



Cloud Contact Center Software

Five9 (NASDAQ: FIVN)

Q4 2018 Investor Presentation

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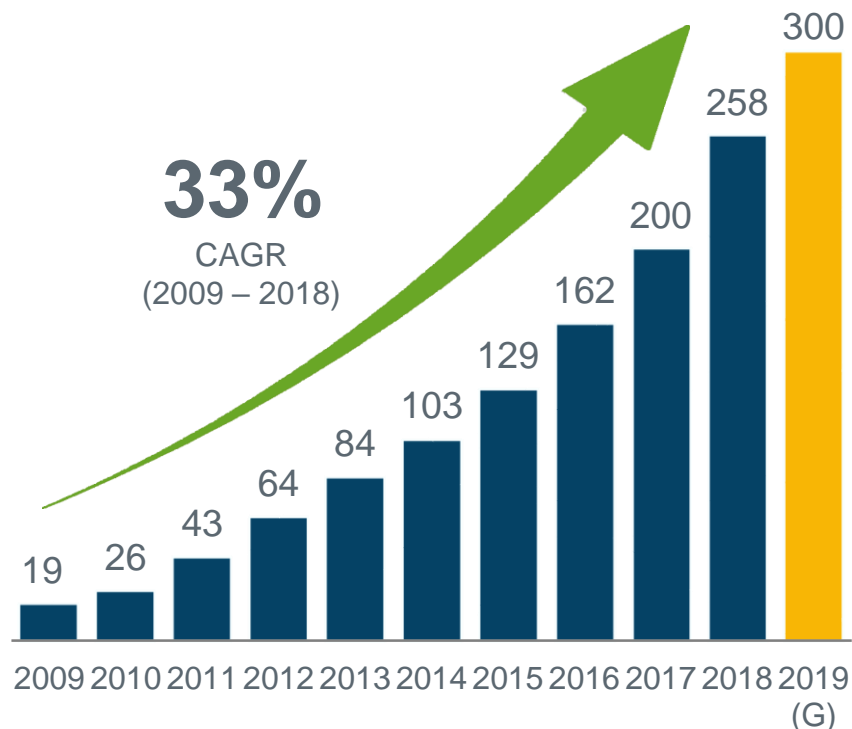
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This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical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

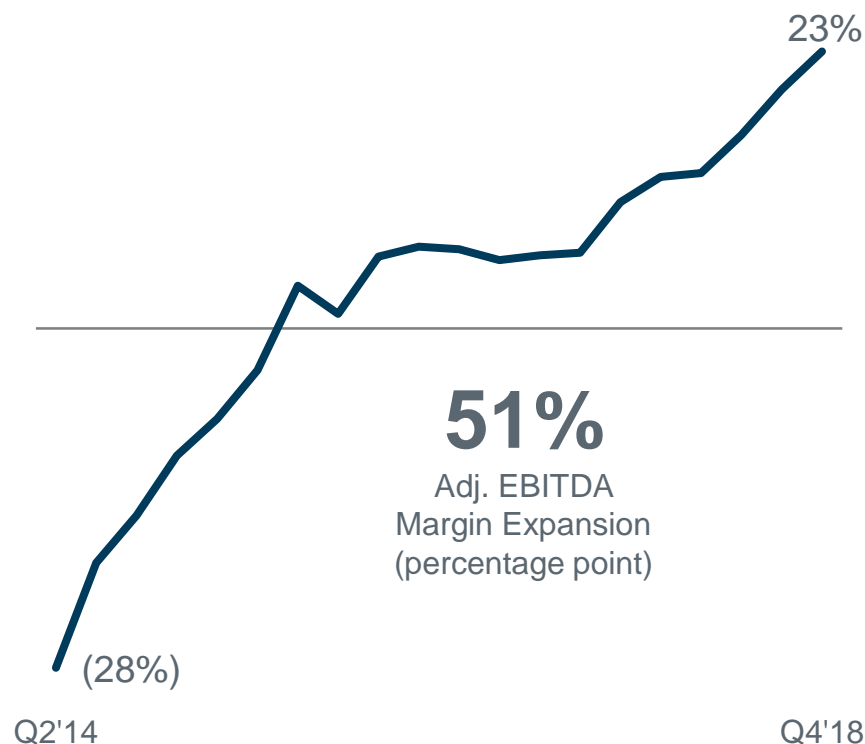
Leader in Cloud Software for Contact Centers



Annual Revenue (\$M)



Adj. EBITDA Margin Since IPO



100%

Cloud

100%

Organic

77%

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, under ASC 606, disclosed on 2/19/19. Reader shall not construe presentation of this information after 2/19/19 as an update or reaffirmation of such guidance. LTM metrics as of 12/31/18. Historical results prior to 2018 based on ASC 605. Adjusted EBITDA margin would have been 19% in Q4'18 and Enterprise Subscription YoY Growth (LTM) would have been 38% under ASC 605. Refer to the appendix for a reconciliation between ASC 605 and ASC 606. \$1M+ ARR based on Q4'18 annualized

A light gray world map serves as a background for the central text. The map shows the outlines of continents and countries.

