

Q1 2020 Investor Presentation

Five9 (NASDAQ: FIVN)



The Intelligent Cloud Contact Center

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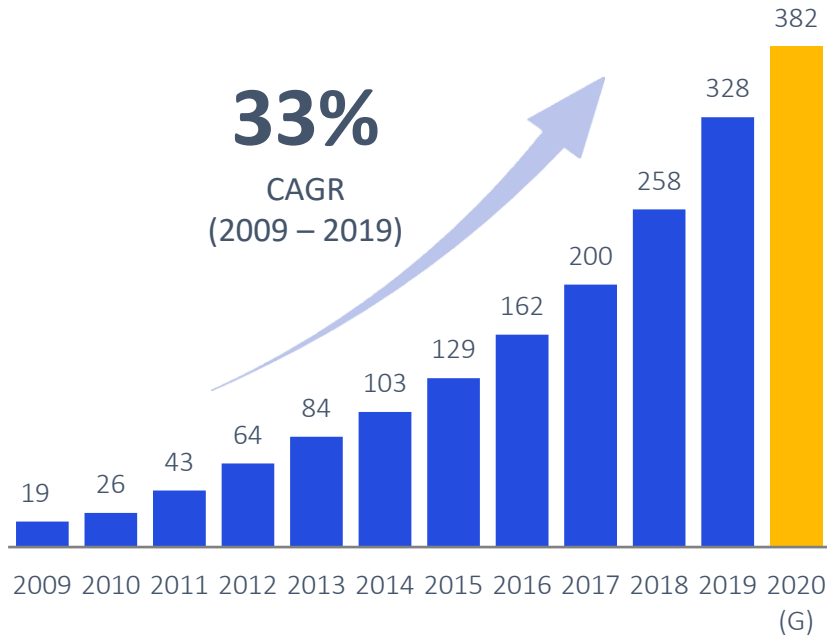
This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning events, trends, expectations and beliefs that may affect our industry or the Company, including potential growth drivers, projections and guidance concerning our future results of operations including our long-term model, our market opportunity and our 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, including risks related to the ongoing COVID-19 pandemic. 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.

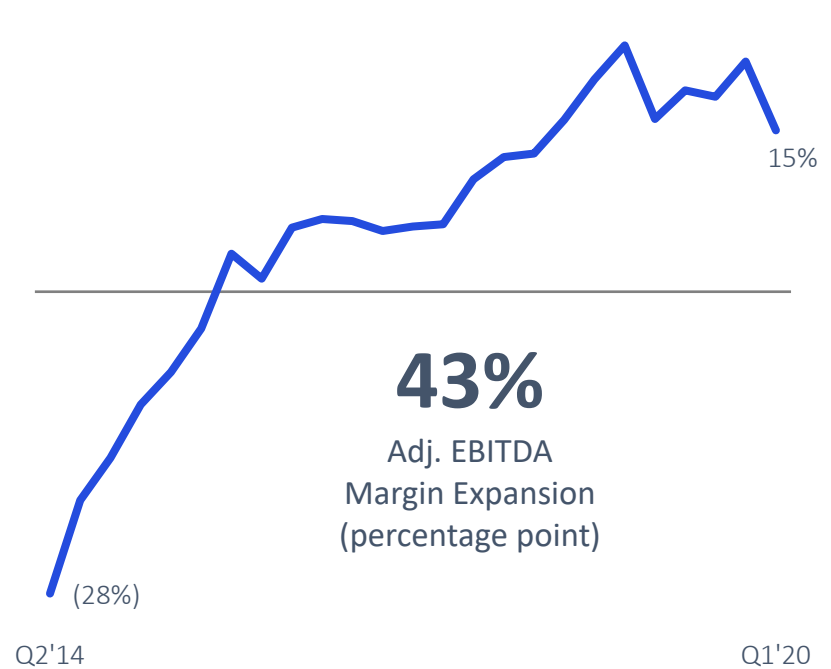
This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical data.

Leader in Cloud Software for Contact Centers

Annual Revenue (\$M)



Adj. EBITDA Margin Since IPO



100%

Cloud

100%

Organic

81%

Enterprise
(LTM)

33%

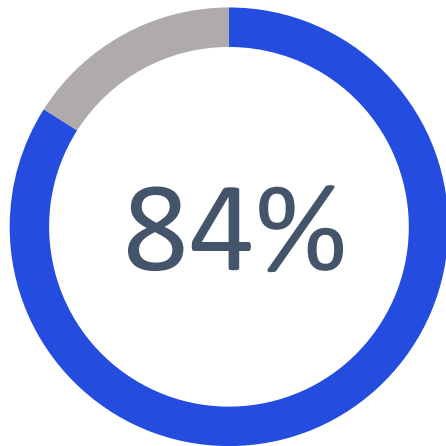
Enterprise Subscription
YoY Growth (LTM)

59

\$1M+ ARR Enterprise
Customers (Q4'19 Ann.)

Note: 2020 (G) represents the midpoint of revenue guidance disclosed on 5/4/20. Reader shall not construe presentation of this information after 5/4/20 as an update or reaffirmation of such guidance. LTM metrics as of 3/31/20. \$1M+ ARR based on Q4'19 annualized. Historical results prior to 2018 based on ASC 605

The Problem: Consumers Dislike Customer Service

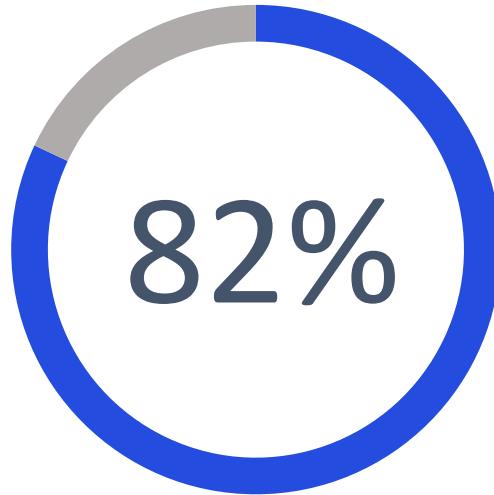


Of end customers say being treated like a person, not a number, is very important to winning their business

- Difficulty speaking to an agent
- Depersonalized and disconnected experiences
- Labyrinthian IVR trees
- Long wait times

Customer Service Must Transform

(one of the most important parts of Digital Transformation)

