

Jive Software

Q3'15 Earnings Call

Elisa Steele, Chief Executive Officer
Bryan LeBlanc, EVP, Chief Financial Officer

November 9, 2015

Safe Harbor Statement

“Safe Harbor” statement under Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements, including statements concerning our financial guidance for the fourth fiscal quarter of 2015 and the full year of 2015, expectations regarding our strategy of driving improved financial and operational performance, the effectiveness and intended benefits of our product releases, and our belief that we are well positioned to build upon our momentum over time. The achievement of success in the matters covered by such forward-looking statements involves substantial risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results or events could differ materially from the results expressed or implied by the forward-looking statements we make.

The risk and uncertainties referred to above include, but are not limited to, risks associated with our limited operating history; expectations regarding the widespread adoption of social business platforms by enterprises; uncertainty regarding the market for social business platforms; changes in the competitive dynamics of our market; our ability to increase and predict new subscription; subscription renewal or upsell rates and the impact these rates may have on our future revenues; our ability to increase the pace at which we are able to add new customers, our reliance on our own controls and third-party service providers to host some of our products; the risk that our security measures could be breached and unauthorized access to customer data could be obtained; potential third party intellectual property infringement claims; and the price volatility of our common stock.

More information about potential factors that could affect our business and financial results is contained in our quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that we make with the Securities and Exchange Commission. We do not intend and undertake no duty to release publicly any updates or revisions to any forward-looking statements contained herein.

Earnings Call Topics

1

Q3'15 Results in Line with Expectations

2

2015 Transformation Initiatives on Track

3

Business Objectives Summary

Q3'15 Results in Line with Expectations

Metric	\$	Change
Revenue (\$M)	\$49.9	7% Y/Y
Non-GAAP net loss per share	\$(0.03)	nm
Short-term billings (\$M)	\$47.9	6% Y/Y
Customer count	989	12 Q/Q

We are encouraged by our results and continue to build a stronger foundation for long-term growth

Sales Performance

jiveⁿ

- Enterprise had strong upsell
- EMEA sales team had solid performance

jive^w

- Beginning to attract new customers
- Positive feedback has led to deeper integration with Jive-n

jive^x

- Committed to improving execution
- Progress made on revising strategy to target the CMO

Notable Customer Wins and Expansions

New or Expanded in Q3'15



Representative Jive customers



Customer Success Stories



- **Challenge:** Promote better communication and streamline how information is shared across NBC News, MSNBC, and CNBC newsrooms
- **Solution:** Using the Jive-n solution, successfully launched NewsConnect, a centralized platform that re-created the workflow for 900 employees to share information and story updates
- Published a feature article on the positive results contributed by Jive entitled, *“Working together: How NBC built a new tool to improve collaboration across its newsrooms”*



- **Challenge:** Wanted to move to the cloud, but was concerned about losing customizations
- **Solution:** Jive efficiently executed the cloud migration with an overwhelmingly positive outcome



- **Challenge:** Streamline new hire onboarding activities, improve sales effectiveness and upgrade customer support operations
- **Solution:** Jive provided HR onboarding solution, portal for entire direct sales team, and improved customer support case deflection

2015 Transformation Initiatives on Track

3-Pillar Strategy	
 Simplify	Products and solutions
 Attract	New business through increased awareness and understanding of offerings
 Expand	Our reach and drive velocity by unlocking more opportunities with more businesses

Product Milestones

2015 Releases

	1H'15		2H'15
Jive-n	1st Cloud Release – enhanced search and integration with Google Docs	2nd Cloud Release – new insight support center and search, improved Google and Microsoft integrations, simplified content sharing	3rd Cloud Release – “Interactive Intranet” fully integrates Jive-n and Jive-w apps
Jive-w	Jive Daily and Jive Chime apps		Jive Circle app
Jive-x	1st Cloud Release – increased community participation and marketing conversion rates	2nd Cloud Release – reduced support center costs, mobile administration app, engagement index chart	3rd Cloud Release - identifies, mobilizes and tracks advocates and experts

Jive: A Leader for 7 Consecutive Years

Magic Quadrant

Figure 1. Magic Quadrant for Social Software in the Workplace



Gartner Magic Quadrant for Social Software in the Workplace October 26, 2015

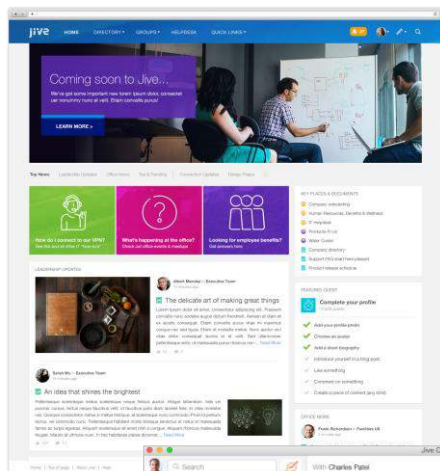
This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Jive.

