



Cloud Contact Center Software

Five9 (NASDAQ: FIVN)

Q1 2019 Investor Presentation

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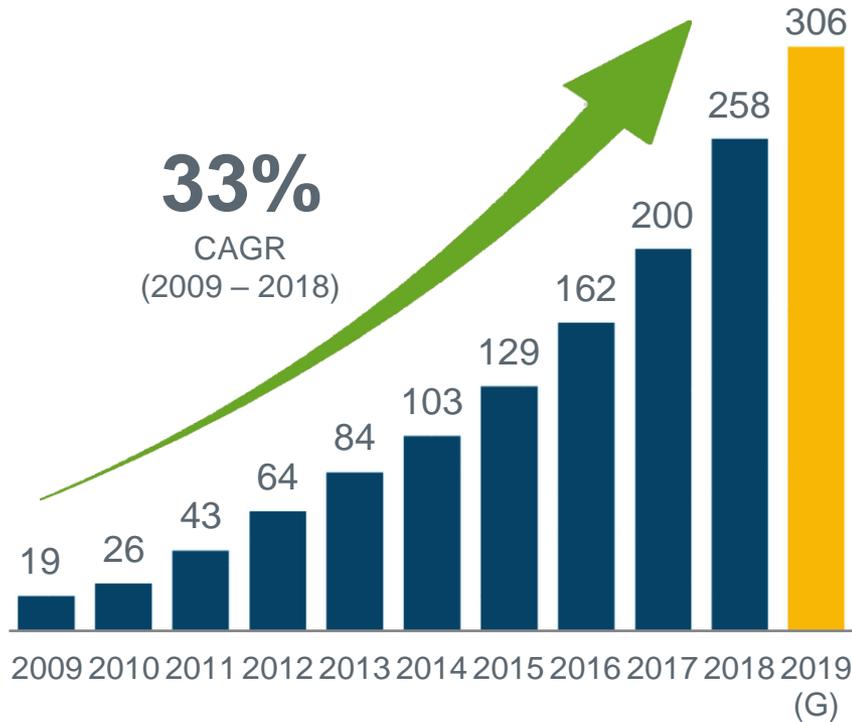
In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP and may differ from non-GAAP measures 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. Non-GAAP results are presented for supplemental informational purposes only for understanding the Company's operating results and should not be considered a substitute for financial information presented in accordance with U.S. GAAP. Please see the reconciliation of non-GAAP financial measures to the most directly comparable U.S. GAAP measure set forth in the Appendix to this presentation.

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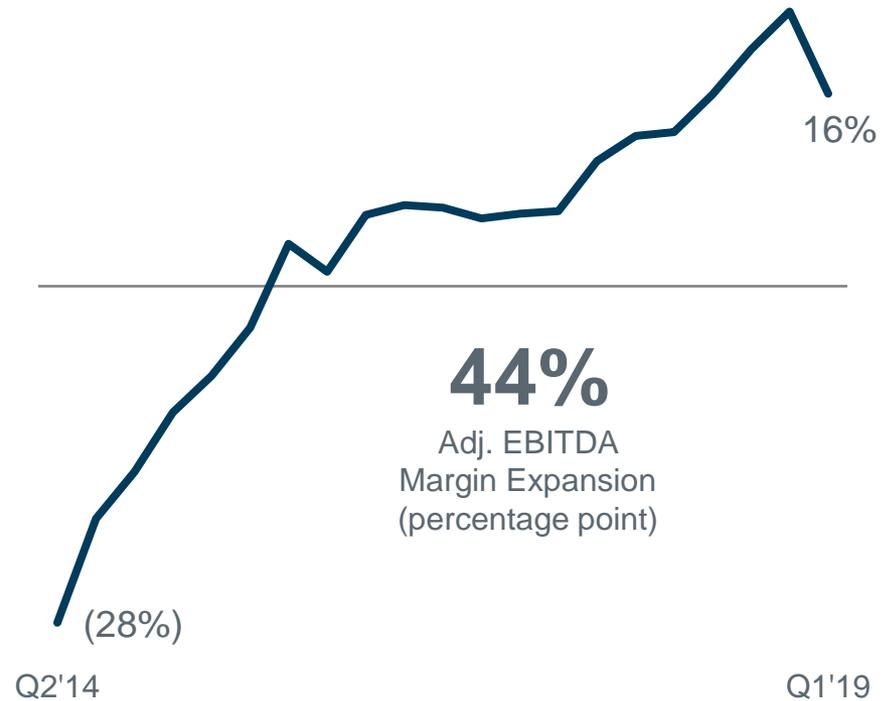
Leader in Cloud Software for Contact Centers



