

Q2 2019 Investor Presentation

Five9 (NASDAQ: FIVN)



The Intelligent Cloud Contact Center

Safe Harbor

This presentation is proprietary and is intended solely for the information of the persons to whom it is presented. It may not be retained, reproduced or distributed, in whole or in part, by any means (including electronic) without the prior written consent of Five9, Inc.

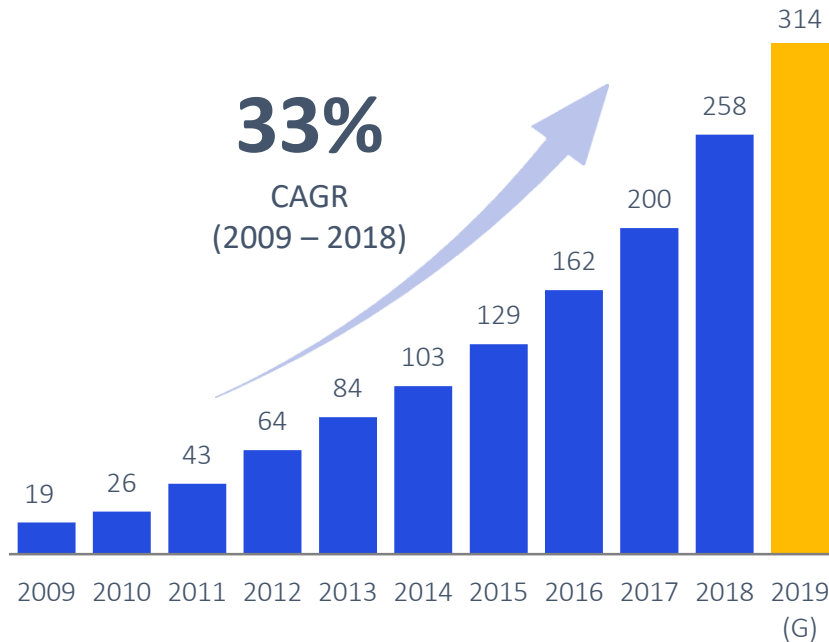
This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning events and trends that may affect our industry or the Company, including potential growth drivers, projections and guidance concerning our future results of operations including our intermediate and long-term models, our market opportunity and our intermediate and long-term growth prospects. Our actual results may be materially different from what we discuss here and you should not unduly rely on such forward looking statements. Please refer to our most recent Form 10-K and 10-Q under the caption "Risk Factors" and elsewhere in such reports, for detailed information about factors that could cause our results to differ from those set forth in such forward-looking statements. We undertake no obligation to update any such forward-looking information.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP and may differ from non-GAAP measures used by other companies in our industry. The Company considers these non-GAAP financial measures to be important because they provide useful measures of the operating performance of the Company, exclusive of unusual events, as well as factors that do not directly affect what we consider to be our core operating performance. The non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP. Please see the reconciliation of non-GAAP financial measures to the most directly comparable GAAP measure set forth in the Appendix to this presentation.

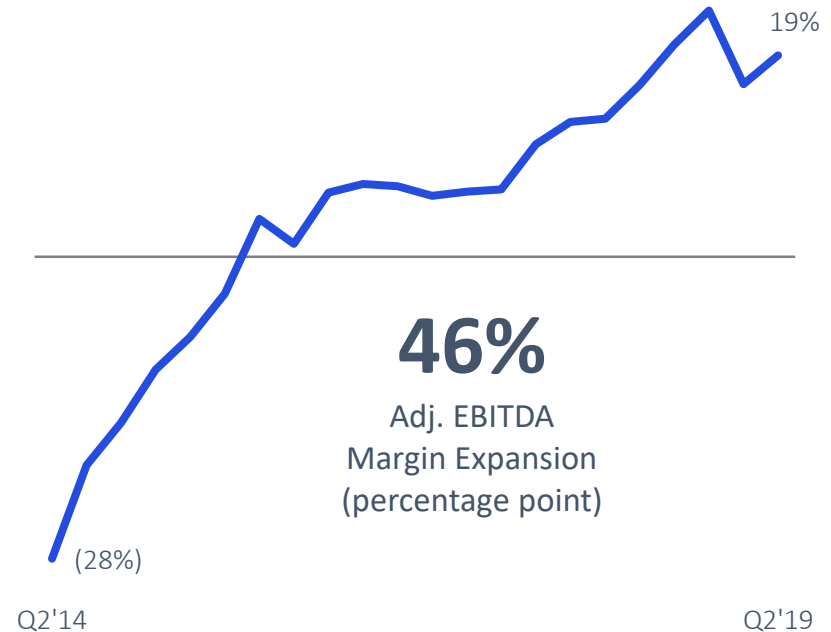
This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical data.

Leader in Cloud Software for Contact Centers

Annual Revenue (\$M)



Adj. EBITDA Margin Since IPO



100%

Cloud

100%

Organic

79%

Enterprise
(LTM)

36%

Enterprise Subscription
YoY Growth (LTM)

40+

\$1M+ ARR Enterprise
Customers (Q4'18 Ann.)

Note: 2019 (G) represents the midpoint of revenue guidance disclosed on 7/31/19. Reader shall not construe presentation of this information after 7/31/19 as an update or reaffirmation of such guidance. LTM metrics as of 6/30/19. \$1M+ ARR based on Q4'18 annualized. Historical results prior to 2018 based on ASC 605

