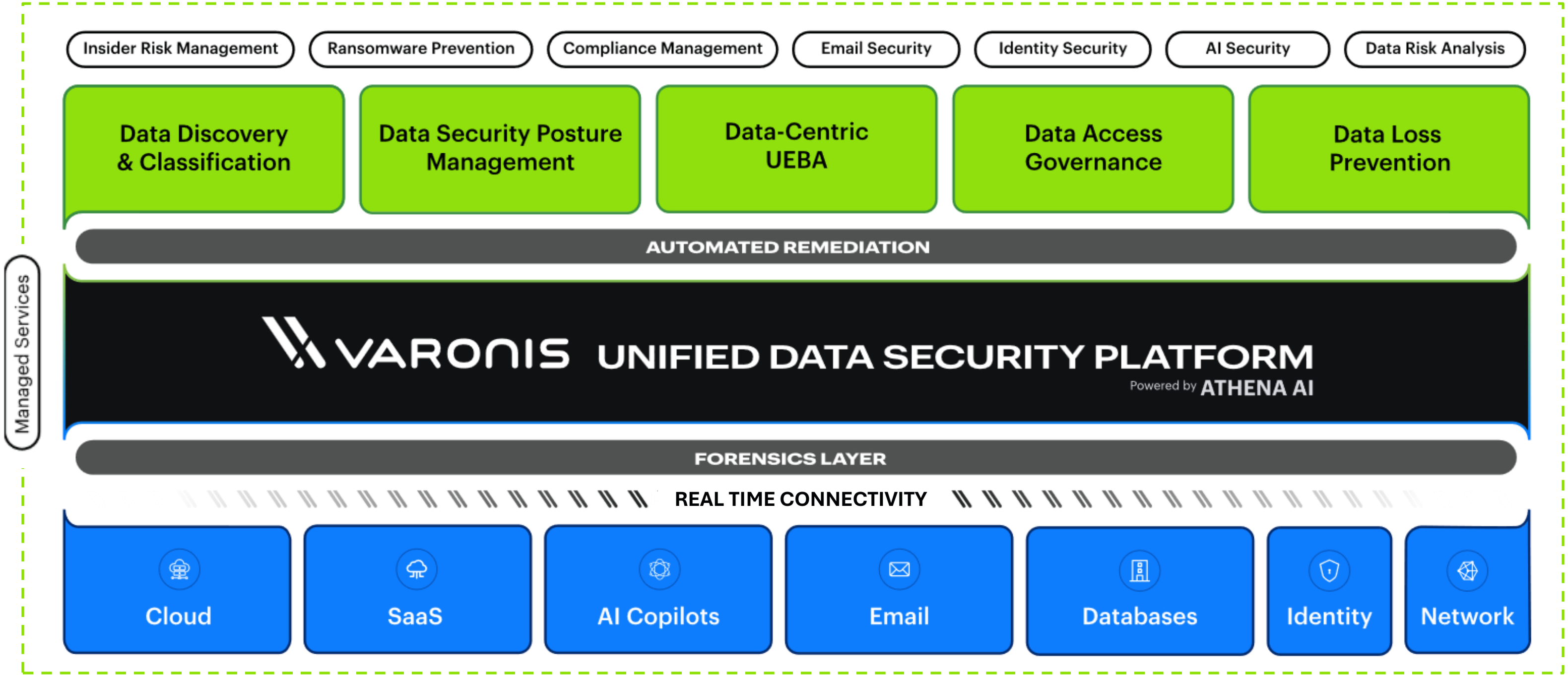
VARONIS USES A DIFFERENT APPROACH TO PROTECT DATA

Real-time visibility

Automated remediation, labeling,
& data subject access requests

Proactive, data-centric detection

Unified and Automated Data Security Platform



Proven Approach

Find

overexposed sensitive data by analyzing data, account activity, and user behavior.

Fix

sensitive and stale data automatically, to remediate current exposure and prevent future exposures.