Annual Revenue (\$M)



Adj. EBITDA Margin Since IPO



100%

Cloud

100%

Organic

78%

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 5/1/19. Reader shall not construe presentation of this information after 5/1/19 as an update or reaffirmation of such guidance. LTM metrics as of 3/31/19. \$1M+ ARR based on Q4'18 annualized. Historical results prior to 2018 based on ASC 605

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

North America

~ 6.4M agents⁽¹⁾

+

International

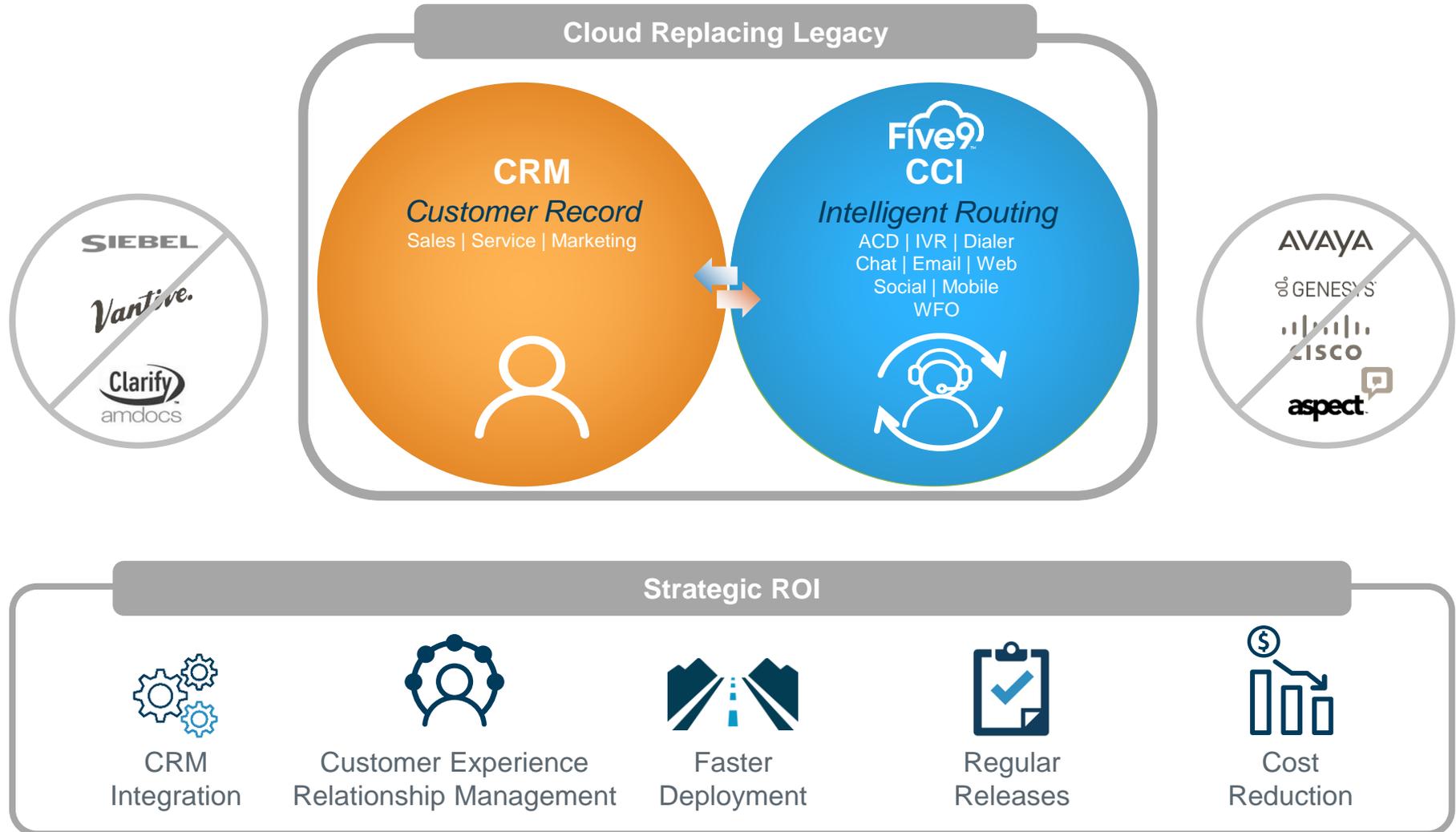
~ 9.4M agents⁽¹⁾

\$24B Global Addressable Market⁽²⁾

Underpenetrated

~10-15% Cloud⁽³⁾

Modernization is Accelerating: Legacy to Cloud



"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

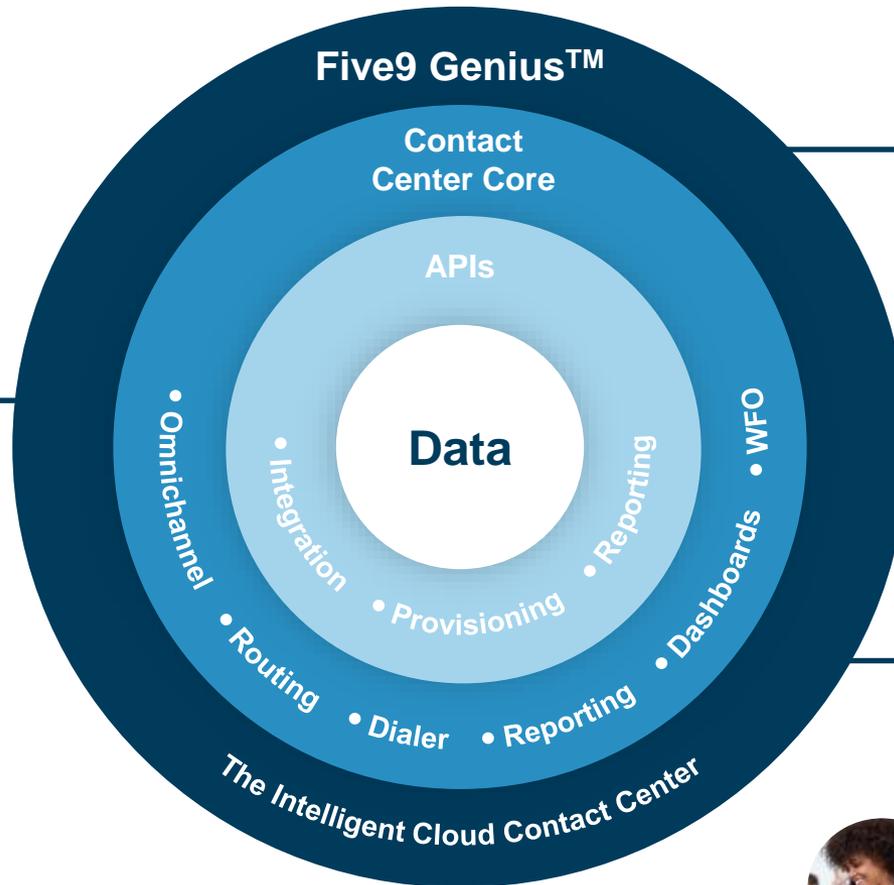
- **High-Touch / On-Site Implementation**
 - Detailed Discovery
 - Design & Testing
 - Training & Optimization
- **Premium Support:** Ongoing dedicated TAM

Five9 Genius™ the Intelligent Cloud Contact Center...



