

# Investor Presentation

Fourth Quarter 2016

# Safe Harbor

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This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed strategy, future operations, financing plans, operating model, financial position, future revenues, projected costs, competitive position, industry environment, potential growth opportunities, potential market opportunities, plans and objectives of management and the effects of competition.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates” (including without limitation financial estimates denoted with a “E”, such as FY17E), “targets,” “guidance,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “prospects”, “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms, although not all forward-looking statements contain these identifying words.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We cannot guarantee that we actually will achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

Forward-looking statements represent our management’s beliefs and assumptions only as of the date of this presentation. We undertake no obligation, and do not intend to update these forward-looking statements, to review or confirm analysts’ expectations, or to provide interim reports or updates on the progress of the current financial quarter. Further information on these and other factors that could affect our financial results are included in our filings we make with the Securities and Exchange Commission, including those discussed in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

This presentation includes certain non-GAAP financial measures and the corresponding growth rates as defined by SEC rules. See slide entitled “Statement Regarding Use of Non-GAAP Financial Measures.” Terms such as “Annual Contract Value”, “Average Contract Term”, “Renewal Rate”, and “G2K Customer” shall have the meanings set forth in our filings with the SEC.

The information in this presentation on new products, features, or functionalities is intended to outline ServiceNow’s general product direction and should not be included in making a purchasing decision. The information on new products, features, functionalities is for informational purposes only and may not be incorporated into any contract. The information on new products is not a commitment, promise, or legal obligation to deliver any material, code or functionality. The development, release, and timing of any features or functionality described for our products remains at ServiceNow’s sole discretion.

# Statement Regarding Use of Non-GAAP Financial Measures

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We present revenues adjusted for constant currency and corresponding growth rates to provide a framework for assessing how our business performed excluding the effect of foreign currency rate fluctuations. To present this information, current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. We believe the presentation of revenues adjusted for constant currency facilitates the comparison of revenues year-over-year.

We present subscription billings, professional services and other billings and total billings and corresponding growth rates as the applicable revenue plus the applicable change in deferred revenue as presented or derived from the statement of cash flows. We also present subscription billings and total billings and corresponding growth rates adjusted for constant currency and constant weighted average billings duration. To present this information, we adjust subscription billings and total billings for constant currency as described above and apply the weighted average billings duration in effect during the prior period presented, rather than the actual weighted average billings duration in effect during the current period. Weighted average billings duration refers to the weighted average billings duration for all our customer contracts commencing during the period. We also present professional services and other billings and corresponding growth rates adjusted for constant currency as described above.

We believe billings is a useful leading indicator regarding the performance of our business. While we typically bill customers annually for our subscription services, in certain instances, customers request, and we accommodate, billings durations that differ from the typical twelve month term. Accordingly, to facilitate greater comparability in our billings information, we further present billings adjusted for constant weighted average billings duration.

Our non-GAAP presentation of gross profit, operating income and net income measures exclude stock-based compensation expense, the amortization of debt discount and issuance costs related to the convertible senior notes, amortization of purchased intangibles, legal settlements, business combination and other related costs, and the related income tax effect of these adjustments. We believe the presentation of operating results that exclude these non-cash or non-recurring items provides useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by operating activities plus cash paid for legal settlements, reduced by purchases of property and equipment. Free cash flow margin is calculated as free cash flow as a percentage of revenues. We believe information regarding free cash flow and free cash flow margin provides useful information to investors because it is an indicator of the strength and performance of ongoing business operations. However, our calculation of free cash flow and free cash flow margin may not be comparable to similar measures used by other companies.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Please see the tables included at the end of this release for the reconciliation of GAAP and non-GAAP results.

# The Enterprise Cloud Company

## Enterprise Cloud

Cloud-based service that modernizes and transforms the enterprise

Highly secure and available enterprise cloud

SaaS business model



## NYSE: NOW

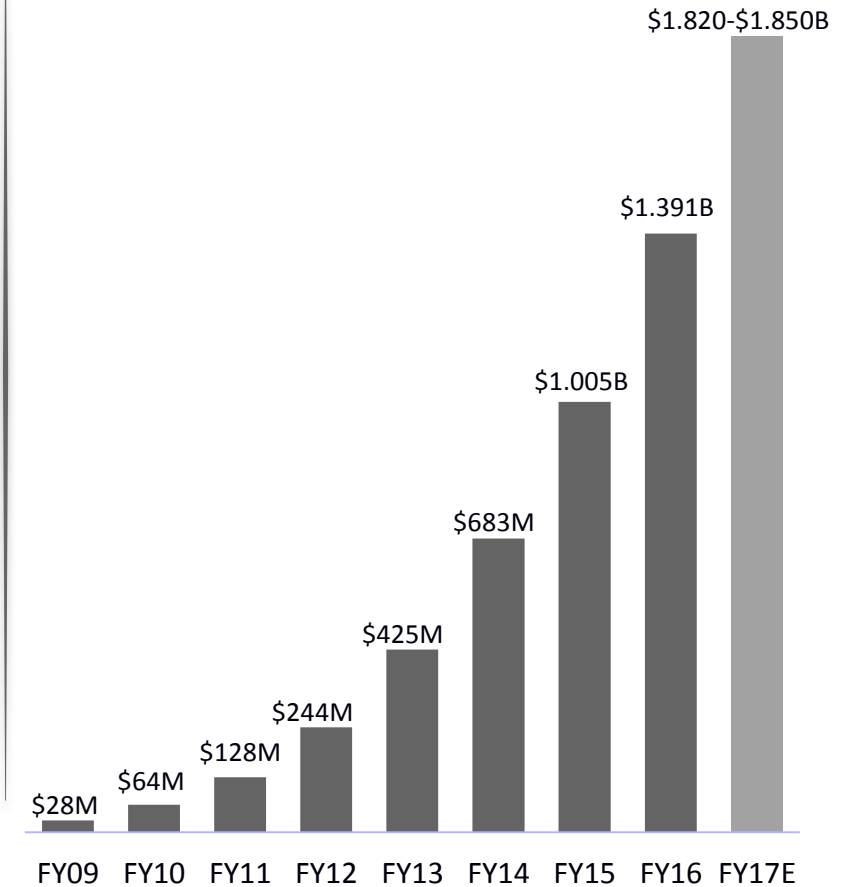
~4,800  
Global Employees

### Major Sites

San Diego, Silicon Valley, Seattle, Amsterdam,  
London, Sydney, Israel, India



## Strong Revenue & Growth

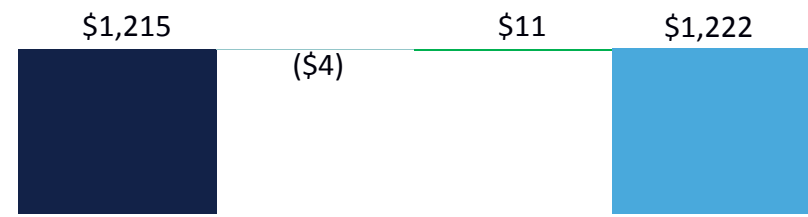
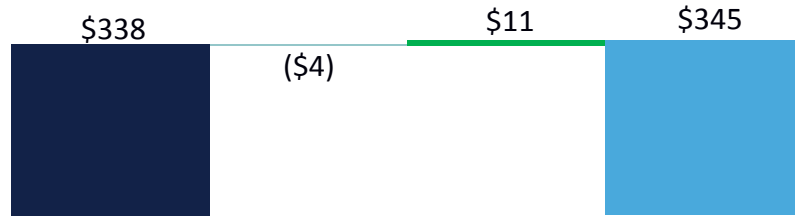


# Currency Impact to Q4 and FY16 Revenue Compared to Previously Issued Guidance

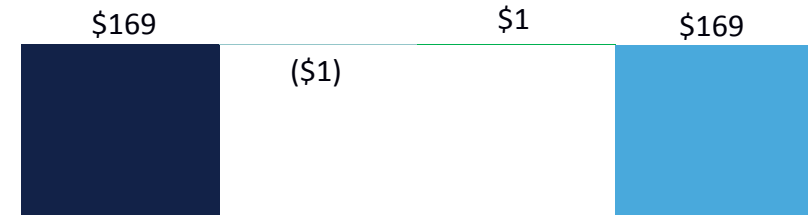
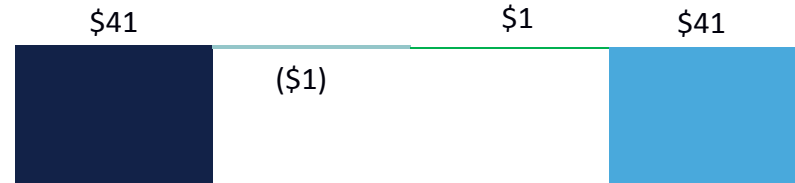
(\$M)

■ Guidance Midpoint<sup>(1)</sup> ■ Currency Impact<sup>(2)</sup> ■ Remaining Difference ■ Actual Results

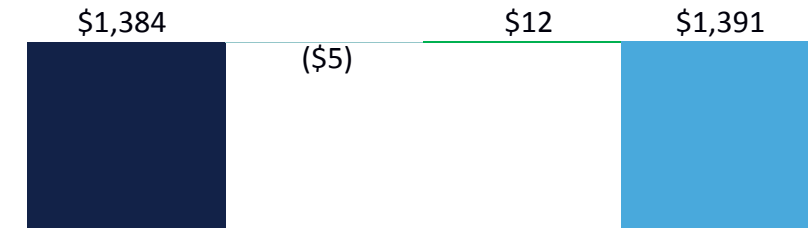
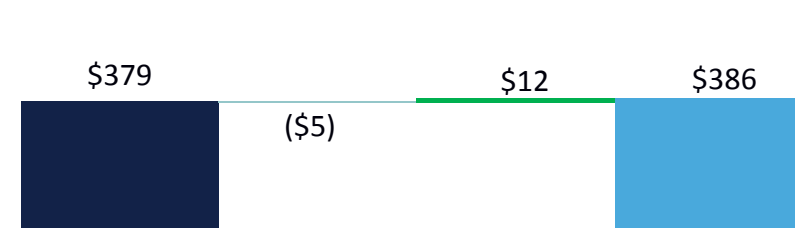
## Subscription Revenue



## PS & Other Revenue



## Total Revenue



Q4-16

FY16

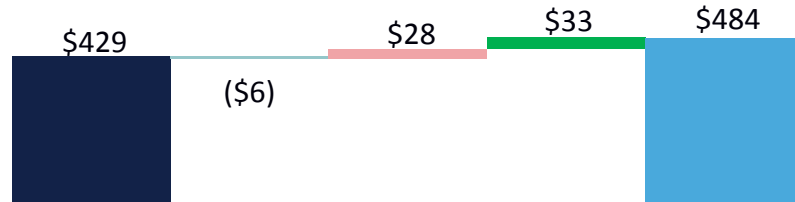
(1) Refers to previously issued financial guidance dated 10/26/16.

(2) Represents the impact of currency exchange rate fluctuations between the actual average rates in the period compared to the rates assumed in guidance as of 9/30/2016, for entities reporting in currencies other than U.S. Dollars.