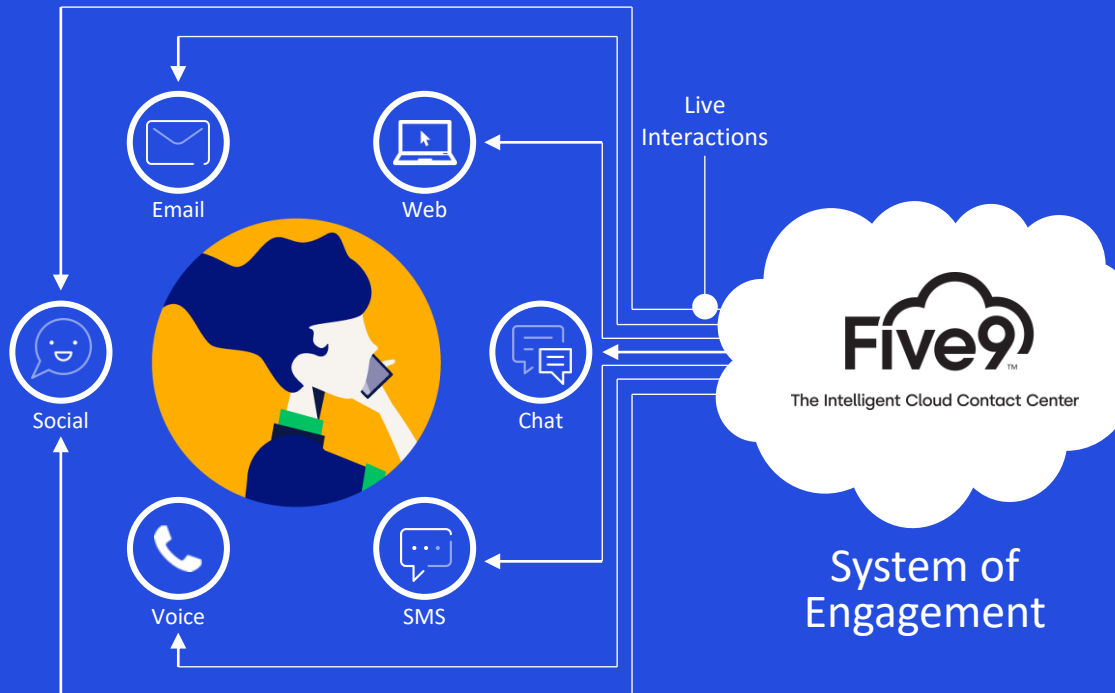


Of service decision makers say their company's customer service must transform to stay competitive

Five9 Enables Companies to Engage Better

- 1 Serve customers in the channel(s) they prefer**
- 2 Unify customer information into a single view**
- 3 Modern engagement platform**

Customer



1

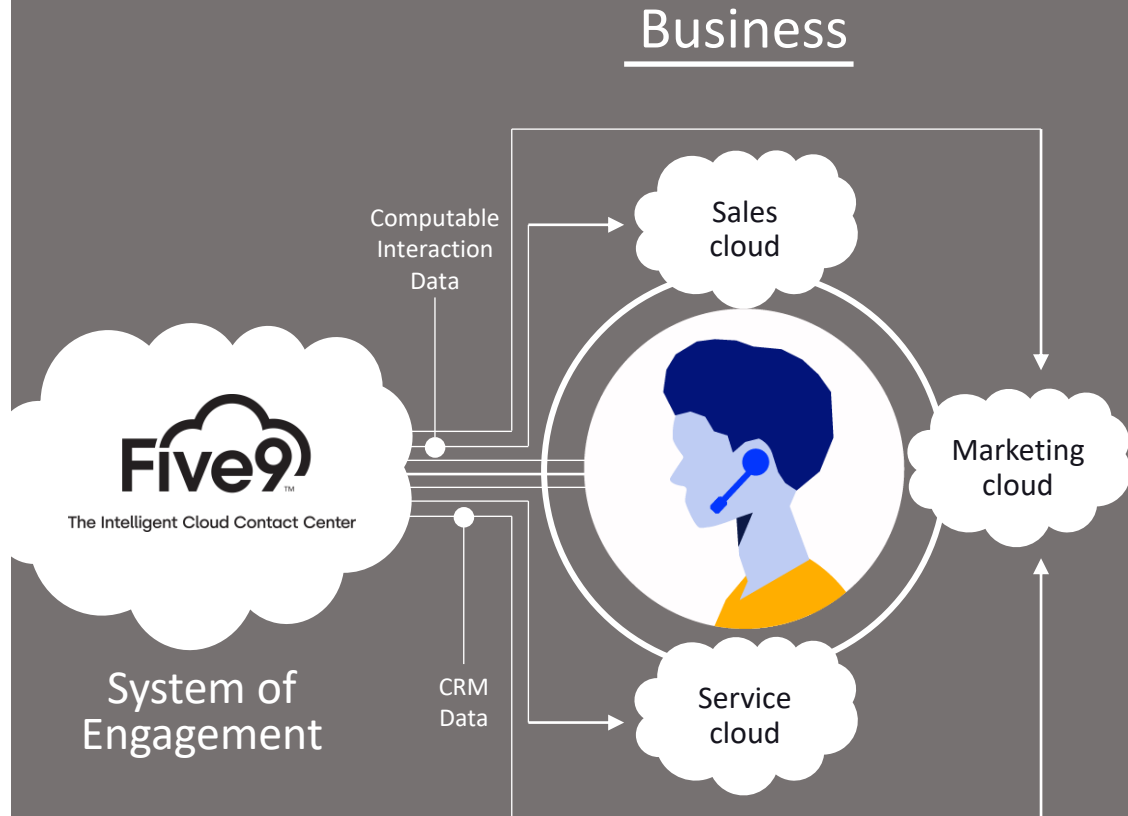
Serve customers in the channel(s) they prefer

- Fully blended, omnichannel platform
- Any channel, voice or digital
- Any interaction, live or live-ish
- Anytime and anywhere

2

Unify customer information into a single view

- Hand-in-glove CRM integration
- Enrich CRM insights with Five9's computable interaction data
- Personalize service across the customer journey



3

Modern engagement platform

- Intelligently route customers to agents that best address needs
- Provide best-in-class tools to agents, supervisors and admins
- Turn interaction data into actionable insights