Channels

- Email
- Chat
- Voice
- Mobile
- Social



Ecosystem

- CRM
- UC
- WFO

Clients

- Agent
- Supervisor
- Admin





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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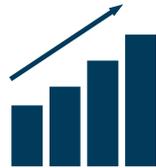
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Multiple Vectors for Long-Term Growth



**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

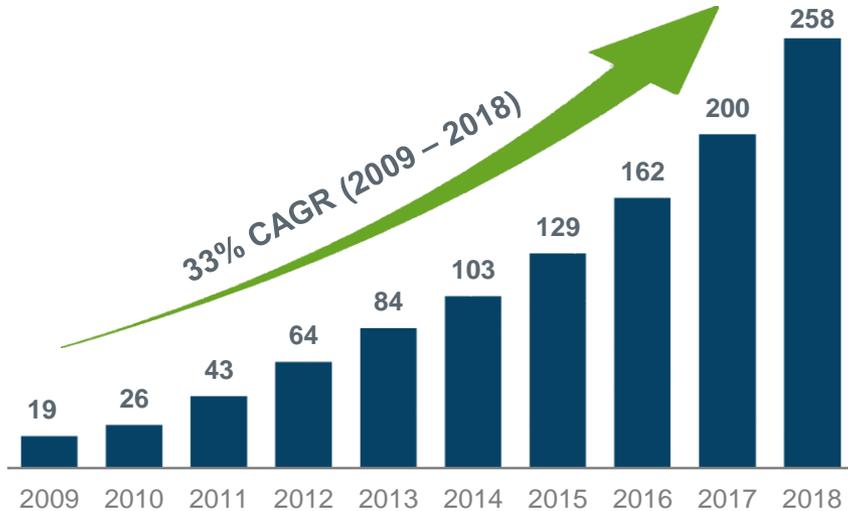
EVP, Strategy & Operations



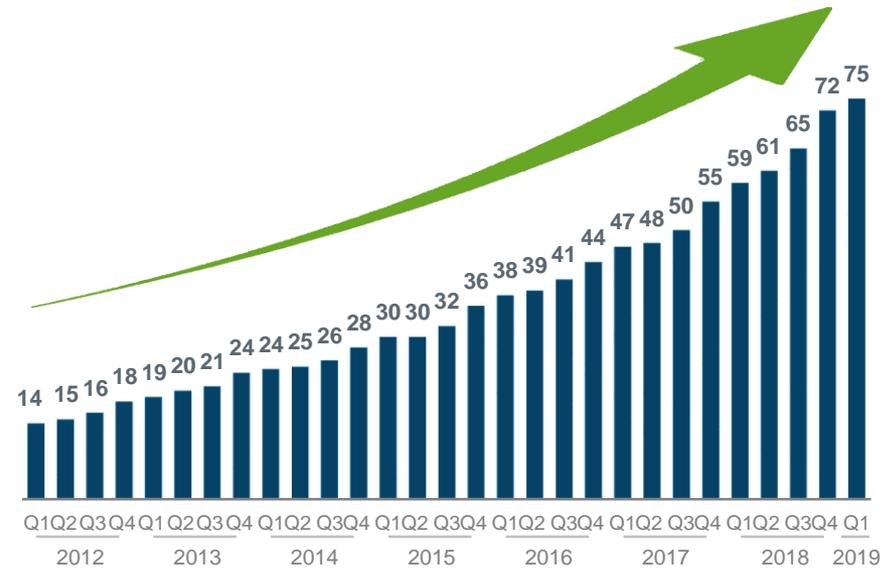
Strong, Consistent Revenue Growth



Annual Revenue (\$M)



Quarterly Revenue (\$M)