Alert

on unusual data exposure and automatically respond to keep data safe.

Secular Trends

Data Growth

The amount of data created in the world is expected to grow at a compound annual growth rate of 24% by 2028 with unstructured data accounting for more than 90% of total data generated.[1]

AI & Cloud Adoption

90% of organizations will adopt a hybrid cloud approach through 2027 and more than 80% of enterprises are expected to use Gen AI by 2026.[2]

Cyber Threats

In 2024 the global average cost of a data breach was $4.9 million, which was the highest ever and 40% of breaches involved data stores across multiple environments.[3]

(1) IDC Research - International Data Corporation's Global DataSphere Forecast
(2) Gartner Research – Gartner Forecast for Worldwide Public Cloud Spend & Hype Cycle for Generative AI, 2023
(3) IBM – Cost of a Data Breach Report 2024

Industry Changes

Board Awareness

Boards of Directors are now required to address cyber risks and demonstrate appropriate awareness and action.

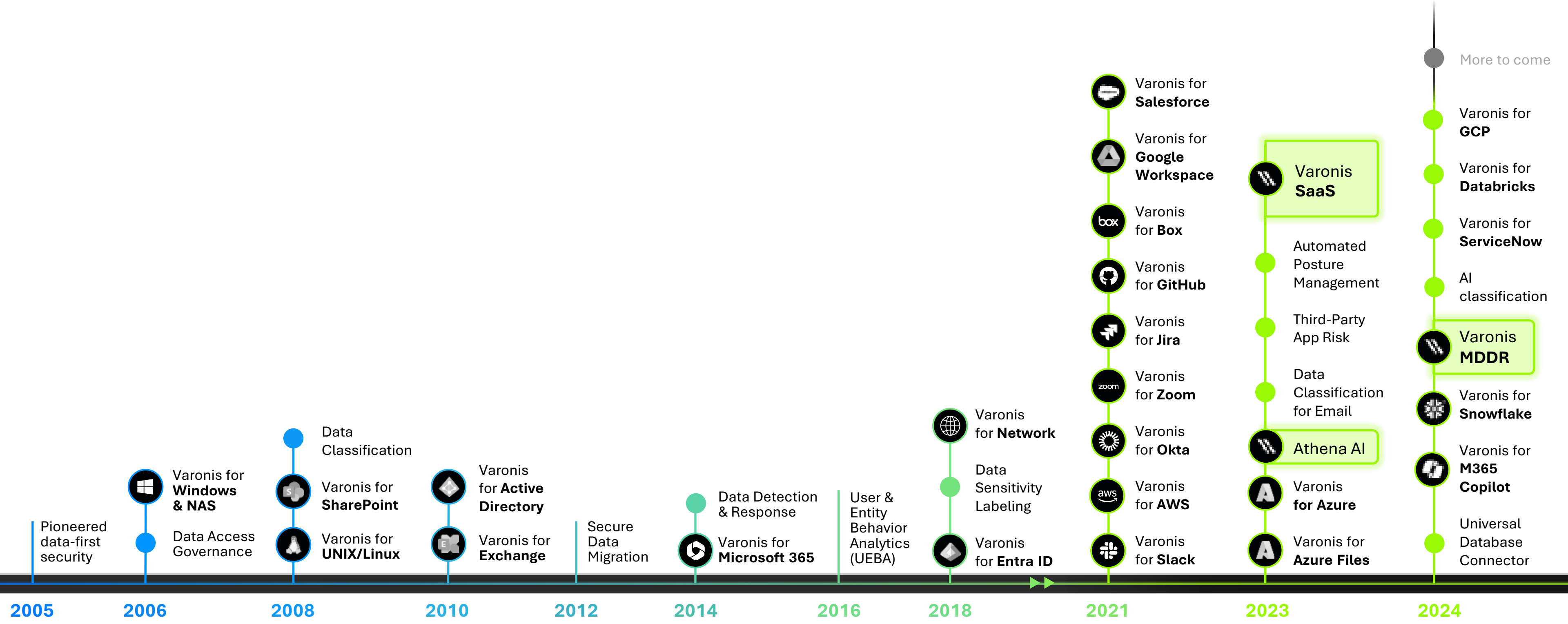
Adoption & Standardization

A data-centric approach to security is becoming the standard as the digital transformation increased reliance on data. Almost every breach involves data assets that are stored in growing, centralized repositories on-premises and in the cloud.

