

# ASC 606 Investor Deck

*(unaudited)*

Carbon Black.

A decorative graphic in the bottom right corner of the slide. It features a grid of light blue hexagons. A single hexagon in the grid is highlighted with a cyan border and contains a smaller red hexagon. A cyan line extends from the bottom left of this highlighted hexagon towards the bottom left of the slide.

# ASC 606 Adoption Summary

---

- Adoption Date: January 1, 2018
- Adoption Method: Full retrospective adoption (FY16 and FY17 restated)
- Revenue Impact: Minimal impact as a vast majority of our revenue remains ratable under our subscription model
- Operating Expense Impact: Incremental costs to obtain customer contracts (primarily commissions) amortized over a period of benefit of five years, whereas under prior GAAP such costs were amortized over the term of the underlying revenue contracts (generally one or three years)
- Cash Flow: No impact

# ASC 606 Impact Summary

(\$ in millions; unaudited)

	Q1'17	Q2'17	Q3'17	Q4'17	FY17
<b>Revenue</b>					
ASC 605 - Original	36.8	39.1	41.4	44.8	162.0
ASC 606 - Restated	35.9	38.7	41.5	44.6	160.8
<b>Impact</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>0.1</b>	<b>(0.2)</b>	<b>(1.2)</b>
<b>Sales and marketing expense</b>					
ASC 605 - Original	25.3	25.7	26.9	29.3	107.2
ASC 606 - Restated	24.4	24.7	26.0	28.3	103.3
<b>Impact</b>	<b>(0.9)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(1.0)</b>	<b>(3.8)</b>
<b>Operating loss</b>					
ASC 605 - Original	(12.6)	(13.0)	(14.7)	(14.8)	(55.2)
ASC 606 - Restated	(12.5)	(12.4)	(13.7)	(14.0)	(52.6)
<b>Impact</b>	<b>0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>0.8</b>	<b>2.6</b>
<b>Net loss</b>					
ASC 605 - Original	(12.6)	(13.0)	(14.6)	(15.7)	(55.8)
ASC 606 - Restated	(12.4)	(12.3)	(13.6)	(14.8)	(53.2)
<b>Impact</b>	<b>0.1</b>	<b>0.6</b>	<b>1.0</b>	<b>0.8</b>	<b>2.6</b>