North America

~ 6.4M agents⁽¹⁾

+

International

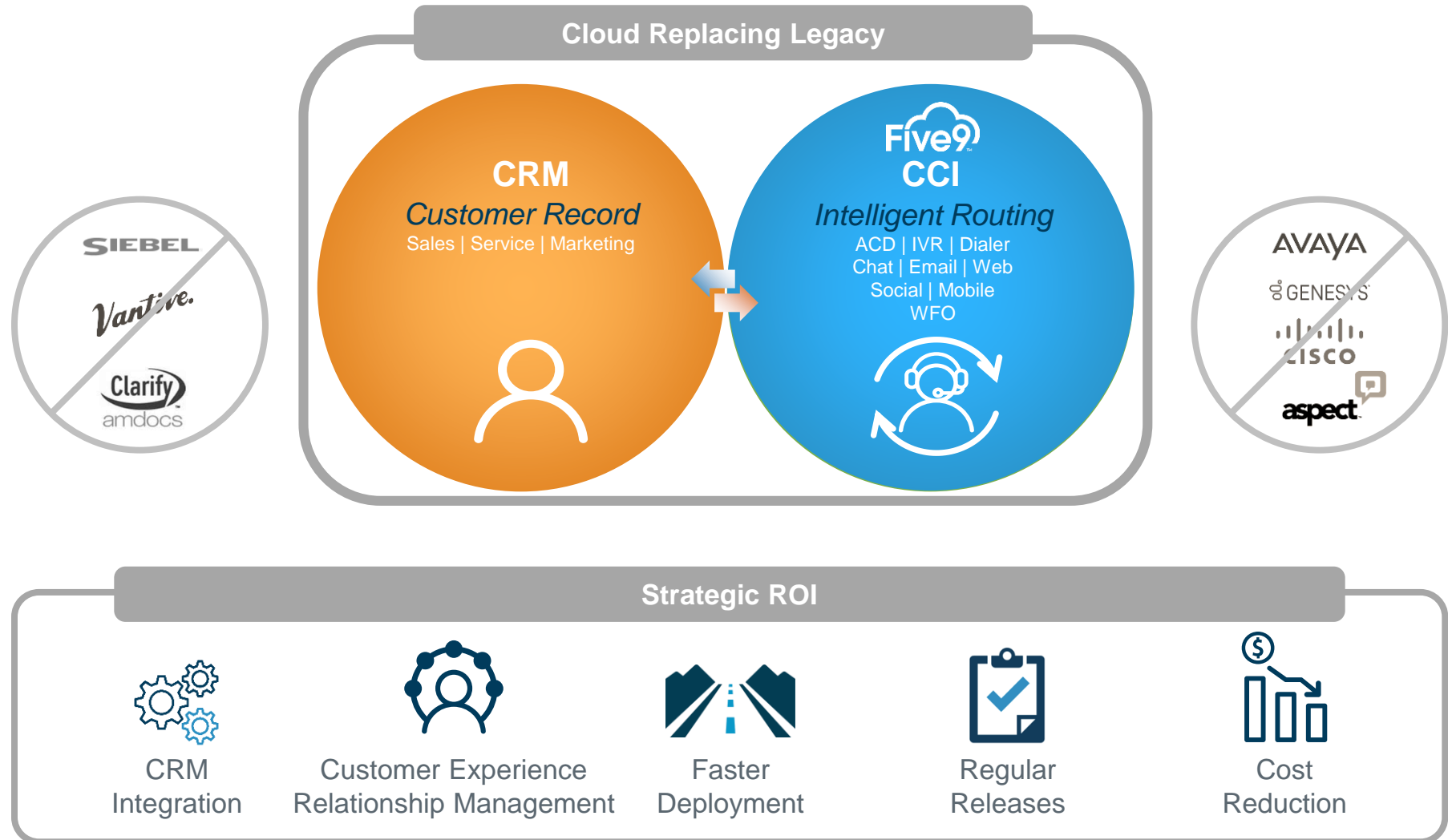
~ 9.4M agents⁽¹⁾

\$24B Global Addressable Market⁽²⁾

Underpenetrated

~10-15% Cloud⁽³⁾

Modernization is Accelerating: Legacy to Cloud



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:** 3B+ customer interactions annually
- **End-to-End Network Connectivity:** Tier 1 carrier redundancy, MPLS Agent Connect, high QOS



Customer-First Culture

- **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



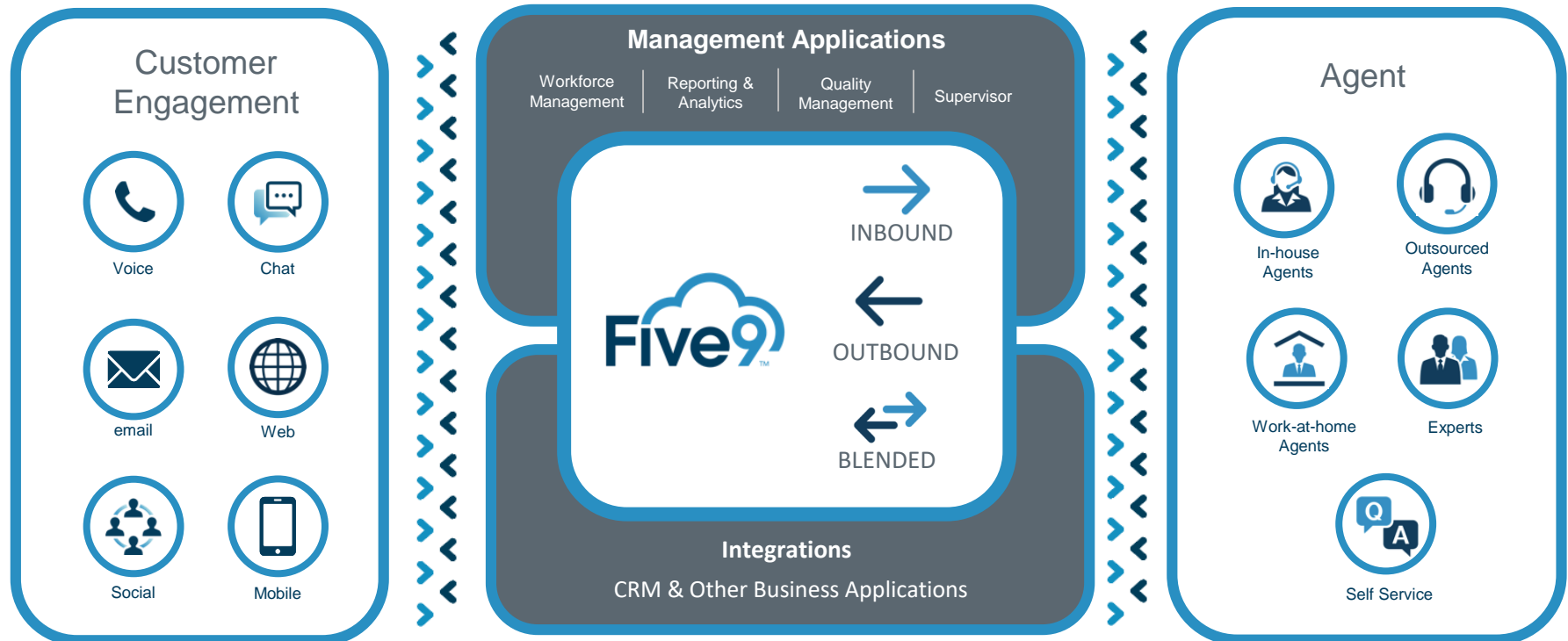
Implementation & Support

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

Five9's Comprehensive Solution...



