



First Quarter 2017 Supplemental Materials for the Period Ended April 1, 2017

Information as of April 27, 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 31, 2016 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

In addition to disclosing financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), the following supplemental financial materials contain certain non-GAAP financial measures that exclude stock-based compensation and related payroll taxes, and income tax effects of stock-based compensation expense. Non-GAAP financial measures do not have any standardized meaning and our non-GAAP financial measures may not be comparable to similarly titled measures presented by other companies. Gigamon considers these non-GAAP financial measures important because they provide useful measures of the operating performance of the company, exclusive of unusual events or factors that do not directly affect what we consider core to our operating performance, and are used by the company's management for that purpose. In addition, investors often use similar measures to evaluate the operating performance of a company. We present non-GAAP financial measures for supplemental informational purposes only to provide additional information in understanding the company's operating results. The non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP. Please see the reconciliation of non-GAAP financial measures to the most directly comparable GAAP in the appendix to these supplemental materials.

1Q 2017 Financial Results Summary

- Revenue of \$69.6 million was up 4% year-over-year compared to \$67.2 million in Q116 and down seasonally 18% sequentially compared to \$85.0 million in Q416.
- Product revenue of \$44.0 million was down 1% year-over-year compared to \$44.7 million in Q116 and down 26% sequentially compared to \$59.4 million in Q416.
- Recurring service revenue of \$25.6 million was up 13% year-over-year compared to \$22.5 million in Q116 and was unchanged sequentially.
- Gross margin was slightly up 20 bps to 81.9% year-over-year.
- Non-GAAP operating expenses of \$50.3 million were up 17% year-over-year; lower revenue growth rate drives non-GAAP operating margin decrease of 780 basis points from 18% to 10% year-over-year.
- Non-GAAP net income of \$4.6 million was down 43% year-over-year.
- Strong revenue growth in EMEA, up 22% year-over-year.
- Our new GigaVUE-HC1 product posted a 21% sales increase off its Q416 introduction.
- Added 84 new customer accounts.
- One customer represented 18 percent of total revenues in the first quarter.

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1Q 2017 Non-GAAP Results

(\$ in Millions, except per share amounts)	1Q17	4Q16	1Q16	Y/Y Change
Total Revenue	\$69.6	\$85.0	\$67.2	+4%
<i>Product Revenue</i> <i>% of Total Rev</i>	\$44.0 63%	\$59.4 70%	\$44.7 66%	-1% ---
<i>Service Revenue</i> <i>% of Total Rev</i>	\$25.6 37%	\$25.6 30%	\$22.5 34%	+13% ---
Non-GAAP Gross Margin	81.9%	84.2%	81.7%	+20 bps
Non-GAAP Operating Expenses	\$50.3	\$50.5	\$43.0	+17%
Non-GAAP Operating Margin	9.6%	24.9%	17.7%	-810 bps
Non-GAAP Net Income	\$4.6	\$14.4	\$8.2	-43%
Non-GAAP EPS	\$0.12	\$0.37	\$0.22	-47%

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1Q 2017 Revenue Breakdown

	1Q17	4Q16	1Q16
Geography			
Americas	82%	75%	83%
APAC	6%	7%	7%
EMEA	12%	18%	11%
Revenues			
Product	63%	70%	66%
Services	37%	30%	34%
Markets			
Enterprise	54%	61%	59%
Service Provider	32%	24%	25%
Federal	14%	15%	16%

1Q 2017 Select Financial Metrics

(\$ in Millions)	1Q17	4Q16	1Q16
Percentage of Bookings from Repeat Customers	89%	88%	90%
Lifetime Spend Requirement to Make the Top 25 Customer List*	\$7.2	\$7.1	\$5.5
New Customers in Quarter	84	126	84
Total Customer Count	2,420	2,333	2,045
Largest Customer as Percentage (%) of Total Revenue (if >10%)	18%	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

1Q 2017 Select Financial Metrics (Cont' d)

(\$ in Millions)	1Q17	4Q16	1Q16
Deferred Product Revenue	\$0.1	\$0.1	\$0.8
Deferred Service Revenue	\$95.7	\$97.6	\$78.0
GAAP Cash Flow from Operations	\$9.3	\$18.0	\$(3.3)
GAAP Net Income	\$(2.2)	\$6.4	\$3.0
Cash and Short-Term Investments	\$265	\$258	\$208
DSO	74	81	67
Employee Headcount	743	684	534

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. Certain numbers have been recast due to adoption of new accounting standard ASU2016-09.