Large Market Opportunity

North America

~ 6.4M agents⁽¹⁾

+

International

~ 9.4M agents⁽¹⁾

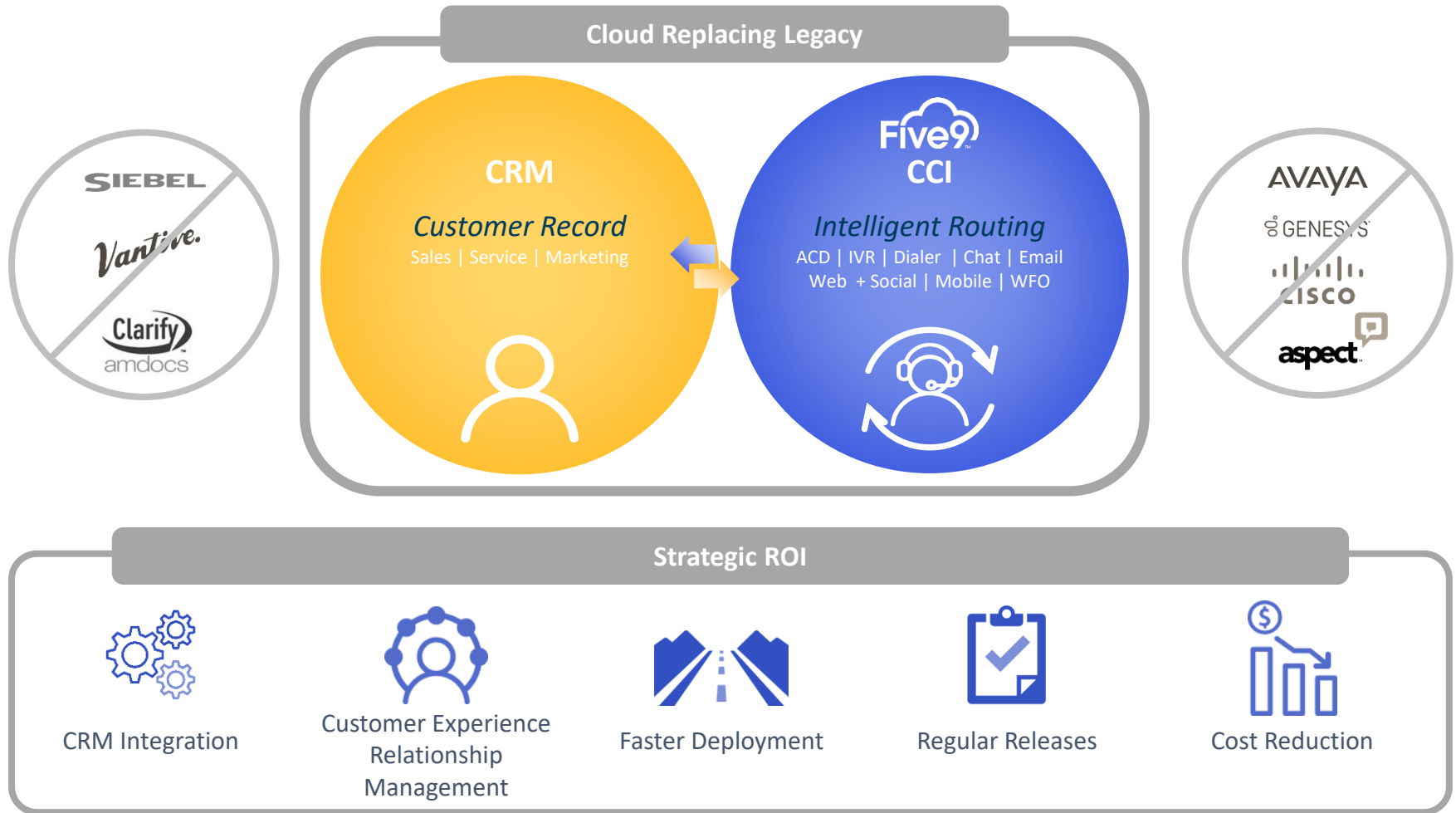
\$24B Global Addressable Market⁽²⁾

Underpenetrated

~10-15% Cloud⁽³⁾

⁽¹⁾ Based on 2015 industry report; ⁽²⁾ Based on Company estimates; ⁽³⁾ Represents estimated penetration in North America

Modernization is Accelerating: Legacy to Cloud



"CRM": Customer Relationship Management

"CCI": Contact Center Infrastructure

Why Enterprise Customers Choose Five9

- **Full Feature Set:** ACD, IVR, dialer, inbound, outbound, blending, omni-channel, WFO, reporting, APIs...
- **Superior User Experience / Customer Experience**
- **Innovation:** Customer journey, analytics, mobile...
- **Deepest CRM Integrations:** Salesforce, Oracle, Zendesk, Microsoft, ServiceNow...



End-to-End Solution



Five9 TRUST Platform

- **Reliable:** 99.99%+ uptime
- **Secure 8 Layer Approach:** Security zones, IPS / IDS, CSA
- **Compliant:** PCI DSS, HIPAA, BAA, CPNI
- **Scalable:** 5B+ call minutes annually
- **End-to-End Network Connectivity:** Tier 1 carrier redundancy, MPLS Agent Connect, high QOS

- **Our People:** Recruit and retain top talent with a customer-first attitude
- **Chemistry:** “Whatever it takes mentality,” teamwork and communication
- **KPIs:** Cross-functional metrics focused on customer success



Customer-First Culture



Implementation & Support

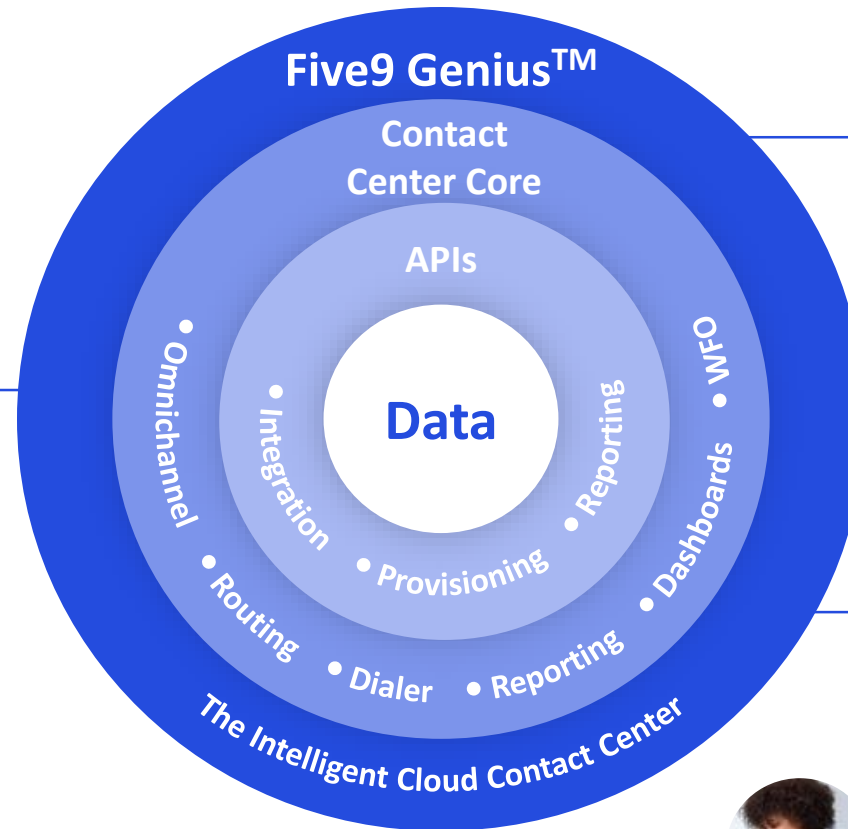
- **High-Touch / On-Site Implementation**
 - Detailed Discovery
 - Design & Testing
 - Training & Optimization
- **Premium Support:** Ongoing dedicated TAM

Five9 Genius™ the Intelligent Cloud Contact Center...