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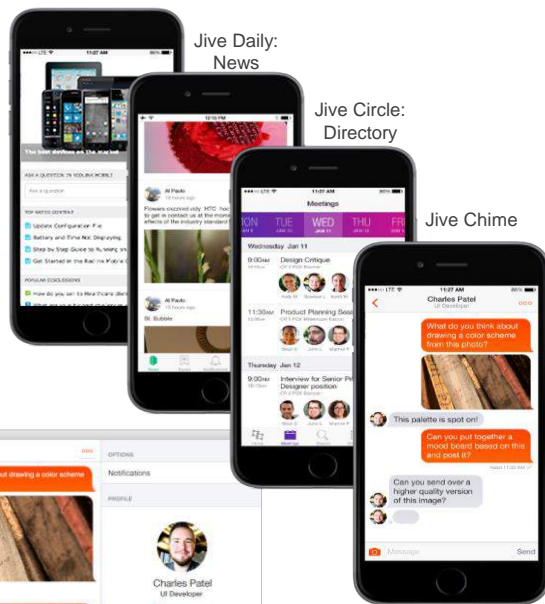
Gartner, Magic Quadrant for Social Software in the Workplace, Mike Gotta / Nikos Drakos / Jeffery Mann, 26 October 2015

Jive-n + Jive-w = Powerful Mobile Interactive Intranet

Intranet: Jive-n



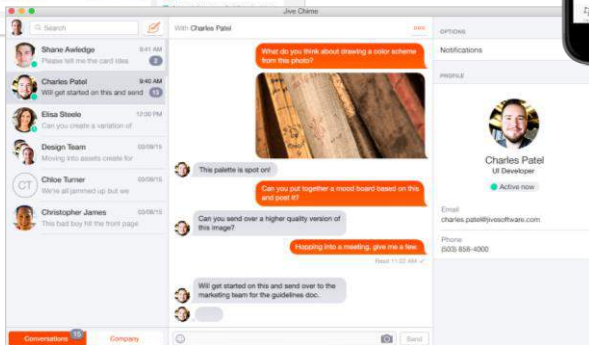
Jive-n Mobile App



- Single, unified solution
- Cloud based
- Seamless third party integrations
- Ready-to-use solution templates
- Reduces the need for IT

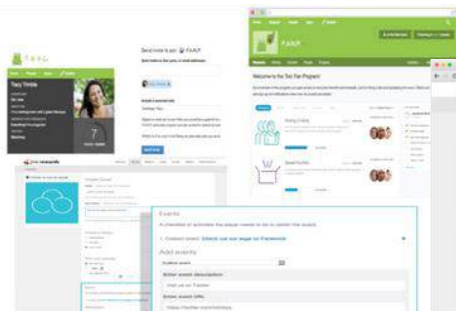
“Quick Start” package
designed to drive velocity

Real-time Messaging: Jive Chime

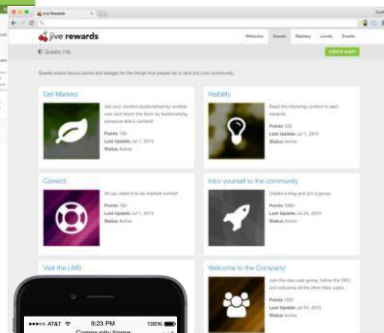


New Jive-x = Transforms Fans Into Brand Advocates

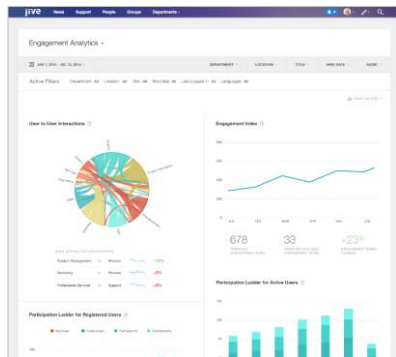
A New Advocacy Experience



Reward Champions



Engagement Analytics Dashboard



Community Analytics
Across Devices



Enhanced
Search functionality

- Cultivates experts for business
- Builds brand awareness and increases revenue
- Differentiated, industry-leading mobile experience
- Responsive design for optimized experience across devices

"Jive is making it easier for users of its external communities to engage brand advocates and experts."

