Q2 F2019
Financial Review

Safe Harbor

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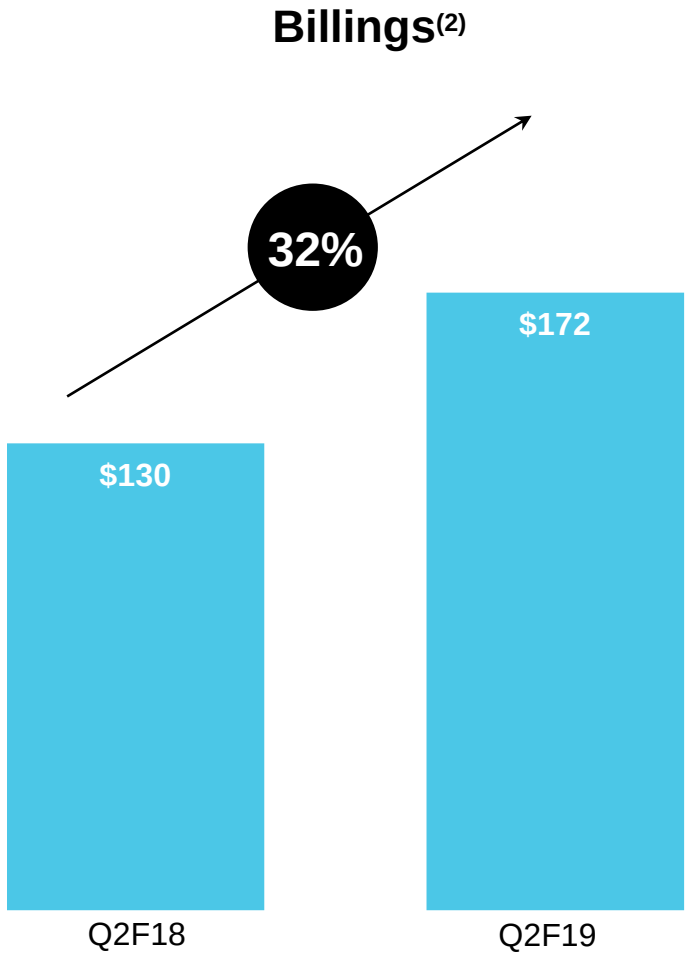
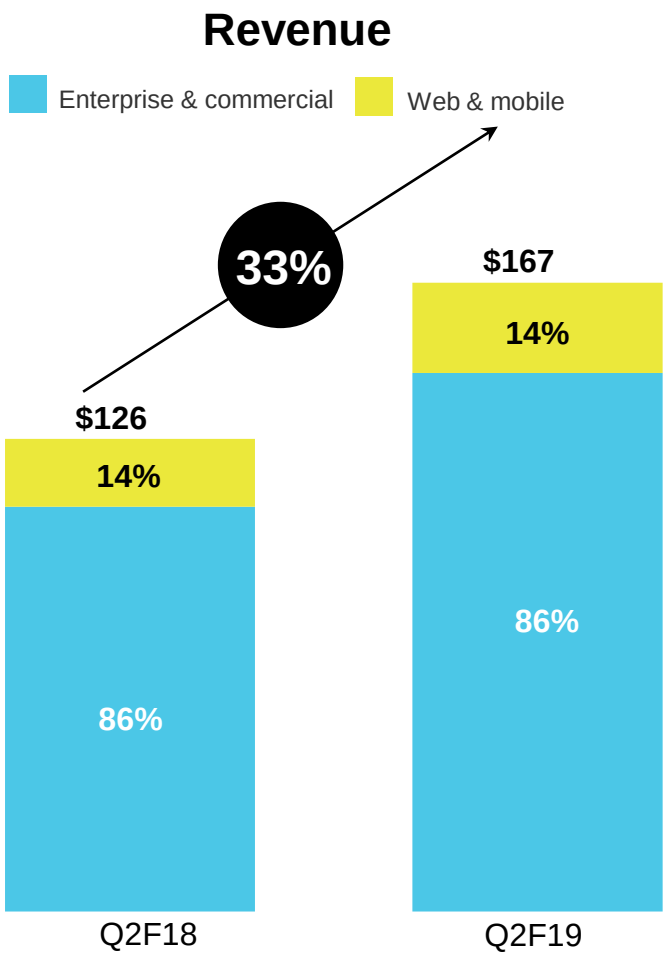
This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk. Our long-term target results are the view of management. We can provide no assurances that any of the revenue growth, gross margin, operating margin or cash flow targets will be achieved in a period of time that is material, if at all.