Channels

- Email
- Chat
- Voice
- Mobile
- Social



Ecosystem

- CRM
- UC
- WFO

Clients

- Agent
- Supervisor
- Admin



...Enables Digital Transformation



PERSONALIZED EXPERIENCE

Intelligent digital
workflow engine that
creates
personalized
customer experiences



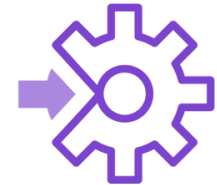
CLOUD INNOVATION

Enabling an agile,
scalable, and
innovative
environment to meet
and exceed the
evolving needs of
today's business



TRUSTED PARTNER

Unique, high-touch
approach
throughout the
entire customer
life cycle



INTEGRATION

Openness through
ecosystem and
APIs to maximize,
extend, and customize
your
contact center

Vibrant Partner Ecosystem

CRM



Systems Integrator



Technology / WFO / UC



ISV



Master Agents / Resellers



Gartner Magic Quadrant 2018

Contact Center as a Service, North America



Five9 Named a Leader for the 4th Year in a Row

- 2018 Gartner Magic Quadrant Contact Center as a Service
- Improved Position for Completeness of Vision
- Industry validation of Five9 being true to its vision – Great Customer Experiences Every Time



Gartner, Magic Quadrant for Contact Center as a Service, North America, Drew Kraus, Steve Blood, Simon Harrison, Daniel O'Connell, 17 October 2018

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Five9

Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose

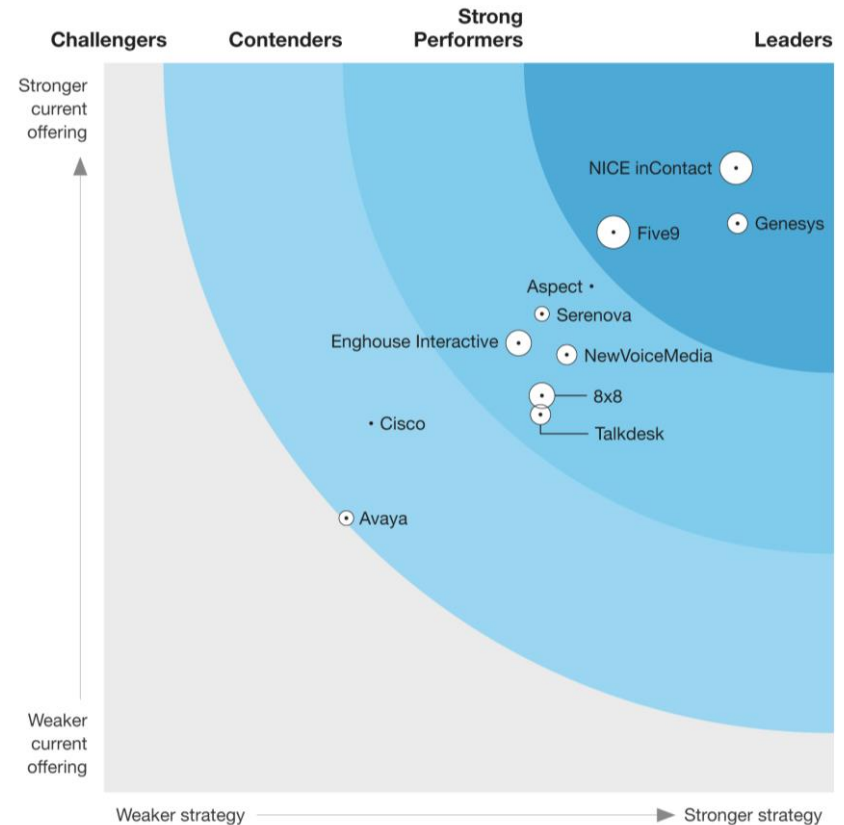
Forrester Wave 2018

Cloud Contact Center

FORRESTER®

Five9 Named a Leader in The Forrester Wave™: Cloud Contact Center, Q3 2018

- Five9 is known for its premium customer success management, with well-defined levels of support and staffing
- Its multitenant, omnichannel cloud contact center solution has prebuilt CRM integrations with a slew of CRM players
- Provides WFO through partnerships with vendors such as Calabrio and Verint

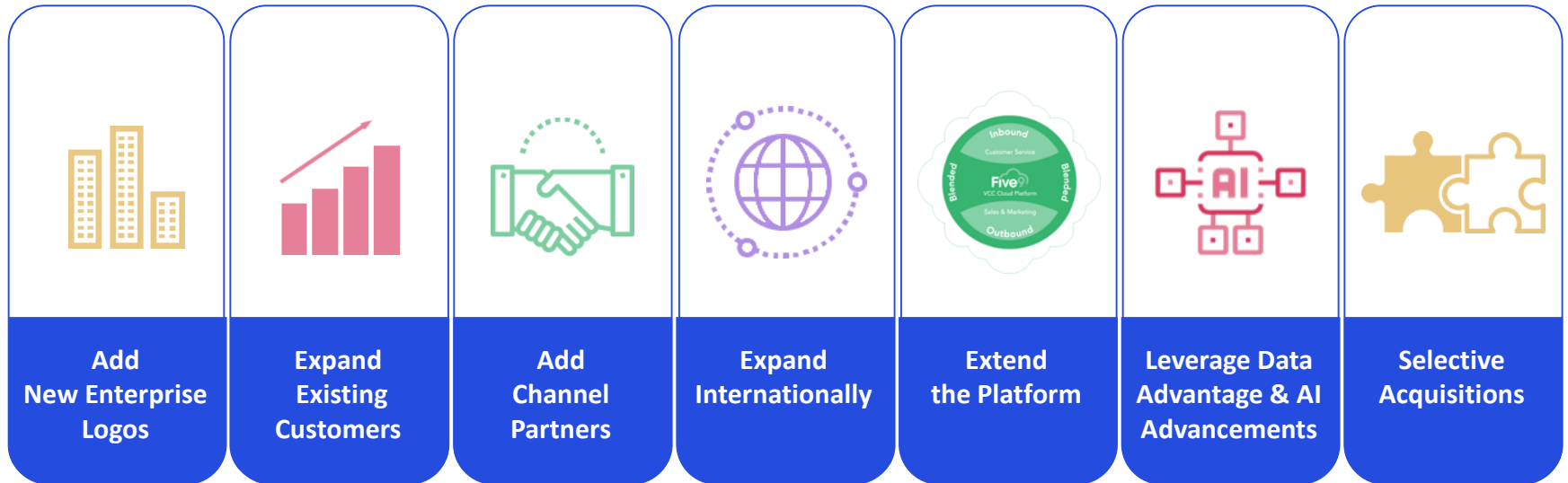


The Forrester Wave™: Cloud Contact Centers, Q3 2018, Art Schoeller, Daniel Hong, Sara Sjoblom, Peter Harrison, 25 September 2018

This graphic was published by Forrester Research as part of a larger research document and should be evaluated in the context of the entire document. The Forrester Research document is available upon request from Five9

Forrester Research does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Forrester Research publications consist of the opinions of Forrester Research's organization and should not be construed as statements of fact. Forrester Research disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose

Multiple Vectors for Long-Term Growth



Leadership Team



Rowan Trollope

CEO



Dan Burkland

President



Barry Zwarenstein

CFO



Jonathan Rosenberg

CTO and Head of AI



Ryan Kam

CMO



David Pickering

EVP, Engineering



Scott Welch

EVP, Cloud Operations



Anand Chandrasekaran

EVP, Product Management



James Doran

EVP, Strategy & Operations



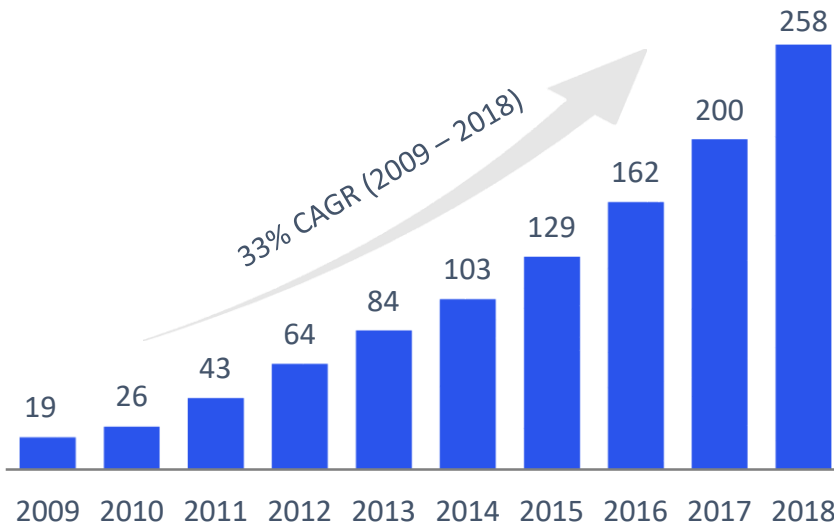
Tricia Yankovich

VP, Human Resources

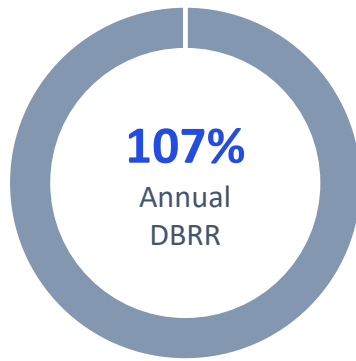
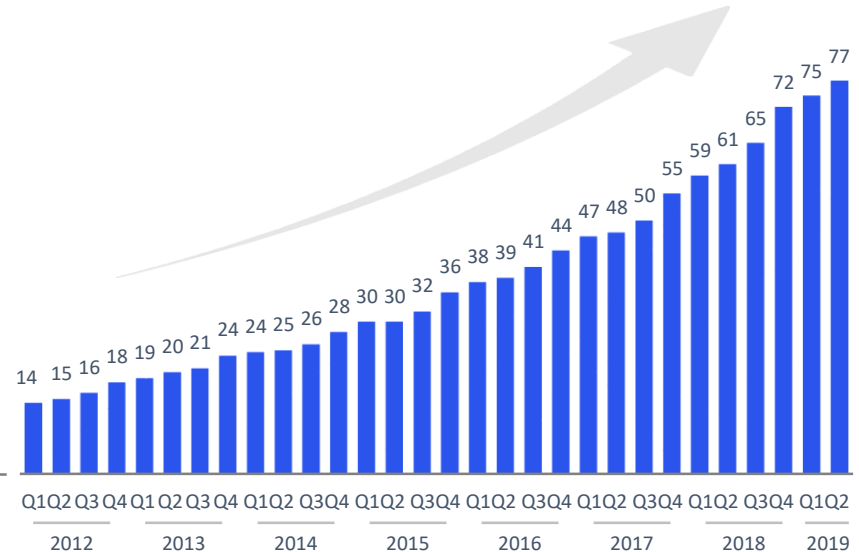


Strong, Consistent Revenue Growth

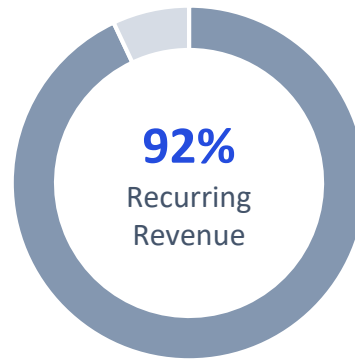
Annual Revenue (\$M)



Quarterly Revenue (\$M)



High Retention



High Visibility



No Concentration

Note: Annual DBRR, recurring revenue and client concentration as of Q2'19. Historical results prior to 2018 based on ASC 605

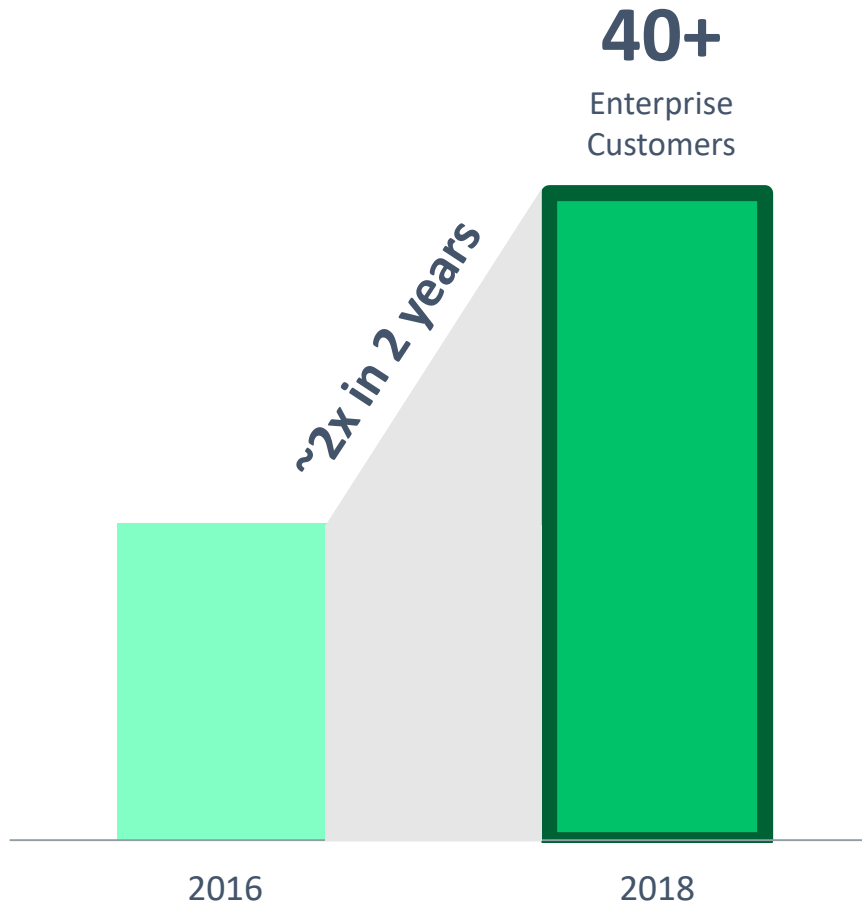
© 2019 Five9, Inc. All rights Reserved. Proprietary and Confidential to Five9 Inc.

The Intelligent Cloud Contact Center



Enterprise Driving Strong Growth and Profitability

Enterprise Customers \$1M+ ARR (Q4'18 Ann.)