Regulation

The confluence of notable attacks, media attention, and public outcry has led to data-centric regulations in the EU and North America like GDPR, CCPA, and the SEC disclosure rule around cyber events.

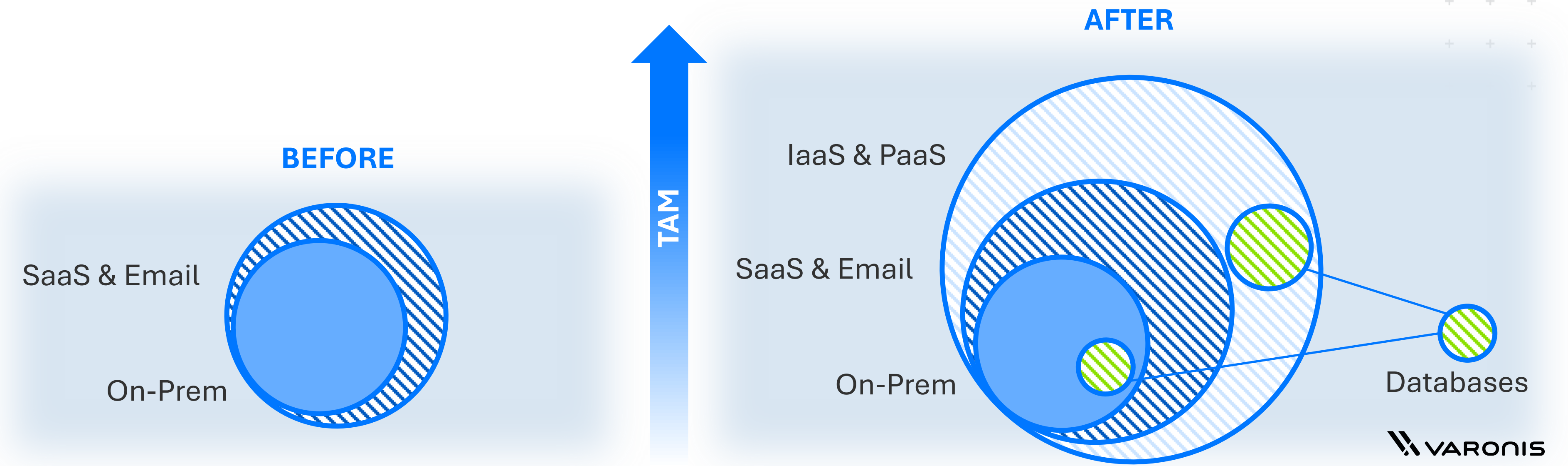
Our SaaS platform enables relentless innovation



VARONIS

Expanding our TAM to protect data in more places

- A leader in protecting large data stores in the cloud (e.g. M365) & on-prem
- We have expanded into new areas, growing our TAM
  - Databases – in the cloud and on-prem
  - SaaS – e.g. Box, Google Drive & Salesforce
  - IaaS/PaaS – e.g. AWS, Azure, databases, Databricks, GCP, Snowflake



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Data Security Platform Use Cases

Data Discovery & Classification
Accurately discover, classify, and label sensitive data.

DSPM
Improve your data security posture automatically.

Data-centric UEBA
Detect, investigate, and respond to attacks on data.

Data access governance
See exactly who can touch sensitive data at all times.