High Retention



High Visibility



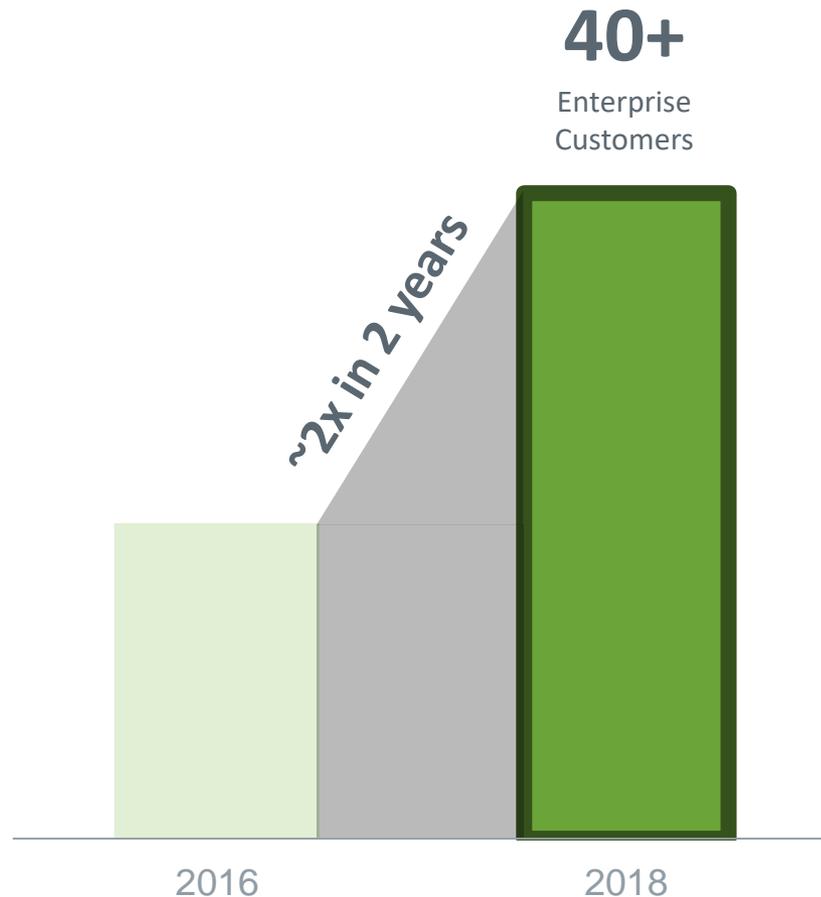
No Concentration

Note: Annual DBRR, recurring revenue and client concentration as of Q1'19. Historical results prior to 2018 based on ASC 605