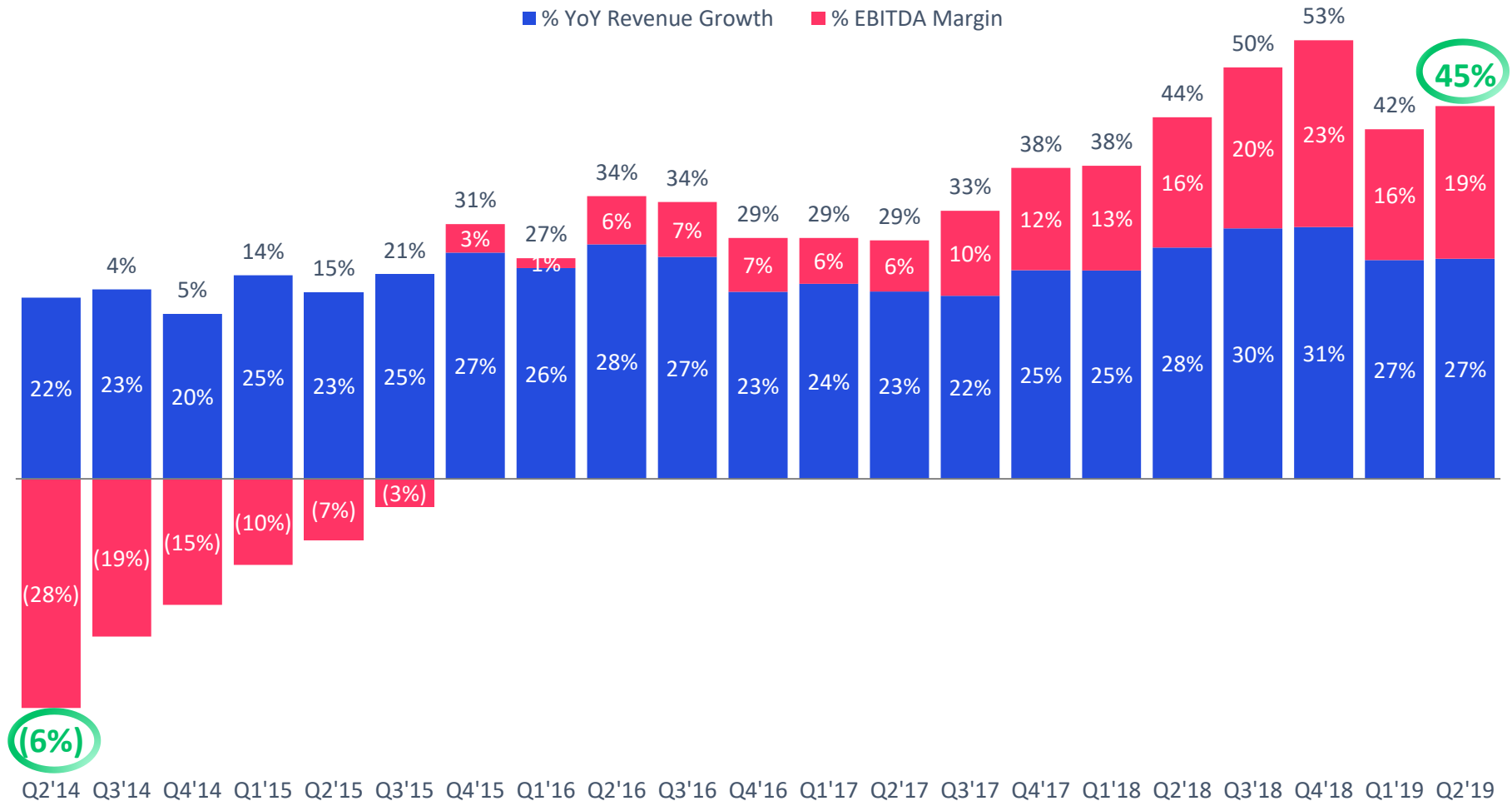


Strong Unit Economics



Note: Unit economics calculated as estimated cumulative profit from Enterprise customers over a 5-year period divided by direct costs attributable to customer acquisition. \$1M+ ARR based on Q4'18 annualized

Exceeding “Rule of 40” Despite Increased Investments



Note: ASC 606 for 2018-2019 periods and ASC 605 for prior periods

Margin Expansion and Operating Leverage

Non-GAAP

Adj. Gross Margin

13.5% expansion

IPO

Today

51.5%

65.0%

Q2'14

Q2'19

Non-GAAP Opex (% of revenue)

32.8% improvement

IPO

Today

79.3%

G&A

21.4%

S&M

37.5%

R&D

20.4%

46.5%

9.1%

26.5%

10.9%

Q2'14

Q2'19

Adj. EBITDA Margin

46.4% expansion

IPO

Today

18.6%

(27.8%)

Q2'14

Q2'19

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. Q2'14 metrics based on ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

Long-Term Operating Model

Non-GAAP

Based on ASC 605

% of Revenue	2014	2015	2016	2017	2018	Q2'19
Adj. Gross Margin	53%	59%	62%	63%	64%	65%
S&M	35%	31%	31%	31%	25%	26%
R&D	19%	16%	13%	12%	11%	11%
G&A	21%	16%	13%	11%	10%	9%
Adj. EBITDA	(22%)	(4%)	5%	9%	18%	19%

Based on ASC 606

	Long-Term Model
Subscription / PS margin expansion and increasing subscription mix	70%+
Continue to invest in GTM in line with revenue growth	26% – 30%
Current acceleration offset by long-term leverage	8% – 10%
Economies of scale	5% – 7%
	27%+

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. 2014-2017 metrics based on ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

Balance Sheet

\$ in Millions	Quarter Ended	
	June 30, 2019	March 31, 2019
Cash, cash equivalents and marketable investments	\$307.5	\$298.9
Working capital	302.6	288.3
Total assets	435.8	415.4
Total finance leases	7.9	9.5
Total debt	203.1	199.8
Total stockholders' equity	\$166.6	\$150.7

Investment Highlights



Largest 100% Cloud Contact Center Provider

~\$310M Revenue Run Rate (Q2'19)

Disrupting Large Market

\$24B TAM

Strong Revenue Growth

36% Growth in LTM Enterprise Subscription Revenue

Marching to Long-Term 27%+ Adjusted EBITDA

Powerful Business Model / Excellent Unit Economics

Comprehensive Solution

Enables Digital Transformation

Vibrant Partner Ecosystem

>60% of Enterprise Deal Flow Influenced by Channels

Proven Leadership Team

Recognized as a leader in Gartner MQ and Forrester Wave



Appendix

GAAP to Adjusted Gross Profit Reconciliation

Q2'14 – Q2'19

	Quarter Ended																				
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP gross profit	11,216	12,365	13,734	15,496	16,004	17,475	20,398	21,405	22,122	23,192	28,437	27,043	27,454	29,584	33,040	34,203	36,306	39,125	43,996	43,687	46,188
% GAAP gross margin	45.4%	47.8%	48.6%	51.2%	52.9%	54.1%	56.6%	56.3%	56.9%	56.6%	64.3%	57.5%	57.5%	59.1%	59.6%	58.1%	59.4%	59.9%	60.8%	58.6%	59.6%
Depreciation & amortization	1,373	1,272	1,291	1,439	1,558	1,470	1,483	1,680	1,616	1,668	1,608	1,576	1,716	1,397	1,611	1,794	1,864	2,021	2,129	2,366	2,504
Stock-based compensation	121	158	176	188	218	233	227	265	329	357	424	434	575	599	594	678	853	860	942	1,229	1,658
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	(3,114)	—	—	—	—	—	—	—	—	—	—
Out of period adj. for accrued federal fees	—	—	235	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted gross profit	12,710	13,795	15,436	17,123	17,780	19,178	22,108	23,350	24,067	25,217	27,355	29,053	29,745	31,580	35,245	36,675	39,023	42,006	47,067	47,282	50,350
% adjusted gross margin	51.5%	53.3%	54.6%	56.6%	58.7%	59.4%	61.4%	61.4%	61.9%	61.5%	61.9%	61.8%	62.3%	63.1%	63.6%	62.3%	63.8%	64.3%	65.1%	63.4%	65.0%

