

Investor Presentation

Second Quarter 2017

Safe Harbor and Other Information

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 on our business.

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 an “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 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 the filings we make with the Securities and Exchange Commission (the “SEC”), 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. For additional information, see the slide titled “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 functionality is intended to outline our general product direction and should not be relied upon in making a purchasing decision. The information on new products, features, and functionality is for informational purposes only and shall not be incorporated into any contract. The information on new products, features, and functionality 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 our sole discretion.

Statement Regarding Use of Non-GAAP Financial Measures

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

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 believe billings is a useful leading indicator regarding the performance of our business. 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. While we typically bill customers annually for our subscription services, customers sometimes request, and we accommodate, multiyear billings, which are billings with durations in excess of the typical 12 month term. Accordingly, to facilitate greater comparability in our billings information, we further present billings adjusted for constant billings duration, in addition to adjusting for constant currency. To present this information, we adjust subscription billings and total billings for constant currency as described above, and adjust for constant duration by replacing the portion of multiyear billings in excess of twelve months during the current period with the portion of multiyear billings in excess of twelve months during the prior period presented. We also present professional services and other billings and corresponding growth rates adjusted for constant currency as described above.

Our non-GAAP presentation of gross profit, income from operations and net income measures exclude stock-based compensation expense, 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 (used in) 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 total 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 our 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 presentation for the reconciliation of GAAP and non-GAAP results.

Work at Lightspeed

Enterprise Cloud

Cloud-based service that modernizes and transforms the enterprise

Highly secure and available enterprise cloud

SaaS business model



NYSE: NOW

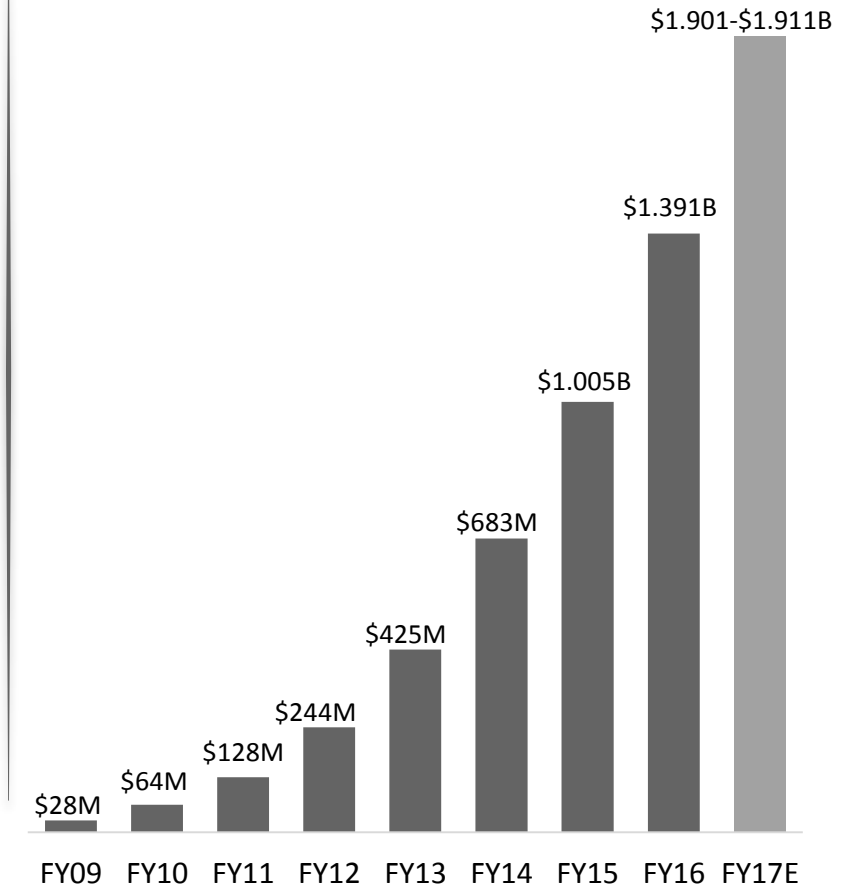
~5,600
Global Employees

Major Sites

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



Strong Revenue & Growth



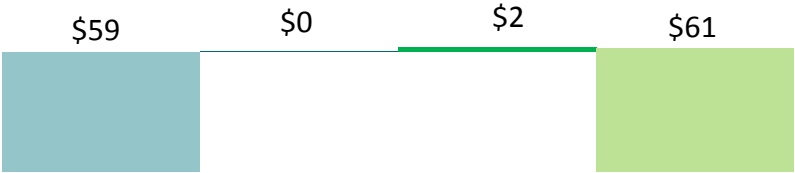
Currency and Duration Impact Compared to Previously Issued Guidance

(\$M) Guidance Midpoint⁽¹⁾ Currency Impact⁽²⁾ Duration Impact⁽³⁾ Remaining Difference Actual Results

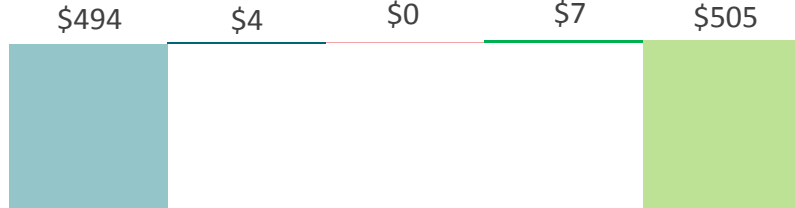
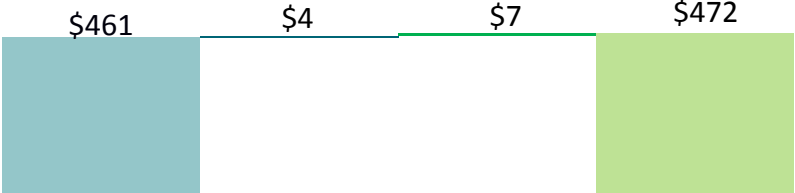
Subscription



PS & Other



Total



Q2-17 Revenue

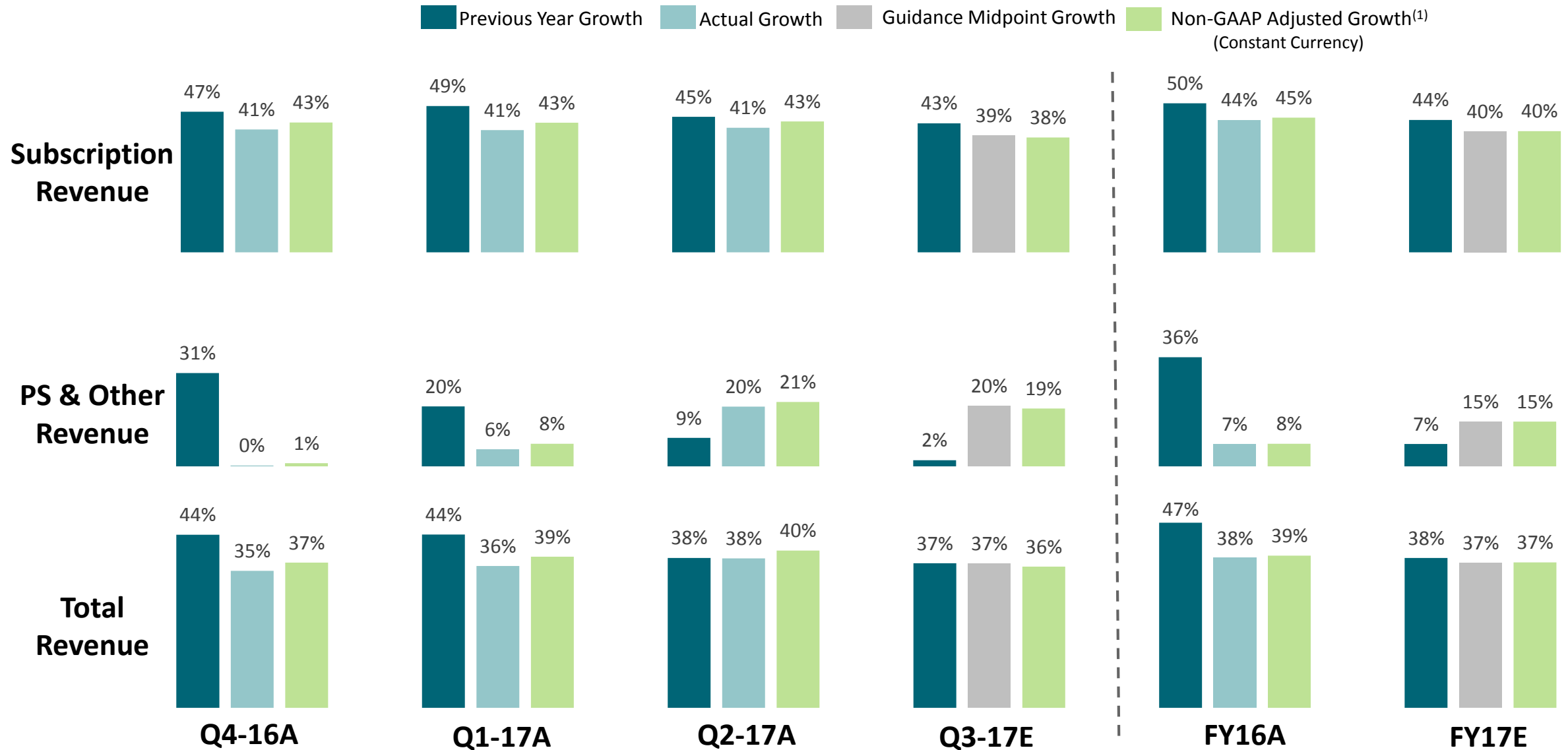
Q2-17 Non-GAAP Billings⁽⁴⁾

(1) Refers to previously issued financial guidance dated 4/26/17.
 (2) Represents the impact of currency exchange rate fluctuations between the actual average rates in the period compared to the rates as of 3/31/2017 assumed in previously issued guidance, for entities reporting in currencies other than U.S. Dollars.
 (3) Represents the impact of billings greater than 12 months in excess of guidance assumptions.

(4) Billings figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for footing purposes.