Driving Customer Satisfaction and Agent Productivity





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

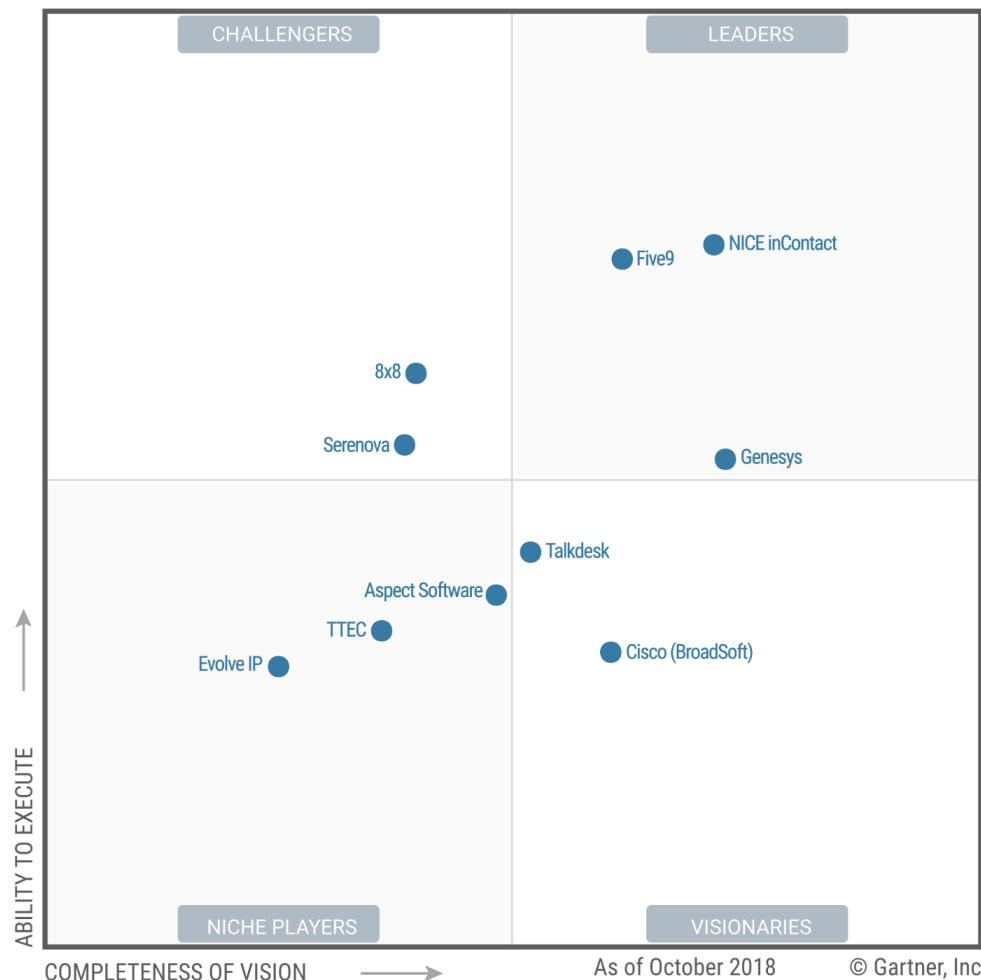
Contact Center as a Service, North America



Gartner

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

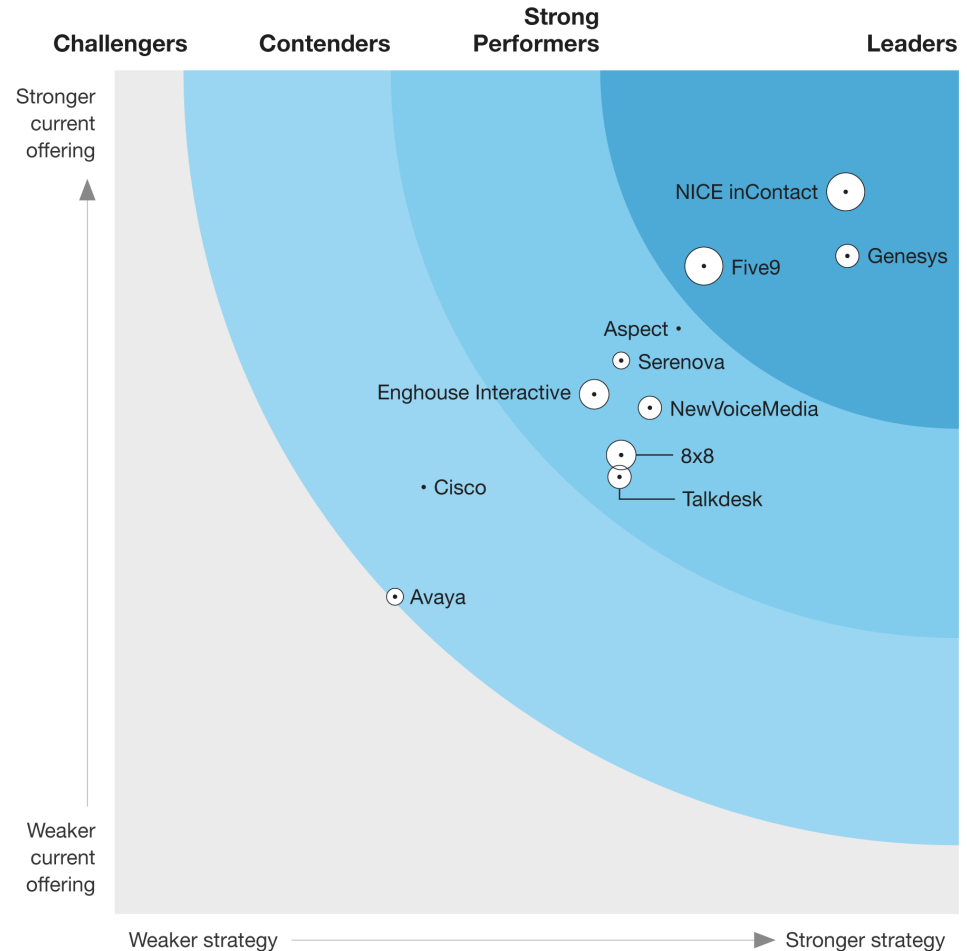
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FORRESTER®