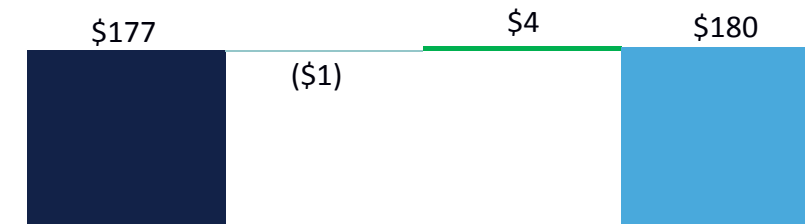
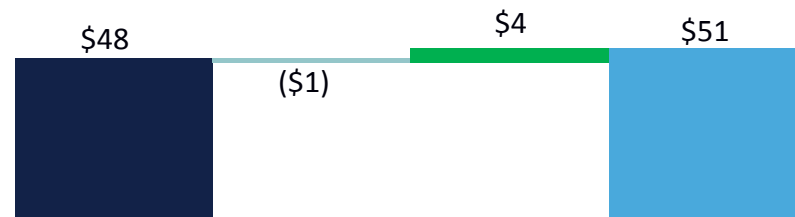
# Currency Impact and Timing Variances to Q4 and FY16 Billings Compared to Previously Issued Guidance

(\$M)      ■ Guidance Midpoint<sup>(1)</sup> ■ Currency Impact<sup>(2)</sup> ■ Timing Variances<sup>(3)</sup> ■ Remaining Difference ■ Actual Results

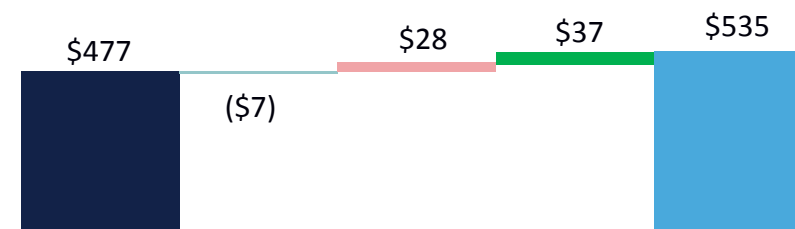
## Subscription Billings



## PS & Other Billings



## Total Billings



Q4-16

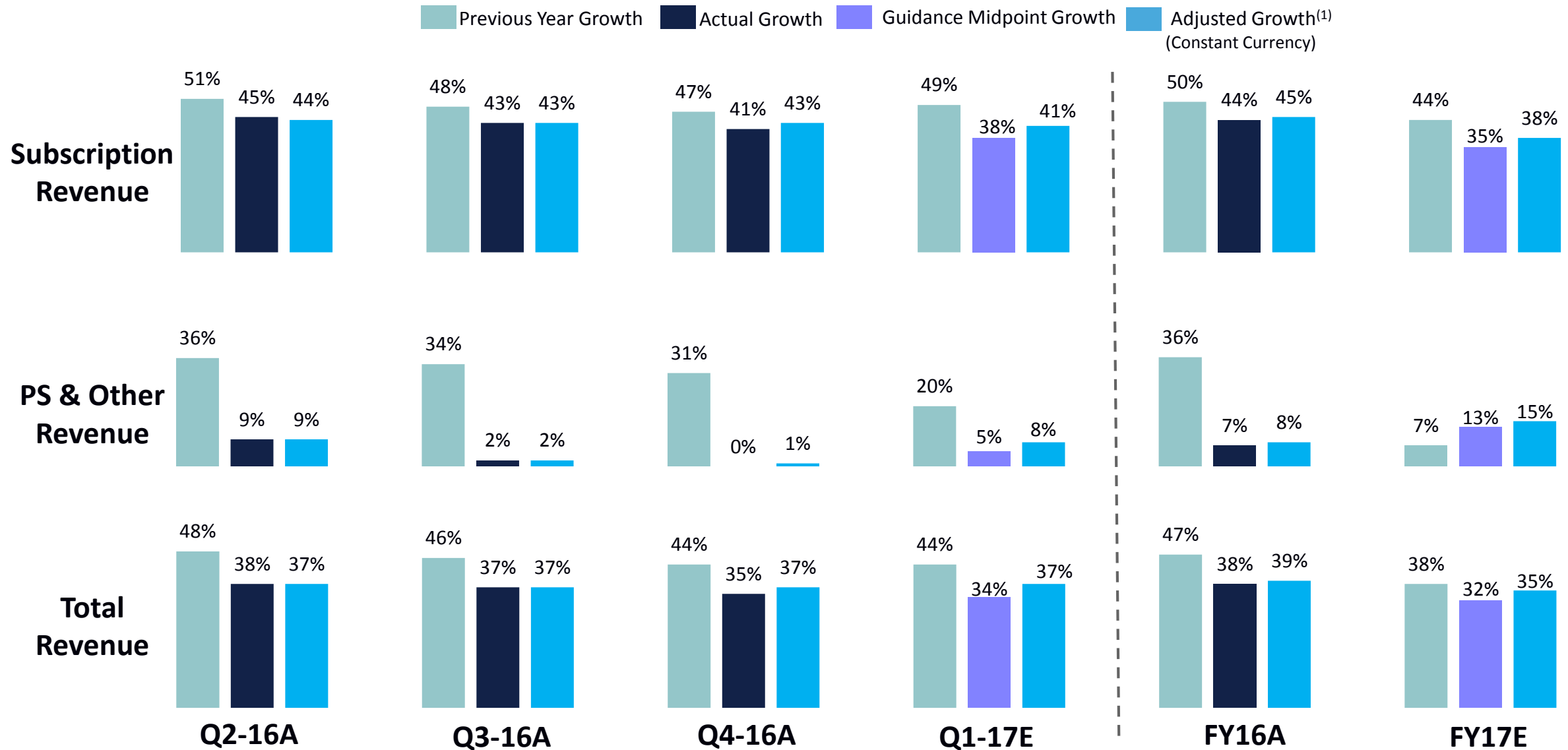
FY16

(1) Refers to previously issued financial guidance dated 10/26/16.

(2) Represents the impact of currency exchange rate fluctuations between the actual average rates in the period compared to the 9/30/2016 rates assumed in guidance as of 10/26/2016, for entities reporting in currencies other than U.S. Dollars.

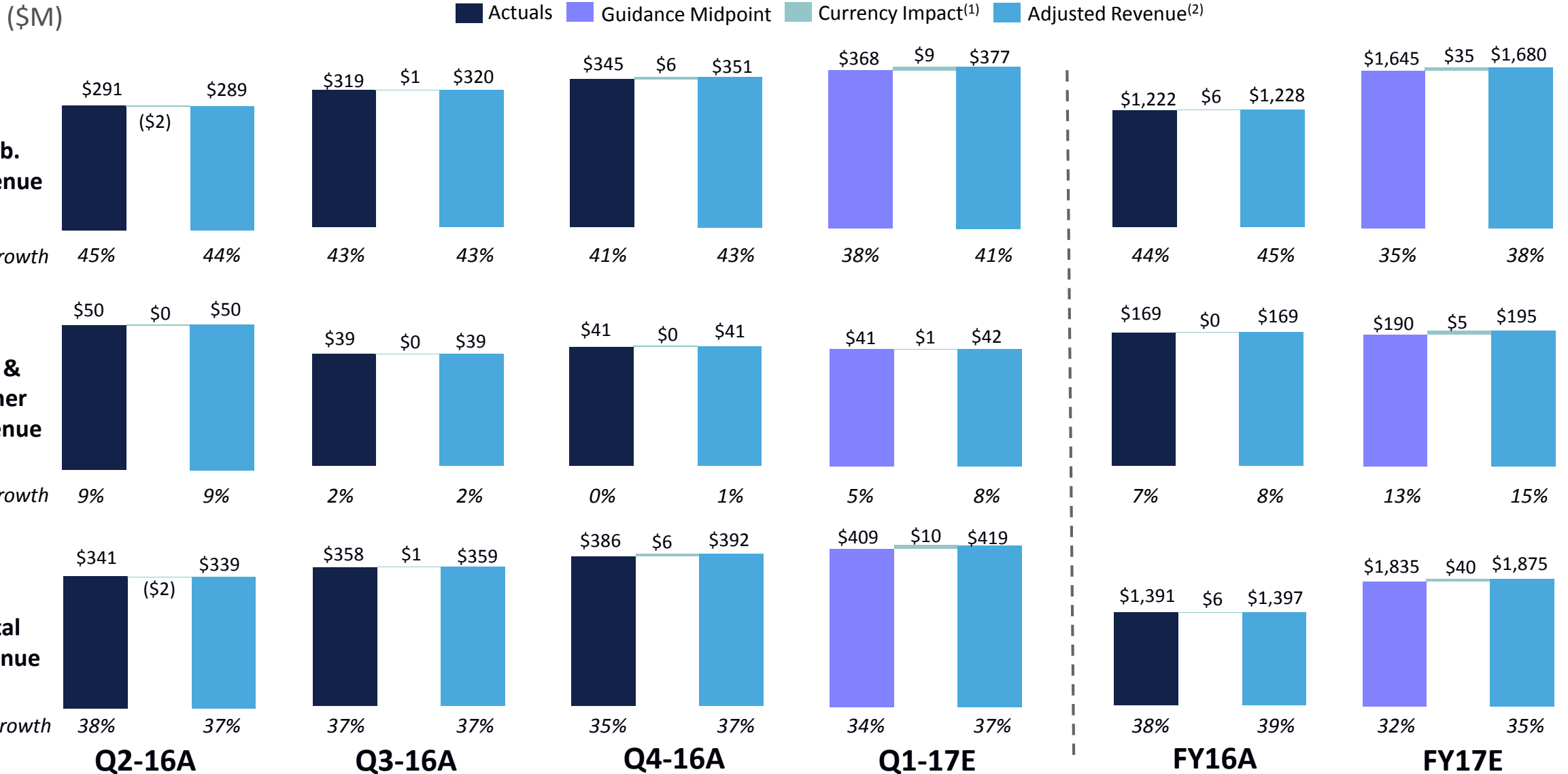
(3) Represents the impact of billings greater than 12 months, and the impact of cash collected from customers prior to Q1 2017 contract start dates, in excess of guidance assumptions.