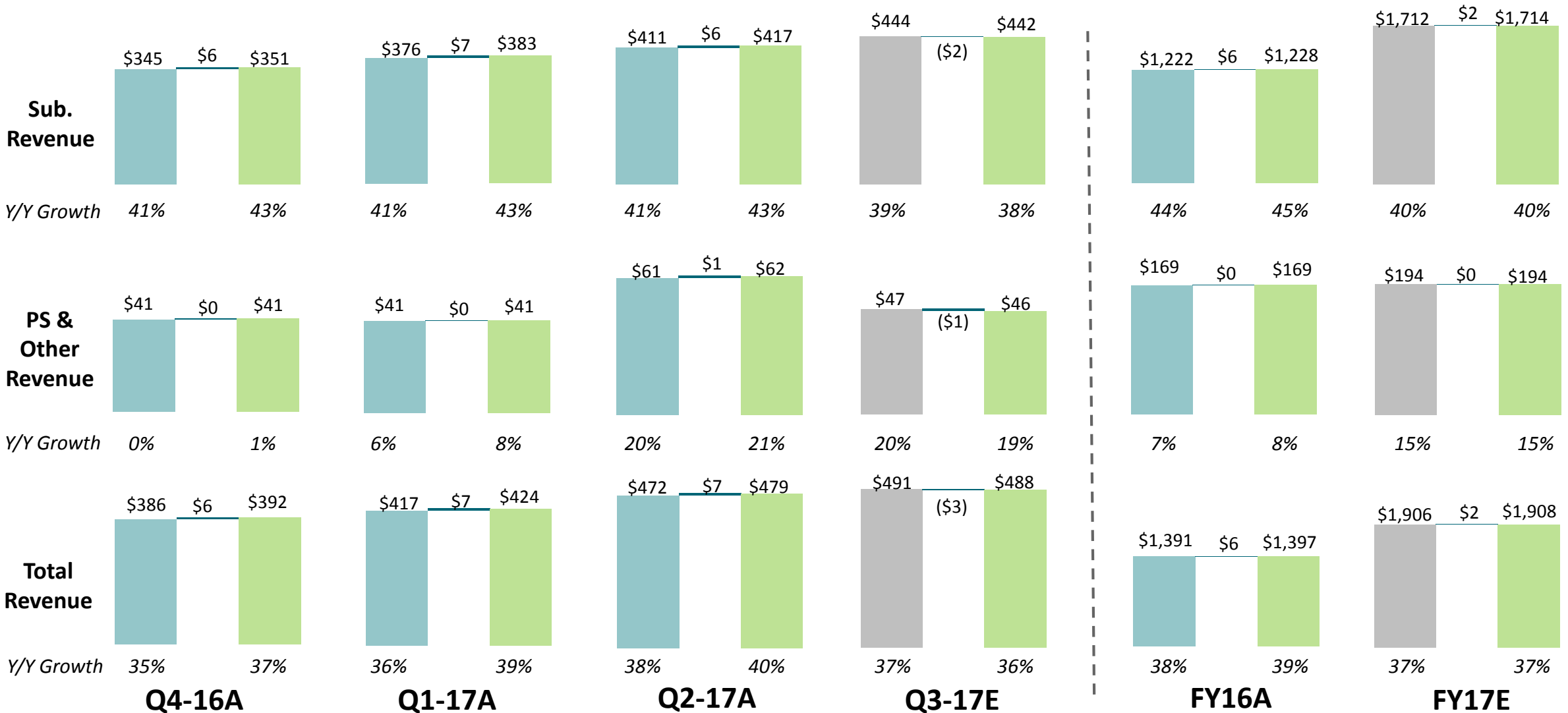
Year-Over-Year Revenue Growth...



(1) Adjusted revenue 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

(\$M) Actuals Guidance Midpoint Currency Impact⁽¹⁾ Non-GAAP Adjusted Revenue⁽²⁾



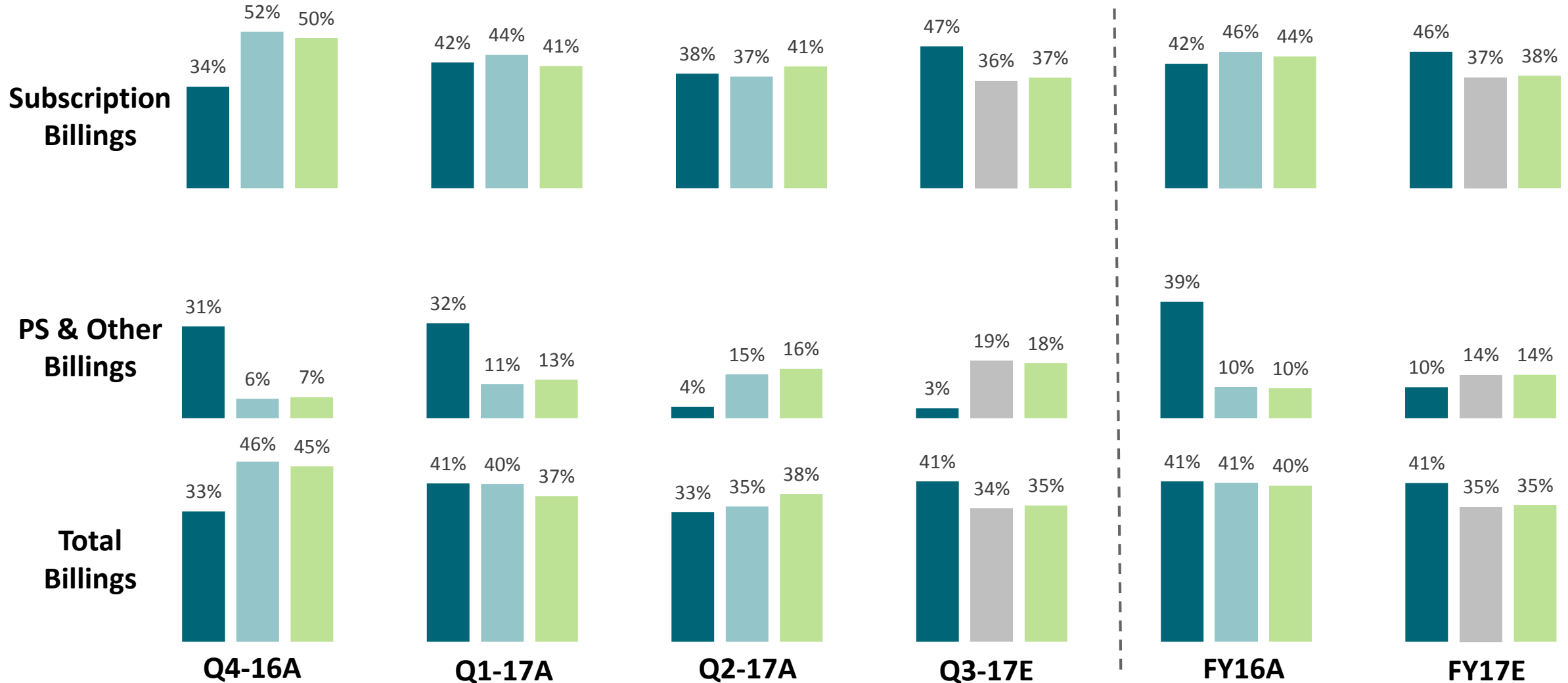
(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

(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 footing purposes.

Year-Over-Year Non-GAAP Billings Growth...

■ Previous Year Growth⁽²⁾
■ Actual Growth⁽²⁾
■ Guidance Midpoint Growth⁽²⁾
■ Non-GAAP Adjusted Growth⁽¹⁾⁽²⁾
 (Constant Currency + Constant Duration)



(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. In addition, results and guidance are adjusted for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented. Previously, in addition to the constant currency adjustment described above, we presented adjusted billings by 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.

To the extent multi-year billings grow and durations lengthen, our new methodology provides more meaningful information on the impact of multi-year billings fluctuations than a weighted average billings duration methodology.

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

...Currency and Duration Impact to Year-Over-Year Non-GAAP Billings Growth

(\$M) Actuals⁽³⁾ Guidance Midpoint⁽³⁾ Currency Impact⁽¹⁾ Duration Impact⁽²⁾ Non-GAAP Adjusted Billings⁽³⁾



(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) Results and guidance are adjusted for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented. Previously we presented adjusted billings by 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) Billings, adjusted billings and growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures. Note: Numbers rounded for presentation purposes.