Use of Non-GAAP Measures

In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes certain non-GAAP financial measures. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes: non-GAAP gross profit, non-GAAP gross margin, free cash flow, free cash flow margin, and dollar-based net retention rate. We believe that non- GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In particular, free cash flow is not a substitute for cash used in operating activities. Additionally, the utility of free cash flow as a measure of our financial performance and liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition, other companies, including companies in our industry, may calculate similarly-titled non- GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures set forth in the Appendix, and not to rely on any single financial measure to evaluate our business. This presentation also contains certain estimated preliminary financial results and other key business metrics for the quarter ending October 31, 2018 and the year ending January 31, 2019. This data is based on information available to us at this time. As such, our actual results may vary from the estimated preliminary results presented in this presentation. These estimates should not be viewed as a substitute for our full interim or annual financial statements prepared in accordance with GAAP. Accordingly, you should not place undue reliance on this preliminary data. In addition, this data has been prepared by, and is the responsibility of, management. Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has not audited, reviewed, compiled, or performed any procedures with respect to the preliminary financial results. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Strong growth across the board[1]

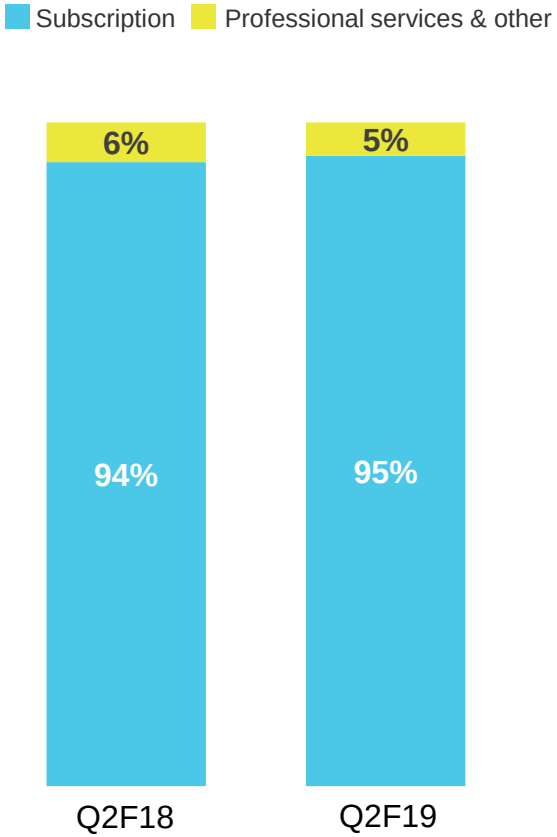




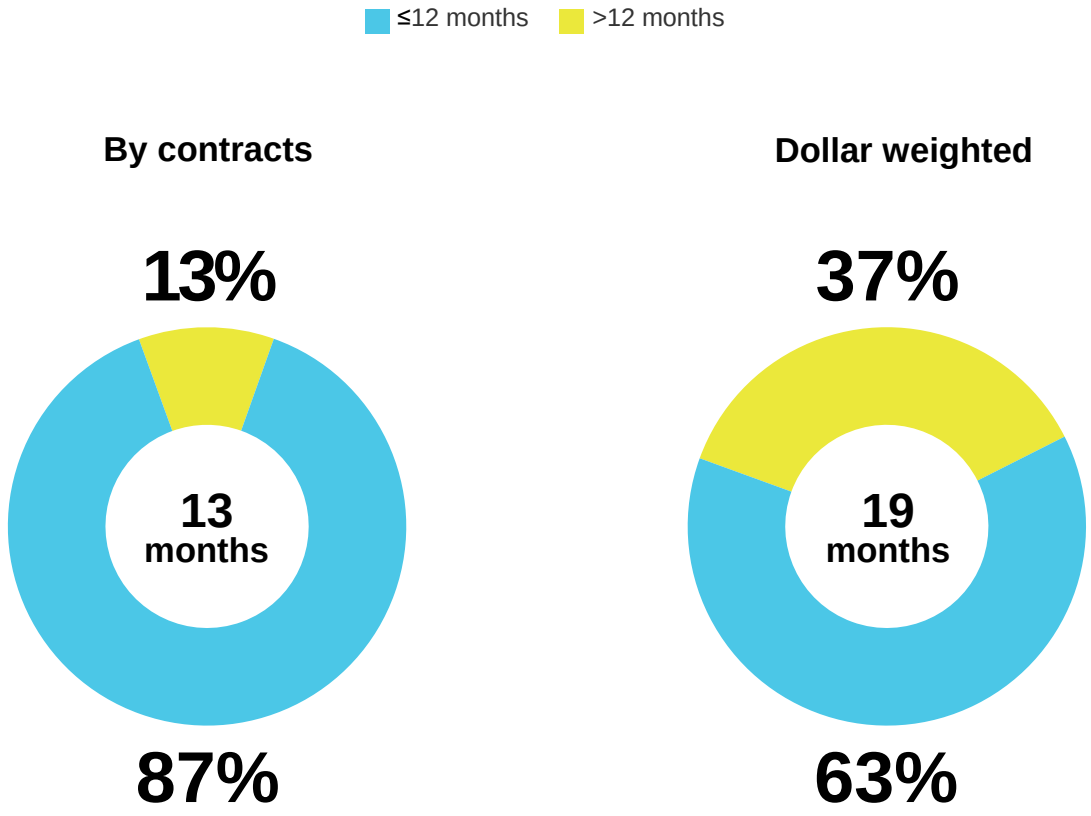
(1) For the fiscal second quarters ended July 31, 2017 and 2018. $ in millions.
(2) Total revenues plus the change in contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period.

Strong revenue visibility

Revenue contribution[1]