# Consolidated Balance Sheets – FY17 Quarterly

## Condensed Consolidated Balance Sheets (In thousands; unaudited)

	December 31,		March 31,		June 30,		September 30,		December 31,	
	2016 (Original)	2016 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)
<b>Assets</b>										
<b>Current assets:</b>										
Cash and cash equivalents	\$ 51,503	\$ 51,503	\$ 43,908	\$ 43,908	\$ 30,299	\$ 30,299	\$ 30,930	\$ 30,930	\$ 36,073	\$ 36,073
Accounts receivable, net	43,601	43,601	29,442	29,442	43,867	43,867	46,276	46,276	60,850	60,850
Prepaid expenses and other current assets	4,676	4,676	7,613	7,613	6,904	6,904	7,130	7,130	6,040	6,040
Deferred commissions	9,523	7,379	8,739	7,286	10,191	7,780	13,886	8,274	15,195	9,551
Total current assets	109,303	107,159	89,702	88,249	91,261	88,850	98,222	92,610	118,158	112,514
Deferred commissions, net of current portion	5,071	14,314	5,071	14,561	4,577	16,022	1,980	17,541	3,811	20,404
Property and equipment, net	11,801	11,801	12,659	12,659	12,831	12,831	12,679	12,679	12,459	12,459
Intangible assets, net	5,655	5,655	5,264	5,264	4,873	4,873	4,482	4,482	4,092	4,092
Goodwill	119,656	119,656	119,656	119,656	119,656	119,656	119,656	119,656	119,656	119,656
Other long-term assets	2,613	2,613	2,143	2,143	2,181	2,181	2,145	2,145	2,436	2,436
<b>Total assets</b>	<b>\$ 254,099</b>	<b>\$ 261,198</b>	<b>\$ 234,495</b>	<b>\$ 242,532</b>	<b>\$ 235,379</b>	<b>\$ 244,413</b>	<b>\$ 239,164</b>	<b>\$ 249,113</b>	<b>\$ 260,612</b>	<b>\$ 271,561</b>
<b>Liabilities and stockholders' equity</b>										
<b>Current liabilities:</b>										
Accounts payable	\$ 2,804	\$ 2,804	\$ 4,946	\$ 4,946	\$ 4,087	\$ 4,087	\$ 3,907	\$ 3,907	\$ 2,481	\$ 2,481
Accrued expenses	14,643	14,643	8,589	8,589	11,108	11,108	12,958	12,958	18,846	18,846
Deferred revenue	99,423	97,255	93,445	92,397	101,652	100,862	109,885	108,864	132,278	130,165
Current portion of long-term debt	5,500	5,500	-	-	-	-	-	-	-	-
Deferred rent	833	833	833	833	857	857	857	857	944	944
Total current liabilities	123,203	121,035	107,813	106,765	117,704	116,914	127,607	126,586	154,549	152,436
Deferred revenue, net of current portion	13,976	19,428	14,541	19,690	20,460	25,718	26,171	31,531	31,902	38,535
Warrant liability	2,181	2,181	2,055	2,055	1,832	1,832	1,877	1,877	2,766	2,766
Deferred rent, net of current portion	3,619	3,619	3,413	3,413	3,521	3,521	3,395	3,395	3,114	3,114
Deferred tax liability	64	64	64	64	64	64	64	64	33	33
Other long-term liabilities	80	80	5,429	5,429	25	25	46	46	42	42
Total liabilities	143,123	146,407	133,315	137,416	143,606	148,074	159,160	163,499	192,406	196,926
Redeemable convertible preferred stock	303,576	303,576	315,223	315,223	313,472	313,472	320,900	320,900	333,204	333,204
Series A convertible preferred stock,	1,062	1,062	1,108	1,108	1,357	1,357	1,437	1,437	1,510	1,510
<b>Stockholders' equity:</b>										
Common stock	10	10	10	10	11	11	11	11	11	11
Treasury stock	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Additional paid-in capital	30,449	30,449	21,520	21,520	26,577	26,577	21,946	21,946	13,429	13,429
Accumulated deficit	(224,115)	(220,300)	(236,675)	(232,739)	(249,638)	(245,072)	(264,284)	(258,674)	(279,942)	(273,513)
Total stockholders' equity (deficit)	(193,662)	(189,847)	(215,151)	(211,215)	(223,056)	(218,490)	(242,333)	(236,723)	(266,508)	(260,079)
<b>Total Liabilities and stockholders' equity</b>	<b>\$ 254,099</b>	<b>\$ 261,198</b>	<b>\$ 234,495</b>	<b>\$ 242,532</b>	<b>\$ 235,379</b>	<b>\$ 244,413</b>	<b>\$ 239,164</b>	<b>\$ 249,113</b>	<b>\$ 260,612</b>	<b>\$ 271,561</b>

# Consolidated Statement of Operations – FY17

## Condensed Consolidated Statements of Operations (In thousands; unaudited)

	Year Ended December 31,	
	2017 (Original)	2017 (Adjusted)
Revenue		
Subscription, license and support	\$ 149,262	\$ 148,789
Services	12,752	11,989
Total revenue	162,014	160,778
Cost of revenue		
Subscription, license and support	24,217	24,217
Services	11,421	11,421
Total cost of revenue	35,638	35,638
Gross profit	126,376	125,140
Operating expenses		
Sales and marketing	107,190	103,340
Research and development	52,047	52,047
General and administrative	22,337	22,337
Total operating expenses	181,574	177,724
Loss from operations	(55,198)	(52,584)
Interest expense, net	32	32
Other income (expense), net	(583)	(583)
Loss before income taxes	(55,749)	(53,135)
Benefit from (provision for) income taxes	(78)	(78)
Net loss	\$ (55,827)	\$ (53,213)

# Consolidated Statement of Operations – FY17 Quarterly

## Condensed Consolidated Statements of Operations (In thousands; unaudited)

	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,		Three Months Ended December 31,	
	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)
Revenue								
Subscription, license and support	\$ 33,739	\$ 33,005	\$ 35,828	\$ 35,749	\$ 38,216	\$ 38,380	\$ 41,479	\$ 41,655
Services	3,023	2,940	3,231	2,943	3,163	3,128	3,335	2,978
Total revenue	36,762	35,945	39,059	38,692	41,379	41,508	44,814	44,633
Cost of revenue								
Subscription, license and support	4,831	4,831	5,744	5,744	6,842	6,842	6,800	6,800
Services	2,770	2,770	2,647	2,647	2,943	2,943	3,061	3,061
Total cost of revenue	7,601	7,601	8,391	8,391	9,785	9,785	9,861	9,861
Gross profit	29,161	28,344	30,668	30,301	31,594	31,723	34,953	34,772
Operating expenses								
Sales and marketing	25,297	24,359	25,727	24,731	26,905	25,989	29,261	28,261
Research and development	11,547	11,547	12,572	12,572	13,675	13,675	14,253	14,253
General and administrative	4,929	4,929	5,414	5,414	5,717	5,717	6,277	6,277
Total operating expenses	41,773	40,835	43,713	42,717	46,297	45,381	49,791	48,791
Loss from operations	(12,612)	(12,491)	(13,045)	(12,416)	(14,703)	(13,658)	(14,838)	(14,019)
Interest expense, net	(31)	(31)	15	15	21	21	27	27
Other income (expense), net	100	100	136	136	58	58	(877)	(877)
Loss before income taxes	(12,543)	(12,422)	(12,894)	(12,265)	(14,624)	(13,579)	(15,688)	(14,869)
Benefit from (provision for) income taxes	(17)	(17)	(69)	(69)	(22)	(22)	30	30
Net loss	\$ (12,560)	\$ (12,439)	\$ (12,963)	\$ (12,334)	\$ (14,646)	\$ (13,601)	\$ (15,658)	\$ (14,839)