\$4 Billion Revenue Target in 2020

Today



2020

G2Ks

790

15 new logos / quarter

1,000

✖ ACV / G2K

\$1.15M

4% sequential growth

\$2M

÷ G2K Rev Mix

50%

Maintain mix

50%

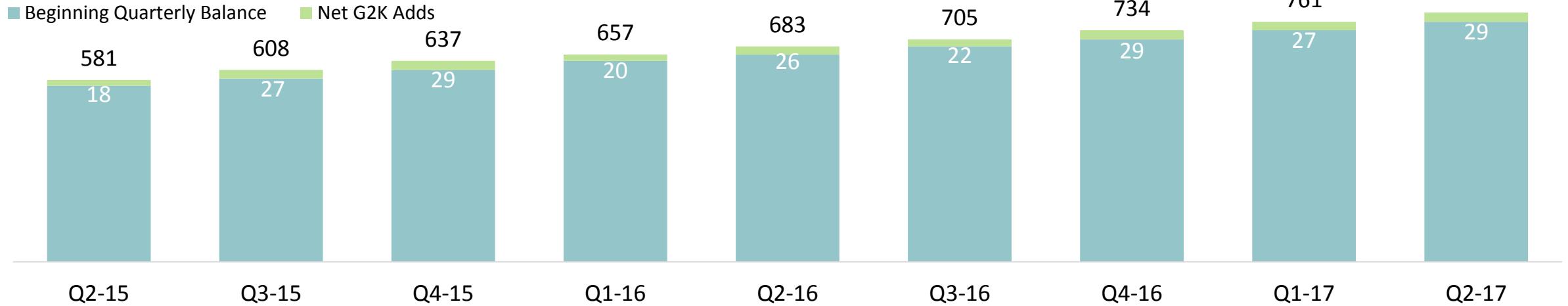
Annualized Q2 Rev

\$1.8B

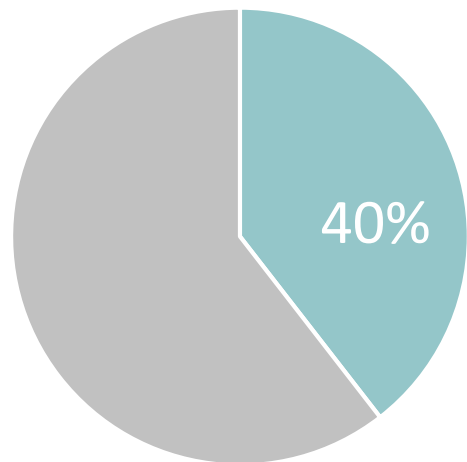
\$4B

G2K Penetration

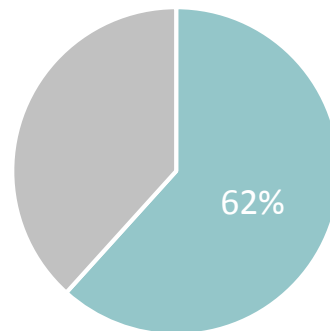
Number of G2K Customers



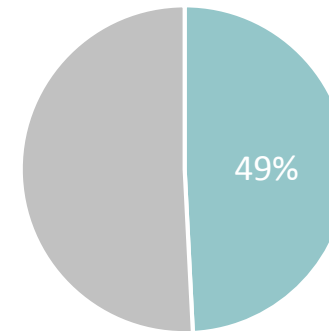
G2K Penetration



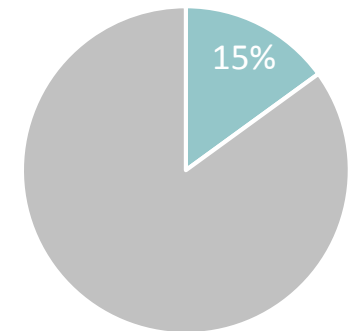
North America



EMEA

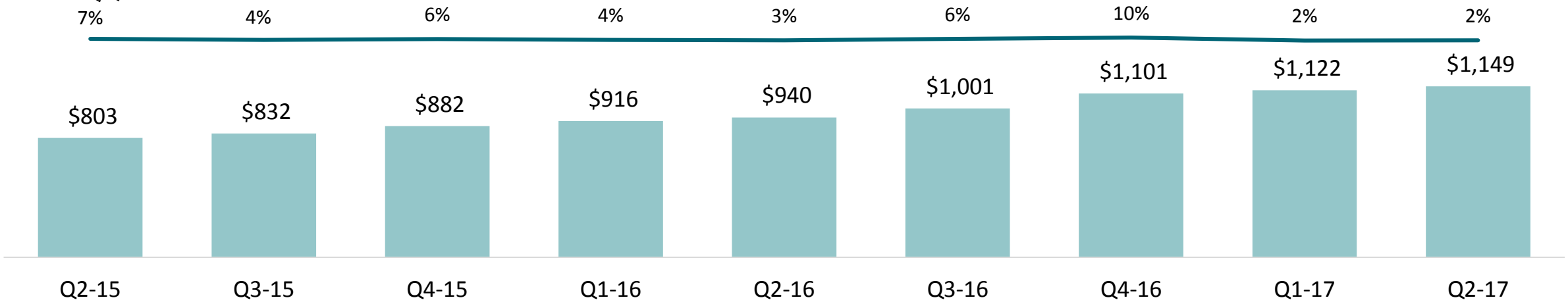


APAC & Other

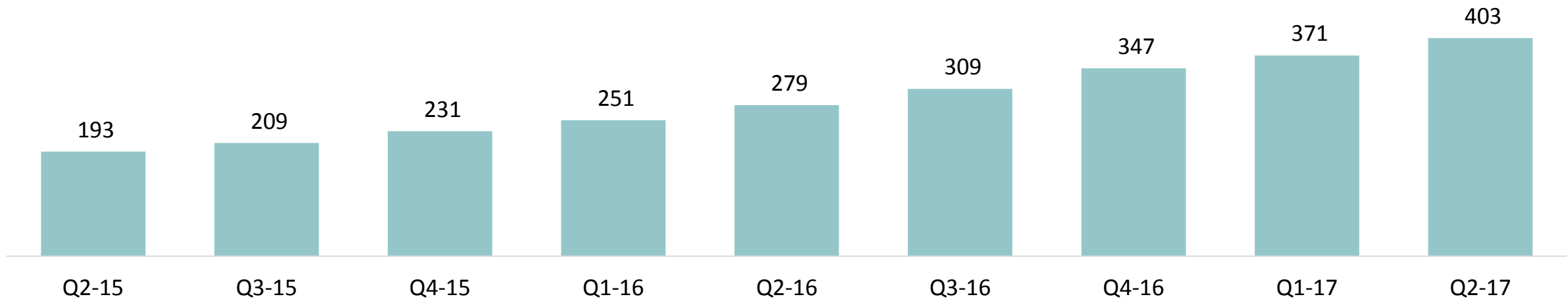


Upsells Represent Large Opportunity

ACV/G2K (\$k)
Q/Q Growth



Cust >\$1M

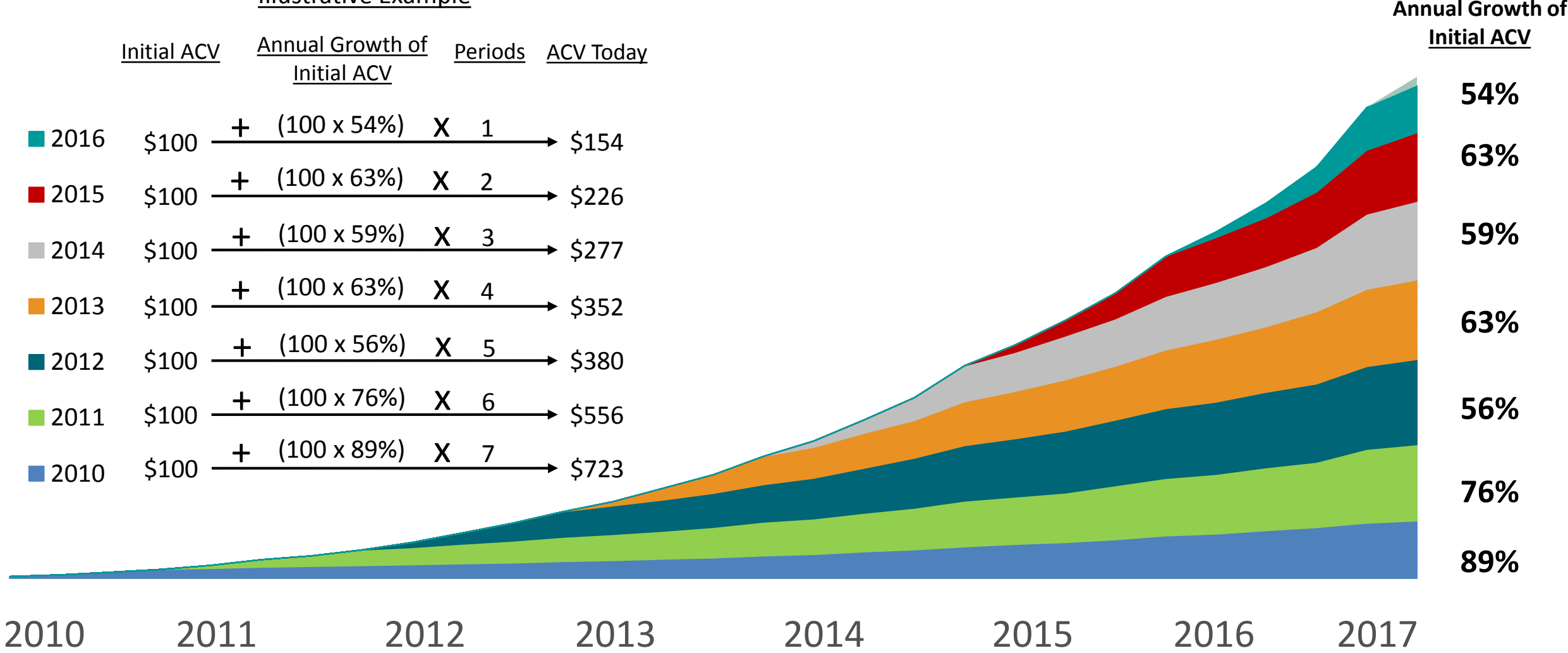


Note: The Forbes list is updated annually in the second quarter of the calendar year. Current and prior period G2K customer counts are based on the most recent list for comparability purposes. We adjust the G2K count for acquisitions, spin-offs, and other market activity to ensure the G2K customer count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

12 Previously disclosed number of customers with ACV greater than \$1 million is restated to allow for comparability. ACV is calculated based on the foreign exchange rate in effect at the time the contract was entered into. Foreign exchange rate fluctuations could cause some variability in the number of customers with ACV greater than \$1 million and the average ACV per G2K.