Barry Levine, Marketing Land

"Given the importance of customer advocacy programs in digital marketing, it makes sense for Jive to focus on delivering these types of enhancements to help marketers build long term relationships with a two-way dialogue."

Maribel Lopez, Forbes

"Jive-x is a turnkey community engagement product that's ready to go right out of the box, making it a good choice for companies who don't need or want to spend a lot of time fiddling with customizations."

Lisa Hoover McGreevy, FierceContentManagement

Go-To-Market Summary

1. Focus on the enterprise segment by solution selling our strongest use cases

2. Continue to develop down-market selling model and invest in inside sales teams

3. Adapt products to support sales velocity

4. Introduce out-of-the-box packaging to make it easy to buy Jive

Continue to evolve as we target the most promising opportunities

New Leadership



JEFF LAUTENBACH
President, Worldwide Field Operations



DAVID PUGLIA
Executive Vice President, Chief Marketing Officer

Business Objectives Summary

3-Pillar Strategy



Simplify

Products and solutions

- Focus on strongest use cases to more effectively position our solutions
- Make powerful products to solve customers' problems, such as our "Interactive Intranet"
- Continue to learn from customers and prospects



Attract

New business through increased awareness and understanding of offerings

- Roll out "Interactive Intranet" and leverage Jive-w to create market pull for Jive-n and Jive-x
- Introduce out-of-box solutions packaging for lines of business and verticals
- Target the CMO for Jive-x and tailor our solutions to solve their key pain points



Expand

Our reach and drive velocity by unlocking more opportunities with more businesses

- Adapt products to support sales repeatability and scale, and target high ROI use cases
- Address enterprise needs through improved security, scalability and ease of deployment
- Continue to invest in inside sales organization that targets companies down market
- Explore ways to leverage success in certain verticals and lines of business

Q3'15 Financial Highlights

Short-term billings: \$47.9M, up 6% Y/Y

- Remain on track with more work to do
- Strong amount of early renewals

Non-GAAP operating loss \$2.2M*

- Disciplined expense management
- Balanced approach to investing for growth and increased profitability

Customer count

- Q3'15 = 989 vs. Q2'15 = 977
- Still working towards velocity model

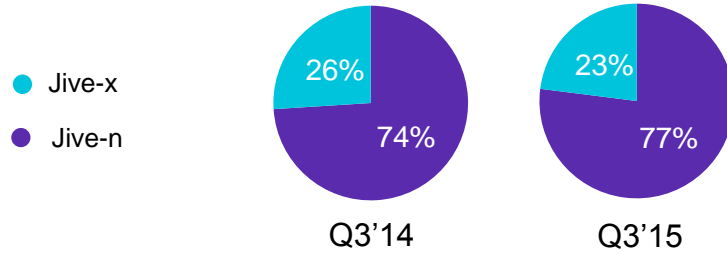
Renewal rate was slightly below 90% (excluding upsells)

- Expect trend to continue in near term

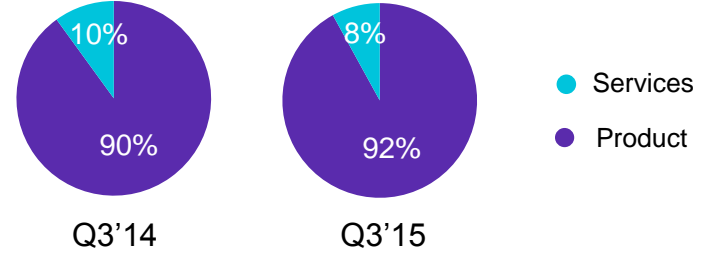
*See appendix for non-GAAP reconciliation