Note: Historical results prior to 2018 based on ASC 605

GAAP to Adjusted Gross Profit Reconciliation

2014 – 2018

	Year Ended				
	2014	2015	2016	2017	2018
GAAP gross profit	48,441	69,373	95,156	117,121	153,630
<i>% GAAP gross margin</i>	<i>47.0%</i>	<i>53.8%</i>	<i>58.7%</i>	<i>58.5%</i>	<i>59.6%</i>
Depreciation & amortization	5,138	5,950	6,573	6,300	7,808
Stock-based compensation	542	866	1,375	2,202	3,333
Reversal of accrued federal fees	—	—	(3,114)	—	—
Out of period adj. for accrued federal fees	235	—	—	—	—
Adjusted gross profit	54,356	76,189	99,990	125,623	164,771
<i>% adjusted gross margin</i>	<i>52.7%</i>	<i>59.1%</i>	<i>61.7%</i>	<i>62.7%</i>	<i>63.9%</i>

Note: Historical results prior to 2018 based on ASC 605

GAAP Net Inc. (Loss) to Adj. EBITDA Reconciliation

Q2'14 – Q2'19

	Quarter Ended																				
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP net income (loss)	(8,659)	(11,435)	(9,372)	(8,903)	(7,369)	(6,048)	(3,518)	(4,911)	(3,468)	(3,890)	409	(5,255)	(4,007)	924	(631)	(607)	(2,042)	(1,305)	3,733	(1,924)	(1,860)
Non-GAAP adjustments:																					
Depreciation and amortization	1,699	1,567	1,605	1,775	1,910	1,840	1,863	2,103	2,060	2,140	2,086	2,095	2,270	1,881	2,068	2,320	2,449	2,667	2,838	3,192	3,361
Stock-based compensation	1,723	1,877	1,957	2,235	1,830	1,945	1,720	1,994	2,414	2,519	2,716	3,129	3,854	3,720	4,640	5,325	6,797	8,869	7,493	8,686	10,436
Interest expense	1,092	1,116	1,175	1,139	1,155	1,235	1,198	1,199	1,197	961	869	882	888	865	836	810	2,378	3,595	3,462	3,396	3,406
Interest income and other	28	(95)	(146)	(2)	49	(119)	(28)	45	33	(12)	(54)	(118)	(90)	(118)	(164)	(398)	(206)	(1,352)	(1,359)	(1,745)	(1,490)
Provision for (benefit from) income taxes	12	13	33	18	(20)	50	13	28	42	(2)	(14)	49	50	43	126	45	64	41	150	(49)	29
Extinguishment of debt	—	—	—	—	—	—	—	—	—	1,026	—	—	—	—	—	—	—	—	—	—	—
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	(3,114)	—	—	—	—	—	—	—	—	—	—
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	1,700	—	—	—	—	—	—	—	—	420
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	135	—	—	—	—	241	258	93	292	64
Reversal of contingent sales tax liability (G&A)	(2,766)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,133)	—	—	—	—	—	—	—
Accrued FCC charge (G&A)	—	2,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for accrued federal fees (COR)	—	—	235	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for sales tax liability (G&A)	—	—	183	575	190	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBITDA	(6,871)	(4,957)	(4,330)	(3,163)	(2,255)	(1,097)	1,248	458	2,278	2,742	2,898	2,617	2,965	5,182	6,875	7,495	9,681	12,773	16,410	11,848	14,366
% adjusted EBITDA margin	(27.8%)	(19.2%)	(15.3%)	(10.4%)	(7.4%)	(3.4%)	3.5%	1.2%	5.9%	6.7%	6.6%	5.6%	6.2%	10.3%	12.4%	12.7%	15.8%	19.6%	22.7%	15.9%	18.6%

Note: Historical results prior to 2018 based on ASC 605

GAAP Net Loss to Adjusted EBITDA Reconciliation

2014 – 2018

	Year Ended				
	2014	2015	2016	2017	2018
GAAP net income (loss)	(\$37,786)	(\$25,838)	(\$11,860)	(\$8,969)	(\$221)
Non-GAAP adjustments:					
Depreciation and amortization	6,463	7,388	8,390	8,314	10,274
Stock-based compensation	6,753	7,730	9,643	15,343	28,484
Interest expense	4,161	4,727	4,226	3,471	10,245
Interest income and other	(245)	(100)	13	(490)	(3,315)
Provision for (benefit from) income taxes	85	61	54	268	300
Extinguishment of debt	—	—	1,026	—	—
Reversal of accrued federal fees	—	—	(3,114)	—	—
Legal settlement	—	—	—	1,700	—
Legal and indemnification fees related to settlement	—	—	—	135	592
Change in fair value of convertible preferred and common stock warrant liabilities	(1,745)	—	—	—	—
Reversal of contingent sales tax liability (G&A)	(2,766)	—	—	—	—
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	(2,133)	—
Accrued FCC charge (G&A)	2,000	—	—	—	—
Out of period adj. for accrued federal fees (COR)	235	—	—	—	—
Out of period adj. for sales tax liability (G&A)	183	765	—	—	—
Adjusted EBITDA	(\$22,662)	(\$5,267)	\$8,378	\$17,639	\$46,359
% adjusted EBITDA margin	(22.0%)	(4.1%)	5.2%	8.8%	18.0%