Upsells Represent Large Opportunity

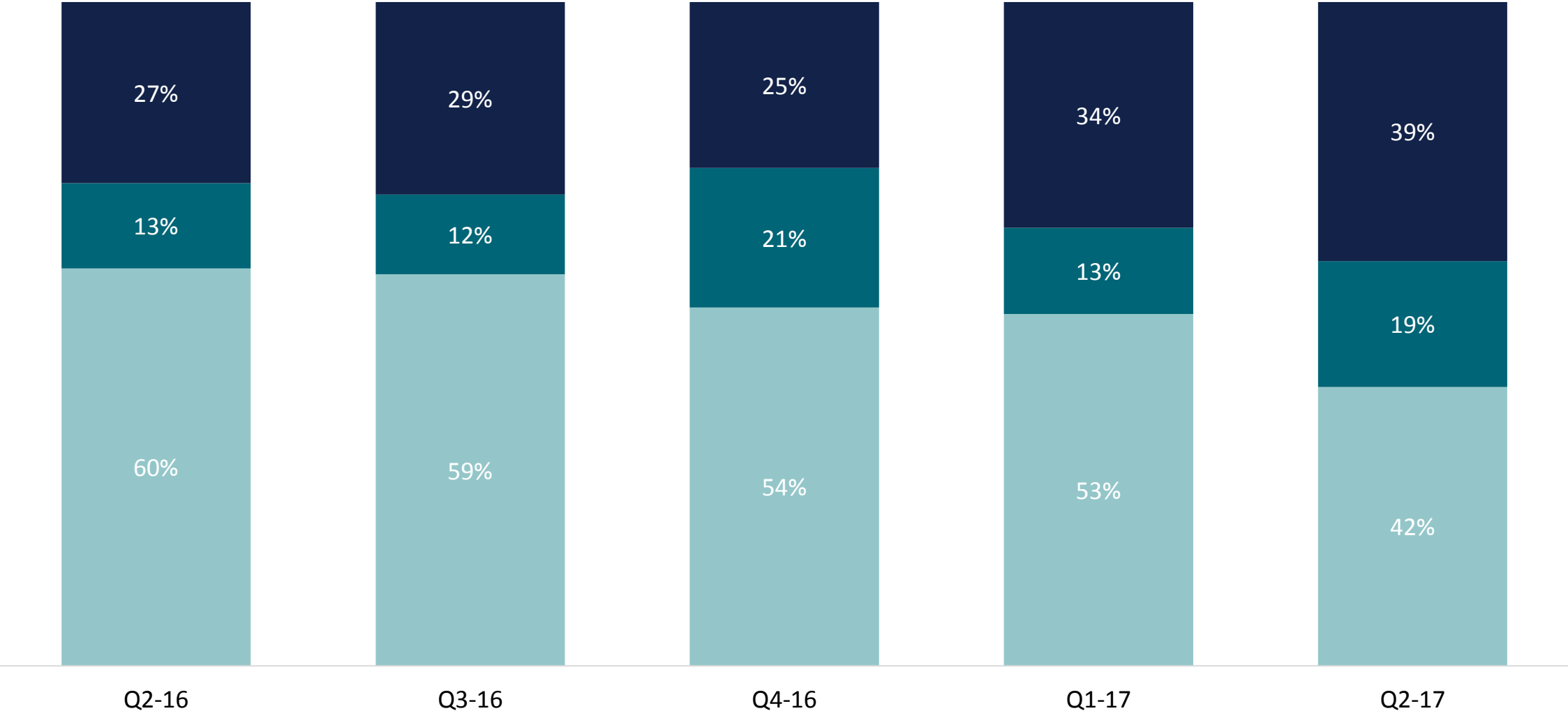
Illustrative Example



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

Service Management ITOM Other



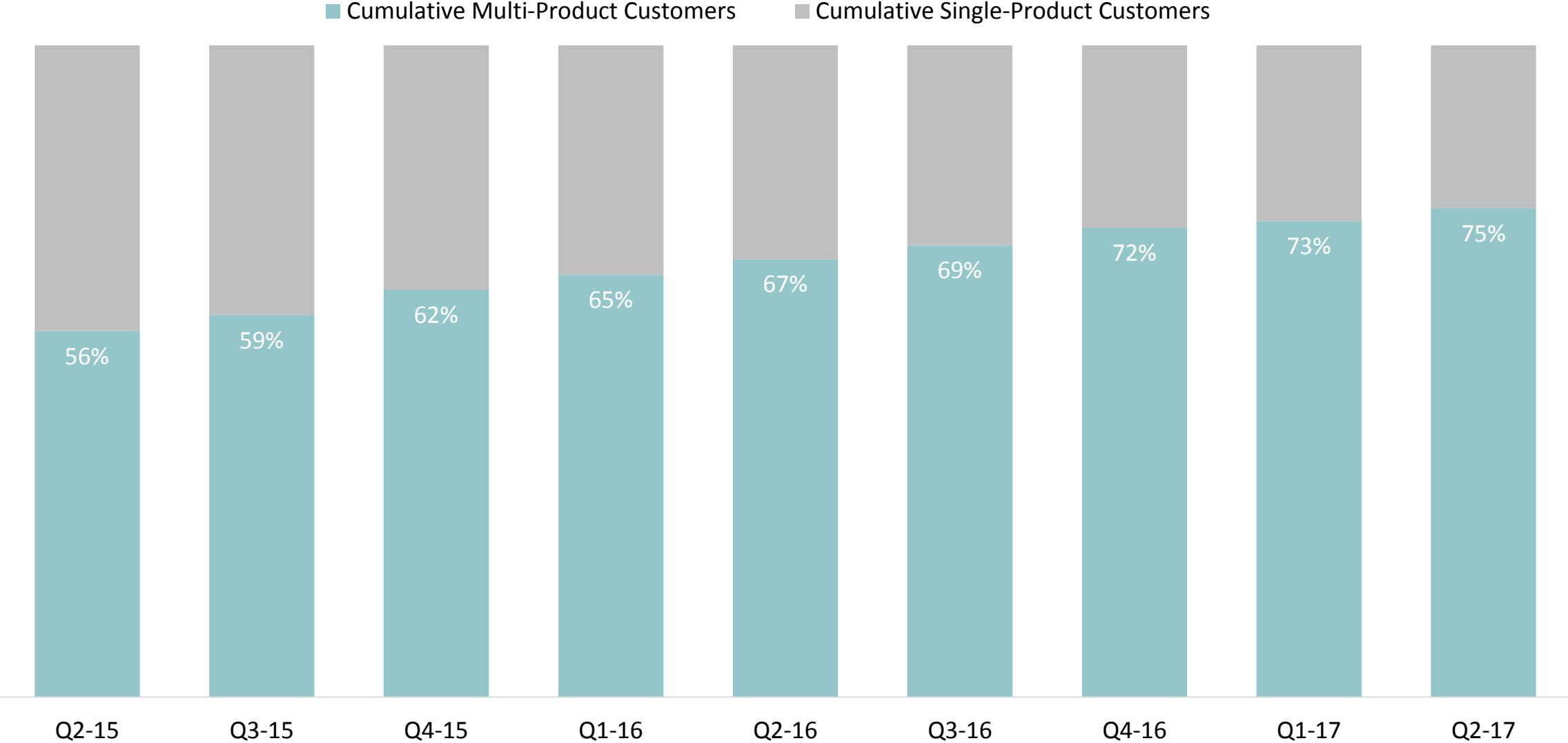
Note: Service Management = IT, Facilities, Field Service, Finance, Marketing, Legal, Express
 ITOM = ServiceWatch, Discovery, Cloud Management, Orchestration, Event Management
 Other = HR, Security Operations, Customer Service Management, Performance Analytics, IT Business Management, GRC, Platform

17 of Top 20 New Deals in Q2 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	X	X	X			
Customer 2			X		X	X			
Customer 3	X	X	X		X				
Customer 4	X	X	X		X			X	
Customer 5	X	X	X		X			X	
Customer 6	X		X		X				
Customer 7	X	X		X	X				
Customer 8	X	X			X	X			
Customer 9	X		X		X				
Customer 10							X		
Customer 11	X				X				
Customer 12	X	X	X	X	X	X	X		X
Customer 13		X			X			X	
Customer 14	X	X			X			X	
Customer 15	X	X			X				
Customer 16		X	X	X	X		X	X	
Customer 17		X							
Customer 18	X		X		X				
Customer 19	X		X			X	X		
Customer 20	X	X			X				

Multi-Product Customers Increasing



2020 Non-GAAP Targets

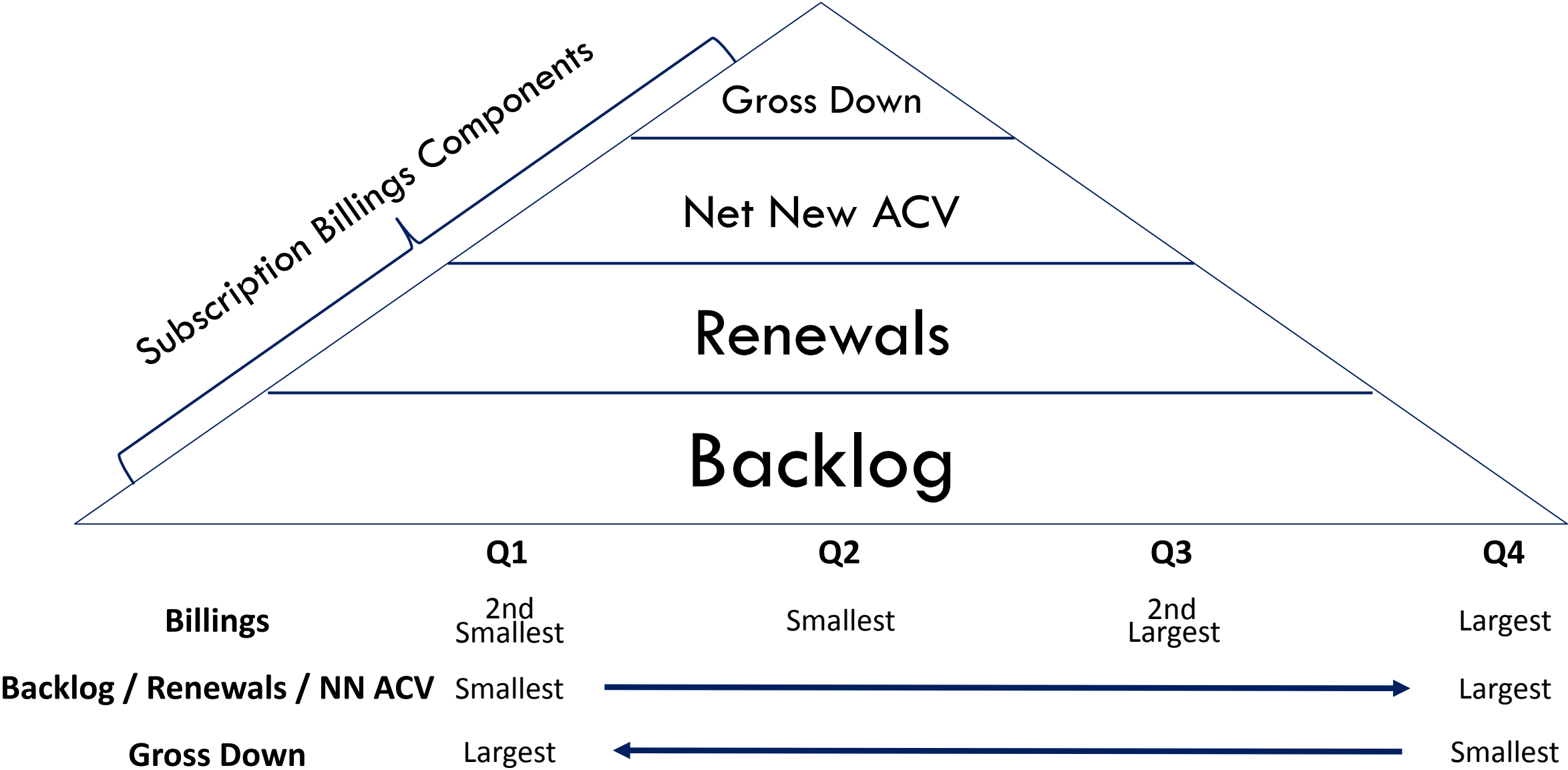
	2015A	2016A	2017E		2020 Target
Total Revenue	\$1.005B	\$1.391B	\$1.901-\$1.911B		\$4B
Non-GAAP Subscription Gross Margin	82%	84%	84%	Data center density, improved economies of scale	84-86%
Non-GAAP PS & Other Gross Margin	22%	19%	15%	Productized & scalable offerings, improved utilization, ramp time	19-21%
Non-GAAP Total Gross Margin	73%	76%	77%		79-81%
Non-GAAP S&M % of Revenue	39%	41%	n/a	Greater renewal mix, improved mix of ramped reps, marketing spend	33-35%
Non-GAAP R&D % of Revenue	15%	15%	n/a	Continue to invest in R&D, but at slower pace than revenue growth	12-13%
Non-GAAP G&A % of Revenue	9%	8%	n/a	Improved economies of scale	4-5%
Non-GAAP Operating Margin	10%	13%	16%		28-30%
Non-GAAP Free Cash Flow Margin	23%	23%	25%		30-32%

Framework for Growth and Operating Leverage

	Moderate Growth	Growth	High Growth
Revenue Growth	<30%	30-35%	35%+
Non-GAAP Operating Margin %	4-5% increase per year	3-4% increase per year	2-3% increase per year
Non-GAAP 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.

