



Fourth Quarter and Fiscal Year 2016 Supplemental Materials for the Periods Ended December 31, 2016

Information as of February 2, 2017



Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements in this presentation include, but are not limited to, our expectations that the market for our products will continue to grow and develop; our expectations regarding future financial performance; and our expectations regarding product developments and enhancements and adoption of those products by our customers. Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include our ability to continue to deliver and improve our products and successfully develop new products; customer acceptance and purchase of our existing products and new products; our ability to retain existing customers and generate new customers; the market for network traffic visibility solutions not continuing to develop; competition from other products and services; and general market, political, economic and business conditions. The forward-looking statements contained in this presentation are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the period ended December 26, 2015 and our most recently filed Quarterly Report on Form 10-Q. The forward-looking statements in this presentation are based on information available to Gigamon as of the date hereof, and Gigamon disclaims any obligation to update any forward-looking statements, except as required by law.

This presentation includes certain non-GAAP financial measures as defined by the SEC rules. As required by Regulation G, we have provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the appendix.

Non-GAAP Metrics

Gigamon reports all financial information required in accordance with U.S. generally accepted accounting principles (GAAP). To supplement the Gigamon unaudited condensed consolidated financial statements presented in accordance with GAAP, Gigamon uses certain non-GAAP measures of financial performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the results of Gigamon operations as determined in accordance with GAAP. The non-GAAP financial measures used by Gigamon include historical non-GAAP net income, non-GAAP gross margin, non-GAAP operating margin, and non-GAAP earnings per share. These non-GAAP financial measures exclude stock-based compensation and related payroll taxes, income tax effect of stock-based compensation expense, and a valuation allowance against deferred tax assets and acquisition-related expenses from the Gigamon unaudited condensed consolidated statement of operations.

Gigamon believes these non-GAAP financial measures provide meaningful supplemental information regarding its performance by excluding certain items that may not be indicative of the company's core business, operating results or future outlook. Gigamon management uses, and believes that investors benefit from referring to, these non-GAAP financial measures in assessing Gigamon's operating results, as well as when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate comparisons of the performance of Gigamon to prior periods.

4Q 2016 Financial Results Summary

- Revenue of \$85.0 million was up 2% sequentially compared to \$83.5 million in Q316, and up year-over-year 27% compared to \$67 million in Q415 due to demand for security and mobility products.
- Product Revenue of \$59.4 million was slightly down sequentially compared to \$59.8 million in Q316, and up year-over-year 26% compared to \$47.1 million in Q415 due to strength in our HC and TA products.
- Service Revenue of \$25.6 million was up 8% sequentially compared to \$23.7 million in Q316, and up 28% year-over-year compared to \$20 million in Q415, reflecting the value of our solutions and software support.
- Expanded gross margin from 82.7% to 84.2% year-over-year, due mainly to outsourced manufacturing, operational improvements and ongoing product cost reductions
- Non-GAAP operating expenses of \$50.5 million were up 22% year-over-year; higher revenue growth rate drives non-GAAP operating margin increase of 380 basis points from 21.1% to 24.9% year-over-year
- Non-GAAP net income of \$14.4 million was up 36% year-over-year
- Strong revenue growth in EMEA, up 46% year-over-year
- Over 30 percent of the bookings from our GigaVUE-HC1 product, specifically designed to open new opportunities, came from first-time customers
- Added a record 126 new customer accounts
- No customer represented over 10 percent or more of total revenues in the fourth quarter

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FY 2016 Summary

- Second consecutive year of 40% or more year-over-year revenue growth
- Security-related product wins accounted for >70% compared to approximately 60% in 2015 and 50% in 2014
- 19% year-over-year increase in our cumulative customer count to >2,300
- Gross margin up from 80.2% to 83.0%, and operating margin up from 19.1% to 22.7%
- Cash up \$48 million for the year to \$258 million; strong balance sheet
- Top 25 Customer Lifetime list now requires a minimum of \$7.1 million lifetime spend, up from \$5.3 million last year
- Launched the Giga-VUE HC-1, expanding the reach of our GigaSECURE *Security Delivery Platform* from large data centers to small and medium-sized enterprises and remote sites in distributed enterprises
- Launched the industry's first and only pervasive visibility platform for private, public and hybrid clouds in partnership with Amazon Web Services (AWS), significantly expanding our target market

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Three-Year Non-GAAP Financial Results Summary