# Year-Over-Year Revenue Growth...



(1) Adjusted revenue and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures. Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

# ...Currency Impact to Year-Over-Year Revenue Growth



(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

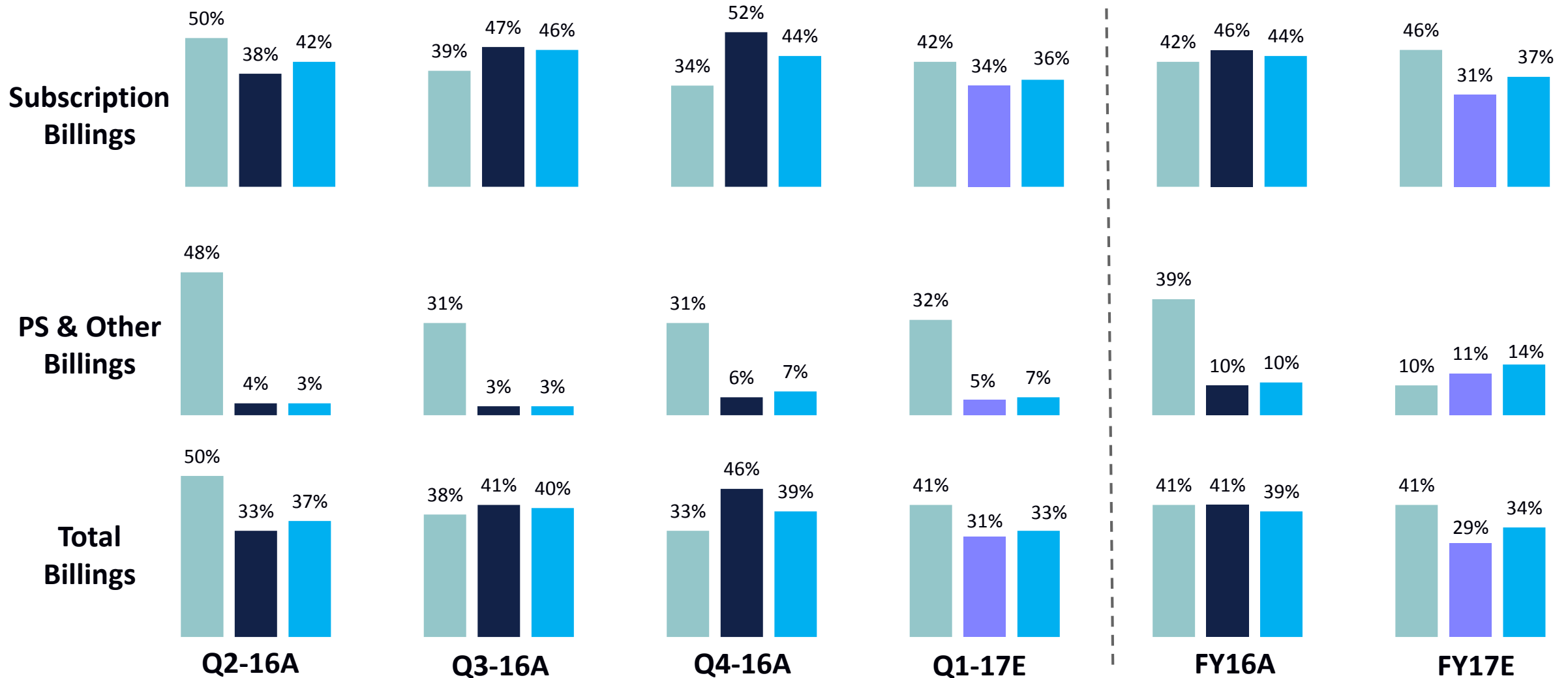
(2) Adjusted revenue and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for mathematical purposes.



# Year-Over-Year Billings Growth...

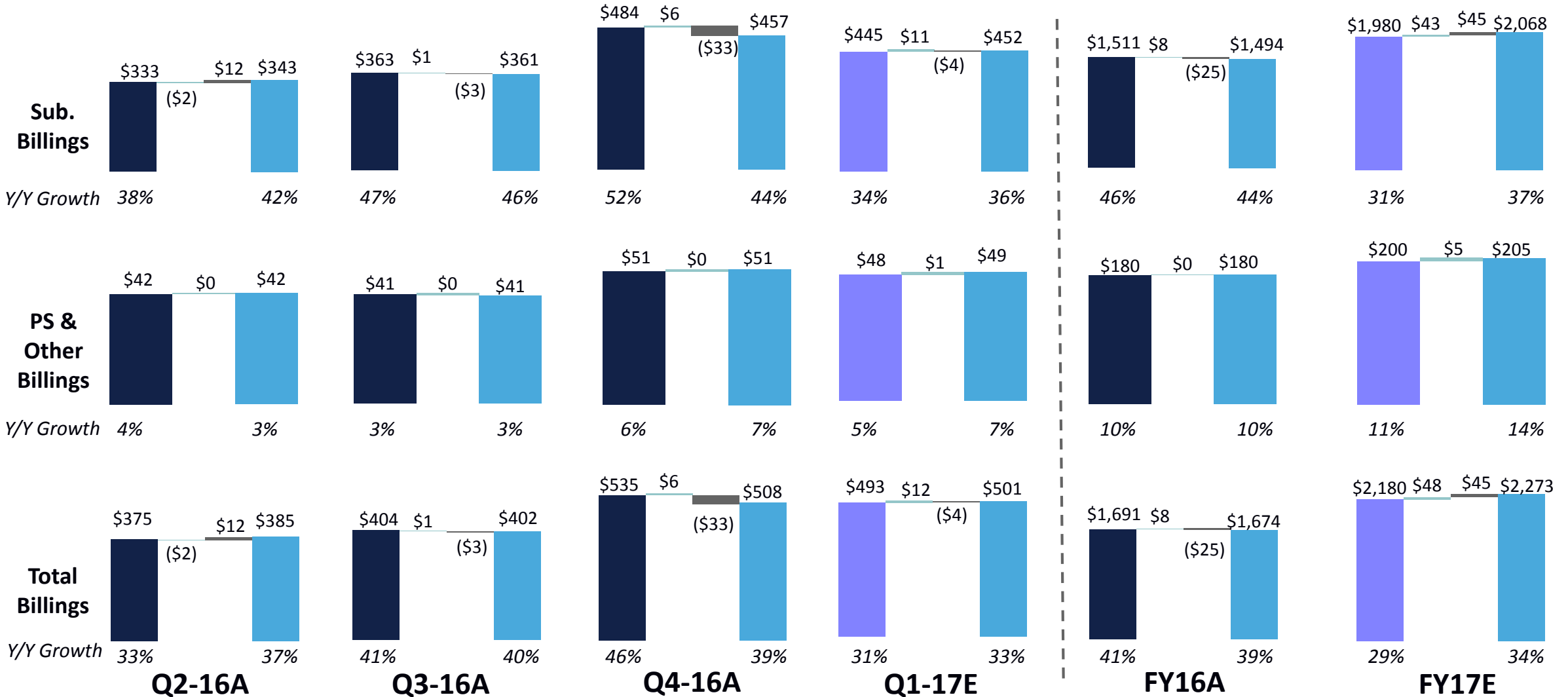
■ Previous Year Growth 
 ■ Actual Growth 
 ■ Guidance Midpoint Growth 
 ■ Adjusted Growth<sup>(1)</sup>  
 (Constant Currency+Constant Duration)



(1) Adjusted billings and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures. Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. Also includes applying the weighted average billings duration in effect during the prior period presented, rather than the actual weighted average billings duration in effect during the current period.

# ...Currency and Duration Impact to Year-Over-Year Billings Growth

(\$M)      ■ Actuals   ■ Guidance Midpoint   ■ Currency Impact<sup>(1)</sup>   ■ Duration Impact<sup>(2)</sup>   ■ Adjusted Billings<sup>(3)</sup>



(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

(2) Impact of applying the weighted average billings duration in effect during the prior period presented, rather than the actual weighted average billings duration in effect during the current period.

(3) Adjusted growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.  
Note: Numbers rounded for mathematical purposes.

# \$4 Billion Revenue Target in 2020

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Today



2020

G2Ks

**735**

17 new logos / quarter

**1,000**

✖ ACV / G2K

**~\$1M**

4% sequential growth

**\$2M**

÷ G2K Rev Mix

**50%**

Maintain mix

**50%**

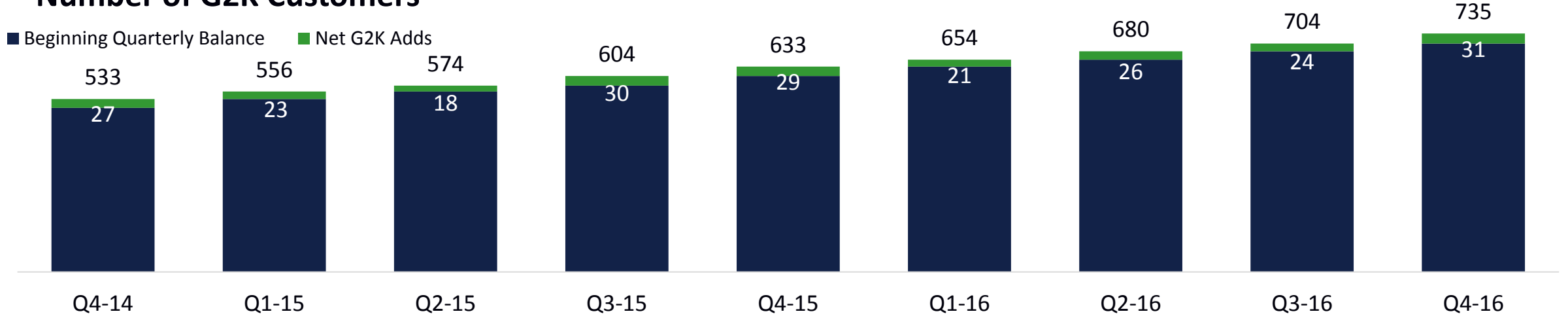
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Annualized Q4 Rev **~\$1.5B**