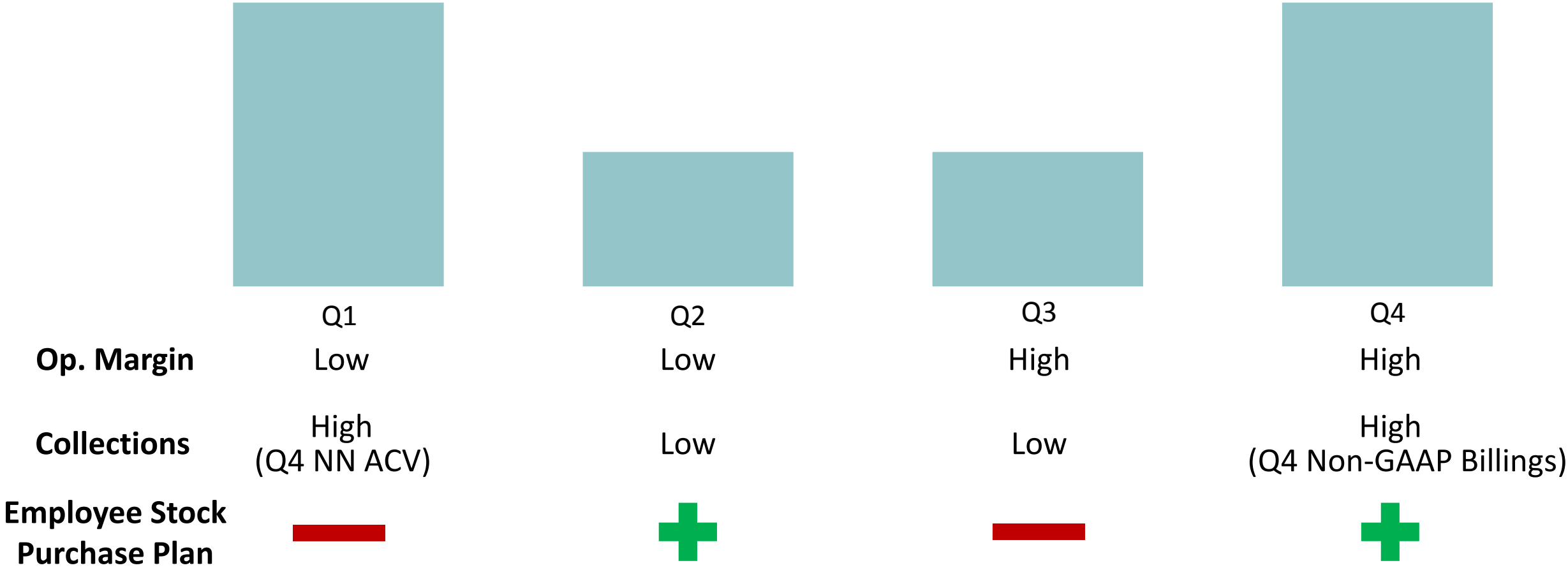
Expected Non-GAAP Subscription Billings Seasonality



Note: Billings seasonality does not account for multi-year billings or foreign currency rate fluctuations impact which are less predictable. Bill date is determined by contract start date. Gross down defined as a bill sent on the first day of a quarter resulting from NN ACV from a prior period.

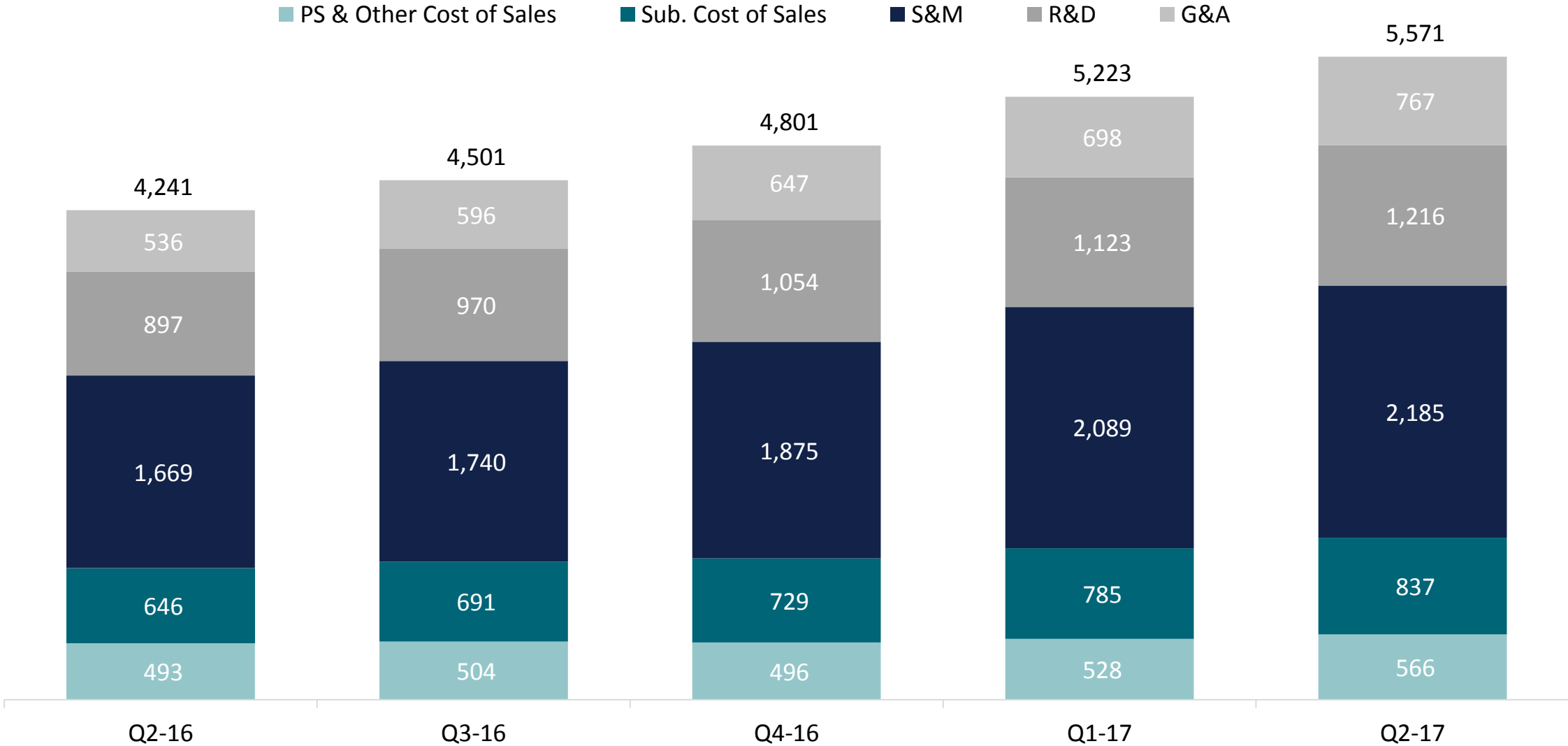
Expected Non-GAAP Free Cash Flow Seasonality

■ Illustrative Non-GAAP FCF Margin

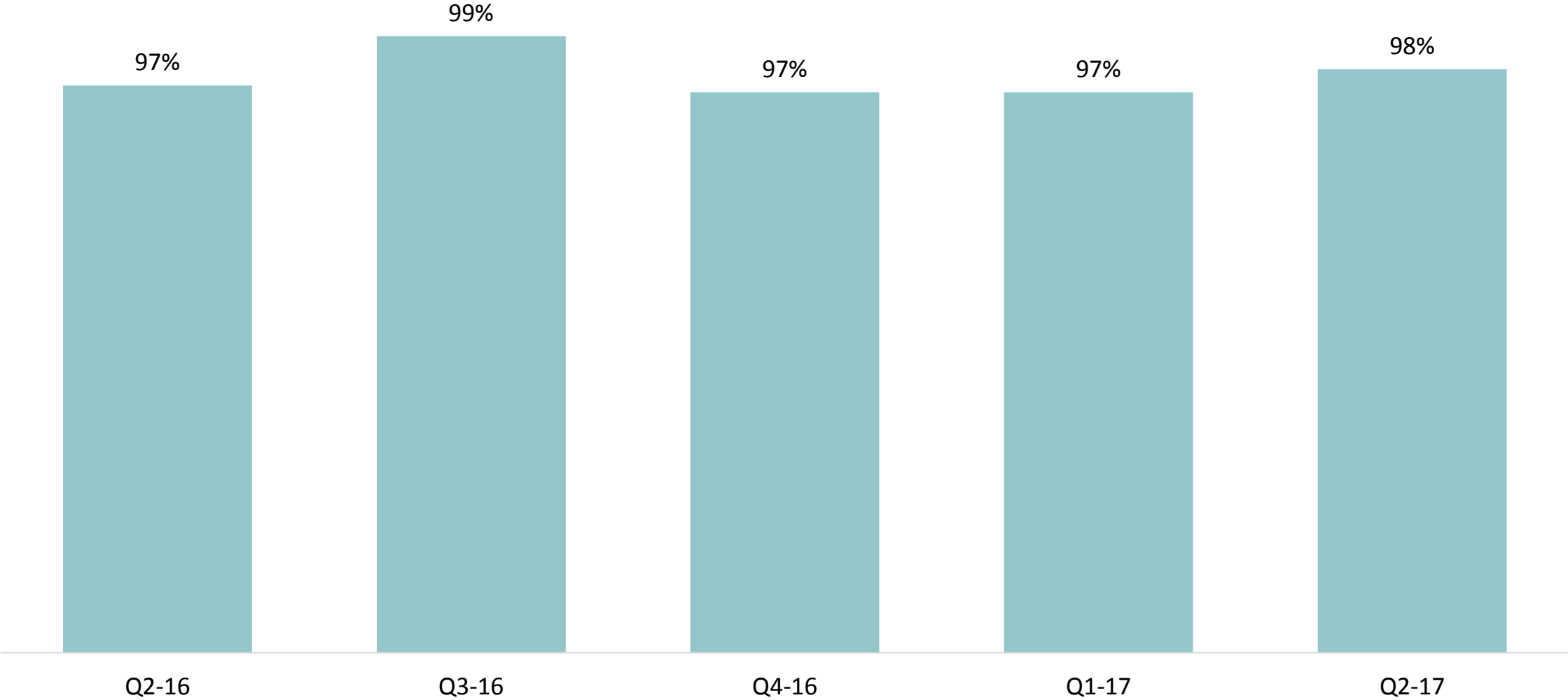


Note: All figures are calculated on a non-GAAP basis.