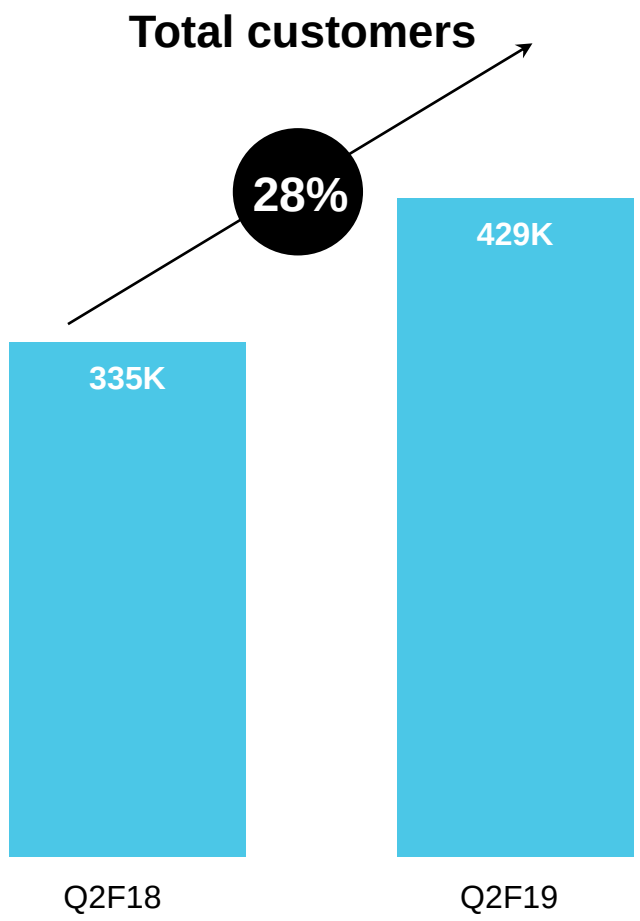


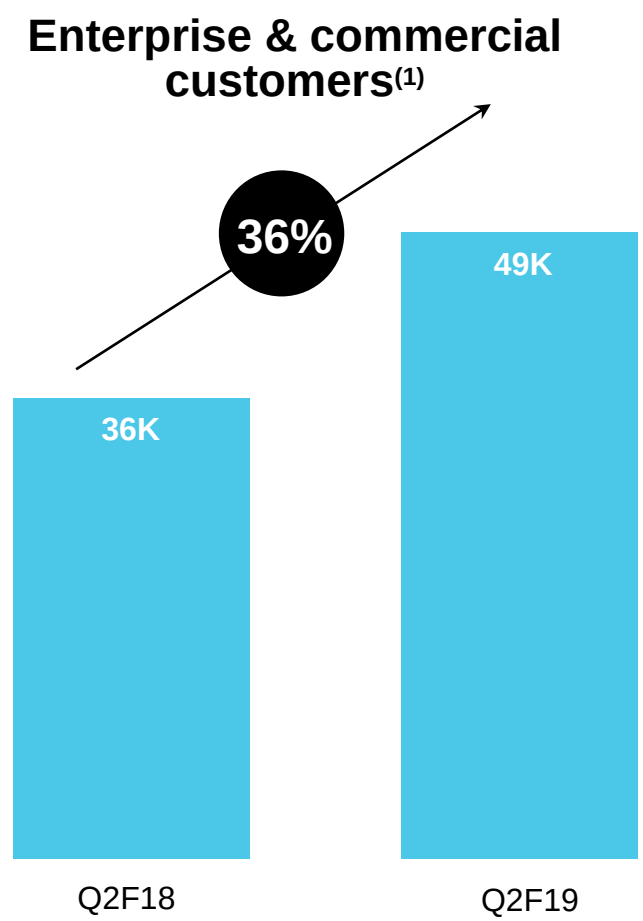
Average contract length[2]



(1) For he fiscal first quarters ended July 31, 2017 and 2018.
(2) Rolling 4-quarter basis FQ218 through FQ219.

Large and growing customer base

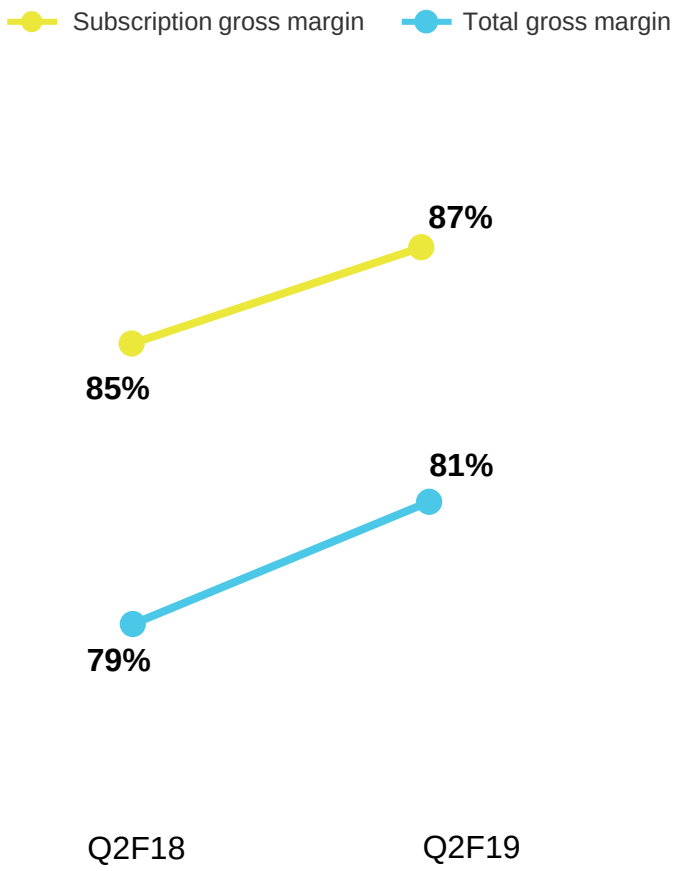




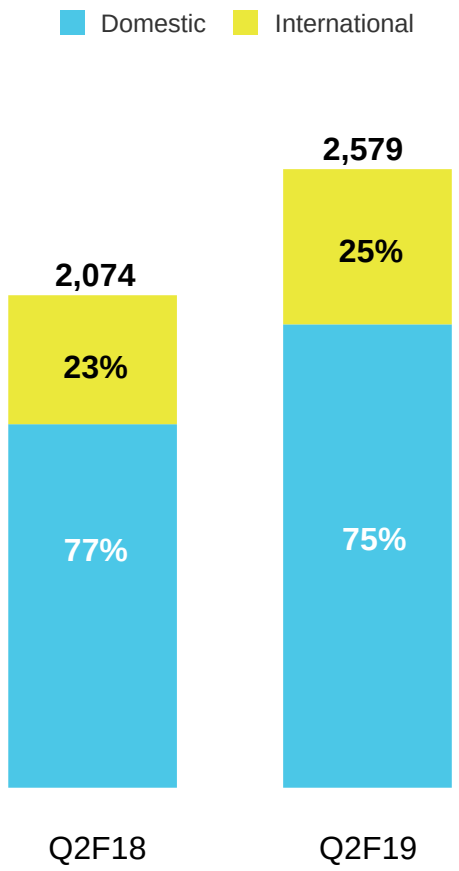
(1) Comprised of customers who were not acquired through our self-service channel. We define enterprise customers as companies generally included in the Global 2000. We generally define commercial customers to include both mid-market companies, which includes companies outside the Global 2000 that have greater than 250 employees, and SMBs, which are companies with between 10 and 249 employees, in each case excluding any enterprise customers.