Note: Historical results prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

Q2'14 – Q2'19

	Quarter Ended																				
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19
GAAP COR	13,469	13,504	14,540	14,778	14,270	14,812	15,635	16,610	16,764	17,790	15,770	19,971	20,273	20,497	22,363	24,702	24,814	26,179	28,339	30,851	31,248
% of revenue	54.6%	52.2%	51.4%	48.8%	47.1%	45.9%	43.4%	43.7%	43.1%	43.4%	35.7%	42.5%	42.5%	40.9%	40.4%	41.9%	40.6%	40.1%	39.2%	41.4%	40.4%
Depreciation & amortization	(1,373)	(1,272)	(1,291)	(1,439)	(1,558)	(1,470)	(1,483)	(1,680)	(1,616)	(1,668)	(1,608)	(1,576)	(1,716)	(1,397)	(1,611)	(1,794)	(1,864)	(2,021)	(2,129)	(2,366)	(2,504)
Stock-based compensation	(121)	(158)	(176)	(188)	(218)	(233)	(227)	(265)	(329)	(357)	(424)	(434)	(575)	(599)	(594)	(678)	(853)	(860)	(942)	(1,229)	(1,658)
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	3,114	—	—	—	—	—	—	—	—	—	—
Out of period adj. for accrued federal fees	—	—	(235)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP COR	11,975	12,074	12,838	13,151	12,494	13,109	13,925	14,665	14,819	15,765	16,852	17,961	17,982	18,501	20,158	22,230	22,097	23,298	25,268	27,256	27,086
% of revenue	48.5%	46.7%	45.4%	43.4%	41.3%	40.6%	38.6%	38.6%	38.1%	38.5%	38.1%	38.2%	37.7%	36.9%	36.4%	37.7%	36.2%	35.7%	34.9%	36.6%	35.0%
GAAP R&D	5,554	5,503	5,828	6,038	5,568	5,473	5,580	5,802	5,799	6,041	6,236	6,847	6,836	6,689	6,748	7,772	8,367	9,582	8,451	10,546	10,811
% of revenue	22.5%	21.3%	20.6%	19.9%	18.4%	17.0%	15.5%	15.3%	14.9%	14.7%	14.1%	14.6%	14.3%	13.4%	12.2%	13.2%	13.7%	14.7%	11.7%	14.1%	14.0%
Depreciation & amortization	(50)	(58)	(75)	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)	(170)	(194)	(233)	(278)	(331)	(440)	(450)
Stock-based compensation	(471)	(583)	(527)	(574)	(340)	(475)	(401)	(435)	(528)	(547)	(549)	(637)	(801)	(797)	(807)	(877)	(1,064)	(2,352)	(1,010)	(1,470)	(1,907)
Non-GAAP R&D	5,033	4,862	5,226	5,377	5,126	4,872	5,039	5,219	5,110	5,290	5,463	6,004	5,798	5,710	5,771	6,701	7,070	6,952	7,110	8,636	8,454
% of revenue	20.4%	18.8%	18.5%	17.8%	16.9%	15.1%	14.0%	13.7%	13.1%	12.9%	12.4%	12.8%	12.1%	11.4%	10.4%	11.4%	11.6%	10.6%	9.8%	11.6%	10.9%
GAAP S&M	9,674	9,296	9,453	9,931	10,594	10,797	10,720	12,706	12,637	12,925	14,480	15,778	16,932	16,502	17,358	17,478	17,912	17,818	18,793	21,701	23,250
% of revenue	39.2%	35.9%	33.4%	32.8%	35.0%	33.4%	29.8%	33.4%	32.5%	31.5%	32.8%	33.6%	35.5%	33.0%	31.3%	29.7%	29.3%	27.3%	26.0%	29.1%	30.0%
Depreciation & amortization	(48)	(50)	(50)	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)	(30)	(29)	(30)	(30)	(6)	(1)	(1)
Stock-based compensation	(368)	(361)	(455)	(524)	(458)	(448)	(370)	(434)	(544)	(626)	(759)	(928)	(1,224)	(1,084)	(1,128)	(1,362)	(1,585)	(1,613)	(1,747)	(2,249)	(2,749)
Non-GAAP S&M	9,258	8,885	8,948	9,358	10,085	10,297	10,296	12,219	12,039	12,243	13,663	14,820	15,678	15,388	16,200	16,087	16,297	16,175	17,040	19,451	20,500
% of revenue	37.5%	34.3%	31.6%	30.9%	33.3%	31.9%	28.6%	32.1%	31.0%	29.9%	30.9%	31.5%	32.8%	30.7%	29.2%	27.3%	26.7%	24.8%	23.6%	26.1%	26.5%
GAAP G&A	3,515	7,967	6,763	7,275	6,027	6,087	6,433	6,536	5,882	6,143	6,511	8,860	6,845	4,679	8,767	9,103	9,833	10,746	10,766	11,762	12,042
% of revenue	14.2%	30.8%	23.9%	24.0%	19.9%	18.9%	17.9%	17.2%	15.1%	15.0%	14.7%	18.8%	14.3%	9.3%	15.8%	15.5%	16.1%	16.5%	14.9%	15.8%	15.6%
Depreciation & amortization	(228)	(187)	(189)	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)	(257)	(303)	(322)	(338)	(372)	(385)	(406)
Stock-based compensation	(763)	(775)	(799)	(949)	(814)	(789)	(722)	(860)	(1,013)	(989)	(984)	(1,130)	(1,254)	(1,240)	(2,111)	(2,408)	(3,295)	(4,044)	(3,794)	(3,738)	(4,122)
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	(1,700)	—	—	—	—	—	—	—	—	(420)
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	(135)	—	—	—	—	(241)	(258)	(93)	(292)	(64)
Reversal of contingent sales tax liability	2,766	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of interest & penalties on accrued federal fees	—	—	—	—	—	—	—	—	—	—	—	—	—	2,133	—	—	—	—	—	—	—
Accrued FCC charge	—	(2,000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for sales tax liability	—	—	(183)	(575)	(190)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP G&A	5,290	5,005	5,592	5,551	4,824	5,106	5,525	5,454	4,640	4,942	5,331	5,612	5,304	5,300	6,399	6,392	5,975	6,106	6,507	7,347	7,030
% of revenue	21.4%	19.3%	19.8%	18.3%	15.9%	15.8%	15.3%	14.3%	11.9%	12.1%	12.1%	11.9%	11.1%	10.6%	11.5%	10.9%	9.8%	9.4%	9.0%	9.9%	9.1%

Note: Historical results prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

2014 – 2018

	Year Ended				
	2014	2015	2016	2017	2018
GAAP COR	\$54,661	\$59,495	\$66,934	\$83,104	\$104,034
% of revenue	53.0%	46.2%	41.3%	41.5%	40.4%
Depreciation & amortization	(5,138)	(5,950)	(6,573)	(6,300)	(7,808)
Stock-based compensation	(542)	(866)	(1,375)	(2,202)	(3,333)
Reversal of accrued federal fees	—	—	3,114	—	—
Out of period adj. for accrued federal fees	(235)	—	—	—	—
Non-GAAP COR	\$48,746	\$52,679	\$62,100	\$74,602	\$92,893
% of revenue	47.3%	40.9%	38.3%	37.3%	36.1%
GAAP R&D	\$22,110	\$22,659	\$23,878	\$27,120	\$34,172
% of revenue	21.4%	17.6%	14.7%	13.5%	13.3%
Depreciation & amortization	(229)	(455)	(737)	(795)	(1,036)
Stock-based compensation	(1,931)	(1,790)	(2,059)	(3,042)	(5,303)
Non-GAAP R&D	\$19,950	\$20,414	\$21,082	\$23,283	\$27,833
% of revenue	19.3%	15.8%	13.0%	11.6%	10.8%
GAAP S&M	\$37,445	\$42,042	\$52,748	\$66,570	\$72,001
% of revenue	36.3%	32.6%	32.5%	33.2%	27.9%
Depreciation & amortization	(196)	(206)	(221)	(120)	(95)
Stock-based compensation	(1,510)	(1,800)	(2,363)	(4,364)	(6,307)
Non-GAAP S&M	\$35,739	\$40,036	\$50,164	\$62,086	\$65,599
% of revenue	34.7%	31.1%	30.9%	31.0%	25.5%
GAAP G&A	\$24,416	\$25,822	\$25,072	\$29,151	\$40,448
% of revenue	23.7%	20.0%	15.5%	14.6%	15.7%
Depreciation & amortization	(900)	(777)	(859)	(1,099)	(1,335)
Stock-based compensation	(2,770)	(3,274)	(3,846)	(5,735)	(13,541)
Legal settlement	—	—	—	(1,700)	—
Legal and indemnification fees related to settlement	—	—	—	(135)	(592)
Reversal of contingent sales tax liability	2,766	—	—	—	—
Reversal of interest & penalties on accrued federal fees	—	—	—	2,133	—
Accrued FCC charge	(2,000)	—	—	—	—
Out of period adj. for sales tax liability	(183)	(765)	—	—	—
Non-GAAP G&A	\$21,329	\$21,006	\$20,367	\$22,615	\$24,980
% of revenue	20.7%	16.3%	12.6%	11.3%	9.7%