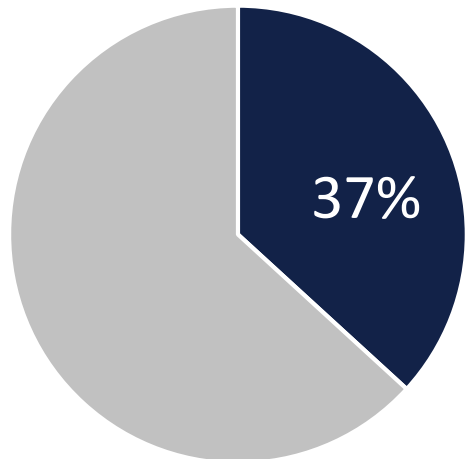
**\$4B**

# G2K Penetration

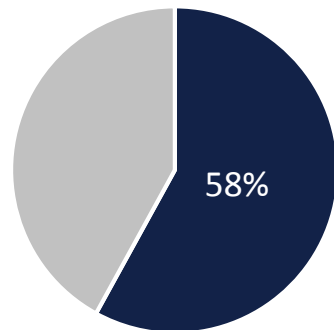
## Number of G2K Customers



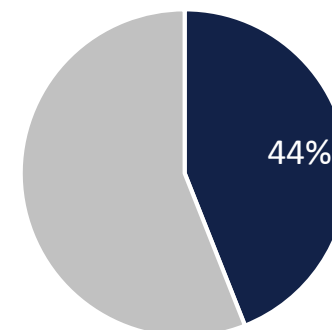
## G2K Penetration



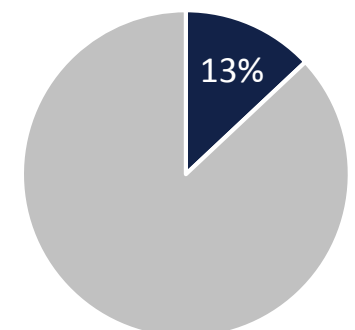
### North America



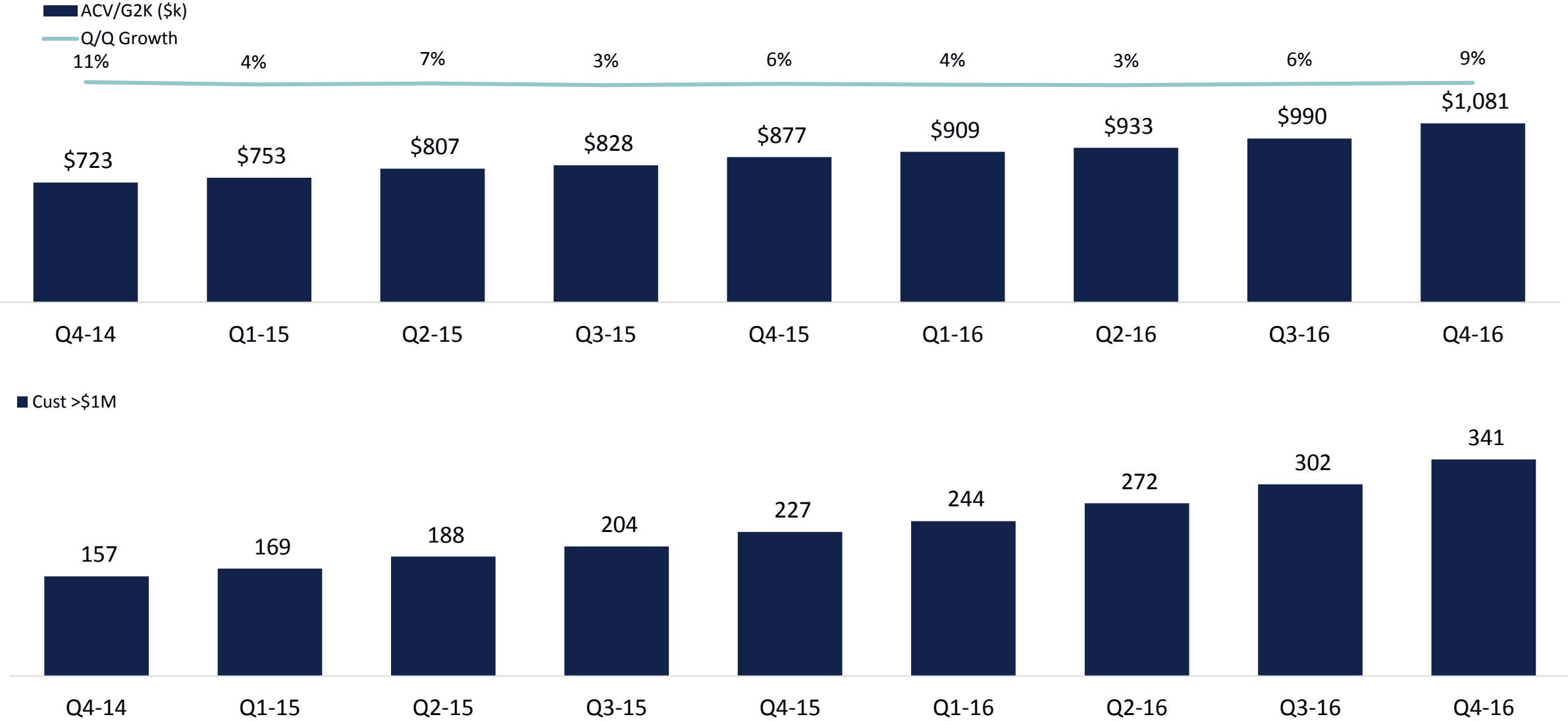
### EMEA



### APAC & Other



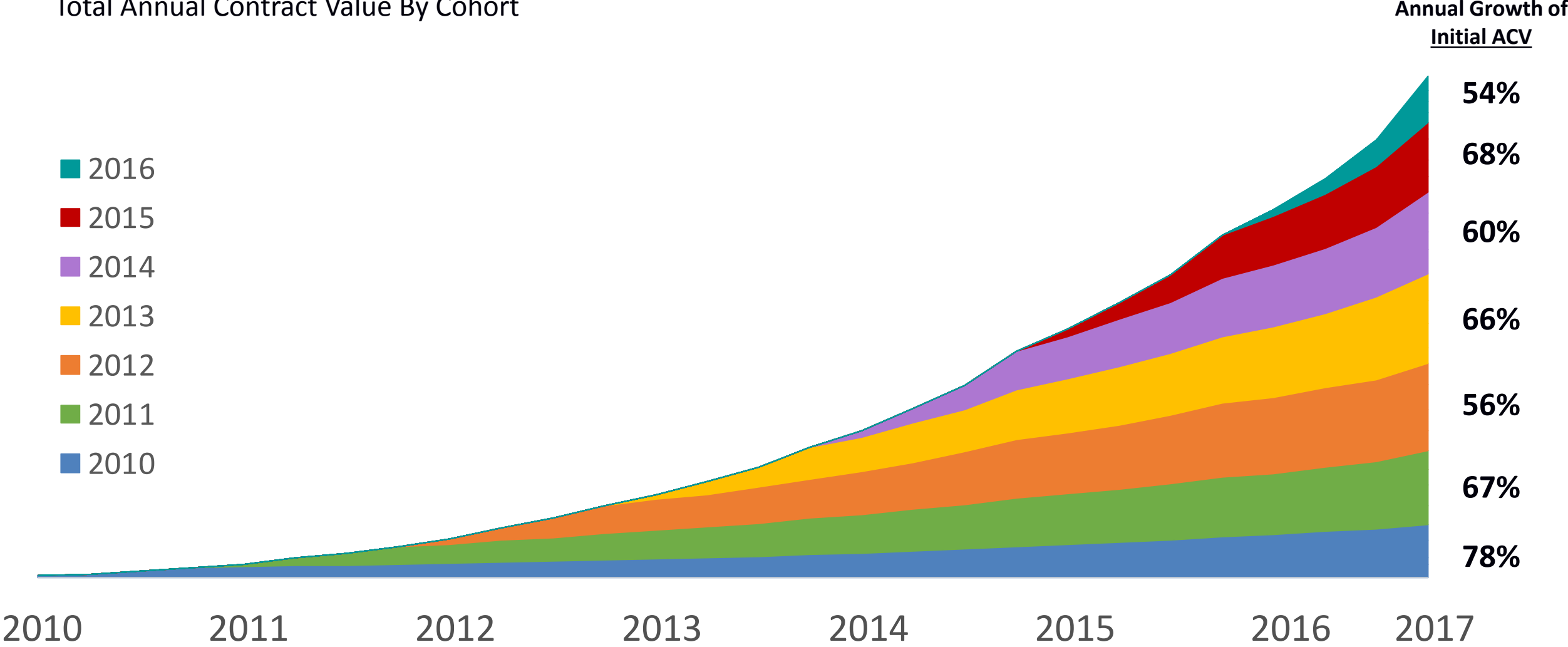
# Upsells Represent Large Opportunity



Note: The Forbes list is updated annually in the second quarter of the calendar year. Current and prior period G2K customer counts are based on the most recent list for comparability purposes. We adjust the G2K count for acquisitions, spin-offs, and other market activity to ensure the G2K customer count is accurately captured.

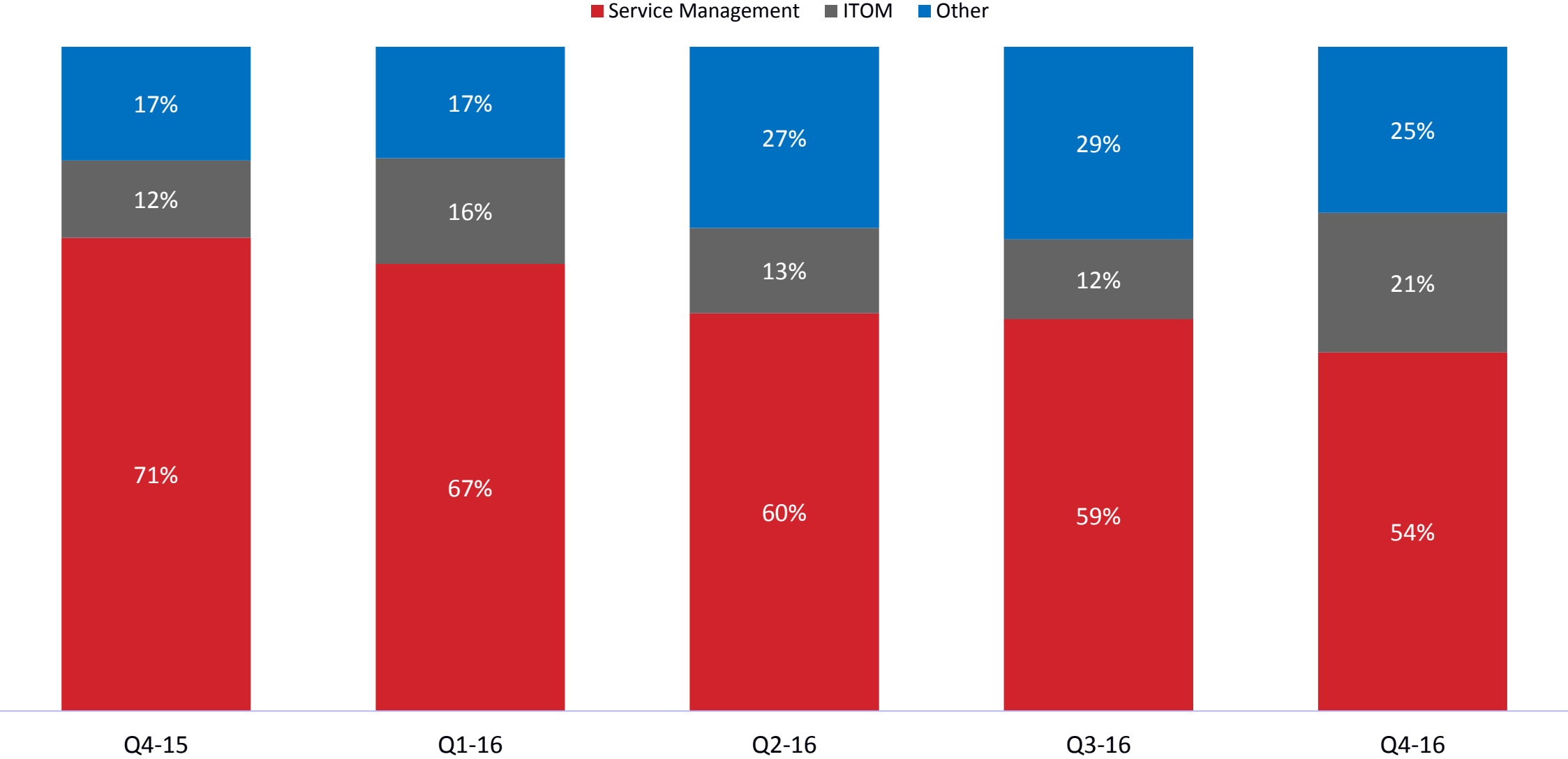
# Consistent Growth in All Stages Of Customer Maturity

Total Annual Contract Value By Cohort



Note: Chart reflects growth in total annual contract value over time, inclusive of losses, for the group of customers that joined ServiceNow in each respective year. Annual Growth represent increases in total annual contract value after the initial contract of each customer.