Non-GAAP Long-Term Model

	FY14	FY15	FY16	1Q17	Long Term Model
Gross Margin	77%	80%	83%	82%	~80%
S&M	43%	35%	35%	42%	31-33%
R&D	22%	18%	18%	22%	16-17%
G&A	9%	8%	7%	8%	5%
Operating Margin	4%	19%	23%	10%	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

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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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)	\$0.17	\$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	\$121.4	\$178.1	\$258.1
<i>% non-GAAP gross margin</i>	77.3%	80.2%	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	\$5.6	\$42.3	\$70.4
<i>% non-GAAP operating margin</i>	3.6%	19.1%	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	---	---	---
Changes in operating assets and liabilities	\$(3.1)	\$23.5	\$(13.5)
Other Operating Activities	\$24.3	\$2.1	\$(32.3)
Net cash provided by operating activities	\$11.1	\$68.1	\$49.2
Cash Flows from Investing Activities	\$(59.7)	\$13.8	\$(27.3)
Cash Flows from Financing Activities	\$7.6	\$(0.6)	\$6.8
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

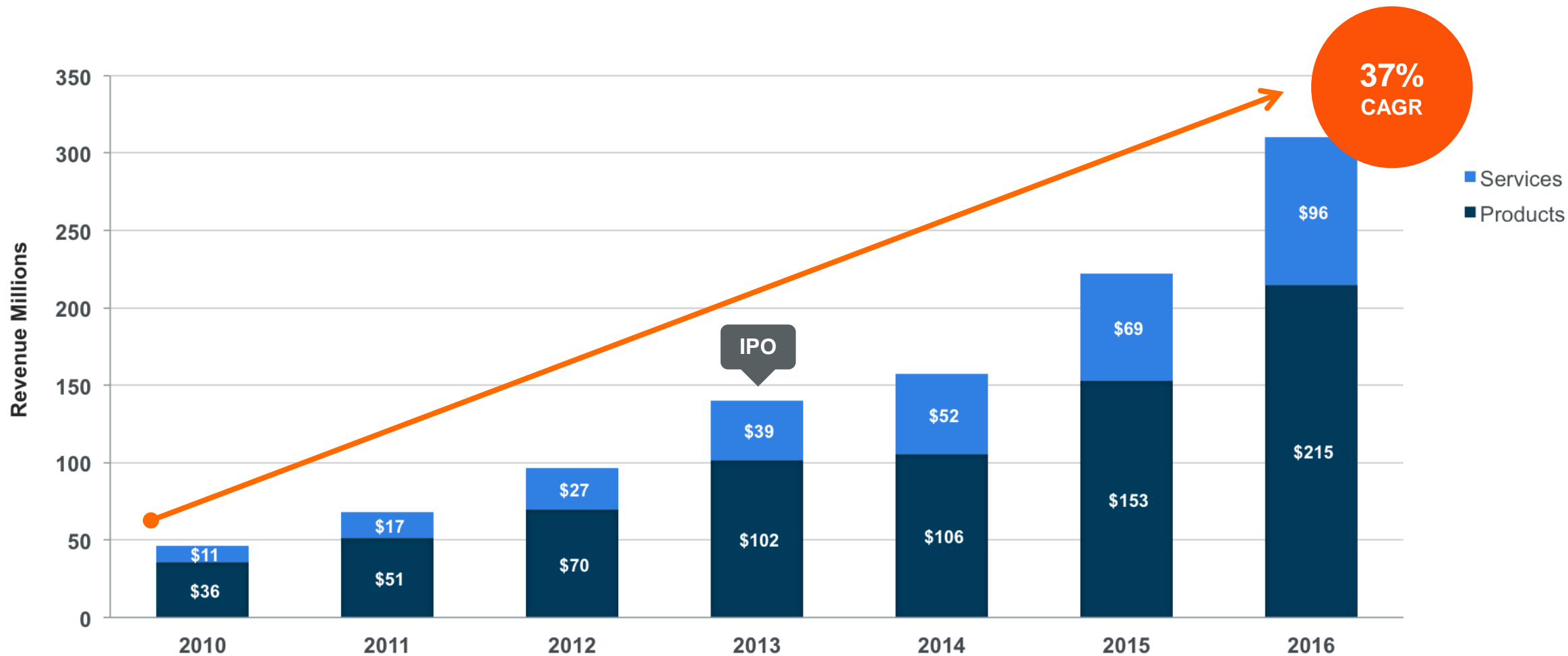
Note: Certain numbers have been recast due to adoption of new accounting standard ASU2016-09.

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