(\$ in Millions, except per share amounts)	FY16	Y/Y	FY15	Y/Y	FY14	Y/Y
Total Revenue	\$310.9	+40%	\$222.0	+41%	\$157.1	+12%
<i>Product Revenue</i> <i>% of Total Rev</i>	\$215.2 69%	+41% ---	\$152.7 69%	+45% ---	\$105.6 67%	+4% ---
<i>Service Revenue</i> <i>% of Total Rev</i>	\$96 31%	+38% ---	\$69.2 31%	+34% ---	\$51.5 33%	+34% ---
Non-GAAP Gross Margin	83.0%	+280 bps	80.2%	+290 bps	77.3%	-350 bps
Non-GAAP Operating Expenses	\$187.7	+38%	\$135.8	+17%	\$115.8	+28%
Non-GAAP Operating Margin	22.7%	+360 bps	19.1%	+1550 bps	3.6%	-1260 bps
Non-GAAP Net Income	\$48.0	+66%	\$29.0	+632%	\$4.0	-75%
Non-GAAP EPS	\$1.26	+58%	\$0.80	+568%	\$0.12	-77%

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4Q 2016 Non-GAAP Results

(\$ in Millions, except per share amounts)	4Q16	Q316	4Q15	Y/Y Change
Total Revenue	\$85.0	\$83.5	\$67.0	+27%
<i>Product Revenue</i> <i>% of Total Rev</i>	\$59.4 70%	\$59.8 72%	\$47.0 70%	+26% ---
<i>Service Revenue</i> <i>% of Total Rev</i>	\$25.6 30%	\$23.7 28%	\$20.0 30%	+28% ---
Non-GAAP Gross Margin	84.2%	83.5%	82.7%	+150 bps
Non-GAAP Operating Expenses	\$50.5	\$49.2	\$41.3	+22%
Non-GAAP Operating Margin	24.9%	24.6%	21.1%	+380 bps
Non-GAAP Net Income	\$14.4	\$14.0	\$10.6	+36%
Non-GAAP EPS	\$0.37	\$0.36	\$0.29	+28%

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4Q 2016 Revenue Breakdown

	4Q16	3Q16	4Q15
Geography			
Americas	75%	83%	75%
APAC	7%	8%	9%
EMEA	18%	9%	16%
Revenues			
Product	70%	72%	70%
Services	30%	28%	30%
Markets			
Enterprise	61%	55%	68%
Service Provider	24%	23%	22%
Federal	15%	22%	10%

4Q 2016 Select Financial Metrics

(\$ in Millions)	4Q16	3Q16	4Q15
Percentage of Bookings from Repeat Customers	88%	93%	90%
Lifetime Spend Requirement to Make the Top 25 Customer List*	\$7.1	\$6.6	\$5.3
New Customers in Quarter	126	87	76
Total Customer Count	2,333	2,207	1,961
Largest Customer as Percentage (%) of Total Revenue (if >10%)	N/A	N/A	N/A

* Total dollars of Gigamon products and services a customer must have ordered to be one of our Top 25 lifetime customers

4Q 2016 Select Financial Metrics (Cont' d)

(\$ in Millions)	4Q16	3Q16	4Q15
Deferred Product Revenue	\$0.1	\$2.1	\$8.7
Deferred Service Revenue	\$97.6	\$81.0	\$73.5
GAAP Cash Flow from Operations	\$14.1	\$8.0	\$24.2
GAAP Net Income	\$6.4	\$6.1	\$2.6
Cash and Cash Equivalents	\$258	\$245	\$210
DSO	81	66	64
Employee Headcount	684	635	482

Note: Deferred Service revenue improves visibility on future revenue and profits. Deferred product revenue is minimal because we operate a centralized global fulfillment model and generally recognize product revenue upon shipment.