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

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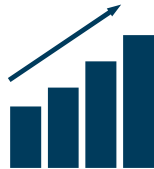
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Multiple Vectors for Long-Term Growth



**Add New
Enterprise
Logos**



**Expansions
with Existing
Customers**



**Additional
Channel
Partners**



**Expand
Internationally**



**Extend the
Platform**



**Leverage Data
Advantage & AI
Advancements**



**Selective
Acquisitions**

Leadership Team



Rowan Trollope

CEO



Dan Burkland

President



Barry Zwarenstein

CFO



Jonathan Rosenberg

CTO and Head of AI



Ryan Kam

CMO



Scott Welch

EVP, Cloud Operations



David Pickering

EVP, Engineering



James Doran

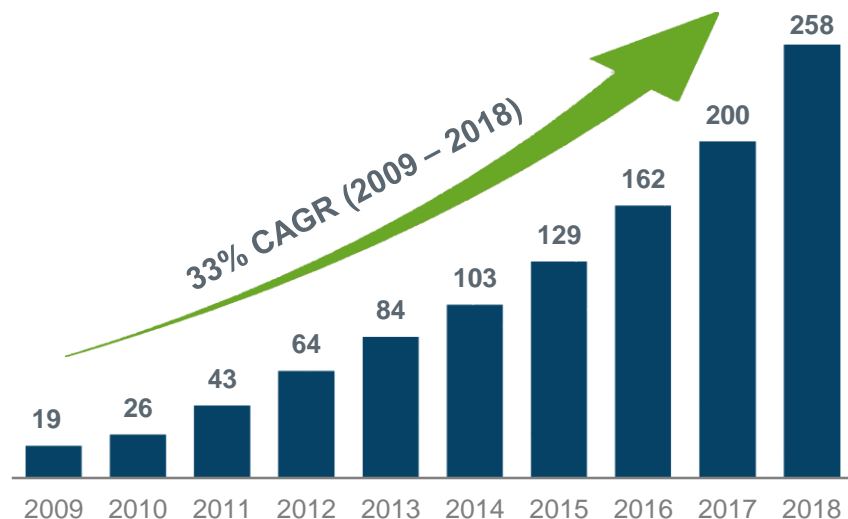
EVP, Strategy & Operations



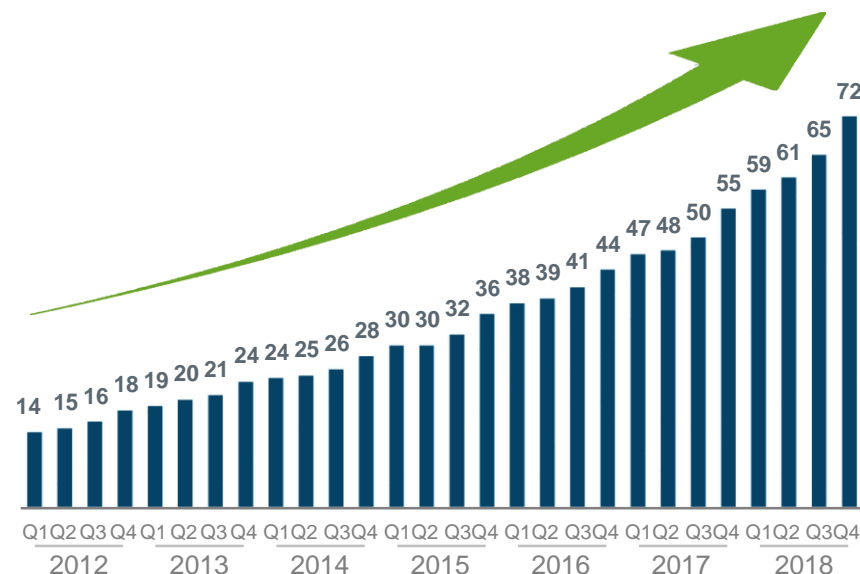
Strong, Consistent Revenue Growth



Annual Revenue (\$M)



Quarterly Revenue (\$M)



High Retention



High Visibility



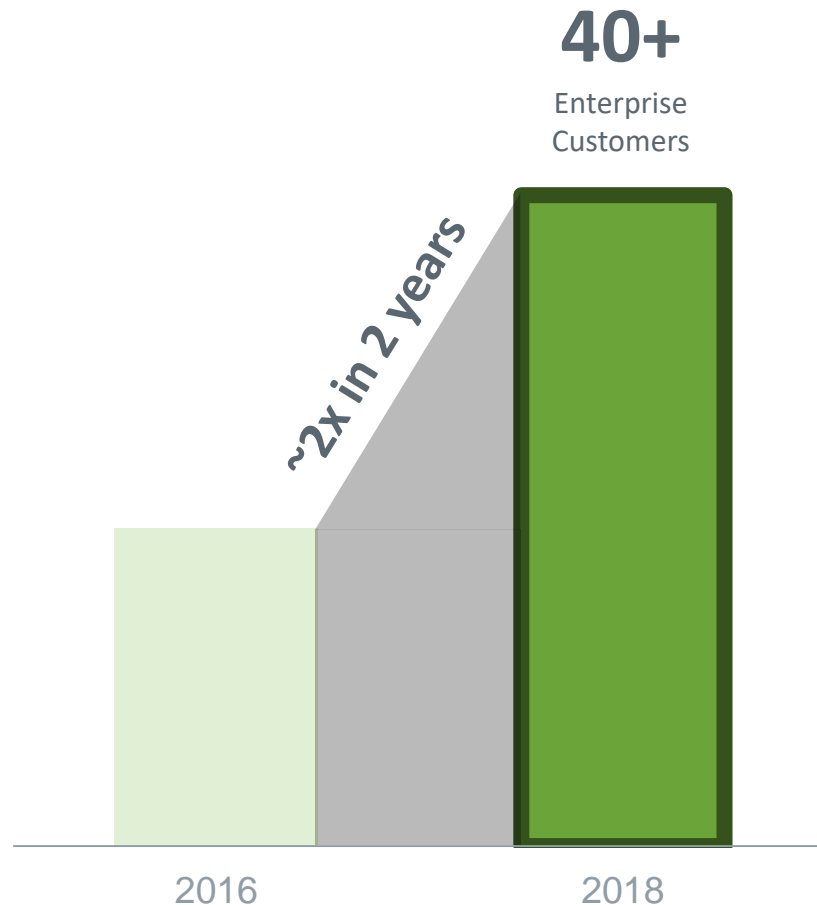
No Concentration

Note: Annual DBRR, recurring revenue and client concentration as of Q4'18. Historical results prior to 2018 based on ASC 605. Q4'18 revenue would have been \$73M and recurring revenue would have been 94% under ASC 605