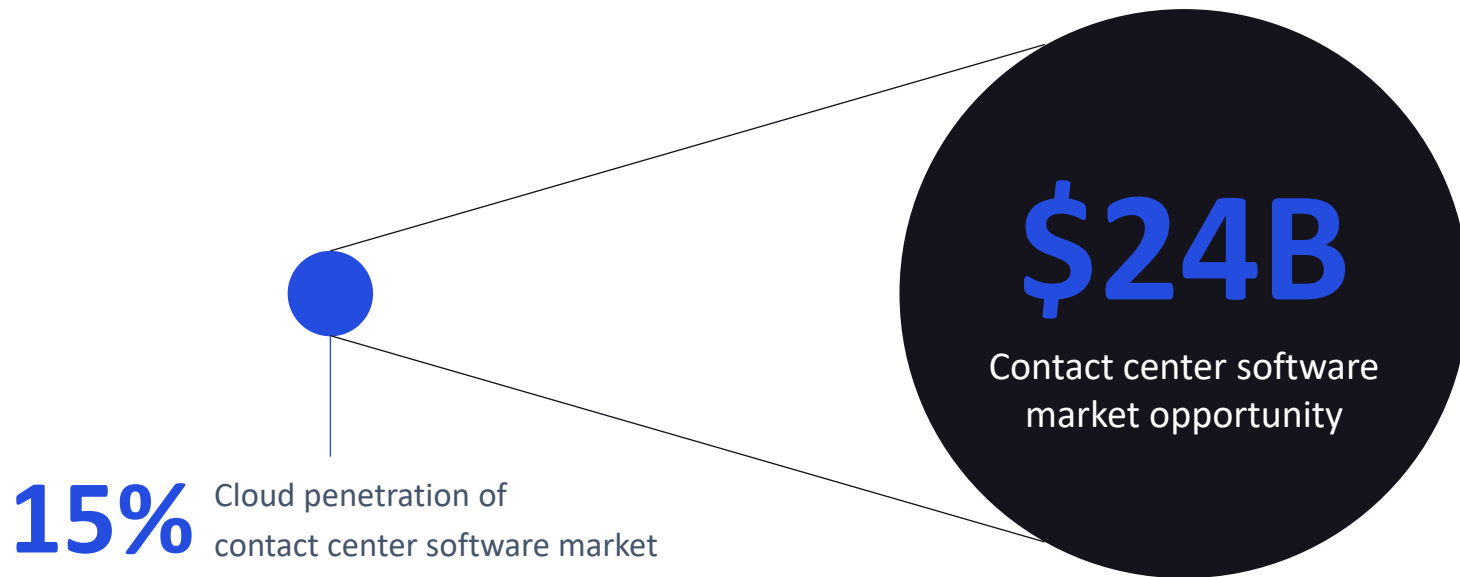


The Market is Strong

Legacy to cloud

Digital
transformation

Large and Underpenetrated Market Opportunity



Current addressable market opportunity

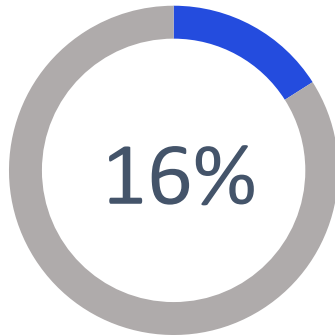
Source: Company estimates; Gartner estimates, Oct 2018; MZA estimates, Oct 2018
Note: 15% penetration represents estimated penetration in North America

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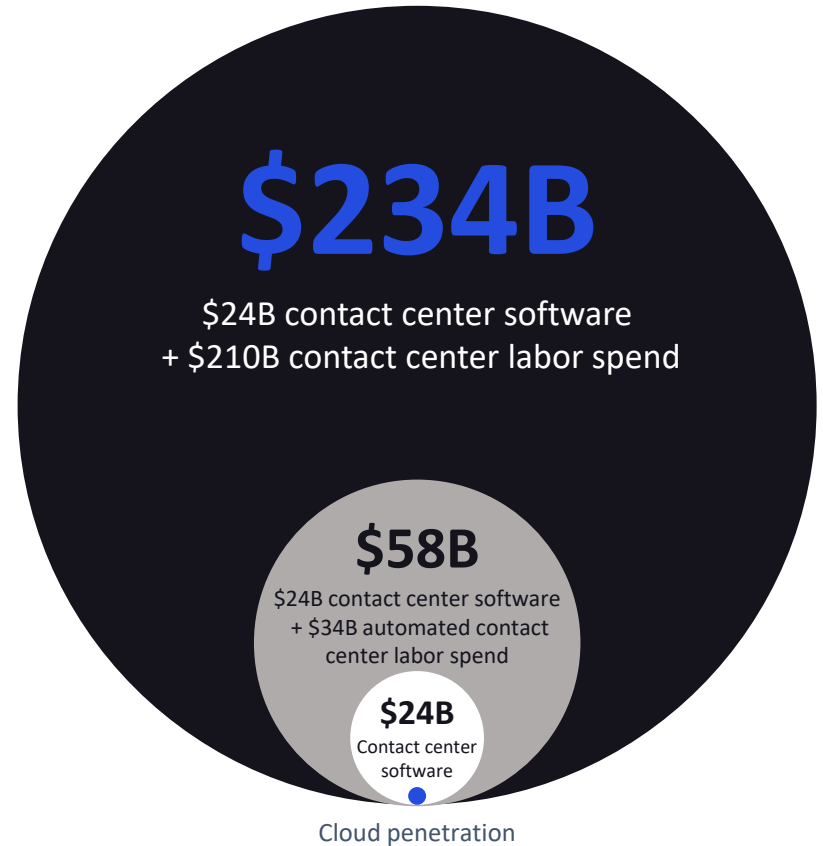
The Intelligent Cloud Contact Center



Longer-Term Expansion into the Market for Contact Center Labor Spend



Percentage of customer service representatives that will be displaced due to automation by 2030
– McKinsey



Cloud penetration

Long-term addressable market opportunity

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 Architecture:** Security zones, IPS / IDS, Next-Gen Firewalls
- **Compliant:** PCI DSS, HIPAA, CPNI, GDPR, CCPA
- **Scalable:** 6B+ 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 is a Leader in Cloud Contact Center Software



Five9 Named a Leader for the 5th Year in a Row in Gartner Magic Quadrant Contact Center as a Service