Non-GAAP Long-Term Model: Expanding Gross and Operating Margins



	FY14	FY15	FY16	Long Term Model
Gross Margin	77%	80%	83%	~80%
S&M	43%	35%	35%	31-33%
R&D	22%	18%	18%	16-17%
G&A	9%	8%	7%	5%
Operating Margin	4%	19%	23%	25-28%

Appendix

- Consolidated Statement of Operations
- Non-GAAP Consolidated Statement of Operations
- Consolidated Balance Sheets
- Consolidated Statement of Cash Flows
- Non-GAAP Reconciliation
- Revenue History

Consolidated Statement of Operations

FY2014–2016 (\$ Millions)

(\$ in Millions) except EPS	FY14	FY15	FY16
Revenue	\$157.1	\$222.0	\$310.9
Gross Profit	\$119.7	\$176.2	\$256.1
<i>% GAAP gross margin</i>	76.2%	79.4%	82.4%
Research and Development	\$42.8	\$49.6	\$68.1
Sales and Marketing	\$76.1	\$87.5	\$122.7
General and Administrative	\$20.7	\$27.5	\$34.9
Operating Income	\$ (19.9)	\$11.6	\$30.4
<i>% GAAP operating margin</i>	(12.6%)	5.2%	9.8%
Net income	\$ (40.8)	\$6.2	\$49.4
<i>% GAAP net margin</i>	-26.0%	2.8%	15.9%
EPS (diluted)	\$ (1.27)	\$.17	\$1.31

Non-GAAP Consolidated Statement of Operations

FY2014–2016 (\$ Millions)

(\$ in Millions)	FY14	FY15	FY16
Revenue	\$157.1	\$222.0	\$310.9
Gross Profit <i>% non-GAAP gross margin</i>	\$121.4 77.3%	\$178.1 80.2%	\$258.1 83.0%
Research and Development	\$34.3	\$40.0	\$54.8
Sales and Marketing	\$67.6	\$77.7	\$110.3
General and Administrative	\$13.9	\$18.0	\$22.5
Operating Income <i>% non-GAAP operating margin</i>	\$5.6 3.6%	\$42.3 19.1%	\$70.4 22.7%

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Consolidated Balance Sheets

FY2014–2016 (\$ Millions)

(\$ in Millions)	FY14	FY15	FY16
Assets:			
Cash & Short-term Investments	\$149.4	\$210.2	\$258.2
Other Current Assets	\$40.7	\$59.1	\$96.8
Long-term Assets	\$7.9	\$10.3	\$46.0
Total Assets	\$198.0	\$279.6	\$401.0
Liabilities:			
Deferred Revenue	\$42.2	\$62.2	\$69.0
Other Current Liabilities	\$25.2	\$40.8	\$39.9
Deferred Revenue, non-current	\$13.3	\$19.9	\$28.8
Other Long-term Liabilities	\$1.9	\$1.4	\$0.6
Total Liabilities	\$82.6	\$124.3	\$138.3
Total Stockholders Equity	\$115.4	\$155.3	\$262.7
Total Liabilities and Stockholders Equity	\$198.0	\$279.6	\$401.0

Consolidated Statement of Cash Flows

FY2014–2016 (\$ Millions)