Enterprise Driving Strong Growth and Profitability



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



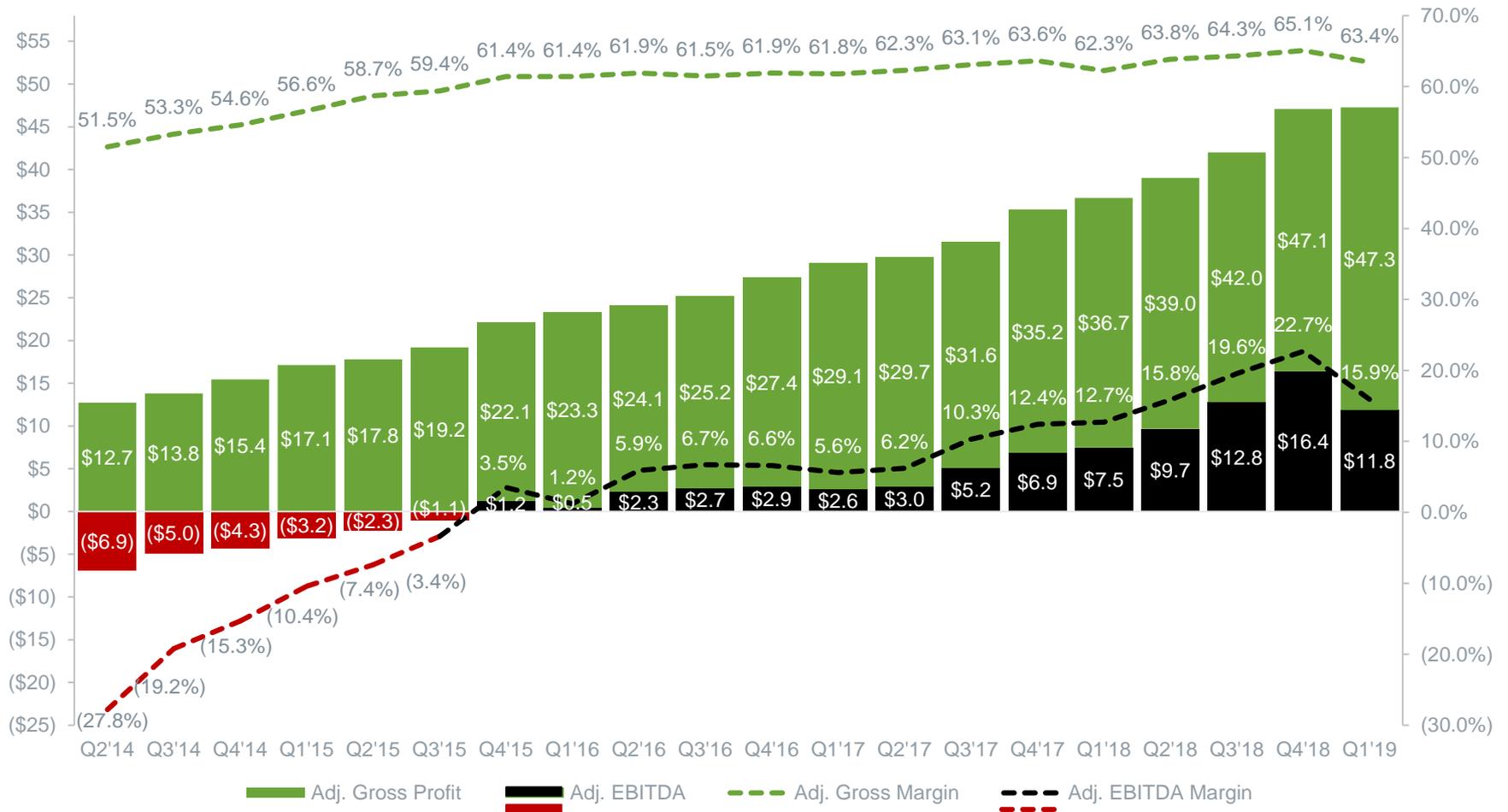
Strong Unit Economics



Investing in the Near-term. Long-term target remains 27%+



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



Note: Non-GAAP excludes depreciation, intangibles amortization, stock-based compensation and unusual transactions. Historical results prior to 2018 based on ASC 605

Margin Expansion and Operating Leverage

Non-GAAP

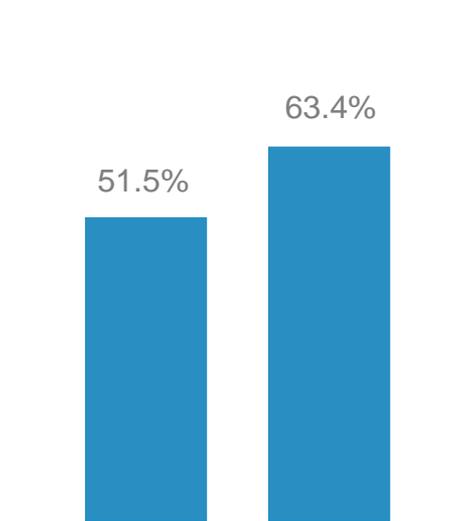


Adj. Gross Margin

Adj. Gross Margin

11.9% expansion

IPO Today



Q2'14

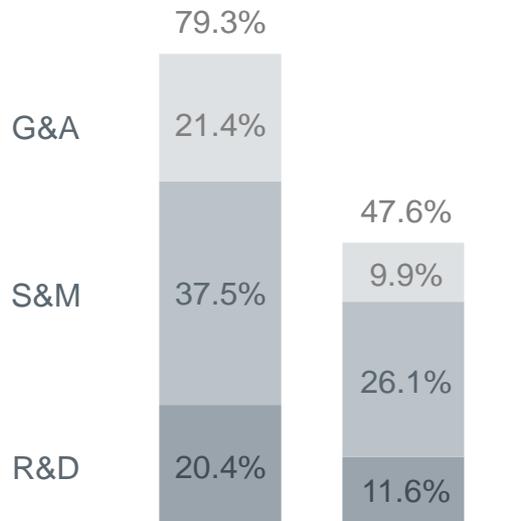
Q1'19

Non-GAAP Opex (% of revenue)