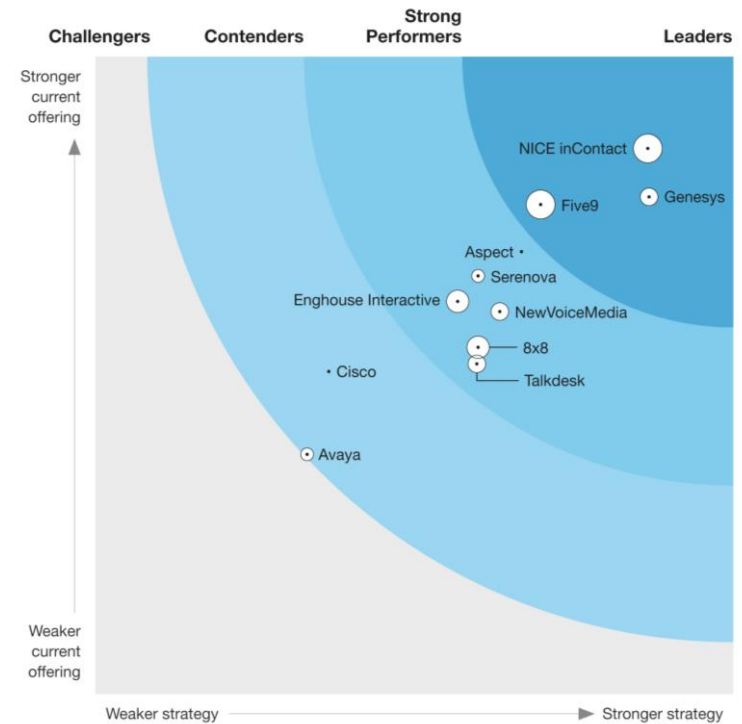


Five9 Named a Leader in The Forrester Wave™: Cloud Contact Center

Figure 1. Magic Quadrant for Contact Center as a Service, North America



Source: Gartner (October 2019)



Source: Magic Quadrant for Contact Center as a Service, North America, Gartner, Oct 2019; The Forrester Wave™: Cloud Contact Centers, Q3 2018, Forrester, Sep 2018

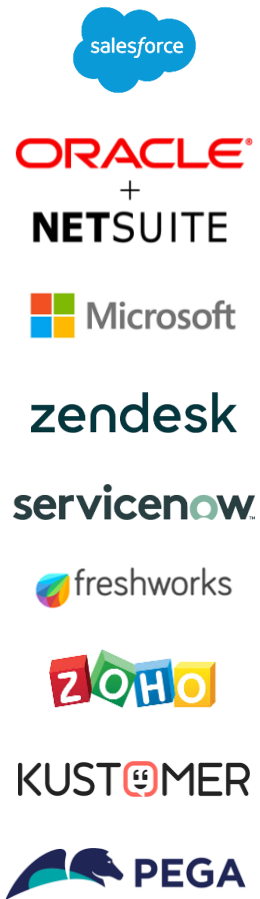
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The Intelligent Cloud Contact Center



Vibrant Partner Ecosystem

CRM



Systems Integrator



Technology / WFO / UC



ISV



Master Agents / Resellers



Multiple Vectors for Long-Term Growth



Leadership Team



**Rowan
Trollope**
CEO



**Dan
Burkland**
President



**Barry
Zwarenstein**
CFO



**Kimberly
Lytikainen**
General Counsel and
Chief Compliance Officer



**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

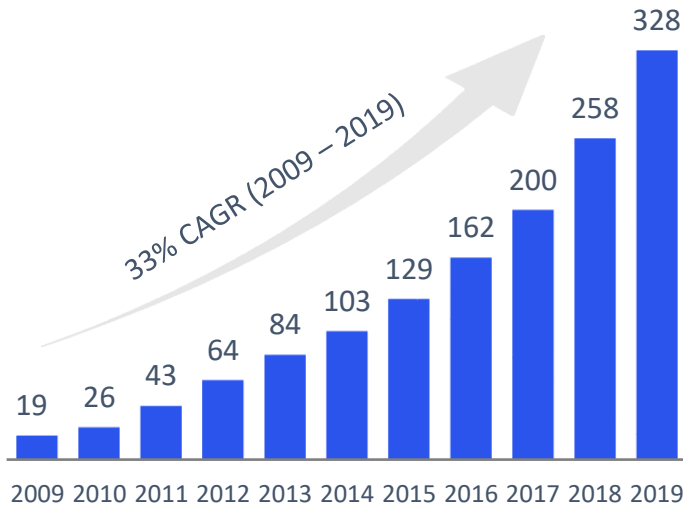


**Tricia
Yankovich**
SVP, Human Resources

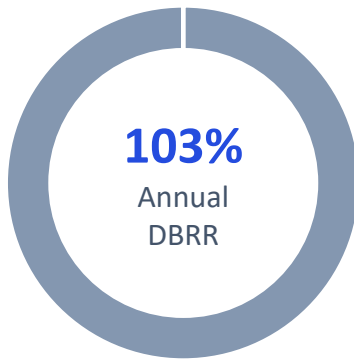
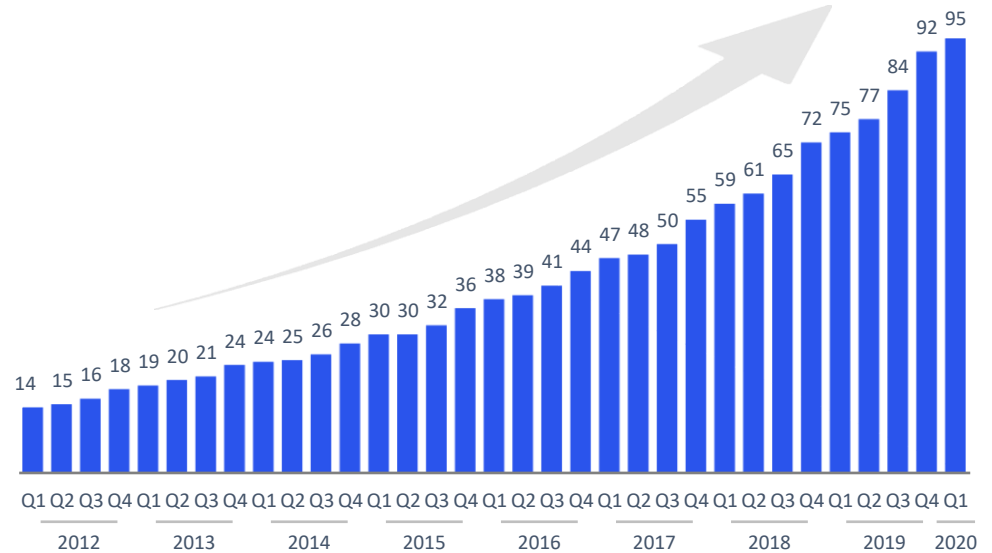


Strong, Consistent Revenue Growth

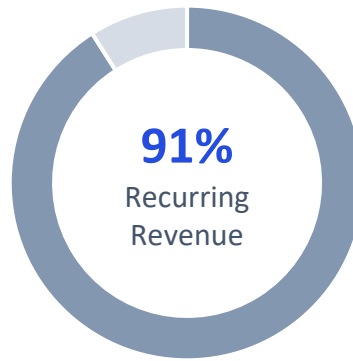
Annual Revenue (\$M)



Quarterly Revenue (\$M)



High Retention



High Visibility



No Concentration

Note: Annual DBRR, recurring revenue and client concentration as of Q1'20. Historical results prior to 2018 based on ASC 605