Revenue Mix

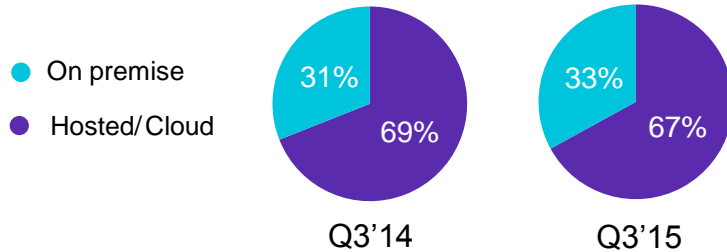
Product Type



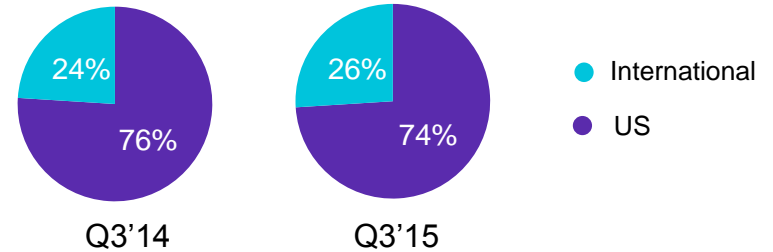
Product/Services



Deployment



Geographic



Financial Metrics

In millions

Metric:	Q3'15	Q2'15	Q3'14
Cash and cash equivalents	\$119.6	\$126.7	\$129.1
Free cash flow	\$(6.3)	\$(6.1)	\$(9.0)
Total deferred revenue	\$141.3	\$147.9	\$147.2
Short-term deferred revenue	\$121.8	\$123.8	\$114.8
Long-term deferred revenue	\$19.5	\$24.1	\$32.4

Guidance: Fourth Quarter 2015 and Full Year 2015

In millions except per share data

Metric:	Q4'15	FY'15
Total revenue	\$49.5 – \$50.5	\$195.1 – \$196.1
Non-GAAP loss from operations	\$(2.5) – \$(4.5)	\$(8.9) – \$(10.9)
Non-GAAP loss per share	\$(0.04) – \$(0.06)	\$(0.13) – \$(0.15)
Shares outstanding	76.2	75.2
Short-term billings	NA	0% – 5%
Free cash flow	NA	\$(2.0) – \$(7.0)



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Appendix

Income Statement

JIVE SOFTWARE, INC.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Product	\$ 45,960	\$ 42,162	\$ 133,628	\$ 118,576
Professional services	3,945	4,438	12,014	12,428
Total revenues	<u>49,905</u>	<u>46,600</u>	<u>145,642</u>	<u>131,004</u>
Cost of revenues:				
Product	12,623	11,175	36,630	31,931
Professional services	5,542	6,060	16,912	17,399
Total cost of revenues	<u>18,165</u>	<u>17,235</u>	<u>53,542</u>	<u>49,330</u>
Gross profit	31,740	29,365	92,100	81,674
Operating expenses:				
Research and development	13,187	13,608	40,737	39,496
Sales and marketing	20,172	21,696	57,996	66,855
General and administrative	7,141	6,161	20,420	18,994
Total operating expenses	<u>40,500</u>	<u>41,465</u>	<u>119,153</u>	<u>125,345</u>
Loss from operations	(8,760)	(12,100)	(27,053)	(43,671)
Other income (expense), net:				
Interest income	72	50	192	151
Interest expense	(27)	(55)	(149)	(202)
Other, net	(1)	160	1,036	9
Total other income (expense), net	<u>44</u>	<u>155</u>	<u>1,079</u>	<u>(42)</u>
Loss before provision for income taxes	(8,716)	(11,945)	(25,974)	(43,713)
Provision for income taxes	113	164	330	350
Net loss	<u>\$ (8,829)</u>	<u>\$ (12,109)</u>	<u>\$ (26,304)</u>	<u>\$ (44,063)</u>
Basic and diluted net loss per share	<u>\$ (0.12)</u>	<u>\$ (0.17)</u>	<u>\$ (0.35)</u>	<u>\$ (0.63)</u>
Shares used in basic and diluted per share calculations	<u>75,632</u>	<u>71,026</u>	<u>74,922</u>	<u>70,202</u>