Headcount by Department

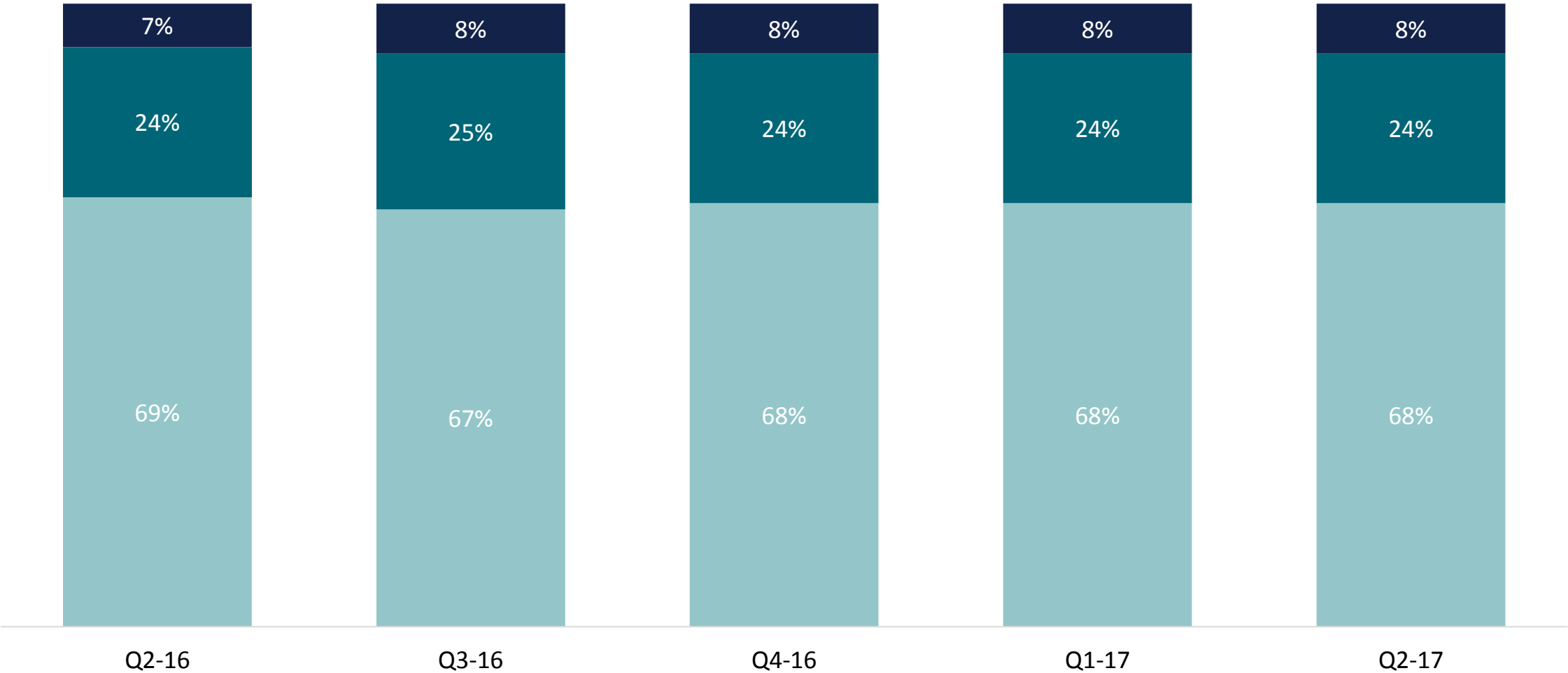


Renewal Rate



Revenue by Geography

■ North America ■ EMEA ■ APAC & Other

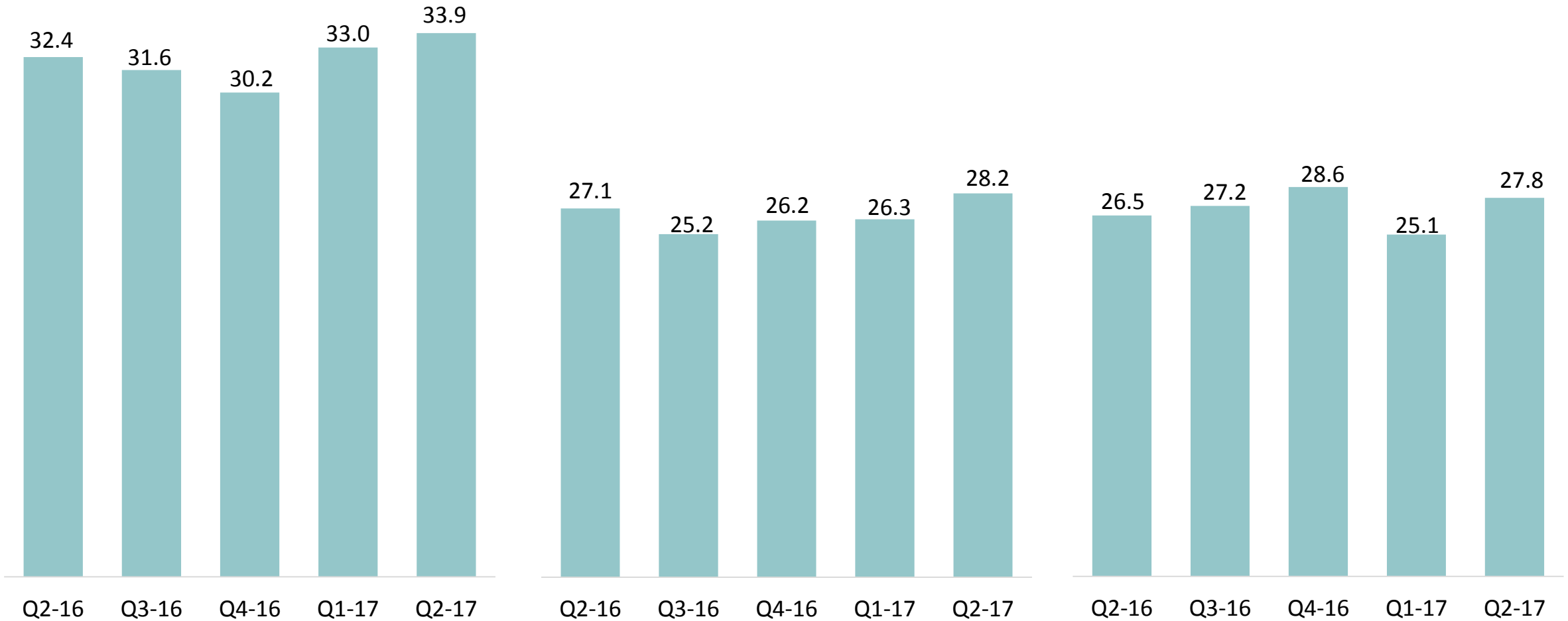


Average Contract Terms

New Customer

Upsell

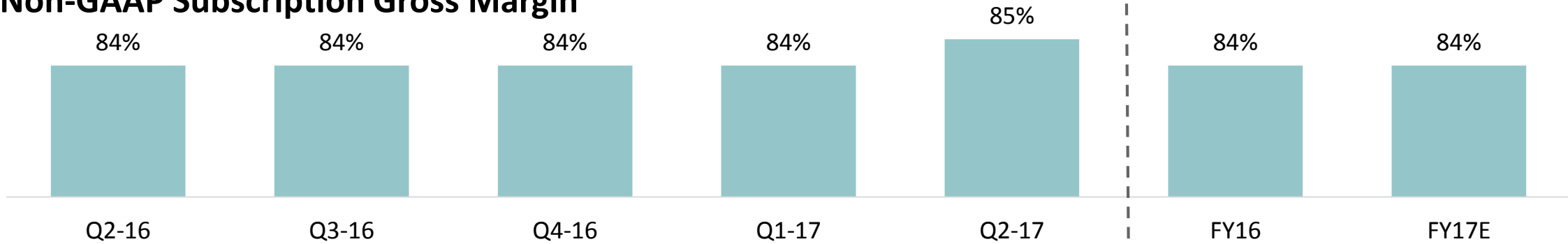
Renewal



Note: All figures represent months.

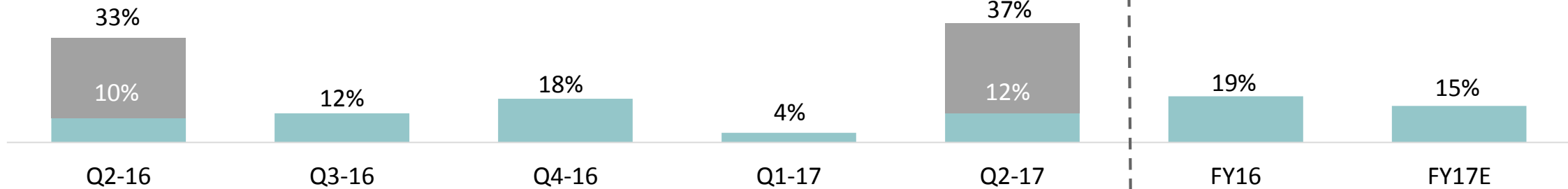
Non-GAAP Gross Margins

Non-GAAP Subscription Gross Margin

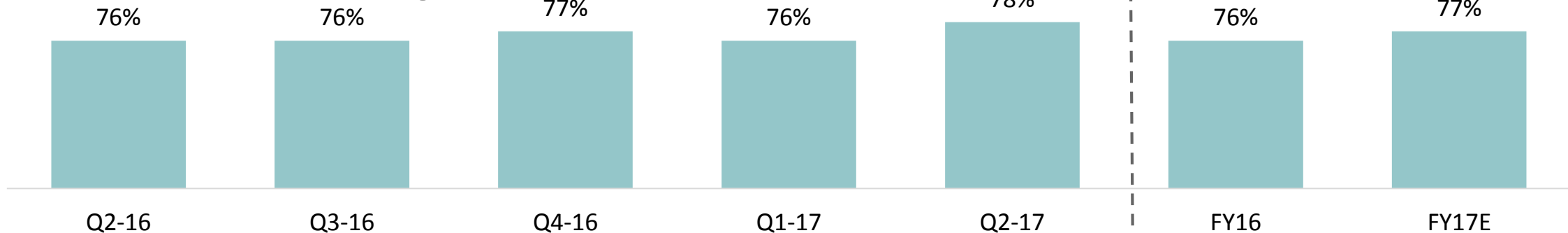


Non-GAAP PS & Other Gross Margin

■ PS & Other GM Including Knowledge Revenue⁽¹⁾



Non-GAAP Total Gross Margin

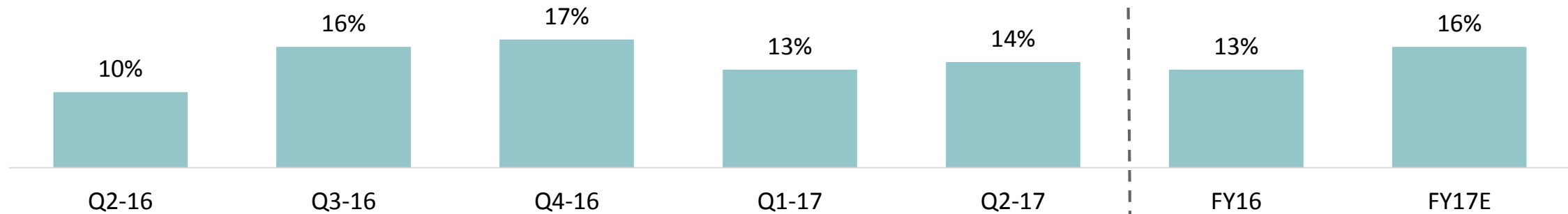


Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

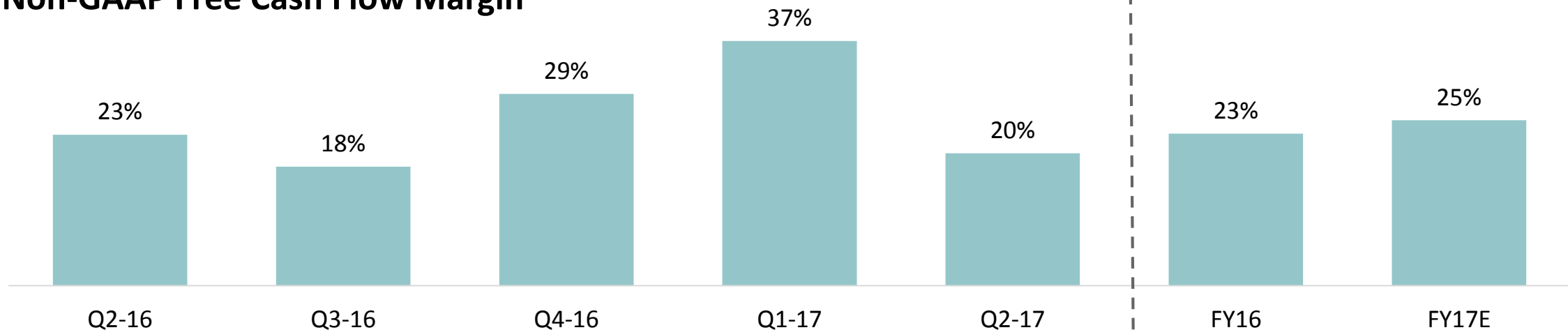
(1) Professional Services and Other revenues includes revenue from our Knowledge event in the second quarter of each year, with all related expenses in sales and marketing.