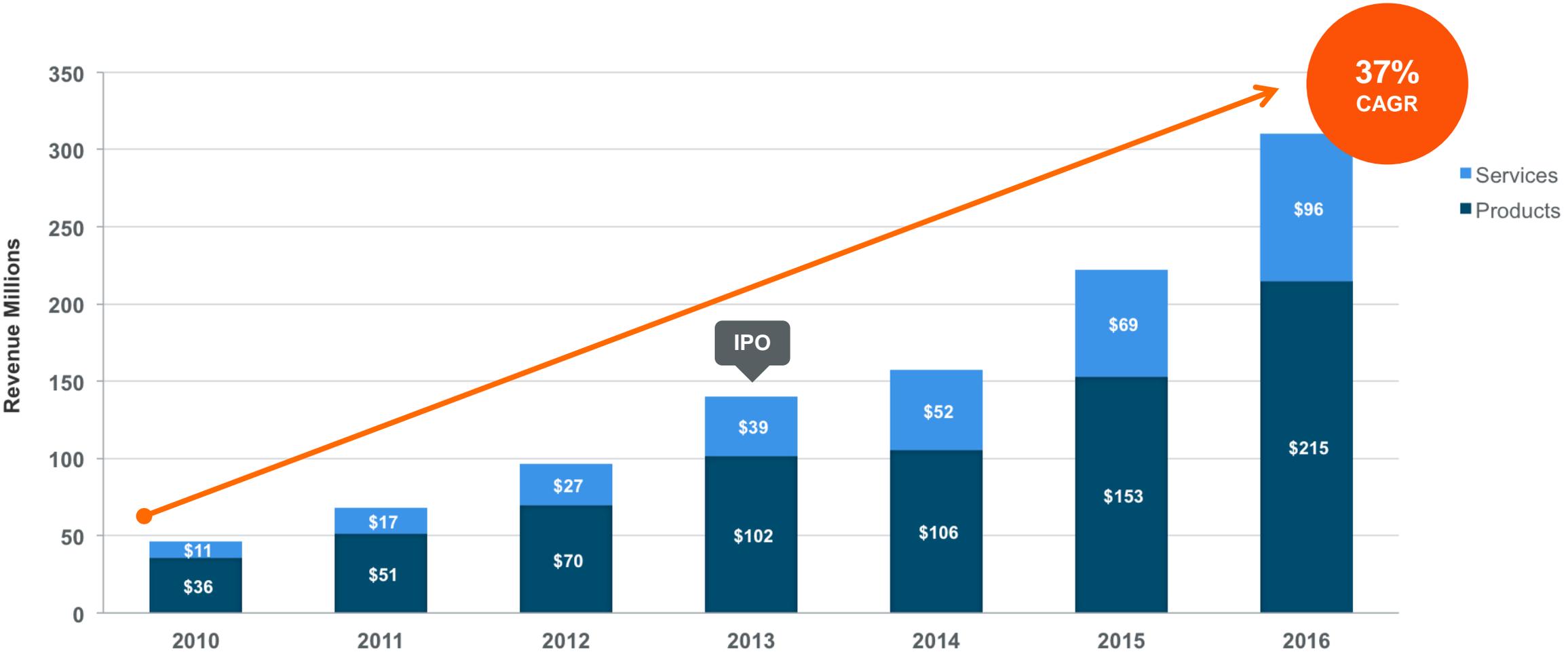
(\$ in Millions)	FY14	FY15	FY16
Cash Flows from Operating Activities:			
Net income	\$(40.8)	\$6.2	\$49.4
Depreciation and amortization	\$6.0	\$6.5	\$6.8
Stock-based compensation expense	\$24.7	\$29.8	\$38.8
Excess tax benefit from employee stock-based compensation	---	\$(4.7)	\$(12.1)
Changes in operating assets and liabilities	\$(3.1)	\$23.5	\$(13.6)
Other Operating Activities	\$24.3	\$2.1	\$(32.3)
Net cash provided by operating activities	\$11.1	\$63.4	\$37.0
Cash Flows from Investing Activities	\$(59.7)	\$13.8	\$(27.3)
Cash Flows from Financing Activities	\$7.6	\$4.0	\$18.9
Net Increase (decrease) in Cash and Cash Equivalents	\$(41.0)	\$81.3	\$28.7
Cash and Cash Equivalents, Beginning of period	\$79.9	\$38.9	\$120.2
Cash and Cash Equivalents, End of period	\$38.9	\$120.2	\$148.9

Non-GAAP Reconciliation

FY2014–2016 (\$ Millions)

(\$ in Millions)	FY14	FY15	FY16
Revenue	\$157.1	\$222.0	\$310.9
GAAP gross profit	\$119.7	\$176.2	\$256.1
% GAAP gross margin	76.2%	79.4%	82.4%
Share-based compensation expense and related taxes	1.7	1.9	2.0
Non-GAAP gross profit	\$121.4	\$178.1	\$258.1
% non-GAAP gross margin	77.3%	80.2%	83.0%
GAAP research and development	\$42.8	\$49.6	\$68.1
Share-based compensation expense and related taxes	(8.5)	(9.6)	(13.3)
Non-GAAP research and development	\$34.3	\$40.0	\$54.8
GAAP sales and marketing	\$76.1	\$87.5	\$122.7
Share-based compensation expense and related taxes	(8.4)	(9.8)	(12.4)
Non-GAAP sales and marketing	\$67.6	\$77.7	\$110.3
GAAP general and administrative	\$20.7	\$27.5	\$34.9
Share-based compensation expense and related taxes	(6.8)	(9.5)	(12.4)
Non-GAAP general and administrative	\$13.9	\$18.0	\$22.5
GAAP operating income (loss)	\$(19.9)	\$11.6	\$30.4
% GAAP operating margin	-12.6%	5.2%	9.8%
Share-based compensation expense and related taxes	25.5	30.7	40.0
Non-GAAP operating income (loss)	\$5.6	\$42.3	\$ 70.4
% non-GAAP operating margin	3.6%	19.1%	22.7%

History of Sustained Revenue Growth





NYSE: GIMO