# Consolidated Statement of Cash Flows – FY17

## Condensed Consolidated Statements of Cash Flows (In thousands; unaudited)

	Year Ended December 31,	
	2017 (Original)	2017 (Adjusted)
Cash flows from operating activities		
Net Loss	\$ (55,827)	\$ (53,213)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,089	7,089
Stock-based compensation	8,956	8,956
Provisions for doubtful accounts	(347)	(347)
Non-cash interest expense	22	22
Change in fair value of warrant liability	810	810
Deferred income taxes	(31)	(31)
Changes in operating assets and liabilities:		
Accounts receivable	(16,901)	(16,901)
Prepaid expenses and other assets	(867)	(867)
Deferred commissions	(4,412)	(8,262)
Accounts payable and accrued expenses	3,506	3,506
Deferred revenue	50,781	52,017
Deferred rent	(394)	(394)
Other long-term liabilities	(63)	(63)
Net cash used in operating activities	(7,678)	(7,678)
Cash flows from investing activities		
Purchases of property and equipment	(5,145)	(5,145)
Capitalization of internal-use software	(922)	(922)
Net cash used in investing activities	(6,067)	(6,067)
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,902	3,902
Repayments of line of credit	(5,500)	(5,500)
Payments of deferred financing costs	(84)	(84)
Payments of initial public offering costs	(3)	(3)
Net cash provided by (used in) financing	(1,685)	(1,685)
Net increase (decrease) in cash and cash equivalents	(15,430)	(15,430)
Cash and cash equivalents at beginning of period	51,503	51,503
Cash and cash equivalents at end of period	\$ 36,073	\$ 36,073

# Consolidated Statement of Cash Flows – FY17 Quarterly

## Condensed Consolidated Statements of Cash Flows (In thousands; unaudited)

	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,		Three Months Ended December 31,	
	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)
Cash flows from operating activities								
Net Loss	\$ (12,560)	\$ (12,439)	\$ (12,963)	\$ (12,334)	\$ (14,646)	\$ (13,601)	\$ (15,658)	\$ (14,839)
Adjustments to reconcile net loss to net cash used in operating activities:								
Depreciation and amortization	1,658	1,658	1,738	1,738	1,807	1,807	1,886	1,886
Stock-based compensation	2,207	2,207	2,160	2,160	2,282	2,282	2,307	2,307
Provisions for doubtful accounts	(155)	(155)	(22)	(22)	19	19	(189)	(189)
Non-cash interest expense	1	1	7	7	7	7	7	7
Change in fair value of warrant liability	(126)	(126)	2	2	45	45	889	889
Deferred income taxes	-	-	-	-	-	-	(31)	(31)
Changes in operating assets and liabilities:								
Accounts receivable	14,314	14,314	(14,402)	(14,402)	(2,428)	(2,428)	(14,385)	(14,385)
Prepaid expenses and other assets	(2,469)	(2,469)	748	748	(196)	(196)	1,050	1,050
Deferred commissions	784	(154)	(959)	(1,954)	(1,097)	(2,013)	(3,140)	(4,141)
Accounts payable and accrued expenses	(5,010)	(5,010)	2,717	2,717	1,745	1,745	4,054	4,054
Deferred revenue	(5,413)	(4,596)	14,126	14,492	13,944	13,815	28,124	28,306
Deferred rent	(206)	(206)	132	132	(126)	(126)	(194)	(194)
Other long-term liabilities	(67)	(67)	12	12	(4)	(4)	(4)	(4)
Net cash used in operating activities	(7,042)	(7,042)	(6,704)	(6,704)	1,352	1,352	4,716	4,716
Cash flows from investing activities								
Purchases of property and equipment	(828)	(828)	(2,297)	(2,297)	(1,104)	(1,104)	(916)	(916)
Capitalization of internal-use software	(204)	(204)	(274)	(274)	(237)	(237)	(207)	(207)
Net cash used in investing activities	(1,032)	(1,032)	(2,571)	(2,571)	(1,341)	(1,341)	(1,123)	(1,123)
Cash flows from financing activities								
Proceeds from exercise of stock options	557	557	1,172	1,172	620	620	1,553	1,553
Repayments of line of credit	-	-	(5,500)	(5,500)	-	-	-	-
Payments of deferred financing costs	(76)	(76)	(8)	(8)	-	-	-	-
Payments of initial public offering costs	(2)	(2)	2	2	-	-	(3)	(3)
Net cash provided by (used in) financing	479	479	(4,334)	(4,334)	620	620	1,550	1,550
Net increase (decrease) in cash and cash equivalents	(7,595)	(7,595)	(13,609)	(13,609)	631	631	5,143	5,143
Cash and cash equivalents at beginning of period	51,503	51,503	43,908	43,908	30,299	30,299	30,930	30,930
Cash and cash equivalents at end of period	\$ 43,908	\$ 43,908	\$ 30,299	\$ 30,299	\$ 30,930	\$ 30,930	\$ 36,073	\$ 36,073