Non-GAAP Operating and Free Cash Flow Margins

Non-GAAP Operating Margin



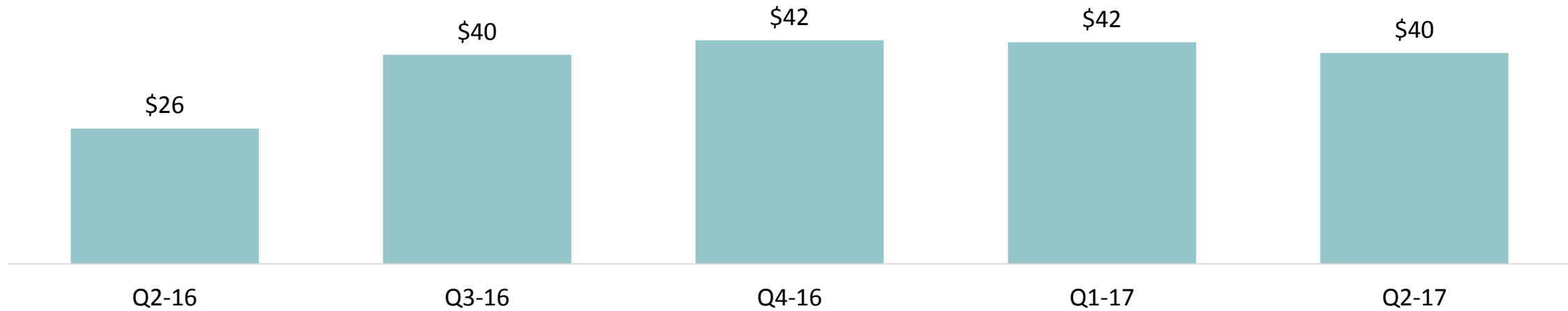
Non-GAAP Free Cash Flow Margin



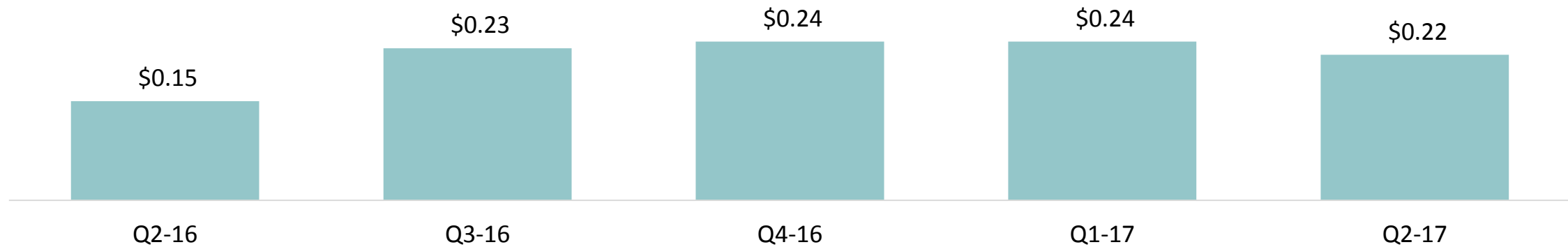
Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Non-GAAP Net Income and Diluted EPS

Non-GAAP Net Income (\$M)



Non-GAAP Diluted EPS



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

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	Q1-17	Q2-17	Q3-17E 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	\$ 376.1	\$ 411.0	\$ 444.0	\$ 1,712.0
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	1.5	(1.7)	0.7	5.7	6.3	6.5	6.0	(2.0)	2.0
Non-GAAP Adjusted Subscription Revenues ⁽¹⁾	\$ 179.9	\$ 200.5	\$ 223.2	\$ 244.7	\$ 848.3	\$ 268.9	\$ 289.0	\$ 319.6	\$ 350.3	\$ 1,227.9	\$ 382.7	\$ 417.0	\$ 442.0	\$ 1,714.0
YoY Non-GAAP Adjusted Subscription Revenues Growth Rates						49%	44%	43%	43%	45%	43%	43%	38%	40%
GAAP Subscription Revenues	\$ 179.9	\$ 200.5	\$ 223.2	\$ 244.7	\$ 848.3	\$ 267.4	\$ 290.7	\$ 318.9	\$ 344.6	\$ 1,221.6	\$ 376.1	\$ 411.0	\$ 444.0	\$ 1,712.0
(+) 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	102.6	45.6	49.0	358.0
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	\$ 478.7	\$ 456.6	\$ 493.0	\$ 2,070.0
YoY Non-GAAP Subscription Billings Growth Rates ⁽⁴⁾	47%	50%	39%	34%	42%	42%	38%	47%	52%	46%	44%	37%	36%	37%
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	2.7	(1.6)	0.7	6.5	8.2	8.8	8.0	(2.0)	3.0
(+) Effects of Fluctuations in Billings Duration ⁽³⁾	-	-	-	-	-	(0.6)	(0.7)	(1.8)	(13.2)	(16.3)	(21.3)	3.4	6.0	5.0
Non-GAAP Adjusted Subscription Billings ⁽²⁾	\$ 233.2	\$ 240.8	\$ 246.2	\$ 317.9	\$ 1,038.3	\$ 333.4	\$ 330.5	\$ 361.6	\$ 477.2	\$ 1,502.6	\$ 466.2	\$ 468.0	\$ 497.0	\$ 2,078.0
YoY Non-GAAP Adjusted Subscription Billings Growth Rates						43%	37%	47%	50%	44%	41%	41%	37%	38%
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	\$ 40.6	\$ 60.7	\$ 46.5	\$ 194.0
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	0.3	(0.4)	(0.1)	0.3	0.2	0.7	0.8	(1.0)	-
Non-GAAP Adjusted Professional Services and Other Revenues ⁽¹⁾	\$ 32.1	\$ 46.2	\$ 38.0	\$ 41.0	\$ 157.2	\$ 38.8	\$ 50.2	\$ 38.7	\$ 41.4	\$ 169.1	\$ 41.3	\$ 61.5	\$ 45.5	\$ 194.0
YoY Non-GAAP Adjusted Professional Services and Other Revenues Growth Rates						21%	9%	2%	1%	8%	8%	21%	19%	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	\$ 40.6	\$ 60.7	\$ 46.5	\$ 194.0
(+) 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	9.9	(12.4)	3.0	12.0
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	\$ 50.5	\$ 48.3	\$ 49.5	\$ 206.0
YoY Non-GAAP Professional Services and Other Billings Growth Rates ⁽⁴⁾	51%	48%	31%	31%	39%	32%	4%	3%	6%	10%	11%	15%	19%	14%
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	0.3	(0.4)	(0.1)	0.3	0.2	0.7	0.8	(1.0)	-
Non-GAAP Adjusted Professional Services and Other Billings ⁽²⁾	\$ 34.6	\$ 40.6	\$ 40.2	\$ 47.8	\$ 163.1	\$ 45.7	\$ 41.7	\$ 41.5	\$ 51.2	\$ 180.2	\$ 51.2	\$ 49.1	\$ 48.5	\$ 206.0
YoY Non-GAAP Adjusted Professional Services and Other Billings Growth Rates						32%	3%	3%	7%	10%	13%	16%	18%	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	\$ 416.8	\$ 471.7	\$ 490.5	\$ 1,906.0
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	1.8	(2.1)	0.6	6.0	6.5	7.2	6.8	(3.0)	2.0
Non-GAAP Adjusted Total Revenues ⁽¹⁾	\$ 212.0	\$ 246.7	\$ 261.2	\$ 285.7	\$ 1,005.5	\$ 307.7	\$ 339.2	\$ 358.3	\$ 391.7	\$ 1,397.0	\$ 424.0	\$ 478.5	\$ 487.5	\$ 1,908.0
YoY Non-GAAP Adjusted Total Revenues Growth Rates						45%	37%	37%	37%	39%	39%	40%	36%	37%
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	\$ 416.8	\$ 471.7	\$ 490.5	\$ 1,906.0
(+) 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	112.4	33.2	52.0	370.0
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	\$ 529.2	\$ 504.9	\$ 542.5	\$ 2,276.0
YoY Non-GAAP Total Billings Growth ⁽⁴⁾	48%	50%	38%	33%	41%	41%	33%	41%	46%	41%	40%	35%	34%	35%
(+) Effects of Foreign Currency Rate Fluctuations	-	-	-	-	-	3.0	(2.0)	0.6	6.8	8.4	9.5	8.8	(3.0)	3.0
(+) Effects of Fluctuations in Billings Duration ⁽³⁾	-	-	-	-	-	(0.6)	(0.7)	(1.8)	(13.2)	(16.3)	(21.3)	3.4	6.0	5.0
Non-GAAP Adjusted Total Billings ⁽²⁾	\$ 267.8	\$ 281.4	\$ 286.4	\$ 365.7	\$ 1,201.4	\$ 379.1	\$ 372.2	\$ 403.1	\$ 528.4	\$ 1,682.8	\$ 517.5	\$ 517.1	\$ 545.5	\$ 2,284.0
YoY Non-GAAP Adjusted Total Billings Growth Rates						42%	32%	41%	45%	40%	37%	38%	35%	35%

⁽¹⁾ 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.

⁽²⁾ Adjusted billings and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual/forecasted exchange rates during the current/guidance period, and by replacing the portion of multi-year billings in excess of twelve months during the current/guidance period with the portion of multi-year billings in excess of twelve months during the comparison period.

⁽³⁾ Results and guidance are adjusted for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented. Previously we presented adjusted billings by 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. As multi-year billings grow and durations lengthen, our new methodology provides more meaningful information on the impact of multi-year billings fluctuations than a weighted average billings duration methodology.

⁽⁴⁾ 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: Numbers are rounded for presentation purposes.