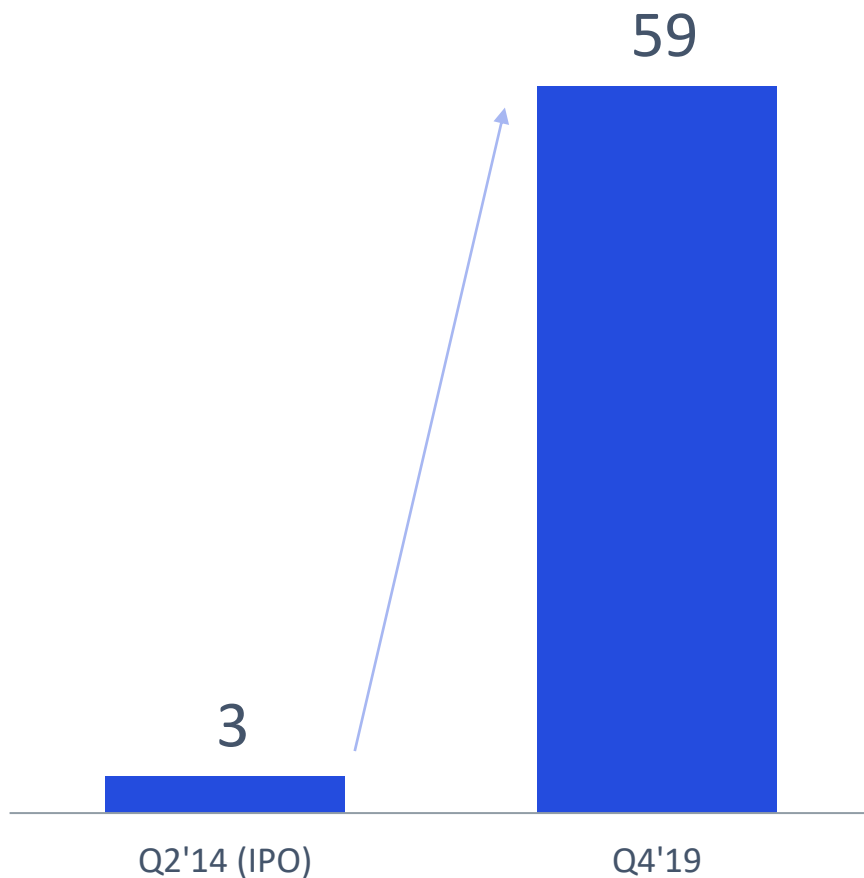
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The Intelligent Cloud Contact Center

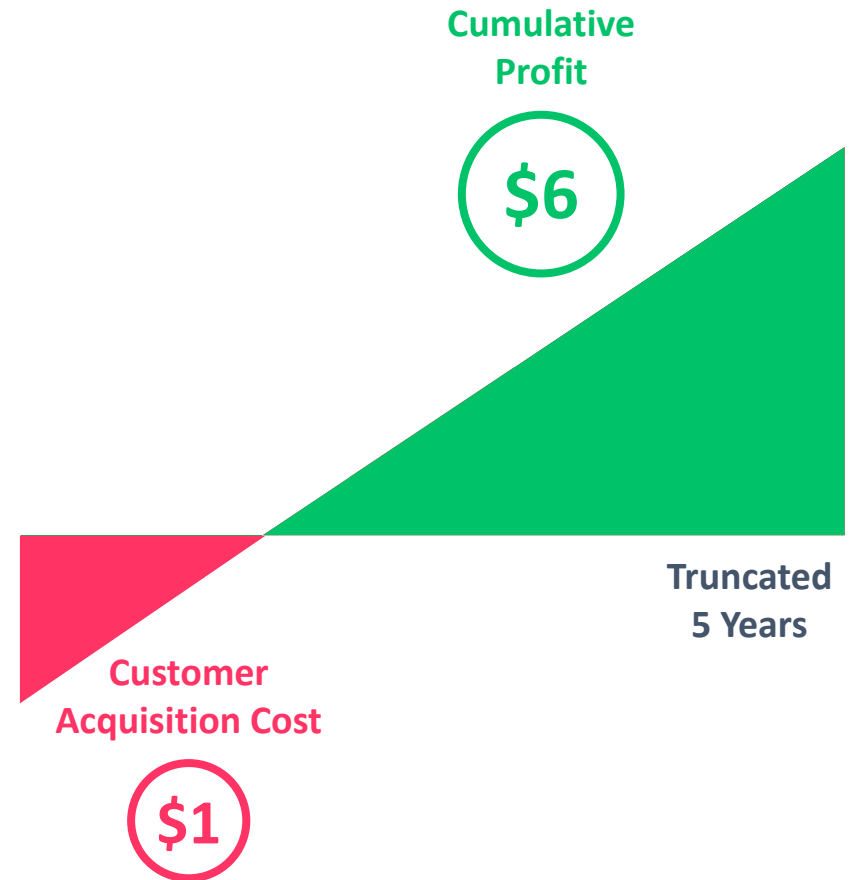


Enterprise Driving Strong Growth and Profitability

Enterprise Customers \$1M+ ARR (Q4'19 Ann.)