Non-GAAP Opex (% of revenue)

31.7% improvement

IPO Today



Q2'14

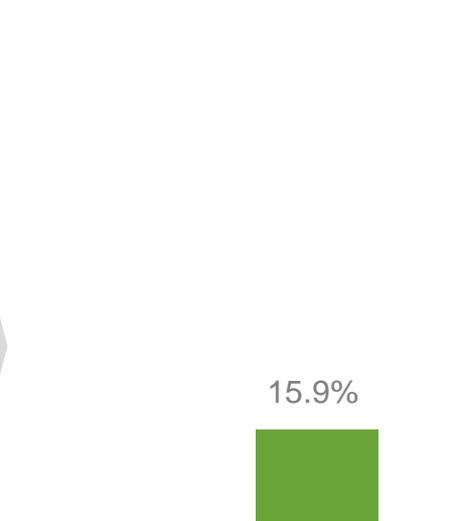
Q1'19

Adj. EBITDA Margin

Adj. EBITDA Margin

43.7% expansion

IPO Today



(27.8%)

Q2'14

Q1'19

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

Based on ASC 606

% of Revenue	2014	2015	2016	2017	2018	Q1'19
Adj. Gross Margin	53%	59%	62%	63%	64%	63%
S&M	35%	31%	31%	31%	25%	26%
R&D	19%	16%	13%	12%	11%	12%
G&A	21%	16%	13%	11%	10%	10%
Adj. EBITDA	(22%)	(4%)	5%	9%	18%	16%

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	
	March 31, 2019	December 31, 2018
Cash, cash equivalents and marketable investments	\$298.9	\$291.8
Working capital	288.3	286.0
Total assets	415.4	394.7
Total finance leases	9.5	11.2
Total debt	199.8	196.8
Total stockholders' equity	\$150.7	\$142.8

Investment Highlights



Largest 100% Cloud Contact Center Provider

~\$300M Revenue Run Rate (Q1'19)

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

>55% 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 – Q1'19



	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
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
<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%
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
Stock-based compensation	121	158	176	188	218	233	227	265	329	357	424	434	575	599	594	678	853	860	942	1,229
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
<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%

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 – Q1'19



	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
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)
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
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
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
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)
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)
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	292
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
% 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%

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
<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>

Note: Historical results prior to 2018 based on ASC 605

GAAP to Non-GAAP COR and OpEx Reconciliation

Q2'14 – Q1'19



	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
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
% 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%
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)
Stock-based compensation	(121)	(158)	(176)	(188)	(218)	(233)	(227)	(265)	(329)	(357)	(424)	(434)	(575)	(599)	(594)	(678)	(853)	(860)	(942)	(1,229)
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
% 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%
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
% 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%
Depreciation & amortization	(50)	(58)	(75)	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)	(170)	(194)	(233)	(278)	(331)	(440)
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)
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
% 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%
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
% 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%
Depreciation & amortization	(48)	(50)	(50)	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)	(30)	(29)	(30)	(30)	(6)	(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)
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
% 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%
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
% 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%
Depreciation & amortization	(228)	(187)	(189)	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)	(257)	(303)	(322)	(338)	(372)	(385)
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)
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	(1,700)	—	—	—	—	—	—	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	(135)	—	—	—	—	(241)	(258)	(93)	(292)
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
% 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%

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
<i>% of revenue</i>	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
<i>% of revenue</i>	47.3%	40.9%	38.3%	37.3%	36.1%
GAAP R&D	\$22,110	\$22,659	\$23,878	\$27,120	\$34,172
<i>% of revenue</i>	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
<i>% of revenue</i>	19.3%	15.8%	13.0%	11.6%	10.8%
GAAP S&M	\$37,445	\$42,042	\$52,748	\$66,570	\$72,001
<i>% of revenue</i>	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
<i>% of revenue</i>	34.7%	31.1%	30.9%	31.0%	25.5%
GAAP G&A	\$24,416	\$25,822	\$25,072	\$29,151	\$40,448
<i>% of revenue</i>	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
<i>% of revenue</i>	20.7%	16.3%	12.6%	11.3%	9.7%