Balance Sheet

JIVE SOFTWARE, INC.
Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 17,451	\$ 20,594
Short-term marketable securities	93,767	93,001
Accounts receivable, net of allowances	47,037	66,729
Prepaid expenses and other current assets	13,558	13,490
Total current assets	171,813	193,814
Marketable securities, noncurrent	8,384	7,542
Property and equipment, net of accumulated depreciation	11,857	12,986
Goodwill	29,753	29,753
Intangible assets, net of accumulated amortization	5,622	9,448
Other assets	8,750	9,314
Total assets	\$ 236,179	\$ 262,857
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,889	\$ 3,565
Accrued payroll and related liabilities	5,840	6,622
Other accrued liabilities	7,972	8,246
Deferred revenue, current	121,752	128,592
Term debt, current	2,400	2,400
Total current liabilities	145,853	149,425
Deferred revenue, less current portion	19,522	31,947
Term debt, less current portion	1,800	3,600
Other long-term liabilities	1,665	1,288
Total liabilities	168,840	186,260
Commitments and contingencies		
Stockholders' Equity:		
Common stock	7	7
Less treasury stock at cost	(3,352)	(3,352)
Additional paid-in capital	380,636	363,587
Accumulated deficit	(309,988)	(283,684)
Accumulated other comprehensive income	36	39
Total stockholders' equity	67,339	76,597
Total liabilities and stockholders' equity	\$ 236,179	\$ 262,857

Cash Flow Statement

JIVE SOFTWARE, INC.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:				
Net loss	\$ (8,829)	\$ (12,109)	\$ (26,304)	\$ (44,063)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,907	3,765	11,871	11,650
Stock-based compensation	5,477	8,195	16,765	26,820
Change in deferred taxes	32	64	95	96
Non-recurring gain	-	-	(1,107)	-
(Increase) decrease in:				
Accounts receivable, net	(351)	(11,074)	19,692	8,820
Prepaid expenses and other assets	(323)	(2,987)	(664)	(5,918)
Increase (decrease) in:				
Accounts payable	1,698	1,783	4,155	893
Accrued payroll and related liabilities	(1,298)	(588)	(779)	(899)
Other accrued liabilities	1,443	1,756	(207)	1,128
Deferred revenue	(6,617)	3,589	(19,265)	(170)
Other long-term liabilities	3	(78)	282	37
Net cash provided by (used in) operating activities	<u>(4,858)</u>	<u>(7,684)</u>	<u>4,534</u>	<u>(1,606)</u>
Cash flows from investing activities:				
Payments for purchase of property and equipment	(1,440)	(1,303)	(4,783)	(7,891)
Purchases of marketable securities	(23,688)	(17,842)	(81,445)	(80,036)
Sales of marketable securities	6,601	7,571	17,903	18,672
Maturities of marketable securities	21,299	16,700	61,101	61,774
Net cash provided by (used in) investing activities	<u>2,772</u>	<u>5,126</u>	<u>(7,224)</u>	<u>(7,481)</u>
Cash flows from financing activities:				
Proceeds from exercise of stock options	285	219	1,073	1,747
Taxes paid related to net share settlement of equity awards	(194)	(456)	(789)	(1,571)
Repayments of term loans	(600)	(600)	(1,800)	(1,800)
Earnout payment for prior acquisition	-	-	-	(576)
Non-recurring gain	-	-	1,107	-
Net cash used in financing activities	<u>(509)</u>	<u>(837)</u>	<u>(409)</u>	<u>(2,200)</u>
Net decrease in cash and cash equivalents	(2,595)	(3,395)	(3,099)	(11,287)
Effect of exchange rate changes	3	80	(44)	56
Cash and cash equivalents, beginning of period	<u>20,043</u>	<u>30,499</u>	<u>20,594</u>	<u>38,415</u>
Cash and cash equivalents, end of period	<u>\$ 17,451</u>	<u>\$ 27,184</u>	<u>\$ 17,451</u>	<u>\$ 27,184</u>