# New ACV Mix Shifting To Emerging Products



Note: Service Management = IT, Facilities, Field Service, Finance, Marketing, Legal, Express  
ITOM = ServiceWatch, Discovery, Cloud Management, Orchestration, Event Management  
Other = HR, Security Operations, Customer Service Management, Performance Analytics, IT Business Management, GRC, Platform

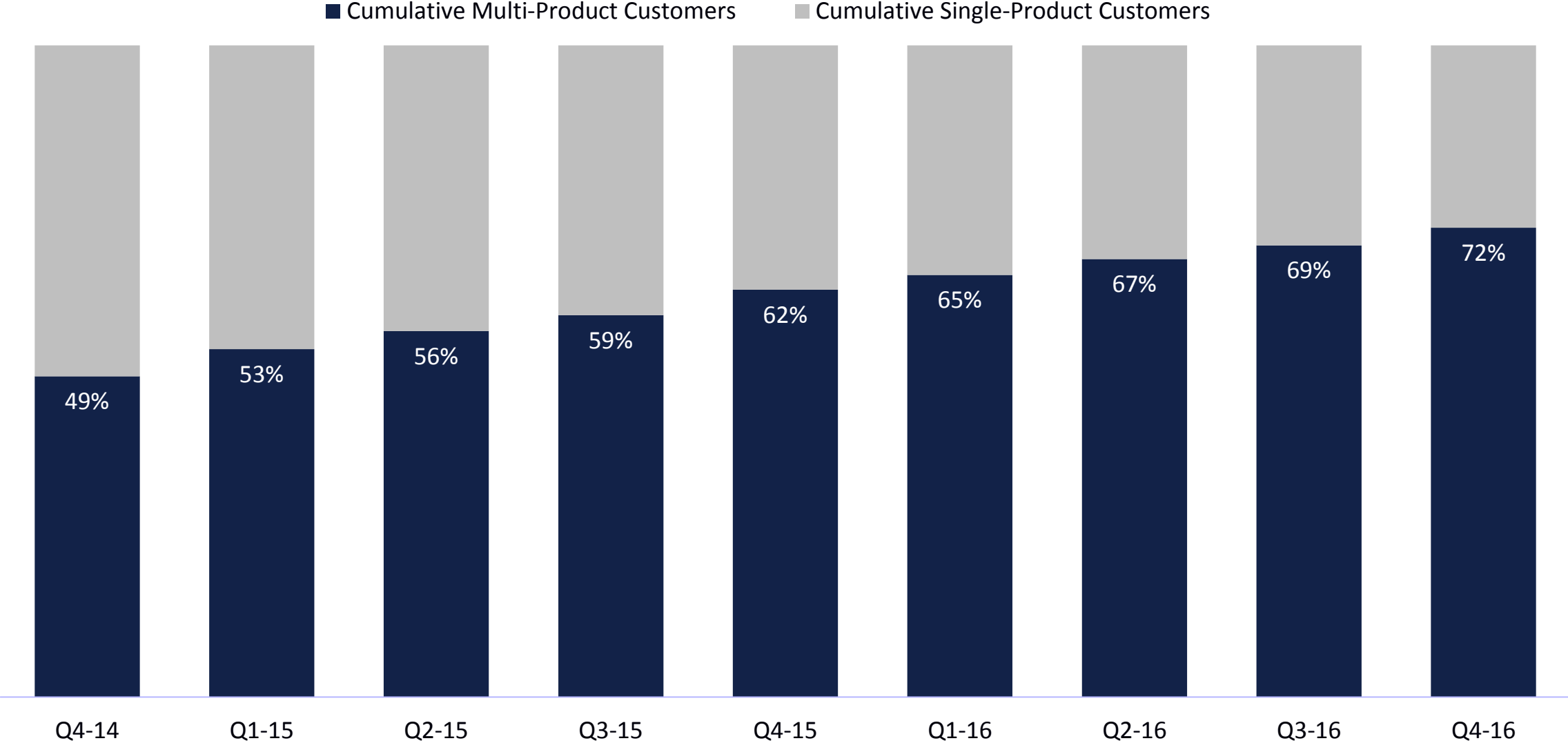
# 18 of Top 20 New Deals in Q4 Included 3+ Products

■ 3+ Products
 ■ 2 Products
 ■ 1 Product

Customer	Service Management	ITOM	Platform	ITBM	Analytics	HR	Customer Service	Security Operations	GRC
Customer 1	X	X			X				
Customer 2	X	X		X	X				
Customer 3	X	X			X				
Customer 4	X	X			X				
Customer 5	X	X	X	X	X	X			X
Customer 6	X	X	X		X				
Customer 7	X	X	X	X				X	
Customer 8	X	X	X		X				
Customer 9	X		X			X			
Customer 10		X				X			
Customer 11		X	X		X				
Customer 12	X		X		X				
Customer 13	X	X	X	X			X	X	
Customer 14	X								
Customer 15	X	X	X						
Customer 16	X		X	X					
Customer 17	X	X	X		X				
Customer 18	X		X	X	X	X			
Customer 19	X	X	X	X	X		X		
Customer 20	X		X		X				



# Multi-Product Customers Increasing



# Framework for Growth and Profitability

	Moderate Growth	Growth	High Growth
Revenue Growth	<30%	30-35%	35%+
Operating Margin %	4-5% increase per year	3-4% increase per year	2-3% increase per year
FCF Margin %	2-3% increase per year	1-2% increase per year	0-1% increase per year

Note: All figures are calculated on a non-GAAP basis, revenue growth rates account for constant currency. See appendix for reconciliation of non-GAAP financial measures.

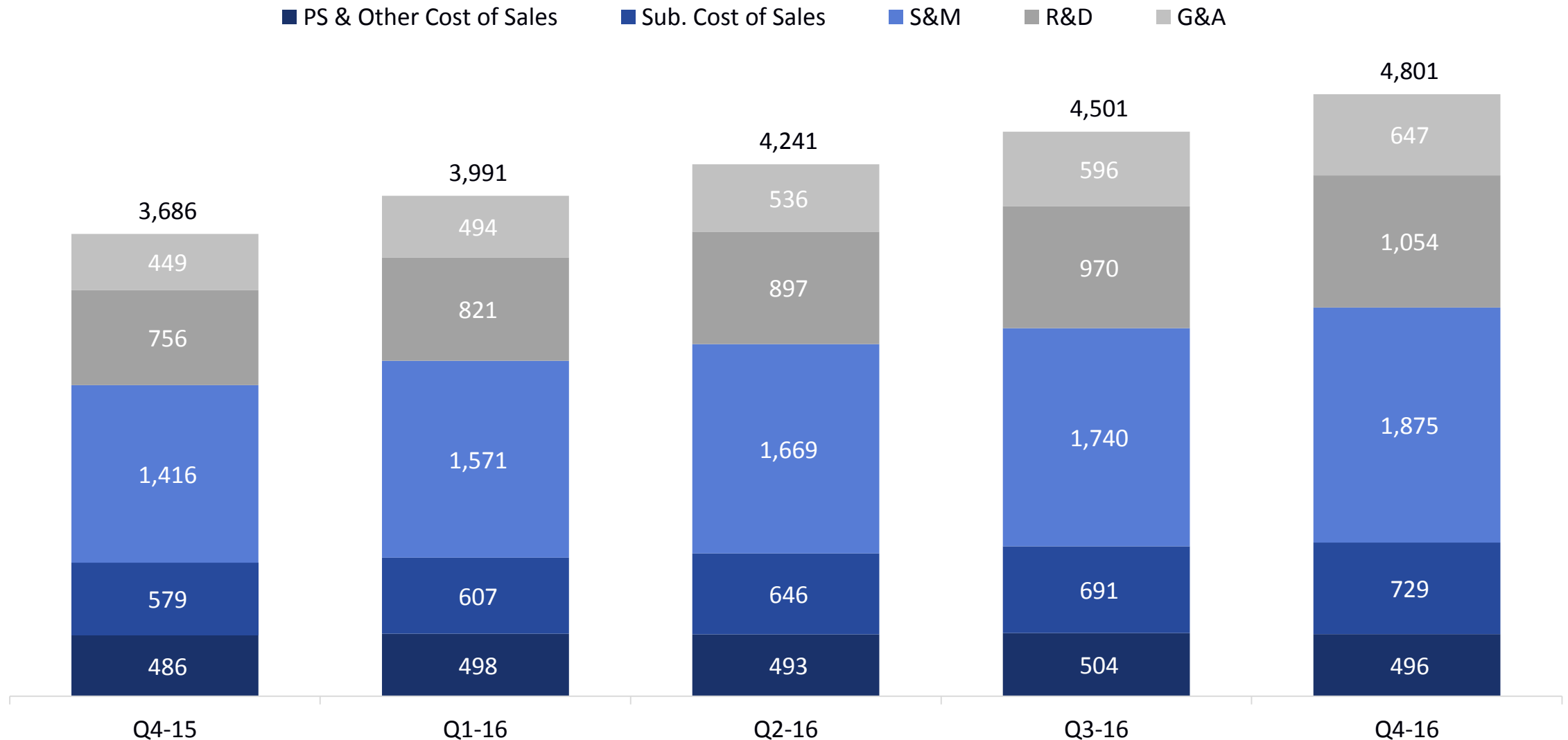
# 2020 Targets

	FY-15A	FY-16A	FY-17E
Subscription Gross Margin	82%	84%	84%
PS & Other Gross Margin	22%	19%	20%
Total Gross Margin	73%	76%	77%
S&M % of Revenue	39%	41%	n/a
R&D % of Revenue	15%	15%	n/a
G&A % of Revenue	9%	8%	n/a
Operating Margin	10%	13%	16%
Free Cash Flow Margin	23%	23%	24%

	2020 Target
Data center density, improved economies of scale	84-86%
Productized & scalable offerings, utilization, ramp time	19-21%
	79-81%
Greater renewal mix, improved mix of ramped reps, marketing spend	32-34%
Continue to invest in R&D, but at slower pace than revenue growth	10-12%
Improved economies of scale	5-7%
	28-30%
	30-32%

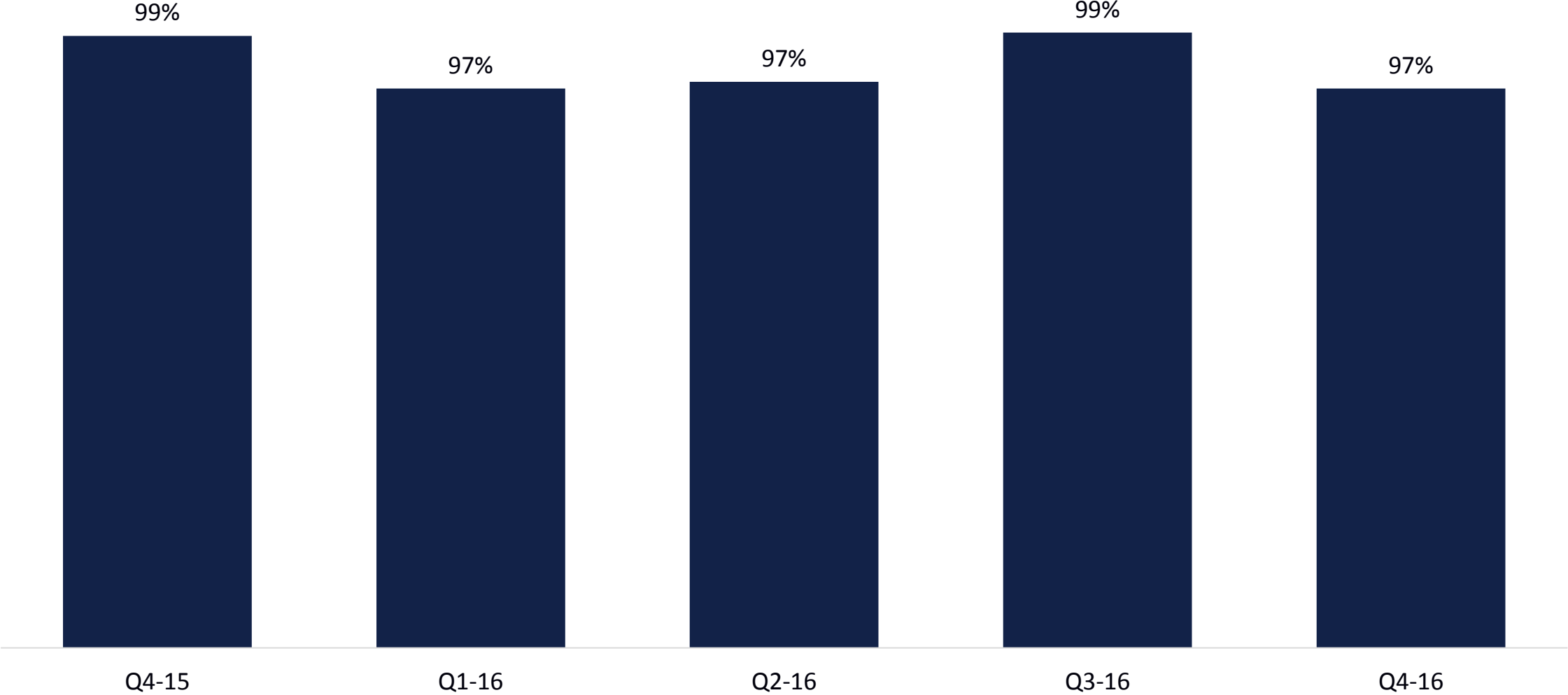
Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