Achieving increased leverage[1]

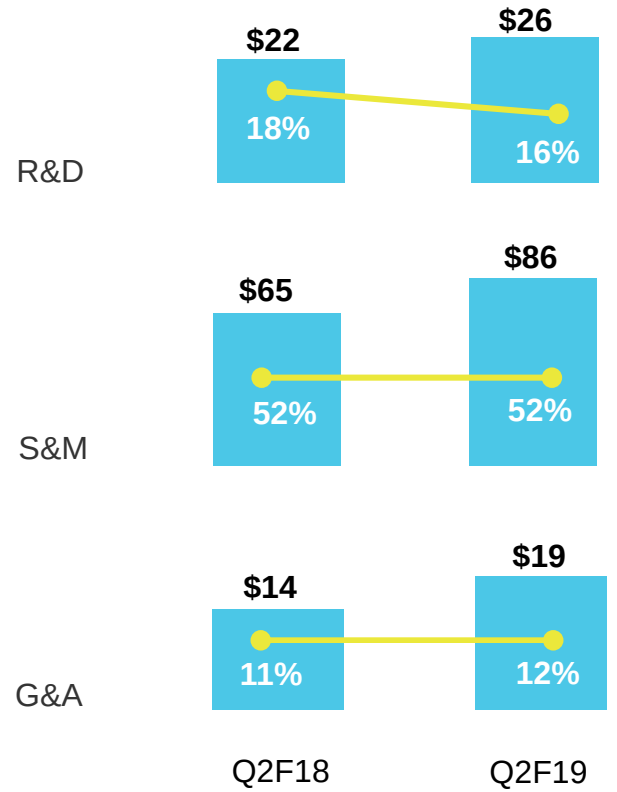
Non-GAAP gross margin[2]



Headcount[3]



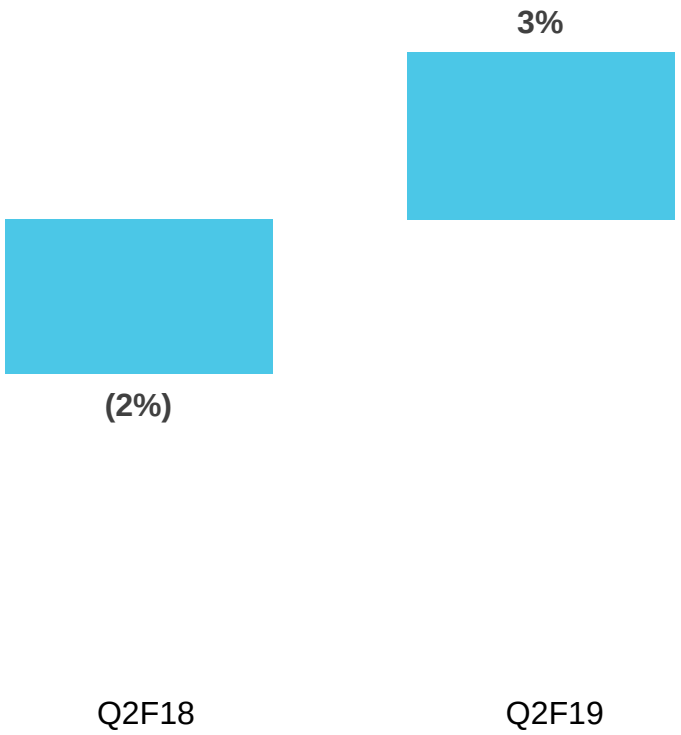
Non-GAAP Opex[2]