# Non-GAAP Financial Metrics – FY17

## Non-GAAP Financial Metrics (In thousands; unaudited)

	Year Ended December 31,	
	2017 (Original)	2017 (Adjusted)
<b>Billings</b>		
Total revenue	\$ 162,014	\$ 160,778
Deferred revenue, end of period	164,180	168,700
Deferred revenue, beginning of period	<u>(113,399)</u>	<u>(116,683)</u>
Total billings	<u>\$ 212,795</u>	<u>\$ 212,795</u>
<b>Short-term billings</b>		
Total revenue	\$ 162,014	\$ 160,778
Deferred revenue, current, end of period	132,278	130,165
Deferred revenue, current, beginning of period	<u>(99,423)</u>	<u>(97,255)</u>
Total short-term billings	<u>\$ 194,869</u>	<u>\$ 193,688</u>
<b>Recurring revenue</b>		
Subscription, license and support	\$ 149,262	\$ 148,789
Perpetual license revenue	(6,198)	(6,409)
Total recurring revenue	<u>\$ 143,064</u>	<u>\$ 142,380</u>
Recurring revenue as a percentage of total revenue	88%	89%

# Non-GAAP Financial Metrics – FY17 Quarterly

## Non-GAAP Financial Metrics

(In thousands; unaudited)

	Three Months Ended March 31,		Three Months Ended June 30,		Three Months Ended September 30,		Three Months Ended December 31,	
	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)	2017 (Original)	2017 (Adjusted)
<b>Billings</b>								
Total revenue	\$ 36,762	\$ 35,945	\$ 39,059	\$ 38,692	\$ 41,379	\$ 41,508	\$ 44,814	\$ 44,633
Deferred revenue, end of period	107,986	112,087	122,112	126,580	136,056	140,395	164,180	168,700
Deferred revenue, beginning of period	(113,399)	(116,683)	(107,986)	(112,087)	(122,112)	(126,580)	(136,056)	(140,395)
Total billings	<u>\$ 31,349</u>	<u>\$ 31,349</u>	<u>\$ 53,185</u>	<u>\$ 53,185</u>	<u>\$ 55,323</u>	<u>\$ 55,323</u>	<u>\$ 72,938</u>	<u>\$ 72,938</u>
<b>Short-term billings</b>								
Total revenue	\$ 36,762	\$ 35,945	\$ 39,059	\$ 38,692	\$ 41,379	\$ 41,508	\$ 44,814	\$ 44,633
Deferred revenue, current, end of period	93,445	92,397	101,652	100,862	109,885	108,864	132,278	130,165
Deferred revenue, current, beginning of period	(99,423)	(97,255)	(93,445)	(92,397)	(101,652)	(100,862)	(109,885)	(108,864)
Total short-term billings	<u>\$ 30,784</u>	<u>\$ 31,087</u>	<u>\$ 47,266</u>	<u>\$ 47,157</u>	<u>\$ 49,612</u>	<u>\$ 49,510</u>	<u>\$ 67,207</u>	<u>\$ 65,934</u>
<b>Recurring revenue</b>								
Subscription, license and support	\$ 33,739	\$ 33,005	\$ 35,828	\$ 35,749	\$ 38,216	\$ 38,380	\$ 41,479	\$ 41,655
Perpetual license revenue	(1,701)	(1,602)	(1,544)	(1,631)	(1,525)	(1,667)	(1,428)	(1,509)
Total recurring revenue	<u>\$ 32,038</u>	<u>\$ 31,403</u>	<u>\$ 34,284</u>	<u>\$ 34,118</u>	<u>\$ 36,691</u>	<u>\$ 36,713</u>	<u>\$ 40,051</u>	<u>\$ 40,146</u>
Recurring revenue as a percentage of total revenue	87%	87%	88%	88%	89%	88%	89%	90%