# Headcount by Department



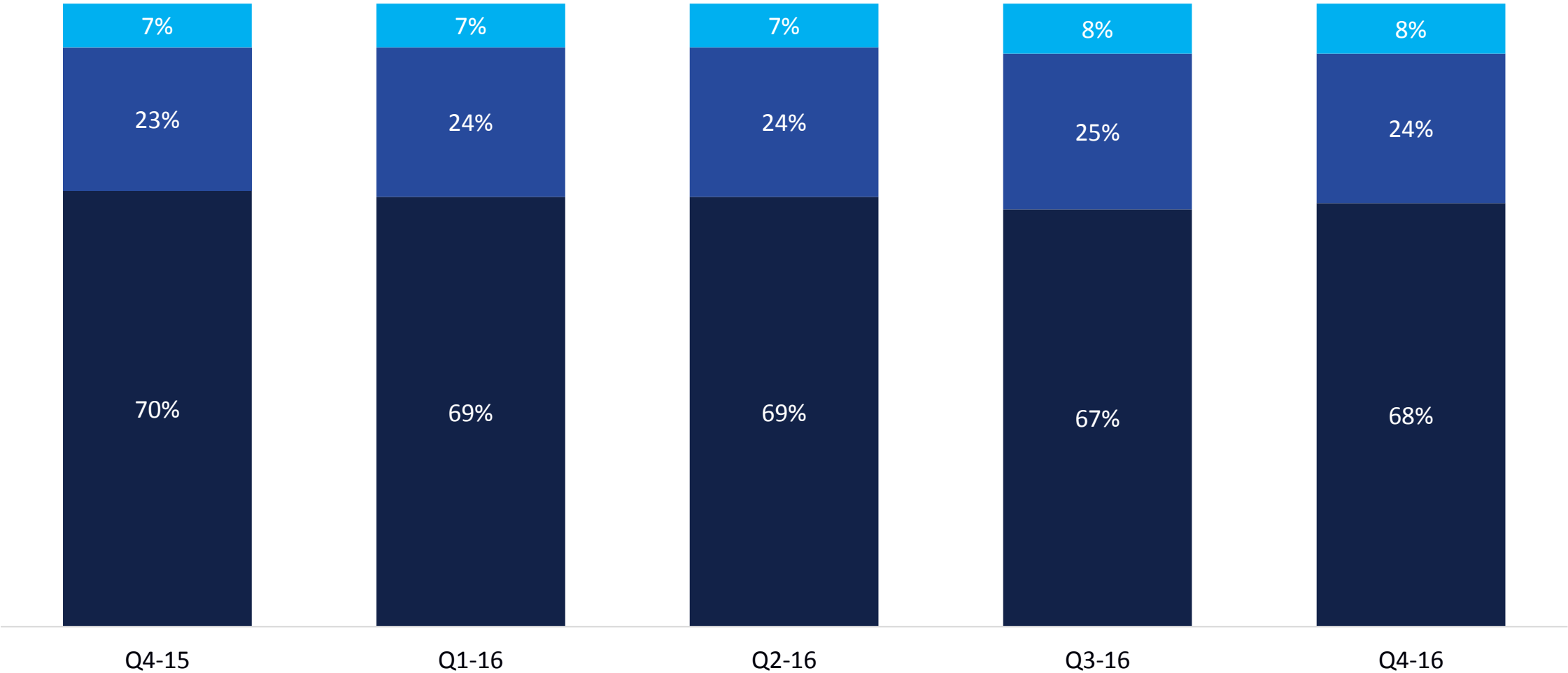
# Renewal Rate

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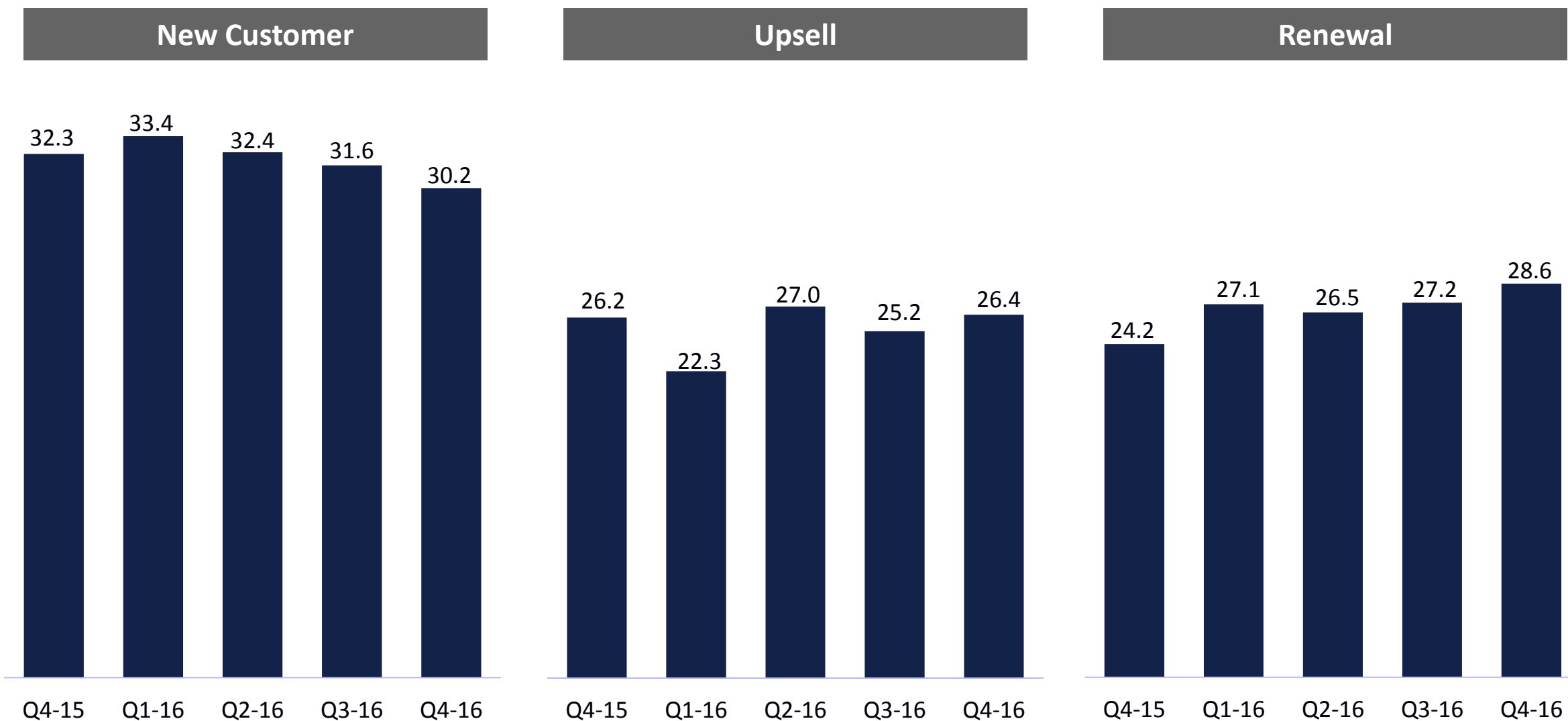