DLP
Monitor data activity and prevent exfiltration.

MDDR
24x7x365 data detection & response with an SLA.

Insider risk management
Identify and prevent insider risks.

Compliance management
Automate compliance regulations and frameworks.

Identity protection
Detect attacks on AD, Entra ID, and Okta.

Data risk assessment
Map data risk and build a path to remediation.

Data lifecycle automation
Automatically enforce data lifecycle policies.

Ransomware prevention
Detect and prevent ransomware attacks.

Email security
Lock down sensitive mailboxes and stop exfiltration.

AI security
Secure AI copilots and LLMs.

Cloud data security
Label critical data, monitor flows, and enforce policy.

First-Mover Advantage

2005

Complexity

Data was stored in fewer places

High-Frequency Iterations

20 years of battle-testing, refinement, and innovation

Data Volume

Data volumes were much smaller

Discipline

Sales process drove tens of thousands of production installs

Predictable Sales Motion

Leads

Channel | Marketing

- Channel resellers provide introductions to the right buyers and help with closing

Risk Assessment

Varonis Sales

- Salesforce performs in-person or virtual risk assessment and builds business case
- Our software can be deployed in under an hour

NURTURE

Closing

Channel | Varonis Sales

- Highly metrics-driven sales process
- Usual Buyer: CISO/CIO/CTO

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Proven Management Team

Yaki Faitelson
CEO, President, Co-Founder & Chairman
Varonis since 2005

Guy Melamed
CFO & COO
Varonis since 2011

David Bass
Executive VP & CTO
Varonis since 2005

Jim O'Boyle
Vice Chairman – Sales
Varonis since 2006

Dana Shahar
Chief Human Resources Officer
Varonis since 2013

Gilad Raz
CIO & VP of Technical Services
Varonis since 2006

Shai Cohen-Golan
Chief of Staff
Varonis since 2017

Dov Gottlieb
VP & General Counsel
Varonis since 2021

Greg Pomeroy
SVP of Worldwide Sales
Varonis since 2008

David Gibson
SVP of Strategic Programs
Varonis since 2006

Rob Sobers
CMO
Varonis since 2011

Financial Results:
Q1 2025 Highlights

Q1 2025 Highlights

ANNUAL RECURRING REVENUES ($MM)