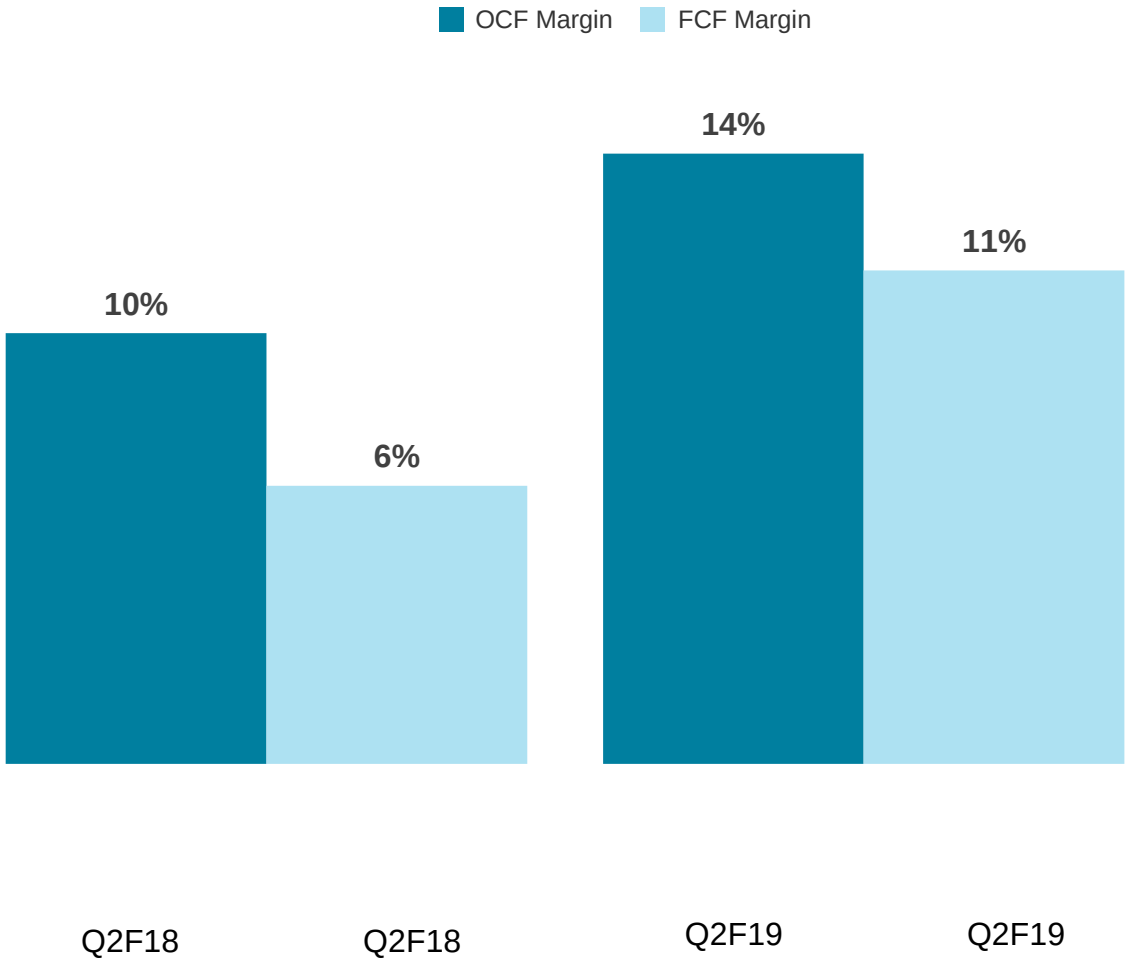
(1) For the fiscal second quarters ended July 31, 2017 and 2018.
(2) Please see Appendix slides for non-GAAP reconciliation. $ in millions. % of revenue.
(3) As of July 31, 2018.

Improving profitability and cash flows[(1)]

Non-GAAP operating margin



Cash flow



(1) Please see Appendix slides for non-GAAP reconciliation.