Enterprise Driving Strong Growth and Profitability



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



Strong Unit Economics

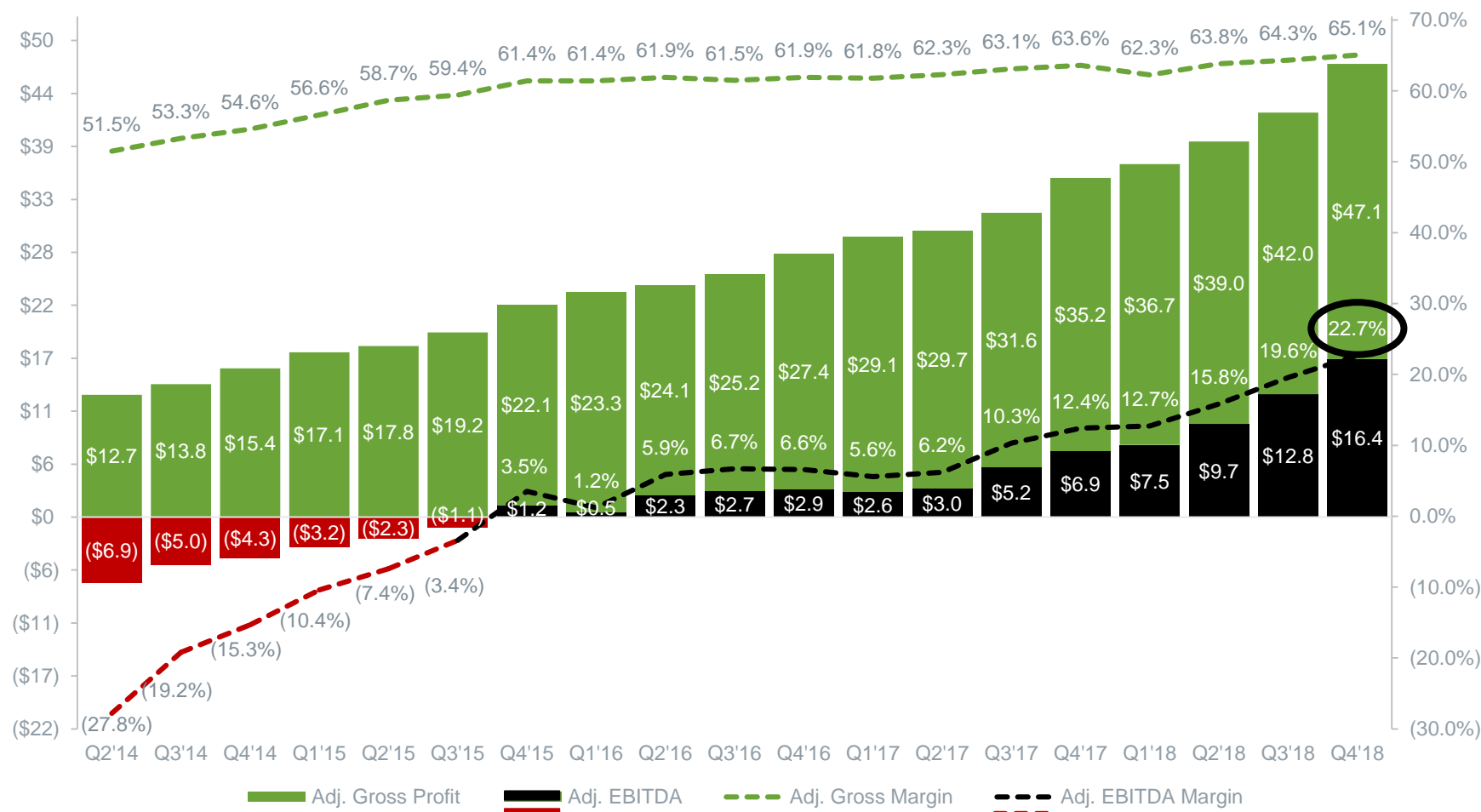


Note: Unit economics calculated as estimated cumulative profit from Enterprise customers over a 5-year period divided by direct costs attributable to customer acquisition. \$1M+ ARR 15 based on Q4'18 annualized