Non-GAAP Reconciliation

JIVE SOFTWARE, INC. Reconciliation of Non-GAAP Information (In thousands, except per share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross profit, as reported	\$ 31,740	\$ 29,365	\$ 92,100	\$ 81,674
Add back:				
Stock-based compensation	734	1,014	2,388	3,125
Amortization related to acquisitions	905	954	2,788	2,880
Gross profit, non-GAAP	\$ 33,379	\$ 31,333	\$ 97,276	\$ 87,679
Gross margin, non-GAAP	67%	67%	67%	67%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Research and development, as reported	\$ 13,187	\$ 13,608	\$ 40,737	\$ 39,496
less:				
Stock-based compensation	1,644	2,723	5,997	8,695
Amortization related to acquisitions	61	127	649	383
Research and development, non-GAAP	\$ 11,482	\$ 10,758	\$ 34,091	\$ 30,418
As percentage of total revenues, non-GAAP	23%	23%	23%	23%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Sales and marketing, as reported	\$ 20,172	\$ 21,696	\$ 57,996	\$ 66,855
less:				
Stock-based compensation	1,164	2,526	2,958	9,153
Amortization related to acquisitions	129	129	388	388
Sales and marketing, non-GAAP	\$ 18,879	\$ 19,041	\$ 54,650	\$ 57,314
As percentage of total revenues, non-GAAP	38%	41%	38%	44%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
General and administrative, as reported	\$ 7,141	\$ 6,161	\$ 20,420	\$ 18,994
less:				
Stock-based compensation	1,937	1,932	5,426	5,847
General and administrative, non-GAAP	\$ 5,204	\$ 4,229	\$ 14,994	\$ 13,147
As percentage of total revenues, non-GAAP	10%	9%	10%	10%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Loss from operations, as reported	\$ (8,760)	\$ (12,100)	\$ (27,053)	\$ (43,671)
Add back:				
Stock-based compensation	5,479	8,195	16,769	26,820
Amortization related to acquisitions	1,095	1,210	3,825	3,651
Loss from operations, non-GAAP	\$ (2,186)	\$ (2,695)	\$ (6,459)	\$ (13,200)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Loss before provision for income taxes, as reported	\$ (8,716)	\$ (11,945)	\$ (25,974)	\$ (43,713)
Add back:				
Stock-based compensation	5,479	8,195	16,769	26,820
Amortization related to acquisitions	1,095	1,210	3,825	3,651
Less:				
Non-recurring gain	-	-	(1,107)	-
Loss before provision for income taxes, non-GAAP	\$ (2,142)	\$ (2,540)	\$ (6,487)	\$ (13,242)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss, as reported	\$ (8,829)	\$ (12,109)	\$ (26,304)	\$ (44,063)
Add back:				
Stock-based compensation	5,479	8,195	16,769	26,820
Amortization related to acquisitions	1,095	1,210	3,825	3,651
Less:				
Non-recurring gain	-	-	(1,107)	-
Net loss, non-GAAP	\$ (2,255)	\$ (2,704)	\$ (6,817)	\$ (13,592)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic and diluted net loss per share, as reported	\$ (0.12)	\$ (0.17)	\$ (0.35)	\$ (0.63)
Add back:				
Stock-based compensation	0.07	0.12	0.22	0.38
Amortization related to acquisitions	0.01	0.02	0.05	0.05
Less:				
Non-recurring gain	-	-	(0.01)	-
Basic and diluted net loss per share, non-GAAP	\$ (0.03)	\$ (0.04)	\$ (0.09)	\$ (0.19)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	\$ 49,905	\$ 46,600	\$ 145,642	\$ 131,004
Deferred revenue, current, end of period	121,752	114,777	121,752	114,777
Less: Deferred revenue, current, beginning of period	(123,779)	(116,134)	(128,592)	(112,432)
Short-term billings	\$ 47,878	\$ 45,243	\$ 138,802	\$ 133,349

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	\$ 49,905	\$ 46,600	\$ 145,642	\$ 131,004
Deferred revenue, end of period	141,274	147,167	141,274	147,167
Less: Deferred revenue, beginning of period	(147,891)	(143,578)	(160,539)	(147,337)
Total Billings	\$ 43,288	\$ 50,189	\$ 126,377	\$ 130,834

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures in this release. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles.

Non-GAAP gross profit, loss from operations, net loss and net loss per share exclude stock-based compensation expenses and amortization of acquisition related intangible assets. Non-GAAP net loss and net loss per share exclude a non-recurring gain. Total billings is defined by the Company as revenue plus the change in total deferred revenue. Short-term billings is defined by the Company as revenue plus the change in short-term deferred revenue. Management presents these non-GAAP financial measures because it considers them to be important supplemental measures of performance. Management uses the non-GAAP financial measures for planning purposes, including analysis of the Company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management also believes that the non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operational performance. However, these non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial measures prepared in accordance with GAAP. We intend to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP measures to GAAP is provided in the accompanying tables.

We define the number of our platform customers at the end of any given measurement period by counting each customer under an active contract for our Jive Platform, which includes Jive Cloud, that carries a balance in our deferred revenue account at the end of that period. While a single customer may have multiple internal and external communities to support distinct departments, operating segments or geographies, we only include that customer once for purposes of this metric. We believe the number of Jive Platform customers is a leading indicator of our future revenues, billings and upsell opportunities.



Jive is the leading provider of modern communication and collaboration solutions for business.
For more information, visit www.jivesoftware.com

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