Q3 F2019 Guidance[(1)]

	Q3 Fiscal 2019		
Total Revenue	$172M	-	$175M
Billings	$169M	-	$179M
Non-GAAP gross margin	78%	-	81%
Non-GAAP Sales and marketing	50%	-	52%
Non-GAAP Research and development	17%	-	19%
Non-GAAP General and administrative	11%	-	13%
Other expense	<$500K		
Provision for income taxes	~$750K		
Non-GAAP diluted weighted-average shares o/s	190M	-	195M

(1) These guidance ranges include estimated revenue contributions from SpringCM of $2 to $4 million and operating losses of $5 to $7 million, including one-time integration costs.

FY 2019 Guidance

	Fiscal 2019		
Total Revenue	$683M	-	$688M
Billings	$732M	-	$752M
Non-GAAP gross margin	78%	-	81%
Non-GAAP Sales and marketing	50%	-	52%
Non-GAAP Research and development	17%	-	19%
Non-GAAP General and administrative	11%	-	13%
Other expense		<$2M	
Provision for income taxes		~$3M	
Non-GAAP diluted weighted-average shares o/s	160M	-	165M

(1) These guidance ranges include estimated revenue contributions from SpringCM of $7 to $9 million and operating losses of $9 to $12 million, including $3 to $4 million of one-time integration costs.

Appendix

GAAP to non-GAAP and free cash flow reconciliation

Gross Profit (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP Gross Profit	97,085	130,683
Add: Stock-based Compensation in Cost of Revenue	485	4,410
Add: Amortization of Intangibles in Cost of Revenue	1,691	1,003
› Non-GAAP Gross Profit	99,261	136,096
GAAP Gross Margin	77%	78%
Non-GAAP Gross Margin	79%	81%

Subscription Gross Profit (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP Subscription Revenue	117,553	158,461
Less: GAAP Subscription Cost of Revenue	(20,040)	(23,057)
GAAP Subscription Gross Profit	97,513	135,404
Add: SBC in Subscription Cost of Revenue	231	1,588
Add: Amortization in Subscription Cost of Revenue	1,691	1,003
› Non-GAAP Subscription Gross Profit	99,435	137,995
GAAP Subscription Gross Margin	83%	85%
Non-GAAP Subscription Gross Margin	85%	87%

GAAP to non-GAAP and free cash flow reconciliation

Adjusted Operating Gain / (Loss) (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP Operating Loss	(13,781)	(37,720)
Add: Stock-based Compensation in Cost of Revenue	485	4,410
Add: Amortization of Intangibles in Cost of Revenue	1,691	1,003
Add: Stock-based Compensation in Operating Expenses	8,027	35,755
Add: Amortization of Intangibles in Operating Expenses	665	765
› Non-GAAP Operating Income (Loss)	(2,913)	4,213
Operating Margin (GAAP)	(11%)	(23%)
Operating Margin (non-GAAP)	(2%)	3%

Free Cash Flow (in $K)	Quarter Ended July 31,	
	2017	**2018**
Cash Flow from Operations	12,098	22,695
Less: Purchases of Property, Plant, and Equipment	(4,319)	(4,336)
› Free Cash Flow	7,779	18,359
Free Cash Flow Margin	6%	11%

GAAP to non-GAAP reconciliation

Sales & Marketing (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP Sales & Marketing	68,943	103,779
Less: Stock-based Compensation in Sales & Marketing	(2,883)	(16,791)
Less: Amortization of Intangibles in Sales & Marketing	(665)	(765)
› Non-GAAP Sales & Marketing	65,395	86,223
Sales & Marketing as % of Revenue (GAAP)	55%	62%
Sales & Marketing as % of Revenue (non-GAAP)	52%	52%

Research & Development (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP Research & Development	23,767	33,773
Less: Stock-based Compensation in Research & Development	(1,288)	(7,359)
Less: Amortization of Intangibles in Research & Development	0	0
› Non-GAAP Research & Development	22,479	26,414
Research & Development as % of Revenue (GAAP)	19%	20%
Research & Development as % of Revenue (non-GAAP)	18%	16%

General & Administrative (in $K)	Quarter Ended July 31,	
	2017	**2018**
GAAP General & Administrative	18,156	30,851
Less: Stock-based Compensation in General & Administrative	(3,856)	(11,605)
Less: Amortization of Intangibles in General & Administrative	0	0
› Non-GAAP General & Administrative	14,300	19,246
General & Administrative as % of Revenue (GAAP)	14%	19%
General & Administrative as % of Revenue (non-GAAP)	11%	12%