Intermediate-Term 22%+ Target Achieved 1 Year Early



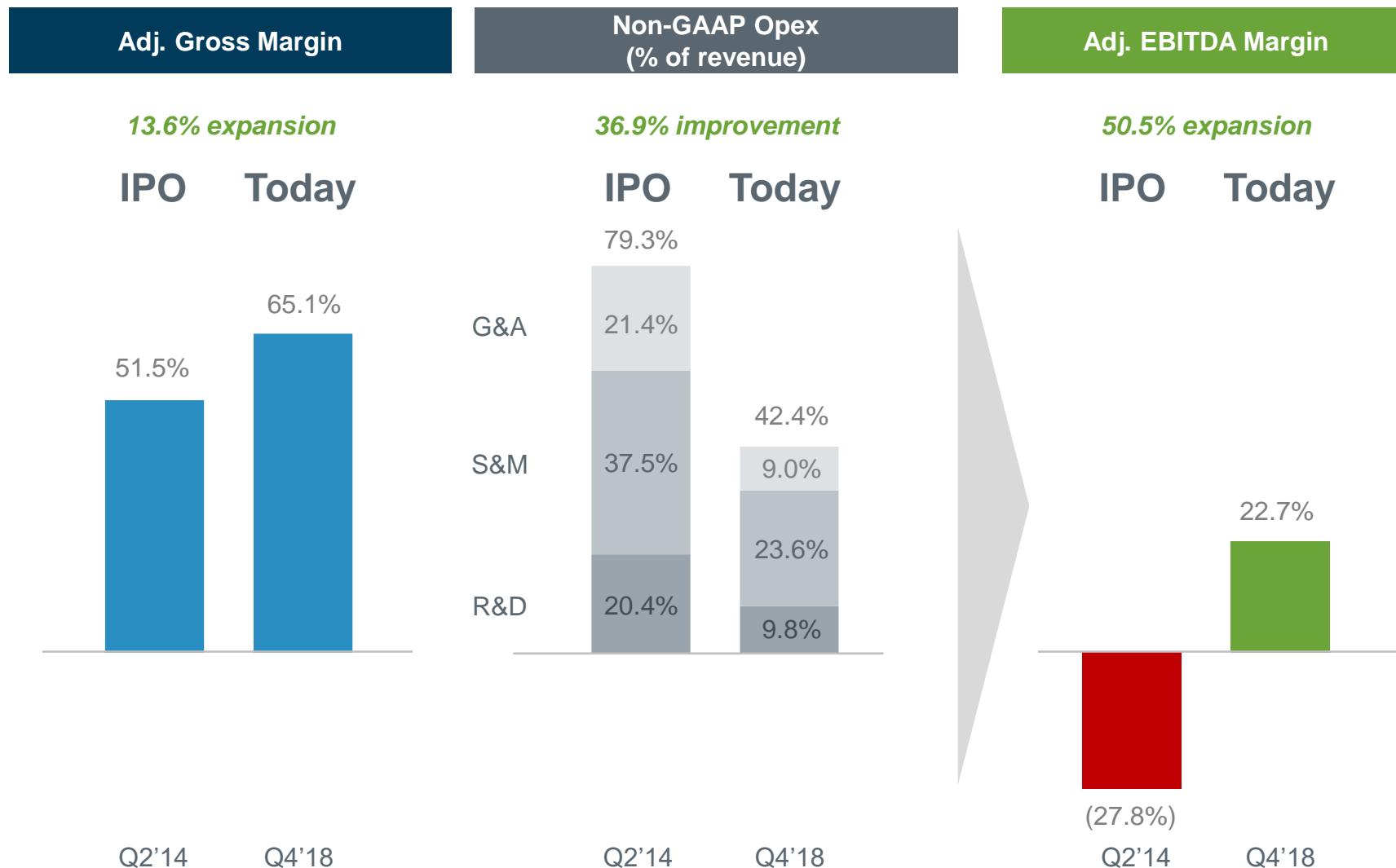
Adjusted Gross Margin and EBITDA Margin Expansion (\$M)



Note: Non-GAAP excludes depreciation, intangibles amortization, stock-based compensation and unusual transactions. Intermediate-term adjusted EBITDA target based on ASC 606. Historical results prior to 2018 based on ASC 605. Q4'18 adjusted gross margin would have been 65.2% and adjusted EBITDA margin would have been 19.3% under ASC 605

Margin Expansion and Operating Leverage

Non-GAAP



Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. Q4'18 metrics based on ASC 606. Q2'14 metrics based on ASC 605. Q4'18 adjusted gross margin would have been 65.2% under ASC 605. Under ASC 605, Q4'18 G&A would have been 9.0% of revenue, S&M would have been 27.1% of revenue, R&D would have been 9.8% of revenue and total opex would have been 45.9% of revenue. Q4'18 adjusted EBITDA margin would have been 19.3% under ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure, as well as reconciliation between ASC 605 and ASC 606

Long-Term Operating Model

Non-GAAP



Based on ASC 605

Based on ASC 606

% of Revenue	2014	2015	2016	2017	2018	Q4'18
Adj. Gross Margin	53%	59%	62%	63%	64%	65%
S&M	35%	31%	31%	31%	25%	24%
R&D	19%	16%	13%	12%	11%	10%
G&A	21%	16%	13%	11%	10%	9%
Adj. EBITDA	(22%)	(4%)	5%	9%	18%	23%

Long-Term Model

Subscription / PS margin expansion and increasing subscription mix

70%+

Continue to invest in GTM in line with revenue growth

26% – 30%

Investment in R&D resources

8% – 10%

Economies of scale

5% – 7%

27%+

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. 2018 metrics and intermediate / long-term models based on ASC 606. 2014-2017 metrics based on ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure, as well as reconciliation between ASC 605 and ASC 606

Balance Sheet



\$ in Millions	Quarter Ended	
	December 31, 2018	September 30, 2018
Cash, cash equivalents and marketable investments	\$291.8	\$279.6
Working capital	286.0	274.1
Total assets	394.7	376.1
Total capital leases	11.2	13.2
Total debt	196.8	193.7
Total stockholders' equity	\$142.8	\$127.9

Investment Highlights



Largest 100% Cloud Contact Center Provider

~\$290M Revenue Run Rate (Q4'18)

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

>55% of Enterprise Deal Flow Influenced by Channels

Proven Leadership Team

Recognized as a leader in Gartner MQ and Forrester Wave

Appendix

ASC 605 to ASC 606 GAAP Reconciliation

Q4'18



	Three Months Ended		
	December 31, 2018		
	ASC 605	Adjustments	ASC 606
Revenue	\$ 72,583	\$ (248)	\$ 72,335
Cost of revenue	28,360	(21)	28,339
GAAP gross profit	44,223	(227)	43,996
GAAP gross margin	60.9%		60.8%
Operating expenses:			
Research and development	8,451	—	8,451
Sales and marketing	21,447	(2,654)	18,793
General and administrative	10,766	—	10,766
Total operating expenses	40,664	(2,654)	38,010
GAAP income from operations	3,559	2,427	5,986
GAAP Operating Margin	4.9%		8.3%
Other income (expense), net	(2,103)	—	(2,103)
Income before income taxes	1,456	2,427	3,883
Provision for income taxes	150	—	150
GAAP net income	\$ 1,306	\$ 2,427	\$ 3,733
Net income per share:			
Basic	\$ 0.02	\$ 0.04	\$ 0.06
Diluted	\$ 0.02	\$ 0.04	\$ 0.06
Shares used in computing net income per share:			
Basic	58,926	—	58,926
Diluted	62,071	—	62,071