Note: Historical results prior to 2018 based on ASC 605

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

Q1'19



	Three Months Ended	
	March 31, 2019	March 31, 2018
Loss from operations	\$ (322)	\$ (150)
Non-GAAP adjustments:		
Stock-based compensation	8,686	5,325
Intangibles amortization	88	116
Legal and indemnification fees related to settlement	292	—
Non-GAAP operating income	<u>\$ 8,744</u>	<u>\$ 5,291</u>

GAAP Net Loss to Non-GAAP Net Inc. Reconciliation

Q1'19



	Three Months Ended	
	March 31, 2019	March 31, 2018
GAAP net loss	\$ (1,924)	\$ (607)
Non-GAAP adjustments:		
Stock-based compensation	8,686	5,325
Intangibles amortization	88	116
Amortization of debt discount and issuance costs	—	20
Amortization of discount and issuance costs on convertible senior notes	3,079	—
Legal and indemnification fees related to settlement	292	—
Gain on sale of convertible note held for investment	(217)	(352)
Non-GAAP net income	<u>\$ 10,004</u>	<u>\$ 4,502</u>
GAAP net loss per share:		
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Non-GAAP net income per share:		
Basic	<u>\$ 0.17</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.08</u>
Shares used in computing GAAP net loss per share:		
Basic and diluted	<u>59,367</u>	<u>56,399</u>
Shares used in computing non-GAAP net income per share:		
Basic	<u>59,367</u>	<u>56,399</u>
Diluted	<u>62,754</u>	<u>59,744</u>

Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization



	Three Months Ended					
	March 31, 2019			March 31, 2018		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 1,229	\$ 2,278	\$ 88	\$ 678	\$ 1,706	\$ 88
Research and development	1,470	440	—	877	194	—
Sales and marketing	2,249	1	—	1,362	1	28
General and administrative	3,738	385	—	2,408	303	—
Total	<u>\$ 8,686</u>	<u>\$ 3,104</u>	<u>\$ 88</u>	<u>\$ 5,325</u>	<u>\$ 2,204</u>	<u>\$ 116</u>

GAAP to Non-GAAP Net Income (Loss) Reconciliation

Guidance



	Three Months Ending June 30, 2019		Year Ending December 31, 2019	
	Low	High	Low	High
GAAP net loss	\$ (6,713)	\$ (5,713)	\$ (17,255)	\$ (14,255)
Non-GAAP adjustments:				
Stock-based compensation	10,461	10,461	43,328	43,328
Intangibles amortization	88	88	351	351
Amortization of discount and issuance costs on convertible senior notes	3,164	3,164	12,801	12,801
Legal and indemnification fees related to settlement	—	—	292	292
Gain on sale of convertible note held for investment	—	—	(217)	(217)
Income tax expense effects ⁽¹⁾	—	—	—	—
Non-GAAP net income	<u>\$ 7,000</u>	<u>\$ 8,000</u>	<u>\$ 39,300</u>	<u>\$ 42,300</u>
GAAP net loss per share, basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.09)</u>	<u>\$ (0.29)</u>	<u>\$ (0.24)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.65</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 0.11</u>	<u>\$ 0.13</u>	<u>\$ 0.61</u>	<u>\$ 0.66</u>
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	<u>60,200</u>	<u>60,200</u>	<u>60,500</u>	<u>60,500</u>
Diluted	<u>64,000</u>	<u>64,000</u>	<u>64,500</u>	<u>64,500</u>

Note: Represents guidance disclosed on 5/1/19. Reader shall not construe presentation of this information after 5/1/19 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
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
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
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
Equipment purchased and unpaid at period-end						
Beginning balance	145	281	738	779		1,583
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
Change in equipment purchased and unpaid during period	136	457	41	804	1,438	292
Total capital expenditure	\$3,204	\$3,474	\$3,441	\$5,723	\$15,841	\$4,538
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