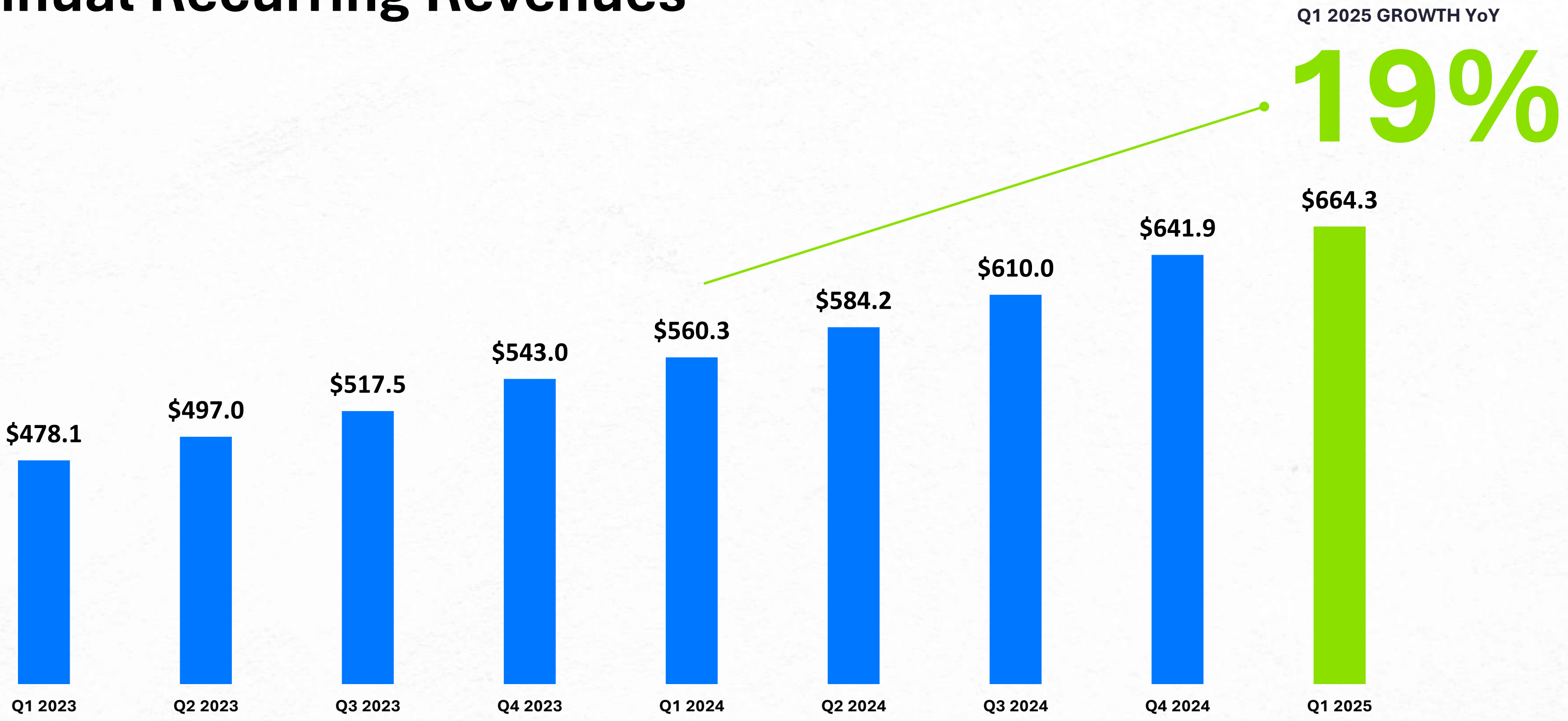
$664.3MM ARR at the end of Q1 grew 19% YoY

~61% SaaS ARR as % of Total ARR

16.7% ARR Contribution Margin

$65.3MM YTD Free Cash Flow

Annual Recurring Revenues



In millions

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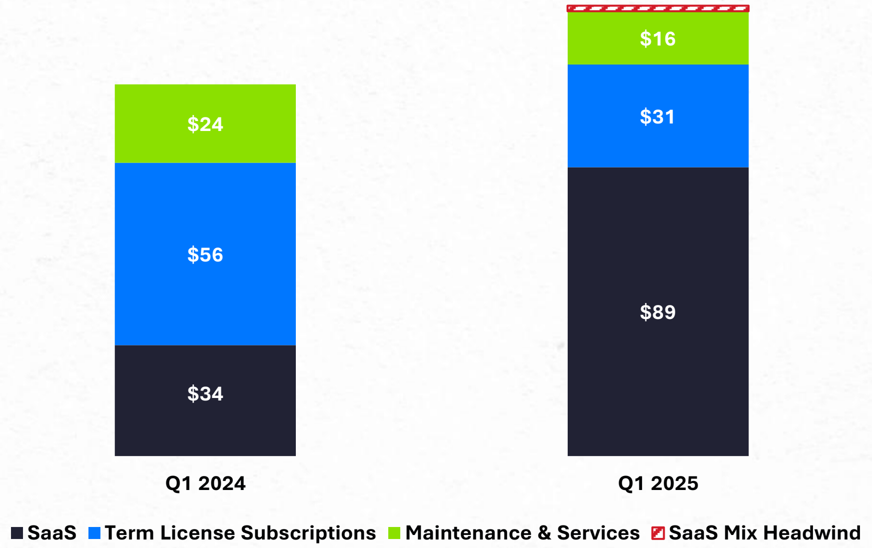
SaaS is a headwind to reported revenue, but driving positive business momentum