ASC 605 to ASC 606 GAAP Reconciliation

2018



	Twelve Months Ended		
	December 31, 2018		
	ASC 605	Adjustments	ASC 606
Revenue	\$ 256,548	\$ 1,116	\$ 257,664
Cost of revenue	103,525	509	104,034
GAAP gross profit	153,023	607	153,630
GAAP gross margin	59.6%		59.6%
Operating expenses:			
Research and development	34,172	—	34,172
Sales and marketing	79,749	(7,748)	72,001
General and administrative	40,448	—	40,448
Total operating expenses	154,369	(7,748)	146,621
GAAP income (loss) from operations	(1,346)	8,355	7,009
GAAP Operating Margin	(0.5%)		2.7%
Other income (expense), net	(6,930)	—	(6,930)
Income (loss) before income taxes	(8,276)	8,355	79
Provision for income taxes	300	—	300
GAAP net loss	\$ (8,576)	\$ 8,355	\$ (221)
Net loss per share:			
Basic	\$ (0.15)	\$ 0.15	\$ —
Diluted	\$ (0.15)	\$ 0.15	\$ —
Shares used in computing net loss per share:			
Basic	58,076	—	58,076
Diluted	58,076	—	58,076

ASC 605 to ASC 606 Non-GAAP Reconciliation

Q4'18



	Three Months Ended		
	December 31, 2018		
	ASC 605	Adjustments	ASC 606
Revenue	\$ 72,583	\$ (248)	\$ 72,335
Cost of revenue	25,289	(21)	25,268
Adjusted gross profit	47,294	(227)	47,067
Adjusted gross margin	65.2%		65.1%
Operating expenses:			
Research and development	7,110	—	7,110
Sales and marketing	19,694	(2,654)	17,040
General and administrative	6,507	—	6,507
Total operating expenses	33,311	(2,654)	30,657
Adjusted EBITDA	13,983	2,427	16,410
Adjusted EBITDA margin	19.3%		22.7%
Depreciation	2,745	—	2,745
Non-GAAP operating income	11,238	2,427	13,665
Non-GAAP operating margin	15.5%		18.9%
Other income (expense), net	996	—	996
Income before income taxes	12,234	2,427	14,661
Provision for income taxes	150	—	150
Non-GAAP net income	\$ 12,084	\$ 2,427	\$ 14,511
Non-GAAP net income per share:			
Basic	\$ 0.21	\$ 0.04	\$ 0.25
Diluted	\$ 0.19	\$ 0.04	\$ 0.23
Shares used in computing non-GAAP net income per share:			
Basic	58,926	—	58,926
Diluted	62,071	—	62,071

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions

ASC 605 to ASC 606 Non-GAAP Reconciliation

2018



	Twelve Months Ended		
	December 31, 2018		
	ASC 605	Adjustments	ASC 606
Revenue	\$ 256,548	\$ 1,116	\$ 257,664
Cost of revenue	92,384	509	92,893
Adjusted gross profit	164,164	607	164,771
Adjusted gross margin	64.0%		63.9%
Operating expenses:			
Research and development	27,833	—	27,833
Sales and marketing	73,347	(7,748)	65,599
General and administrative	24,980	—	24,980
Total operating expenses	126,160	(7,748)	118,412
Adjusted EBITDA	38,004	8,355	46,359
Adjusted EBITDA margin	14.8%		18.0%
Depreciation	9,832	—	9,832
Non-GAAP operating income	28,172	8,355	36,527
Non-GAAP operating margin	11.0%		14.2%
Other income (expense), net	728	—	728
Income before income taxes	28,900	8,355	37,255
Provision for income taxes	300	—	300
Non-GAAP net income	\$ 28,600	\$ 8,355	\$ 36,955
Non-GAAP net income per share:			
Basic	\$ 0.49	\$ 0.15	\$ 0.64
Diluted	\$ 0.47	\$ 0.13	\$ 0.60
Shares used in computing non-GAAP net income per share:			
Basic	58,076	—	58,076
Diluted	61,428	—	61,428

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions

GAAP to Adjusted Gross Profit Reconciliation

Q2'14 – Q4'18



	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
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
% 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%
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
Stock-based compensation	121	158	176	188	218	233	227	265	329	357	424	434	575	599	594	678	853	860	942
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
% 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%

Note: 2018 metrics based on ASC 606. Metrics shown 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: 2018 metrics based on ASC 606. Metrics shown prior to 2018 based on ASC 605

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

Q2'14 – Q4'18



	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
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
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
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
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
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)
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
Extinguishment of debt	—	—	—	—	—	—	—	—	—	1,026	—	—	—	—	—	—	—	—	—
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	(3,114)	—	—	—	—	—	—	—	—
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	1,700	—	—	—	—	—	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	135	—	—	—	—	241	258	93
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
% 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%

Note: 2018 metrics based on ASC 606. Metrics shown 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: 2018 metrics based on ASC 606. Metrics shown prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

Q2'14 – Q4'18



	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
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
% 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%
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)
Stock-based compensation	(121)	(158)	(176)	(188)	(218)	(233)	(227)	(265)	(329)	(357)	(424)	(434)	(575)	(599)	(594)	(678)	(853)	(860)	(942)
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
% 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%
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
% 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%
Depreciation & amortization	(50)	(58)	(75)	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)	(170)	(194)	(233)	(278)	(331)
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)
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
% 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%
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
% 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%
Depreciation & amortization	(48)	(50)	(50)	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)	(30)	(29)	(30)	(30)	(6)
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)
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
% 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%
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
% 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%
Depreciation & amortization	(228)	(187)	(189)	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)	(257)	(303)	(322)	(338)	(372)
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)
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	(1,700)	—	—	—	—	—	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	(135)	—	—	—	—	(241)	(258)	(93)
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
% 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%

Note: 2018 metrics based on ASC 606. Metrics shown 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: 2018 metrics based on ASC 606. Metrics shown prior to 2018 based on ASC 605