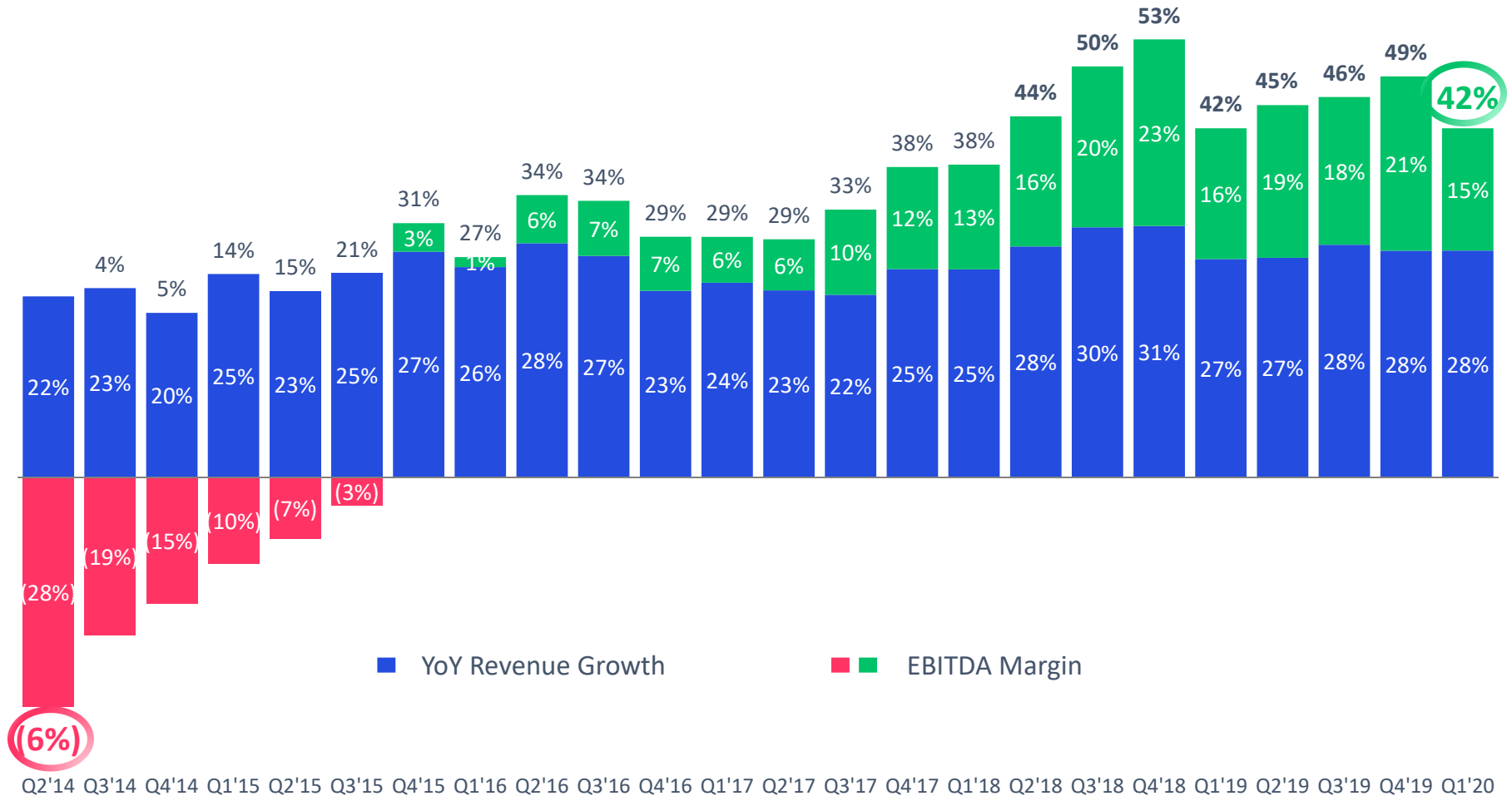


Strong Unit Economics



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 Q4'19 annualized

Exceeding “Rule of 40” Despite Increased Investments



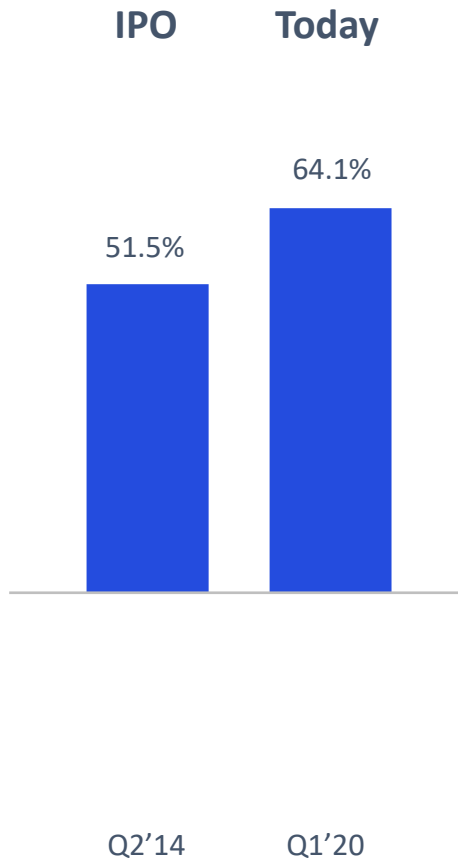
Note: Historical results prior to 2018 based on ASC 605

Margin Expansion and Operating Leverage

Non-GAAP

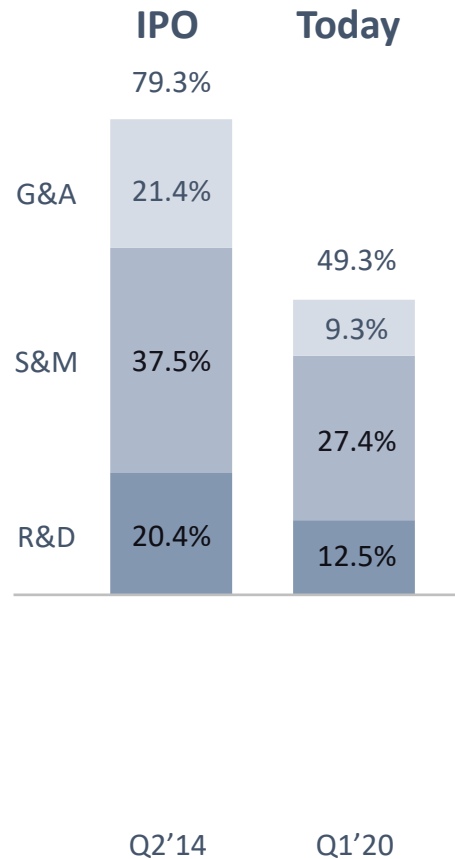
Adj. Gross Margin

12.6% expansion



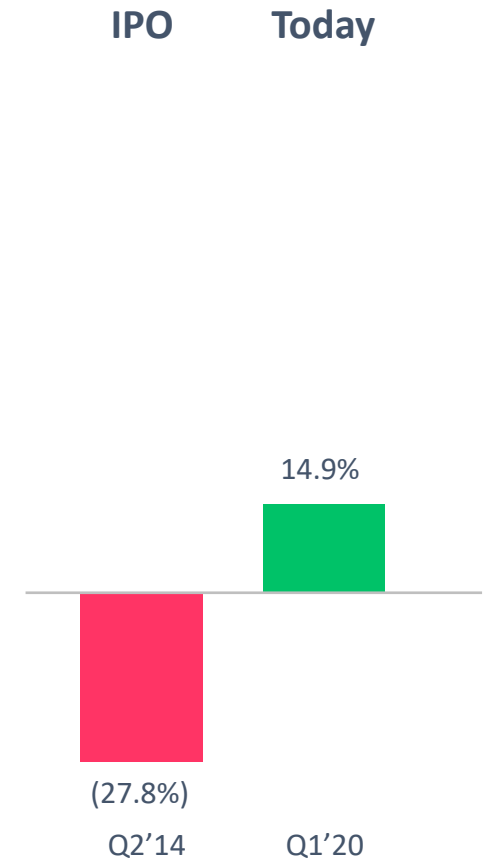
Non-GAAP Opex (% of revenue)