- In the first quarter, we had a ~1% headwind to our year-over-year revenue growth rate as a result of having increased SaaS sales in our bookings mix



During the quarter as compared to the same quarter last year, we had approximately a 1% headwind to our year-over-year revenue growth rate as a result of having increased SaaS sales in our bookings mix, which are recognized ratably vs. the upfront recognition of our on-prem subscription products. The headwind reflects an assumption that on-prem subscription products and SaaS bookings mix as a percentage of total new bookings remained the same as the prior period (with the incremental SaaS booked as on-prem subscription products). The headwind also reflects an assumption that customers who purchased on-prem subscription renew as on-prem subscription and customers who purchased SaaS renew as SaaS. All dollar values included above are in millions.

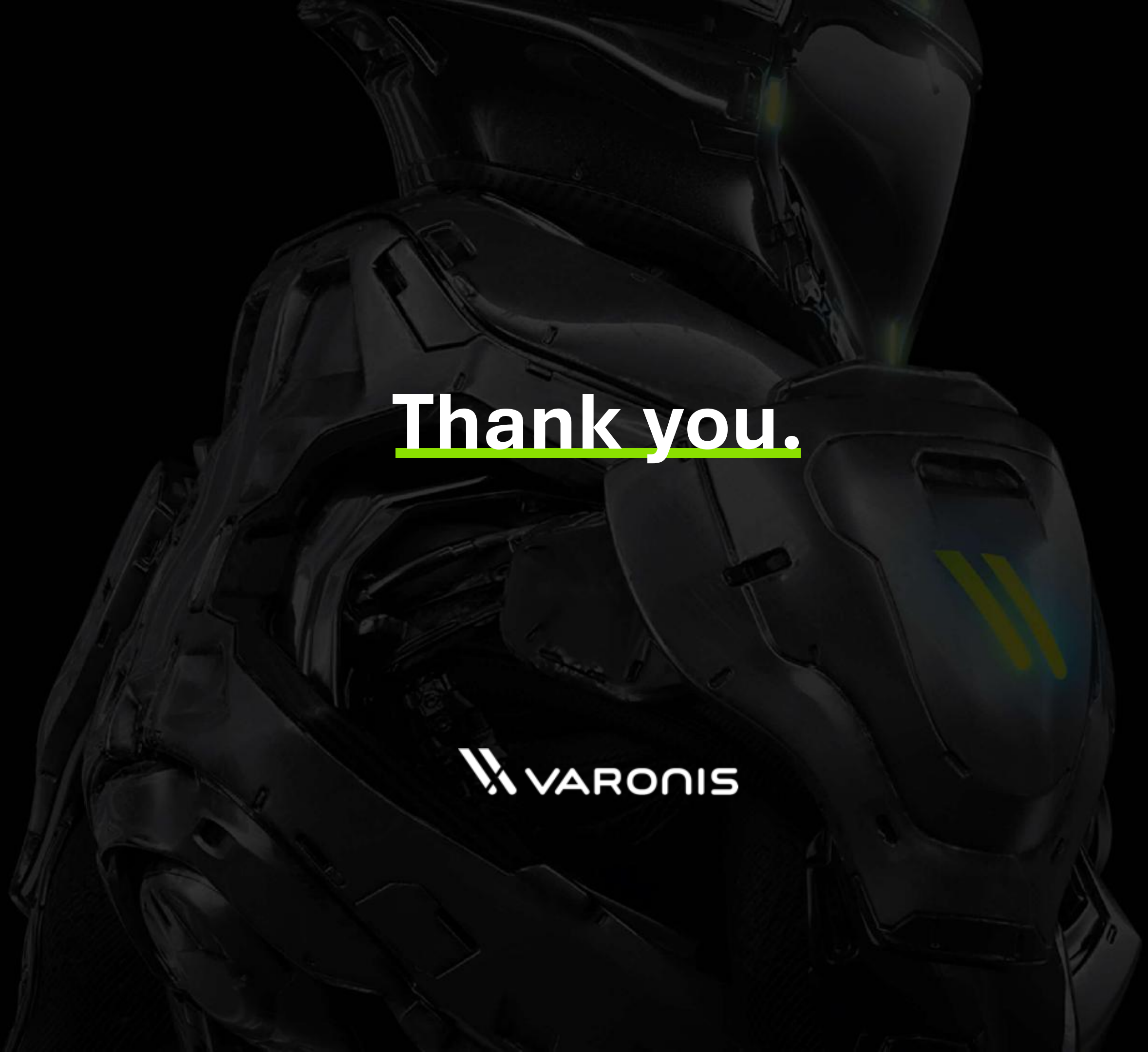
SaaS is a headwind to reported operating margin, but driving positive business momentum