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

Q4'18 and 2018



	Three Months Ended		Twelve Months Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
GAAP operating income (loss)	\$ 5,986	\$ 167	\$ 7,009	\$ (5,720)
Non-GAAP adjustments:				
Stock-based compensation	7,493	4,640	28,484	15,343
Intangibles amortization	93	116	442	465
Legal settlement	—	—	—	1,700
Legal and indemnification fees related to settlement	93	—	592	135
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	(2,133)
Non-GAAP operating income	<u>\$ 13,665</u>	<u>\$ 4,923</u>	<u>\$ 36,527</u>	<u>\$ 9,790</u>

Note: 2018 metrics based on ASC 606. Metrics shown prior to 2018 based on ASC 605

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

Q4'18 and 2018



	Three Months Ended		Twelve Months Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
GAAP net income (loss)	\$ 3,733	\$ (631)	\$ (221)	\$ (8,969)
Non-GAAP adjustments:				
Stock-based compensation	7,493	4,640	28,484	15,343
Intangibles amortization	93	116	442	465
Amortization of debt discount and issuance costs	—	20	129	80
Amortization of discount and issuance costs on convertible senior notes	3,099	—	7,881	—
Legal settlement	—	—	—	1,700
Legal and indemnification fees related to settlement	93	—	592	135
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	(2,133)
Non-cash adjustment on investment	—	(133)	(352)	(366)
Non-GAAP net income	<u>\$ 14,511</u>	<u>\$ 4,012</u>	<u>\$ 36,955</u>	<u>\$ 6,255</u>
GAAP net income (loss) per share:				
Basic	<u>\$ 0.06</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.16)</u>
Diluted	<u>\$ 0.06</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.16)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.25</u>	<u>\$ 0.07</u>	<u>\$ 0.64</u>	<u>\$ 0.11</u>
Diluted	<u>\$ 0.23</u>	<u>\$ 0.07</u>	<u>\$ 0.60</u>	<u>\$ 0.11</u>
Shares used in computing GAAP net income (loss) per share:				
Basic	<u>58,926</u>	<u>56,034</u>	<u>58,076</u>	<u>54,946</u>
Diluted	<u>62,071</u>	<u>56,034</u>	<u>58,076</u>	<u>54,946</u>
Shares used in computing non-GAAP net income per share:				
Basic	<u>58,926</u>	<u>56,034</u>	<u>58,076</u>	<u>54,946</u>
Diluted	<u>62,071</u>	<u>59,905</u>	<u>61,428</u>	<u>59,073</u>

Note: 2018 metrics based on ASC 606. Metrics shown prior to 2018 based on ASC 605

Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization



	Three Months Ended					
	December 31, 2018			December 31, 2017		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 942	\$ 2,041	\$ 88	\$ 594	\$ 1,523	\$ 88
Research and development	1,010	331	—	807	170	—
Sales and marketing	1,747	1	5	1,128	2	28
General and administrative	3,794	372	—	2,111	257	—
Total	<u>\$ 7,493</u>	<u>\$ 2,745</u>	<u>\$ 93</u>	<u>\$ 4,640</u>	<u>\$ 1,952</u>	<u>\$ 116</u>

	Twelve Months Ended					
	December 31, 2018			December 31, 2017		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 3,333	\$ 7,456	\$ 352	\$ 2,202	\$ 5,949	\$ 351
Research and development	5,303	1,036	—	3,042	795	—
Sales and marketing	6,307	5	90	4,364	6	114
General and administrative	13,541	1,335	—	5,735	1,099	—
Total	<u>\$ 28,484</u>	<u>\$ 9,832</u>	<u>\$ 442</u>	<u>\$ 15,343</u>	<u>\$ 7,849</u>	<u>\$ 465</u>

GAAP to Non-GAAP Net Income (Loss) Reconciliation

Guidance



	Three Months Ending March 31, 2019		Year Ending December 31, 2019	
	Low	High	Low	High
GAAP net loss	\$ (5,725)	\$ (4,725)	\$ (22,075)	\$ (19,075)
Non-GAAP adjustments:				
Stock-based compensation	9,658	9,658	45,723	45,723
Intangibles amortization	88	88	351	351
Amortization of discount and issuance costs on convertible senior notes	3,079	3,079	12,801	12,801
Income tax expense effects ⁽¹⁾	—	—	—	—
Non-GAAP net income	<u>\$ 7,100</u>	<u>\$ 8,100</u>	<u>\$ 36,800</u>	<u>\$ 39,800</u>
GAAP net loss per share, basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.36)</u>	<u>\$ (0.31)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.12</u>	<u>\$ 0.14</u>	<u>\$ 0.60</u>	<u>\$ 0.65</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.13</u>	<u>\$ 0.58</u>	<u>\$ 0.62</u>
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	<u>60,000</u>	<u>60,000</u>	<u>61,000</u>	<u>61,000</u>
Diluted	<u>63,000</u>	<u>63,000</u>	<u>64,000</u>	<u>64,000</u>

Note: Represents guidance under ASC 606. Represents guidance disclosed on 2/19/19. Reader shall not construe presentation of this information after 2/19/19 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	Q1'17	Q2'17	Q3'17	Q4'17	12 mo ended 12/31/17	Q1'18	Q2'18	Q3'18	Q4'18	12 mo ended 12/31/18
Net cash provided by operating activities <i>(Refer to cash flows from operating activities in cash flow statement)</i>	\$159	\$84	\$7,983	\$2,880	\$11,106	\$7,997	\$5,711	\$9,444	\$15,471	\$38,622
Capital expenditure										
Purchases of property and equipment <i>(Refer to cash flows from investing activities in cash flow statement)</i>	514	664	631	841	2,650	433	659	3,411	4,757	9,261
Equipment obtained under capital lease <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	2,603	1,409	3,470	2,780	10,262	2,635	2,358	(12)	161	5,142
Equipment purchased and unpaid at period-end										
Beginning balance	163	159	51	22		145	281	738	779	
Ending balance <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	159	51	22	145	145	281	738	779	1,583	1,583
Change in equipment purchased and unpaid during period	(4)	(108)	(29)	123	(18)	136	457	41	804	1,438
Total capital expenditure	\$3,113	\$1,965	\$4,073	\$3,744	\$12,895	\$3,204	\$3,474	\$3,441	\$5,723	\$15,841
Free cash flow <i>(operating cash flow less capex paid in cash)</i>	(\$355)	(\$580)	\$7,352	\$2,039	\$8,456	\$7,564	\$5,053	\$6,033	\$10,713	\$29,362