Note: Historical results prior to 2018 based on ASC 605

GAAP Op. Inc. (Loss) to Non-GAAP Op. Inc. Reconciliation

Q2'19

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Income (loss) from operations	\$ 85	\$ 194	\$ (237)	\$ 44
Non-GAAP adjustments:				
Stock-based compensation	10,436	6,797	19,122	12,122
Intangibles amortization	88	116	176	232
Legal settlement	420	—	420	—
Legal and indemnification fees related to settlement	64	241	356	241
Non-GAAP operating income	<u>\$ 11,093</u>	<u>\$ 7,348</u>	<u>\$ 19,837</u>	<u>\$ 12,639</u>

GAAP Net Loss to Non-GAAP Net Inc. Reconciliation

Q2'19

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
GAAP net loss	\$ (1,860)	\$ (2,042)	\$ (3,784)	\$ (2,649)
Non-GAAP adjustments:				
Stock-based compensation	10,436	6,797	19,122	12,122
Intangibles amortization	88	116	176	232
Amortization of debt discount and issuance costs	—	20	—	40
notes	3,155	1,733	6,234	1,733
Legal settlement	420	—	420	—
Legal and indemnification fees related to settlement	64	241	356	241
Gain on sale of convertible note held for investment	—	—	(217)	(352)
Non-GAAP net income	<u>\$ 12,303</u>	<u>\$ 6,865</u>	<u>\$ 22,307</u>	<u>\$ 11,367</u>
GAAP net loss per share:				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.20</u>	<u>\$ 0.12</u>	<u>\$ 0.37</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.11</u>	<u>\$ 0.35</u>	<u>\$ 0.19</u>
Shares used in computing GAAP net loss per share:				
Basic and diluted	<u>60,058</u>	<u>57,903</u>	<u>59,714</u>	<u>57,453</u>
Shares used in computing non-GAAP net income per share:				
Basic	<u>60,058</u>	<u>57,903</u>	<u>59,714</u>	<u>57,453</u>
Diluted	<u>62,950</u>	<u>61,105</u>	<u>62,843</u>	<u>60,741</u>

Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization

	Three Months Ended					
	June 30, 2019			June 30, 2018		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 1,658	\$ 2,416	\$ 88	\$ 853	\$ 1,776	\$ 88
Research and development	1,907	450	—	1,064	233	—
Sales and marketing	2,749	1	—	1,585	2	28
General and administrative	4,122	406	—	3,295	322	—
Total	<u>\$ 10,436</u>	<u>\$ 3,273</u>	<u>\$ 88</u>	<u>\$ 6,797</u>	<u>\$ 2,333</u>	<u>\$ 116</u>
	Six Months Ended					
	June 30, 2019			June 30, 2018		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 2,887	\$ 4,694	\$ 176	\$ 1,531	\$ 3,482	\$ 176
Research and development	3,377	890	—	1,941	427	—
Sales and marketing	4,998	2	—	2,947	3	56
General and administrative	7,860	791	—	5,703	625	—
Total	<u>\$ 19,122</u>	<u>\$ 6,377</u>	<u>\$ 176</u>	<u>\$ 12,122</u>	<u>\$ 4,537</u>	<u>\$ 232</u>

GAAP to Non-GAAP Net Income (Loss) Reconciliation

Guidance

	Three Months Ending September 30, 2019		Year Ending December 31, 2019	
	Low	High	Low	High
GAAP net loss	\$ (6,313)	\$ (5,313)	\$ (11,981)	\$ (9,981)
Non-GAAP adjustments:				
Stock-based compensation	11,775	11,775	42,983	42,983
Intangibles amortization	88	88	351	351
Amortization of discount and issuance costs on convertible senior notes	3,250	3,250	12,788	12,788
Legal settlement	—	—	420	420
Legal and indemnification fees related to settlement	—	—	356	356
Gain on sale of convertible note held for investment	—	—	(217)	(217)
Income tax expense effects ⁽¹⁾	—	—	—	—
Non-GAAP net income	<u>\$ 8,800</u>	<u>\$ 9,800</u>	<u>\$ 44,700</u>	<u>\$ 46,700</u>
GAAP net loss per share, basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>	<u>\$ (0.16)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.14</u>	<u>\$ 0.16</u>	<u>\$ 0.73</u>	<u>\$ 0.76</u>
Diluted	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.70</u>	<u>\$ 0.73</u>
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	<u>61,500</u>	<u>61,500</u>	<u>61,100</u>	<u>61,100</u>
Diluted	<u>64,500</u>	<u>64,500</u>	<u>64,200</u>	<u>64,200</u>

Note: Represents guidance disclosed on 7/31/19. Reader shall not construe presentation of this information after 7/31/19 as an update or reaffirmation of such guidance

⁽¹⁾ Non-GAAP adjustments do not have an impact on our income tax provision due to past non-GAAP losses

Capital Expenditure and Free Cash Flow

\$ in Thousands	Q1'18	Q2'18	Q3'18	Q4'18	12 mo ended 12/31/18	Q1'19	Q2'19
Net cash provided by operating activities <i>(Refer to cash flows from operating activities in cash flow statement)</i>	\$7,997	\$5,711	\$9,444	\$15,471	\$38,622	\$11,190	\$6,789
Capital expenditure							
Purchases of property and equipment <i>(Refer to cash flows from investing activities in cash flow statement)</i>	433	659	3,411	4,757	9,261	3,985	4,241
Equipment obtained under capital lease <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	2,635	2,358	(12)	161	5,142	261	7
Equipment purchased and unpaid at period-end							
Beginning balance	145	281	738	779		1,583	1,875
Ending balance <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	281	738	779	1,583	1,583	1,875	1,602
Change in equipment purchased and unpaid during period	136	457	41	804	1,438	292	(273)
Total capital expenditure	\$3,204	\$3,474	\$3,441	\$5,723	\$15,841	\$4,538	\$3,974
Free cash flow <i>(operating cash flow less capex paid in cash)</i>	\$7,564	\$5,053	\$6,033	\$10,713	\$29,362	\$7,205	\$2,548