During the quarter as compared to the same quarter last year, we had approximately a 1% headwind to our operating margin as a result of having increased SaaS sales in our bookings mix, which are recognized ratably vs. the upfront recognition of our on-prem subscription products. The headwind reflects an assumption that on-prem subscription products and SaaS bookings mix as a percentage of total new bookings remained the same as the prior period (with the incremental SaaS booked as on-prem subscription products). The headwind also reflects an assumption that customers who purchased on-prem subscription renew as on-prem subscription and customers who purchased SaaS renew as SaaS. All dollar values included above are in millions.

Q2 & FY 2025 Financial Guidance

Guidance	Q2 2025	FY 2025
Annual Recurring Revenues (“ARR”)		$742.0MM – $750.0MM
YoY growth		*16% – 17%*
Free Cash Flow		$120.0MM – $125.0MM
Total Revenues	$145.0MM – $150.0MM	$610.0MM – $625.0MM
YoY growth	*11% – 15%*	*11% – 13%*
Non-GAAP Operating Income (Loss)	($5.0MM) – ($2.0MM)	$0.5MM – $10.5MM
Non-GAAP Operating Margin	*(3.4%) – (1.3%)*	*0.1% – 1.7%*
Diluted Shares Outstanding	135.2MM	135.8MM
Non-GAAP Net Income per Diluted Share	$0.00 – $0.01	$0.14 – $0.17

Our long-term goal is to build a billion-dollar business that grows meaningfully with expanding profit and cash flow.



Thank you.

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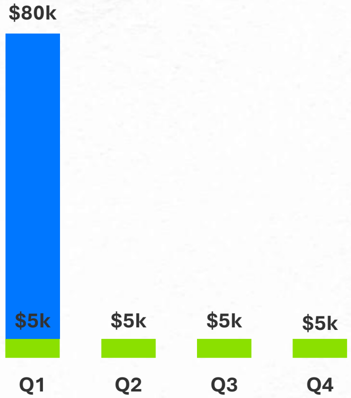
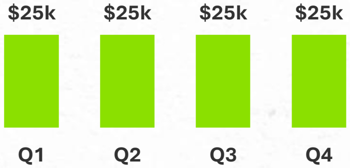
Appendix: Revenue Recognition Example #1

TERM-BASED ON-PREM SUBSCRIPTION



~80% Upfront / ~20% Ratable
~85% of deal recognized in Q1
100% of deal recognized in fiscal year

SAAS

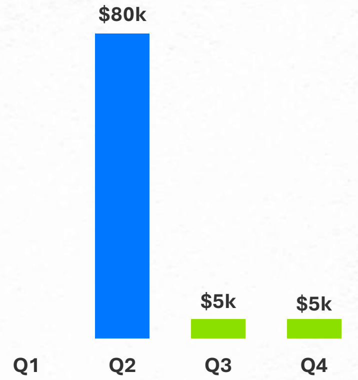


100% Ratable
~25% of deal recognized in Q1
100% of deal recognized in fiscal year