30.1% improvement



Adj. EBITDA Margin

42.7% expansion



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

% of Revenue	2014	2015	2016	2017	2018	2019	Q1'20	Long-Term Model
Adj. Gross Margin	53%	59%	62%	63%	64%	64%	64%	Subscription / PS margin expansion and increasing subscription mix 70%+
S&M	35%	31%	31%	31%	25%	26%	27%	Continue to invest in GTM in line with revenue growth 26% – 30%
R&D	19%	16%	13%	12%	11%	11%	13%	Current acceleration offset by long-term leverage 8% – 10%
G&A	21%	16%	13%	11%	10%	9%	9%	Economies of scale 5% – 7%
Adj. EBITDA	(22%)	(4%)	5%	9%	18%	19%	15%	27%+

Based on ASC 605

Based on ASC 606

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	
	March 31, 2020	December 31, 2019
Cash, cash equivalents and marketable investments	\$326.3	\$319.9
Working capital	322.9	315.3
Total assets	503.7	482.4
Total finance leases	3.1	4.3
Total debt	212.9	209.6
Total stockholders' equity	\$206.5	\$196.5

Investment Highlights



Largest 100% Cloud Contact Center Provider	~\$380M Revenue Run Rate (Q1'20)
Disrupting Large Market	\$24B current addressable market
Strong Revenue Growth	33% 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 – Q1'20

	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	Q3'19	Q4'19	Q1'20
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	49,297	54,323	55,051
<i>% GAAP gross margin</i>	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%	58.8%	58.9%	57.9%
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	2,602	3,384	3,940
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	1,702	1,745	1,989
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	53,601	59,452	60,980
<i>% adjusted gross margin</i>	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%	64.0%	64.4%	64.1%

Note: Historical results prior to 2018 based on ASC 605

GAAP to Adjusted Gross Profit Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP gross profit	48,441	69,373	95,156	117,121	153,630	193,495
<i>% GAAP gross margin</i>	47.0%	53.8%	58.7%	58.5%	59.6%	59.0%
Depreciation & amortization	5,138	5,950	6,573	6,300	7,808	10,856
Stock-based compensation	542	866	1,375	2,202	3,333	6,334
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	210,685
<i>% adjusted gross margin</i>	52.7%	59.1%	61.7%	62.7%	63.9%	64.2%

Note: Historical results prior to 2018 based on ASC 605

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

Q2'14 – Q1'20

	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	Q3'19	Q4'19	Q1'20
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)	(1,604)	836	(7,437)
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	3,497	4,324	4,970
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	11,075	11,868	13,794
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	3,486	3,506	3,484
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)	(1,460)	(1,384)	(1,072)
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	50	74	69
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	—	—	—	—
Acquisition related transaction costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	338	329
Change in fair value of convertible preferred and common stock warrant liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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	15,044	19,562	14,137
% 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%	18.0%	21.2%	14.9%

Note: Historical results prior to 2018 based on ASC 605

GAAP Net Loss to Adjusted EBITDA Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP net income (loss)	(\$37,786)	(\$25,838)	(\$11,860)	(\$8,969)	(\$221)	(\$4,552)
Non-GAAP adjustments:						
Depreciation and amortization	6,463	7,388	8,390	8,314	10,274	14,374
Stock-based compensation	6,753	7,730	9,643	15,343	28,484	42,065
Interest expense	4,161	4,727	4,226	3,471	10,245	13,794
Interest income and other	(245)	(100)	13	(490)	(3,315)	(6,079)
Provision for (benefit from) income taxes	85	61	54	268	300	104
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	592	356
Acquisition related transaction costs	—	—	—	—	—	338
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	\$60,820
<i>% adjusted EBITDA margin</i>	<i>(22.0%)</i>	<i>(4.1%)</i>	<i>5.2%</i>	<i>8.8%</i>	<i>18.0%</i>	<i>18.5%</i>

Note: Historical results prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

Q2'14 – Q1'20

	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	Q3'19	Q4'19	Q1'20
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	34,472	37,940	40,037
% 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%	41.2%	41.1%	42.1%
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)	(2,602)	(3,384)	(3,940)
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)	(1,702)	(1,745)	(1,989)
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	30,168	32,811	34,108
% 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%	36.0%	35.6%	35.9%
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	10,546	10,811	11,665	12,168	15,189
% 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%	13.9%	13.2%	16.0%
Depreciation & amortization	(50)	(58)	(75)	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)	(170)	(194)	(233)	(278)	(331)	(440)	(450)	(461)	(465)	
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)	(2,022)	(2,259)	(2,806)
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	9,193	9,448	11,918
% 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%	11.0%	10.2%	12.5%
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	25,014	25,627	30,160
% 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%	29.9%	27.8%	31.7%
Depreciation & amortization	(48)	(50)	(50)	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)	(30)	(29)	(30)	(30)	(6)	(1)	(1)	(2)	(2)	(2)
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)	(3,017)	(3,353)	(4,106)
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	21,995	22,272	26,052
% 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%	26.3%	24.1%	27.4%
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	12,146	13,496	14,658
% of revenue	14.2%	30.8%	23.9%	24.0%	19.9%	18.9%	17.9%	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%	14.5%	14.5%	14.6%	15.4%
Depreciation & amortization	(228)	(187)	(189)	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)	(257)	(303)	(322)	(338)	(372)	(385)	(406)	(443)	(477)	(563)
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)	(4,334)	(4,511)	(4,893)
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	(1,700)	—	—	—	—	—	—	—	—	(420)	—	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	(135)	—	—	—	—	(241)	(258)	(93)	(292)	(64)	—	—	—
Acquisition related transaction costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(338)	(329)
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	7,369	8,170	8,873
% 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%	8.8%	8.9%	9.3%