# Revenue by Geography

■ North America ■ EMEA ■ APAC & Other

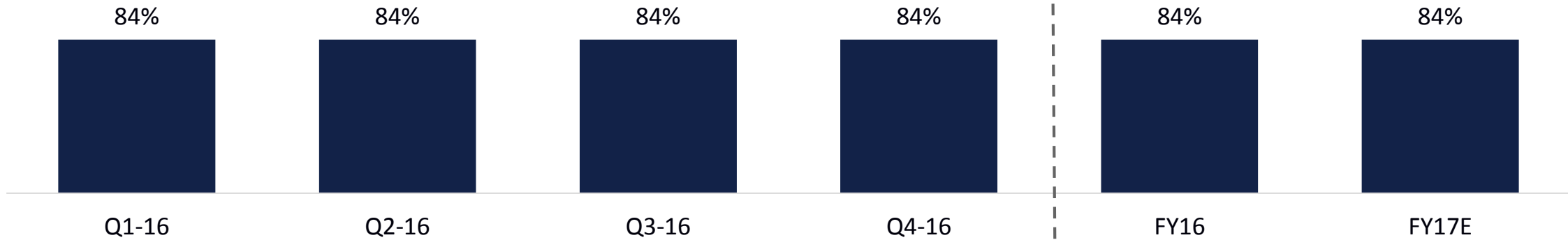


# Average Contract Terms



# Non-GAAP Gross Margins

## Subscription Gross Margin

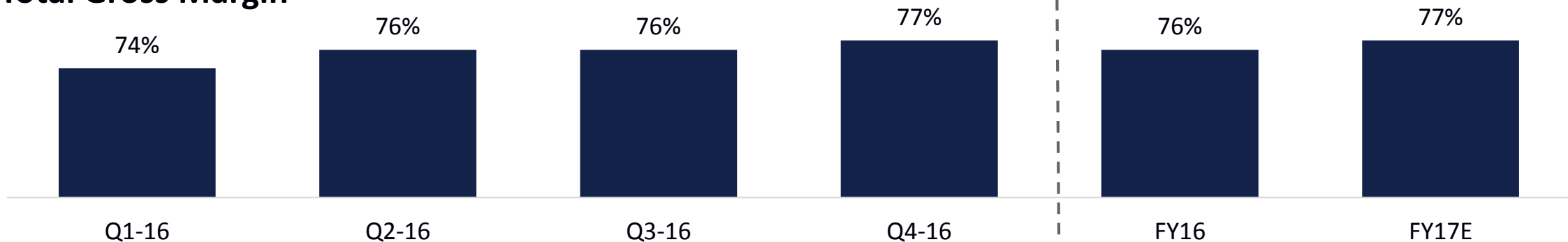


## PS & Other Gross Margin

■ PS & Other GM Including Knowledge Revenue<sup>(1)</sup>



## Total Gross Margin



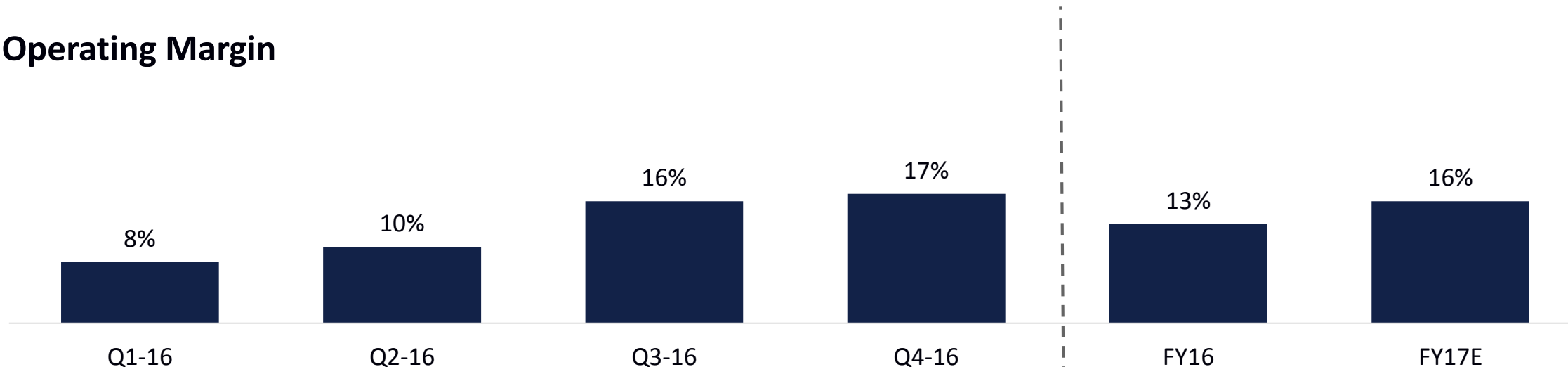
Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

(1) Professional Services and Other revenues includes revenue from our Knowledge event in the second quarter of each year, with all related expenses in sales and marketing.

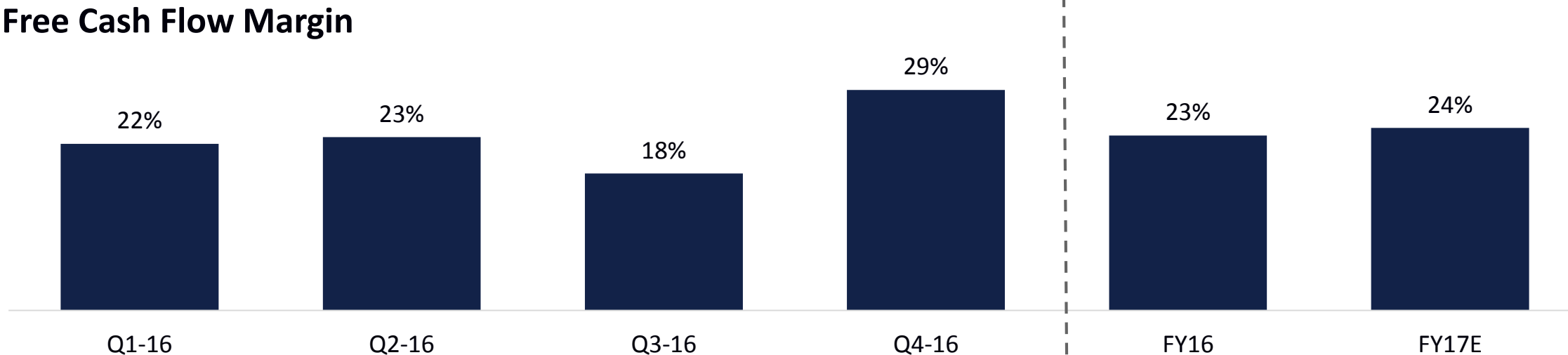


# Free Cash Flow and Non-GAAP Operating Margin

## Operating Margin



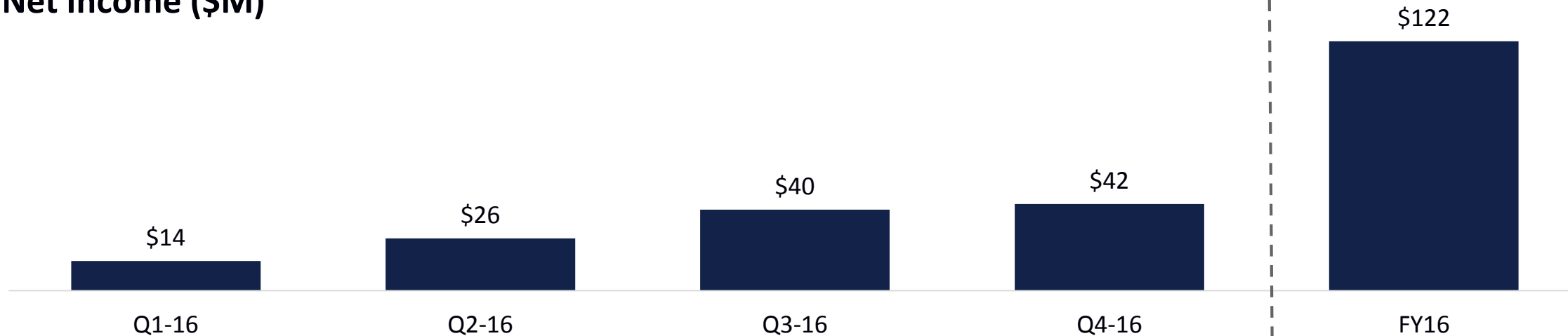
## Free Cash Flow Margin



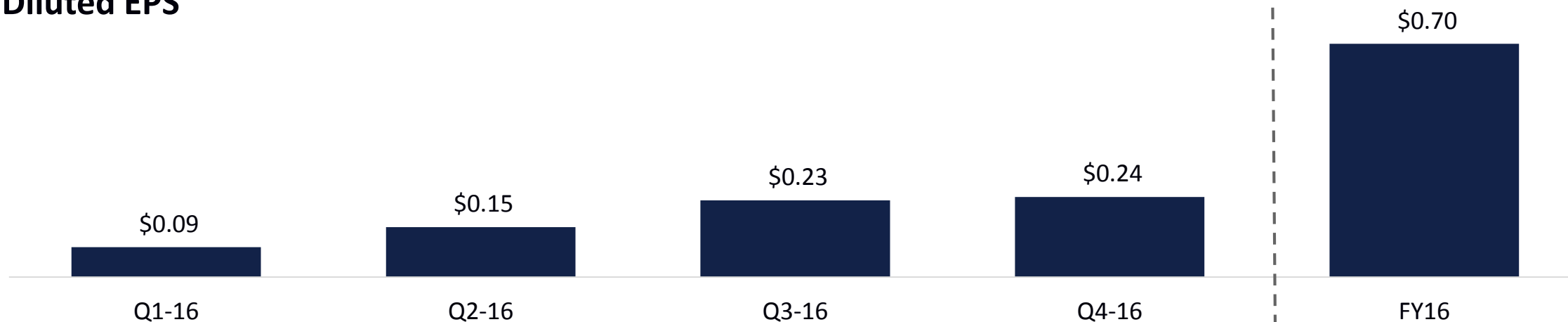
Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

# Non-GAAP Net Income and EPS

## Net Income (\$M)



## Diluted EPS



Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

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# Appendix

# GAAP to Non-GAAP Reconciliation – Revenues and Billings

in millions (except %'s)	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016	Q1-17E Midpoint	2017E Midpoint
GAAP Subscription Revenues	\$ 179.9	\$ 200.5	\$ 223.2	\$ 244.7	\$ 848.3	\$ 267.4	\$ 290.7	\$ 318.9	\$ 344.6	\$ 1,221.6	\$ 368.0	\$ 1,645.0
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	1.5	(1.7)	0.7	5.7	6.3	9.0	35.0
Non-GAAP Adjusted Subscription Revenues <sup>(1)</sup>	\$ 179.9	\$ 200.5	\$ 223.2	\$ 244.7	\$ 848.3	\$ 268.9	\$ 289.0	\$ 319.6	\$ 350.3	\$ 1,227.9	\$ 377.0	\$ 1,680.0
YoY Adjusted Subscription Revenues Growth Rates						49%	44%	43%	43%	45%	41%	38%
GAAP Subscription Revenues	\$ 179.9	\$ 200.5	\$ 223.2	\$ 244.7	\$ 848.3	\$ 267.4	\$ 290.7	\$ 318.9	\$ 344.6	\$ 1,221.6	\$ 368.0	\$ 1,645.0
(+) Increase in Subscription Deferred Revenues	53.3	40.3	23.0	73.2	190.0	63.9	42.1	43.8	139.3	289.1	77.0	335.0
Non-GAAP Subscription Billings	\$ 233.2	\$ 240.8	\$ 246.2	\$ 317.9	\$ 1,038.3	\$ 331.3	\$ 332.8	\$ 362.7	\$ 483.9	\$ 1,510.7	\$ 445.0	\$ 1,980.0
YoY Subscription Billings Growth Rates <sup>(3)</sup>	47%	50%	39%	34%	42%	42%	38%	47%	52%	46%	34%	31%
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	2.7	(1.6)	0.7	6.5	8.2	11.0	43.0
(+) Effects of fluctuations in billings duration	-	-	-	-	-	-	11.9	(3.1)	(33.4)	(24.6)	(4.0)	45.0
Non-GAAP Adjusted Subscription Billings <sup>(2)</sup>	\$ 233.2	\$ 240.8	\$ 246.2	\$ 317.9	\$ 1,038.3	\$ 334.0	\$ 343.1	\$ 360.3	\$ 457.0	\$ 1,494.3	\$ 452.0	\$ 2,068.0
YoY Adjusted Subscription Billings Growth Rates						43%	42%	46%	44%	44%	36%	37%
GAAP Professional Services and Other Revenues	\$ 32.1	\$ 46.2	\$ 38.0	\$ 41.0	\$ 157.2	\$ 38.5	\$ 50.6	\$ 38.8	\$ 41.1	\$ 168.9	\$ 40.5	\$ 190.0
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	0.3	(0.4)	(0.1)	0.3	0.2	1.0	5.0
Non-GAAP Adjusted Professional Services and Other Revenues <sup>(1)</sup>	\$ 32.1	\$ 46.2	\$ 38.0	\$ 41.0	\$ 157.2	\$ 38.8	\$ 50.2	\$ 38.7	\$ 41.4	\$ 169.1	\$ 41.5	\$ 195.0
YoY Adjusted Professional Services and Other Revenues Growth Rates							21%	9%	2%	1%	8%	15%
GAAP Professional Services and Other Revenues	\$ 32.1	\$ 46.2	\$ 38.0	\$ 41.0	\$ 157.2	\$ 38.5	\$ 50.6	\$ 38.8	\$ 41.1	\$ 168.9	\$ 40.5	\$ 190.0
(+) Increase (Decrease) in Professional Services and Other Deferred Revenues	2.5	(5.6)	2.2	6.8	5.9	6.9	(8.5)	2.8	9.8	11.1	7.0	10.0
Non-GAAP Professional Services and Other Billings	\$ 34.6	\$ 40.6	\$ 40.2	\$ 47.8	\$ 163.1	\$ 45.4	\$ 42.1	\$ 41.6	\$ 50.9	\$ 180.0	\$ 47.5	\$ 200.0
YoY Professional Services and Other Billings Growth Rates <sup>(3)</sup>	51%	48%	31%	31%	39%	32%	4%	3%	6%	10%	5%	11%
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	0.3	(0.4)	(0.1)	0.3	0.2	1.0	5.0
Non-GAAP Adjusted Professional Services and Other Billings <sup>(2)</sup>	\$ 34.6	\$ 40.6	\$ 40.2	\$ 47.8	\$ 163.1	\$ 45.7	\$ 41.7	\$ 41.5	\$ 51.2	\$ 180.2	\$ 48.5	\$ 205.0
YoY Adjusted Professional Services and Other Billings Growth Rates						32%	3%	3%	7%	10%	7%	14%
GAAP Total Revenues	\$ 212.0	\$ 246.7	\$ 261.2	\$ 285.7	\$ 1,005.5	\$ 305.9	\$ 341.3	\$ 357.7	\$ 385.7	\$ 1,390.5	\$ 408.5	\$ 1,835.0
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	1.8	(2.1)	0.6	6.0	6.5	10.0	40.0
Non-GAAP Adjusted Total Revenues <sup>(1)</sup>	\$ 212.0	\$ 246.7	\$ 261.2	\$ 285.7	\$ 1,005.5	\$ 307.7	\$ 339.2	\$ 358.3	\$ 391.7	\$ 1,397.0	\$ 418.5	\$ 1,875.0
YoY Adjusted Total Revenues Growth Rates						45%	37%	37%	37%	39%	37%	35%
GAAP Total Revenues	\$ 212.0	\$ 246.7	\$ 261.2	\$ 285.7	\$ 1,005.5	\$ 305.9	\$ 341.3	\$ 357.7	\$ 385.7	\$ 1,390.5	\$ 408.5	\$ 1,835.0
(+) Increase in Total Deferred Revenues from Consolidated Statements of Cash Flows	55.8	34.7	25.2	80.0	195.9	70.8	33.6	46.6	149.1	300.2	84.0	345.0
Non-GAAP Total Billings	\$ 267.8	\$ 281.4	\$ 286.4	\$ 365.7	\$ 1,201.4	\$ 376.7	\$ 374.9	\$ 404.3	\$ 534.8	\$ 1,690.7	\$ 492.5	\$ 2,180.0
YoY Total Billings Growth <sup>(3)</sup>	48%	50%	38%	33%	41%	41%	33%	41%	46%	41%	31%	29%
(+) Effects of foreign currency rate fluctuations	-	-	-	-	-	3.0	(2.0)	0.6	6.8	8.4	12.0	48.0
(+) Effects of fluctuations in billings duration	-	-	-	-	-	-	11.9	(3.1)	(33.4)	(24.6)	(4.0)	45.0
Non-GAAP Adjusted Total Billings <sup>(2)</sup>	\$ 267.8	\$ 281.4	\$ 286.4	\$ 365.7	\$ 1,201.4	\$ 379.7	\$ 384.8	\$ 401.8	\$ 508.2	\$ 1,674.5	\$ 500.5	\$ 2,273.0
YoY Adjusted Total Billings Growth Rates						42%	37%	40%	39%	39%	33%	34%