GAAP to Non-GAAP Reconciliation – Other

in millions (except %'s and per share data)	2015	Margin	Q1-16	Margin	Q2-16	Margin	Q3-16	Margin	Q4-16	Margin	2016	Margin	Q1-17	Margin	Q2-17	Margin	FY17E Margin
GAAP Subscription Gross Profit	\$ 664.9	78%	\$ 214.6	80%	\$ 234.3	81%	\$ 257.4	81%	\$ 279.9	81%	\$ 986.2	81%	\$ 305.8	81%	\$ 335.2	82%	81%
(+) Subscription SBC	23.4	3%	6.6	3%	7.0	2%	7.1	2%	7.7	2%	28.5	2%	7.9	2%	9.0	2%	2%
(+) Subscription Amort of Purchased Intangibles	11.1	1%	2.8	1%	3.1	1%	3.4	1%	3.4	1%	12.6	1%	3.6	1%	3.7	1%	1%
Non-GAAP Subscription Gross Profit	\$ 699.4	82%	\$ 224.0	84%	\$ 244.4	84%	\$ 267.9	84%	\$ 291.0	84%	\$ 1,027.3	84%	\$ 317.3	84%	\$ 347.9	85%	84%
GAAP Professional Services and Other Gross Profit (Loss)	\$ 11.1	7%	\$ (3.0)	(8%)	\$ 10.3	20%	\$ (2.5)	(7%)	\$ 0.8	2%	\$ 5.6	3%	\$ (5.4)	(13%)	\$ 14.8	24%	0%
(+) Professional Services and Other SBC	23.3	15%	6.8	18%	6.1	13%	7.1	19%	6.4	16%	26.4	16%	6.9	17%	7.6	13%	15%
Non-GAAP Professional Services and Other Gross Profit	\$ 34.4	22%	\$ 3.8	10%	\$ 16.4	33%	\$ 4.6	12%	\$ 7.2	18%	\$ 32.0	19%	\$ 1.5	4%	\$ 22.4	37%	15%
GAAP Gross Profit	\$ 676.1	67%	\$ 211.6	69%	\$ 244.6	71%	\$ 254.8	71%	\$ 280.7	73%	\$ 991.8	71%	\$ 300.3	72%	\$ 350.0	74%	73%
(+) SBC	46.7	5%	13.4	4%	13.1	4%	14.3	4%	14.1	3%	54.9	4%	14.9	3%	16.6	3%	3%
(+) Amort of Purchased Intangibles	11.1	1%	2.8	1%	3.1	1%	3.4	1%	3.4	1%	12.6	1%	3.6	1%	3.7	1%	1%
Total Non-GAAP Gross Profit	\$ 733.8	73%	\$ 227.8	74%	\$ 260.8	76%	\$ 272.5	76%	\$ 298.2	77%	\$ 1,059.3	76%	\$ 318.8	76%	\$ 370.3	78%	77%
GAAP Sales and Marketing	\$ 498.4	50%	\$ 158.6	52%	\$ 186.5	55%	\$ 166.5	47%	\$ 188.9	49%	\$ 700.5	50%	\$ 212.1	51%	\$ 247.2	52%	N/A
(-) Sales and Marketing SBC	102.4	10%	31.0	10%	32.9	10%	31.9	9%	35.9	9%	131.6	9%	38.4	9%	42.3	9%	N/A
(-) Sales and Marketing Amort of Purchased Intangibles	0.5	0%	-	0%	0.1	0%	0.1	0%	0.1	0%	0.3	0%	0.1	0%	0.1	0%	N/A
Non-GAAP Sales and Marketing	\$ 395.5	39%	\$ 127.6	42%	\$ 153.5	45%	\$ 134.5	38%	\$ 152.9	40%	\$ 568.6	41%	\$ 173.6	42%	\$ 204.8	43%	N/A
GAAP Research and Development	\$ 217.4	22%	\$ 65.9	22%	\$ 70.4	21%	\$ 75.0	21%	\$ 73.9	19%	\$ 285.2	21%	\$ 84.5	20%	\$ 90.0	19%	N/A
(-) Research and Development SBC	70.3	8%	20.5	7%	21.0	7%	21.4	6%	18.7	5%	81.7	6%	21.8	5%	22.7	5%	N/A
(-) Research and Development Amort of Purchased Intangibles	-	0%	-	0%	0.3	0%	0.4	0%	0.5	0%	1.2	0%	0.5	0%	0.5	0%	N/A
Non-GAAP Research and Development	\$ 147.1	15%	\$ 45.4	15%	\$ 49.1	14%	\$ 53.2	15%	\$ 54.7	14%	\$ 202.3	15%	\$ 62.2	15%	\$ 66.8	14%	N/A
GAAP General and Administrative	\$ 126.6	12%	\$ 41.2	13%	\$ 36.1	11%	\$ 40.1	11%	\$ 41.5	11%	\$ 158.9	11%	\$ 46.3	11%	\$ 51.5	11%	N/A
(-) General and Administrative SBC	38.4	3%	10.4	3%	11.1	4%	13.5	4%	14.4	4%	49.4	3%	14.9	4%	16.5	3%	N/A
(-) General and Administrative Amort of Purchased Intangibles	0.1	0%	0.1	0%	0.3	0%	0.3	0%	0.3	0%	1.0	0%	0.5	0%	0.5	0%	N/A
(-) General and Administrative Business Combination and Other Related Costs	-	0%	0.3	0%	0.6	0%	-	0%	-	0%	0.9	0%	0.2	0%	1.1	1%	N/A
Non-GAAP General and Administrative	\$ 88.1	9%	\$ 30.4	10%	\$ 24.1	7%	\$ 26.3	7%	\$ 26.8	7%	\$ 107.6	8%	\$ 30.7	7%	\$ 33.4	7%	N/A
GAAP Legal Settlements	\$ -	0%	\$ 270.0	88%	\$ -	0%	\$ -	0%	\$ -	0%	\$ 270.0	19%	\$ -	0%	\$ -	0%	N/A
(-) Legal Settlements	-	0%	270.0	88%	-	0%	-	0%	-	0%	270.0	19%	-	0%	-	0%	N/A
Non-GAAP Legal Settlements	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	\$ -	0%	N/A
GAAP Operating Loss	\$ (166.4)	(17%)	\$ (324.2)	(106%)	\$ (48.3)	(14%)	\$ (26.8)	(7%)	\$ (23.6)	(6%)	\$ (422.8)	(30%)	\$ (42.5)	(10%)	\$ (38.7)	(8%)	(5%)
(+) SBC	257.7	26%	75.3	25%	78.1	23%	81.1	22%	83.1	22%	317.6	23%	89.9	22%	98.1	21%	20%
(+) Amort of Purchased Intangibles	11.8	1%	2.9	1%	3.7	1%	4.3	1%	4.3	1%	15.1	1%	4.7	1%	4.8	1%	1%
(+) Business Combination and Other Related Costs	-	0%	0.3	0%	0.6	0%	-	0%	-	0%	0.9	0%	0.2	0%	1.1	0%	0%
(+) Legal Settlements	-	0%	270.0	88%	-	0%	-	0%	-	0%	270.0	19%	-	0%	-	0%	0%
Non-GAAP Operating Profit	\$ 103.1	10%	\$ 24.3	8%	\$ 34.2	10%	\$ 58.6	16%	\$ 63.8	17%	\$ 180.9	13%	\$ 52.3	13%	\$ 65.3	14%	16%
GAAP Net Loss	\$ (198.4)	(20%)	\$ (333.3)	(109%)	\$ (49.6)	(15%)	\$ (36.3)	(10%)	\$ (32.6)	(8%)	\$ (451.8)	(32%)	\$ (40.7)	(10%)	\$ (56.5)	(12%)	N/A
(+) SBC	257.7	26%	75.3	25%	78.1	23%	81.1	22%	83.1	22%	317.6	23%	89.9	22%	98.1	21%	N/A
(+) Amort of Purchased Intangibles	11.8	1%	2.9	1%	3.7	1%	4.3	1%	4.3	1%	15.1	1%	4.7	1%	4.8	1%	N/A
(+) Business Combination and Other Related Costs	-	0%	0.3	0%	0.6	0%	-	0%	-	0%	0.9	0%	0.2	0%	1.1	0%	N/A
(+) Legal Settlements	-	0%	270.0	88%	-	0%	-	0%	-	0%	270.0	19%	-	0%	-	0%	N/A
(+) Amortization of debt discount and issuance costs for the convertible senior notes	31.1	3%	8.1	3%	8.2	2%	8.4	3%	8.5	2%	33.3	2%	8.7	2%	11.4	2%	N/A
(-) Income tax expense effects related to the above adjustments	34.8	3%	8.8	3%	15.4	4%	18.0	5%	21.0	6%	63.2	4%	21.0	5%	19.0	4%	N/A
Non-GAAP Net Income	\$ 67.4	7%	\$ 14.5	5%	\$ 25.6	7%	\$ 39.5	11%	\$ 42.3	11%	\$ 121.9	9%	\$ 41.9	10%	\$ 39.9	8%	N/A

Note: Numbers are rounded for presentation purposes.

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

in millions (except %'s and per share data)	2015	Margin	Q1-16	Margin	Q2-16	Margin	Q3-16	Margin	Q4-16	Margin	2016	Margin	Q1-17	Margin	Q2-17	Margin	FY17E Margin
GAAP Weighted-Average Shares Used to Compute Net Loss per Share - Basic	155.7	N/A	162.1	N/A	163.8	N/A	165.4	N/A	166.8	N/A	164.5	N/A	168.7	N/A	170.4	N/A	N/A
(+) Effect of Dilutive Securities (Stock Options, Restricted Stock Units and Warrants)	13.1	N/A	8.2	N/A	8.8	N/A	8.6	N/A	8.8	N/A	9.3	N/A	8.4	N/A	8.3	N/A	N/A
Non-GAAP Weighted-Average Shares Used to Compute Net Income per Share - Diluted	168.8	N/A	170.3	N/A	172.6	N/A	174.0	N/A	175.6	N/A	173.8	N/A	177.1	N/A	178.7	N/A	N/A
Non-GAAP Net Income per Share - Diluted	\$ 0.40	N/A	\$ 0.09	N/A	\$ 0.15	N/A	\$ 0.23	N/A	\$ 0.24	N/A	\$ 0.70	N/A	\$ 0.24	N/A	\$ 0.22	N/A	N/A
GAAP Net Cash Provided by (Used in) Operating Activities	\$ 317.8	32%	\$ 78.7	26%	\$ (148.2)	(43%)	\$ 96.7	27%	\$ 132.7	34%	\$ 159.9	12%	\$ 187.4	45%	\$ 128.7	27%	32%
(-) Purchases of Property and Equipment	87.5	9%	29.1	10%	23.8	7%	31.2	9%	21.5	5%	105.6	8%	33.2	8%	35.9	7%	7%
(+) Cash Paid for Legal Settlements	-	0%	17.5	6%	250.0	73%	-	0%	-	0%	267.5	19%	-	0%	-	0%	0%
Non-GAAP Free Cash Flow	\$ 230.3	23%	\$ 67.1	22%	\$ 78.0	23%	\$ 65.5	18%	\$ 111.2	29%	\$ 321.8	23%	\$ 154.2	37%	\$ 92.8	20%	25%

Note: Numbers are rounded for presentation purposes.