Note: Historical results prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP COR	\$54,661	\$59,495	\$66,934	\$83,104	\$104,034	\$134,511
<i>% of revenue</i>	53.0%	46.2%	41.3%	41.5%	40.4%	41.0%
Depreciation & amortization	(5,138)	(5,950)	(6,573)	(6,300)	(7,808)	(10,856)
Stock-based compensation	(542)	(866)	(1,375)	(2,202)	(3,333)	(6,334)
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	\$117,321
<i>% of revenue</i>	47.3%	40.9%	38.3%	37.3%	36.1%	35.8%
GAAP R&D	\$22,110	\$22,659	\$23,878	\$27,120	\$34,172	\$45,190
<i>% of revenue</i>	21.4%	17.6%	14.7%	13.5%	13.3%	13.8%
Depreciation & amortization	(229)	(455)	(737)	(795)	(1,036)	(1,801)
Stock-based compensation	(1,931)	(1,790)	(2,059)	(3,042)	(5,303)	(7,658)
Non-GAAP R&D	\$19,950	\$20,414	\$21,082	\$23,283	\$27,833	\$35,731
<i>% of revenue</i>	19.3%	15.8%	13.0%	11.6%	10.8%	10.9%
GAAP S&M	\$37,445	\$42,042	\$52,748	\$66,570	\$72,001	\$95,592
<i>% of revenue</i>	36.3%	32.6%	32.5%	33.2%	27.9%	29.1%
Depreciation & amortization	(196)	(206)	(221)	(120)	(95)	(6)
Stock-based compensation	(1,510)	(1,800)	(2,363)	(4,364)	(6,307)	(11,368)
Non-GAAP S&M	\$35,739	\$40,036	\$50,164	\$62,086	\$65,599	\$84,218
<i>% of revenue</i>	34.7%	31.1%	30.9%	31.0%	25.5%	25.7%
GAAP G&A	\$24,416	\$25,822	\$25,072	\$29,151	\$40,448	\$49,446
<i>% of revenue</i>	23.7%	20.0%	15.5%	14.6%	15.7%	15.1%
Depreciation & amortization	(900)	(777)	(859)	(1,099)	(1,335)	(1,711)
Stock-based compensation	(2,770)	(3,274)	(3,846)	(5,735)	(13,541)	(16,705)
Legal settlement	—	—	—	(1,700)	—	(420)
Legal and indemnification fees related to settlement	—	—	—	(135)	(592)	(356)
Acquisition related transaction costs	—	—	—	—	—	(338)
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	\$29,916
<i>% of revenue</i>	20.7%	16.3%	12.6%	11.3%	9.7%	9.1%

Note: Historical results prior to 2018 based on ASC 605

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

	Three Months Ended	
	March 31, 2020	March 31, 2019
Loss from operations	\$ (4,956)	\$ (322)
Non-GAAP adjustments:		
Stock-based compensation	13,794	8,686
Intangibles amortization	1,090	88
Legal and indemnification fees related to settlement	—	292
Acquisition-related transaction costs	329	—
Non-GAAP operating income	<u>\$ 10,257</u>	<u>\$ 8,744</u>

GAAP to Non-GAAP Net Income (Loss) Reconciliation

	Three Months Ended	
	March 31, 2020	March 31, 2019
GAAP net loss	\$ (7,437)	\$ (1,924)
Non-GAAP adjustments:		
Stock-based compensation	13,794	8,686
Intangibles amortization	1,090	88
Amortization of discount and issuance costs on convertible senior notes	3,320	3,079
Legal and indemnification fees related to settlement	—	292
Acquisition-related transaction costs	329	—
Gain on sale of convertible note held for investment	—	(217)
Non-GAAP net income	<u>\$ 11,096</u>	<u>\$ 10,004</u>
GAAP net loss per share:		
Basic and diluted	<u>\$ (0.12)</u>	<u>\$ (0.03)</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.18</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.16</u>
Shares used in computing GAAP net loss per share:		
Basic and diluted	<u>61,705</u>	<u>59,367</u>
Shares used in computing non-GAAP net income per share:		
Basic	<u>61,705</u>	<u>59,367</u>
Diluted	<u>65,161</u>	<u>62,754</u>

Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization

	Three Months Ended					
	March 31, 2020			March 31, 2019		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 1,989	\$ 2,850	\$ 1,090	\$ 1,229	\$ 2,278	\$ 88
Research and development	2,806	465	—	1,470	440	—
Sales and marketing	4,106	2	—	2,249	1	—
General and administrative	4,893	563	—	3,738	385	—
Total	<u>\$ 13,794</u>	<u>\$ 3,880</u>	<u>\$ 1,090</u>	<u>\$ 8,686</u>	<u>\$ 3,104</u>	<u>\$ 88</u>

GAAP to Non-GAAP Net Income (Loss) Reconciliation

Guidance

	Three Months Ending June 30, 2020		Year Ending December 31, 2020	
	Low	High	Low	High
GAAP net loss	\$ (16,692)	\$ (15,692)	\$ (45,438)	\$ (42,438)
Non-GAAP adjustments:				
Stock-based compensation	16,300	16,300	62,465	62,465
Intangibles amortization	2,862	2,862	9,604	9,604
Amortization of discount and issuance costs on convertible senior notes	3,290	3,290	13,424	13,424
One-time integration costs and expenses	2,274	2,274	6,479	6,479
One-time COVID-19 relief bonus for employees	1,766	1,766	1,766	1,766
Income tax expense effects ⁽¹⁾	—	—	—	—
Non-GAAP net income	<u>\$ 9,800</u>	<u>\$ 10,800</u>	<u>\$ 48,300</u>	<u>\$ 51,300</u>
GAAP net loss per share, basic and diluted	<u>\$ (0.27)</u>	<u>\$ (0.25)</u>	<u>\$ (0.72)</u>	<u>\$ (0.67)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.77</u>	<u>\$ 0.82</u>
Diluted	<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.72</u>	<u>\$ 0.76</u>
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	<u>62,500</u>	<u>62,500</u>	<u>62,900</u>	<u>62,900</u>
Diluted	<u>67,400</u>	<u>67,400</u>	<u>67,500</u>	<u>67,500</u>

Note: Represents guidance disclosed on 5/4/20. Reader shall not construe presentation of this information after 5/4/20 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	Q1'19	Q2'19	Q3'19	Q4'19	12 mo ended 12/31/19	Q1'20
Net cash provided by operating activities <i>(Refer to cash flows from operating activities in cash flow statement)</i>	\$11,190	\$6,789	\$17,676	\$15,566	\$51,221	\$10,394
Capital expenditure						
Purchases of property and equipment <i>(Refer to cash flows from investing activities in cash flow statement)</i>	3,985	4,241	4,551	6,451	19,228	6,045
Equipment obtained under capital lease <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	261	7	(302)	0	(34)	0
Equipment purchased and unpaid at period-end						
Beginning balance	1,583	1,875	1,602	863		2,890
Ending balance <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	1,875	1,602	863	2,890	2,890	2,280
Change in equipment purchased and unpaid during period	292	(273)	(739)	2,028	1,308	(610)
Total capital expenditure	\$4,538	\$3,974	\$3,510	\$8,479	\$20,502	\$5,435
Free cash flow (operating cash flow less capex paid in cash)	\$7,205	\$2,548	\$13,126	\$9,114	\$31,993	\$4,349