<sup>(1)</sup> Adjusted revenues and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual exchange rates in effect during the current period.

<sup>(2)</sup> Adjusted billings and the corresponding growth rates are derived by applying the exchange rate and weighted average billings duration in effect during the comparison period rather than the actual exchange rates and weighted average billings duration in effect during the current period.

<sup>(3)</sup> Refer to Q3 FY16 IR deck on our investor relations website for the GAAP to non-GAAP reconciliation of YoY billings growth rates for FY15 (full year and by quarter).

Note: The sum of the individual quarter amounts may not equal the total full year amounts due to rounding.

# GAAP to Non-GAAP Reconciliation – Other

in millions (except %'s and per share data)	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016
GAAP Subscription Gross Profit	\$ 664.9	\$ 214.6	\$ 234.3	\$ 257.4	\$ 279.9	\$ 986.2
(+) Subscription SBC	23.4	6.6	7.0	7.1	7.7	28.5
(+) Subscription Amort of Purchased Intangibles	11.1	2.8	3.1	3.4	3.4	12.6
<b>Non-GAAP Subscription Gross Profit</b>	<b>\$ 699.4</b>	<b>\$ 224.0</b>	<b>\$ 244.4</b>	<b>\$ 267.9</b>	<b>\$ 291.0</b>	<b>\$ 1,027.3</b>
<i>Subscription Gross Margin</i>	<b>82%</b>	<b>84%</b>	<b>84%</b>	<b>84%</b>	<b>84%</b>	<b>84%</b>
GAAP Professional Services and Other Gross (Loss) Profit	\$ 11.1	\$ (3.0)	\$ 10.3	\$ (2.5)	\$ 0.8	\$ 5.6
(+) Professional Services and Other SBC	23.3	6.8	6.1	7.1	6.4	26.4
<b>Non-GAAP Professional Services and Other Gross Profit</b>	<b>\$ 34.4</b>	<b>\$ 3.8</b>	<b>\$ 16.4</b>	<b>\$ 4.6</b>	<b>\$ 7.2</b>	<b>\$ 32.0</b>
<i>Professional Services and Other Gross Margin</i>	<b>22%</b>	<b>10%</b>	<b>33%</b>	<b>12%</b>	<b>18%</b>	<b>19%</b>
<b>Total Non-GAAP Gross Profit</b>	<b>\$ 733.8</b>	<b>\$ 227.8</b>	<b>\$ 260.8</b>	<b>\$ 272.5</b>	<b>\$ 298.2</b>	<b>\$ 1,059.3</b>
<i>Gross Margin</i>	<b>73%</b>	<b>74%</b>	<b>76%</b>	<b>76%</b>	<b>77%</b>	<b>76%</b>
GAAP Sales and Marketing	\$ 498.4	\$ 158.6	\$ 186.5	\$ 166.5	\$ 188.9	\$ 700.5
(-) Sales and Marketing SBC	102.4	31.0	32.9	31.9	35.9	131.6
(-) Sales and Marketing Amort of Purchased Intangibles	0.5	-	0.1	0.1	0.1	0.3
<b>Non-GAAP Sales and Marketing</b>	<b>\$ 395.5</b>	<b>\$ 127.6</b>	<b>\$ 153.5</b>	<b>\$ 134.5</b>	<b>\$ 152.9</b>	<b>\$ 568.6</b>
<i>% of Total Revenues</i>	<b>39%</b>	<b>42%</b>	<b>45%</b>	<b>38%</b>	<b>40%</b>	<b>41%</b>
GAAP Research and Development	\$ 217.4	\$ 65.9	\$ 70.4	\$ 75.0	\$ 73.9	\$ 285.2
(-) Research and Development SBC	70.3	20.5	21.0	21.4	18.7	81.7
(-) Research and Development Amort of Purchased Intangibles	-	-	0.3	0.4	0.5	1.2
<b>Non-GAAP Research and Development</b>	<b>\$ 147.1</b>	<b>\$ 45.4</b>	<b>\$ 49.1</b>	<b>\$ 53.2</b>	<b>\$ 54.7</b>	<b>\$ 202.3</b>
<i>% of Total Revenues</i>	<b>15%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>
GAAP General and Administrative	\$ 126.6	\$ 41.2	\$ 36.1	\$ 40.1	\$ 41.5	\$ 158.9
(-) General and Administrative SBC	38.4	10.4	11.1	13.5	14.4	49.4
(-) General and Administrative Amort of Purchased Intangibles	0.1	0.1	0.3	0.3	0.3	1.0
(-) General and Administrative Business Combination and Other Related Costs	-	0.3	0.6	-	-	0.9
<b>Non-GAAP General and Administrative</b>	<b>\$ 88.1</b>	<b>\$ 30.4</b>	<b>\$ 24.1</b>	<b>\$ 26.3</b>	<b>\$ 26.8</b>	<b>\$ 107.6</b>
<i>% of Total Revenues</i>	<b>9%</b>	<b>10%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>
GAAP Legal Settlements	\$ -	\$ 270.0	\$ -	\$ -	\$ -	\$ 270.0
(-) Legal Settlements	-	270.0	-	-	-	270.0
<b>Non-GAAP Legal Settlements</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<i>% of Total Revenues</i>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Note: The sum of the individual quarter amounts may not equal the total full year amounts due to rounding.

# GAAP to Non-GAAP Reconciliation – Other (cont.)

in millions (except %'s and per share data)	2015	Q1-16	Q2-16	Q3-16	Q4-16	2016
GAAP Operating Margin	-17%	-106%	-14%	-7%	-6%	-30%
(+) SBC	26%	25%	23%	22%	22%	23%
(+) Amort of Purchased Intangibles	1%	1%	1%	1%	1%	1%
(+) Business Combination and Other Related Costs	0%	0%	0%	0%	0%	0%
(+) Legal Settlements	0%	88%	0%	0%	0%	19%
<b>Non-GAAP Operating Margin</b>	<b>10%</b>	<b>8%</b>	<b>10%</b>	<b>16%</b>	<b>17%</b>	<b>13%</b>
GAAP Net Loss	\$ (198.4)	\$ (333.3)	\$ (49.6)	\$ (36.3)	\$ (32.6)	\$ (451.8)
(+) SBC	257.7	75.3	78.1	81.1	83.1	317.6
(+) Amort of Purchased Intangibles	11.8	2.9	3.7	4.3	4.3	15.1
(+) Business Combination and Other Related Costs	-	0.3	0.6	-	-	0.9
(+) Legal Settlements	-	270.0	-	-	-	270.0
(+) Amortization of debt discount and issuance costs for the convertible senior notes	31.1	8.1	8.2	8.4	8.5	33.3
(-) Income tax expense effects related to the above adjustments	34.8	8.8	15.4	18.0	21.0	63.2
<b>Non-GAAP Net Income</b>	<b>\$ 67.4</b>	<b>\$ 14.5</b>	<b>\$ 25.6</b>	<b>\$ 39.5</b>	<b>\$ 42.3</b>	<b>\$ 121.9</b>
GAAP Weighted-Average Shares Used to Compute Net Loss per Share - Basic	155.7	162.1	163.8	165.4	166.8	164.5
(+) Effect of Dilutive Securities (Stock Options, Restricted Stock Units, & Common Stock Subject to Repurchase)	13.1	8.2	8.8	8.6	8.8	9.3
<b>Non-GAAP Weighted-Average Shares Used to Compute Net Income per Share - Diluted</b>	<b>168.8</b>	<b>170.3</b>	<b>172.6</b>	<b>174.0</b>	<b>175.6</b>	<b>173.8</b>
Non-GAAP Net Income per Share - Diluted	\$ 0.40	\$ 0.09	\$ 0.15	\$ 0.23	\$ 0.24	\$ 0.70
GAAP Net Cash Provided by (Used in) Operating Activities as % of Total Revenues	32%	26%	-43%	27%	34%	12%
(-) Purchases of Property and Equipment as % of Total Revenues	9%	10%	7%	9%	5%	8%
(+) Cash Paid for Legal Settlements as % of Total Revenues	0%	6%	73%	0%	0%	19%
<b>Non-GAAP Free Cash Flow Margin</b>	<b>23%</b>	<b>22%</b>	<b>23%</b>	<b>18%</b>	<b>29%</b>	<b>23%</b>

Note: The sum of the individual quarter amounts may not equal the total full year amounts due to rounding.