Both scenarios assume $100K ARR deal delivered on January 1 = **ARR impact is the same**
Both are collected annually in advance = **FCF impact is the same**

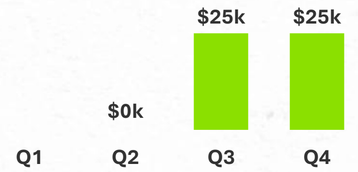
Appendix: Revenue Recognition Example #2

TERM-BASED ON-PREM SUBSCRIPTION



~80% Upfront / ~20% Ratable
~80% of deal recognized in Q2
~90% of deal recognized in fiscal year

SAAS

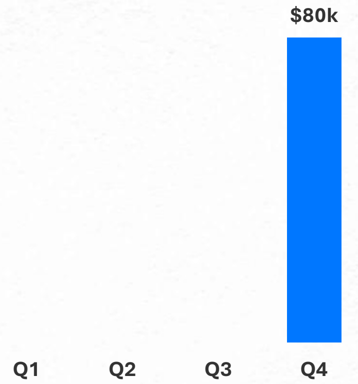


100% Ratable
<1% of deal recognized in Q2
~50% of deal recognized in fiscal year

Both scenarios assume $100K ARR deal delivered on June 30 = **ARR impact is the same**
Both are collected annually in advance = **FCF impact is the same**

Appendix: Revenue Recognition Example #3

TERM-BASED ON-PREM SUBSCRIPTION



~80% Upfront / ~20% Ratable
~80% of deal recognized in Q4
~80% of deal recognized in fiscal year

SAAS

100% Ratable
<1% of deal recognized in Q4
<1% of deal recognized in fiscal year

Both scenarios assume $100K ARR deal delivered on December 31 = **ARR impact is the same**
Both are collected annually in advance = **FCF impact is the same**

Appendix: Reconciliation of GAAP Measures to Non-GAAP

	Three Months Ended March 31,	
	2025	2024
Reconciliation to non-GAAP operating loss:		
GAAP operating loss	**($43,766)**	**($47,633)**
Add back:		
Stock-based compensation expense	32,255	32,093
Payroll tax expenses related to stock-based compensation	3,067	4,587
Amortization of acquired intangible assets and acquisition-related expenses	1,986	381
Non-GAAP operating loss	**($6,458)**	**($10,572)**
Reconciliation to non-GAAP net income (loss):		
GAAP net loss	**($35,783)**	**($40,490)**
Add back:		
Stock-based compensation expense	32,255	32,093
Payroll tax expenses related to stock-based compensation	3,067	4,587
Amortization of acquired intangible assets and acquisition-related expenses	1,986	381
Foreign exchange rate differences, net	(2,135)	(681)
Amortization of debt issuance costs	887	383
Acquisition-related taxes	391	—
Non-GAAP net income (loss)	**$668**	**($3,727)**
GAAP weighted average number of shares used in computing net loss per share of common stock – basic and diluted	112,651,178	109,990,177
Non-GAAP weighted average number of shares used in computing net income (loss) per share of common stock – basic	112,651,178	109,990,177
Non-GAAP weighted average number of shares used in computing net income (loss) per share of common stock – diluted	136,738,899	109,990,177
GAAP net loss per share of common stock – basic and diluted	**($0.32)**	**($0.37)**
Non-GAAP net income (loss) per share of common stock – basic	**$0.01**	**($0.03)**
Non-GAAP net income (loss) per share of common stock – diluted	**$ —**	**($0.03)**

In thousands, except share and per share data

Appendix: Reconciliation of GAAP Measures to Non-GAAP

Reconciliation to non-GAAP free cash flow:	Three Months Ended March 31,	
	2025	2024
Net cash provided by operating activities	$68,000	$56,723
Purchases of property and equipment	($2,339)	($297)
Capitalized internal-use software	($325)	—
Free cash flow	**$65,336**	**$56,426**

In thousands