



Second Quarter 2017 Supplemental Materials for the Period Ended July 1, 2017

Information as of July 27, 2017



Safe Harbor Statement

This presentation release 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, statements related to our business and financial performance and expectations and guidance for future periods and our expectations regarding the future growth of our business. 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), this presentation and accompanying tables contain certain non-GAAP financial measures that exclude stock-based compensation and related payroll taxes, income tax effects of stock-based compensation expense, non-recurring items such as advisory services and other costs related to non-routine stockholder matters, and periodic tax items. 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 measures attached to this release.

Second Quarter 2017 Financial Results Summary

- Revenue of \$69.1 million was down 8% year-over-year compared to \$75.1 million in the second quarter of 2016, and down slightly sequentially compared to \$69.6 million in the first quarter of 2017.
- Product revenue of \$43.2 million was down 16% year-over-year compared to \$51.3 million in the second quarter of 2016 and down 2% sequentially compared to \$44.0 million in the first quarter of 2017.
- Recurring service revenue of \$25.9 million was up 9% year-over-year compared to \$23.8 million in the second quarter of 2016 and was up 1% sequentially.
- Gross margin remained strong at ~82%, consistent with the previous year.
- Non-GAAP operating expenses of \$51.1 million were up 14% year-over-year; lower revenue and higher expenses drive non-GAAP operating margin from 22.5% to 8% year-over-year.
- Non-GAAP net income of \$4.0 million was down 66% year-over-year.
- APAC revenue was a record \$7.2 million, up 13% year-over-year.
- Our GigaVUE-HC2 product revenue was up 66% in the second quarter of 2017, from a 2-year low in the first quarter of 2017.
- Added 95 new customer accounts.
- No customer represented 10% or more of revenue in the second quarter of 2017.

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Second Quarter 2017 Non-GAAP Results

(\$ in Millions, except per share amounts)	2Q17	1Q17	2Q16	Y/Y Change
Total Revenue	\$69.1	\$69.6	\$75.1	-8%
<i>Product Revenue</i>	<i>\$43.1</i>	<i>\$44.0</i>	<i>\$51.3</i>	<i>-16%</i>
<i>% of Total Rev</i>	<i>62%</i>	<i>63%</i>	<i>68%</i>	<i>---</i>
<i>Service Revenue</i>	<i>\$25.9</i>	<i>\$25.6</i>	<i>\$23.8</i>	<i>9%</i>
<i>% of Total Rev</i>	<i>38%</i>	<i>37%</i>	<i>32%</i>	<i>---</i>
Non-GAAP Gross Margin	81.9%	81.9%	82.3%	-38 bps
Non-GAAP Operating Expenses	\$51.1	\$50.3	\$44.9	14%
Non-GAAP Operating Margin	8.0%	9.6%	22.5%	-1450 bps
Non-GAAP Net Income	\$4.00	\$4.6	\$11.5	-66%
Non-GAAP EPS	0.10	\$0.12	\$0.30	-67%

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Second Quarter 2017 Revenue Breakdown

	2Q17	1Q17	2Q16
Geography			
Americas	78%	82%	82%
APAC	10%	6%	9%
EMEA	12%	12%	9%
Revenues			
Product	62%	63%	68%
Services	38%	37%	32%
Markets			
Enterprise	58%	54%	65%
Service Provider	22%	32%	21%
Federal	20%	14%	14%

Second Quarter 2017 Selected Financial Metrics

(\$ in Millions)	2Q17	1Q17	2Q16
Percentage of Bookings from Repeat Customers	90%	89%	89%
Lifetime Spend Requirement to Make the Top 25 Customer List*	\$8.2	\$7.2	\$6.3
New Customers in Quarter	95	84	75
Total Customer Count	2,515	2,420	2,120
Largest Customer as Percentage (%) of Total Revenue (if $\geq 10\%$)	N/A	18%	13%

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

Second Quarter 2017 Selected Financial Metrics (Cont'd)

(\$ in Millions)	2Q17	1Q17	2Q16
Deferred Product Revenue	\$0.03	\$0.10	\$0.01
Deferred Service Revenue	\$96.64	\$95.70	\$79.85
GAAP Cash Flow from Operations	(\$0.12)	\$9.30	\$21.69
GAAP Net Income	(\$7.34)	(\$2.24)	\$33.96
Cash and Short-Term Investments	\$259	\$265	\$228
DSO	84	74	54
Employee Headcount	799	743	596

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. GAAP Cash flow from operations for 2Q16 have been recast due to adoption of new accounting standard ASU2016-09, prior reported amount was \$14.9 million.

Non-GAAP Long-Term Model

	FY14A	FY15A	FY16A	1H17A	Long Term Model
Gross Margin	77%	80%	83%	82%	~80%
S&M	43%	35%	35%	43%	31-33%
R&D	22%	18%	18%	22%	16-17%
G&A	9%	8%	7%	8%	5%
Operating Margin	4%	19%	23%	9%	25-28%

Third Quarter 2017 Financial Outlook

	3Q17 Outlook
Revenue	\$84 - \$88 million
Non-GAAP Gross Margin	81 – 82%
Non-GAAP Operating Expenses	\$55 - \$56 million
Non-GAAP EPS	\$0.21 - \$0.25
Non-GAAP Tax Rate	33%
Diluted Share Count	41.5 Million

Appendix

- Non-GAAP Financial Results Summary
- Consolidated Statement of Operations
- Non-GAAP Consolidated Statement of Operations
- Consolidated Balance Sheets
- Consolidated Statement of Cash Flows
- Non-GAAP Reconciliation

Non-GAAP Financial Results Summary

FY2014–2016

(\$ 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>	\$215.3 69%	+41% ---	\$152.8 69%	+45% ---	\$105.6 67%	+4% ---
<i>Service Revenue</i> <i>% of Total Rev</i>	\$96.6 31%	+38% ---	\$69.2 31%	+34% ---	\$51.5 33%	+33% ---
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	+566%	\$0.12	-77%

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Consolidated Statements of Operations

FY2014–2016

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

Non-GAAP Consolidated Statements of Operations

FY2014–2016

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

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Consolidated Balance Sheets

FY2014–2016

(\$ 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 Statements of Cash Flows

FY2014–2016

(\$ 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, resulting in a reclassification between operating and financing activities of \$12.1 million and \$4.7 million for the years 2016 & 2015, respectively. As a result of the adoption Cash flows from operating activities increased and Cash flows from financing activities decreased.

Non-GAAP Reconciliation

FY2014–2016

(\$ 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%



NYSE: GIMO

