Q3 F2019
Financial Review

Safe Harbor

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements about expected financial metrics, such as revenue, billings, non-GAAP gross margin, non-GAAP diluted weighted-average shares outstanding, and non-financial metrics, such as customer growth, as well as statements related to the benefits of the acquisition of SpringCM and our ability to develop our System of Agreement platform and deliver product innovation. They also include statements about our possible or assumed business strategies, potential growth opportunities, new products and potential market opportunities.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “believe,” “could,” “potential,” “will,” “would” or similar expressions and the negatives of those terms. 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. These risks include, but are not limited to, risks and uncertainties related to: our ability to successfully integrate SpringCM's operations; our ability to implement our plans, forecasts and other expectations with respect to SpringCM's business; our ability to realize the anticipated benefits of acquisition of SpringCM, including the possibility that the expected benefits from the acquisition will not be realized or will not be realized within the expected time period; disruption from the acquisition making it more difficult to maintain business and operational relationships; the negative effects of consummation of the acquisition on the market price of our common stock or on our operating results; unknown liabilities from the acquisition; our ability to sustain and manage our growth and future expenses, achieve and maintain future profitability, attract new customers and maintain and expand our existing customer base; our ability to scale and update our platform to respond to customers’ needs and rapid technological change, increased competition on our market and our ability to compete effectively, and expansion of our operations and increased adoption of our platform internationally. Additional risks and uncertainties that could affect our financial results are included in the section titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our quarterly report on Form 10-Q for the quarter ended July 31, 2018 and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this presentation are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

Non-GAAP Measures and Other Key Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance using a management view, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

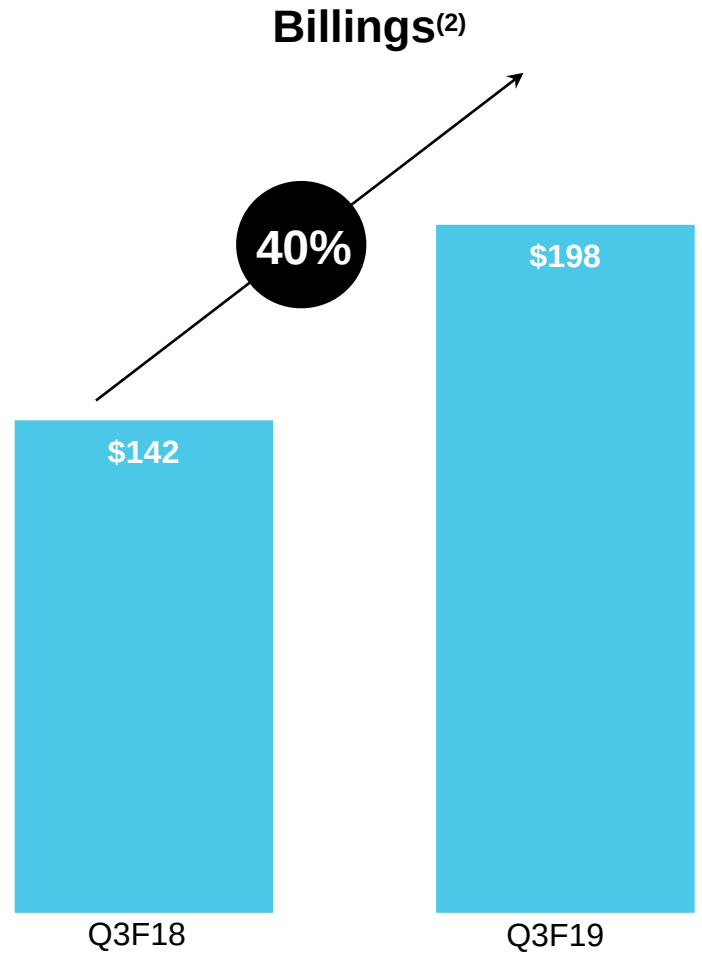
Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP net income (loss) and non-GAAP net income (loss) per share: We define these non-GAAP financial measures as the respective GAAP measures, excluding expenses related to stock-based compensation, amortization of acquisition-related intangibles, amortization of debt discount and issuance costs from our convertible senior notes issued in September 2018, acquisition-related expenses, partial releases of valuation allowance due to acquisition, and, as applicable, other special items. Costs associated with acquisitions include legal, accounting, other professional fees and other non-recurring costs. We believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies and over multiple periods.

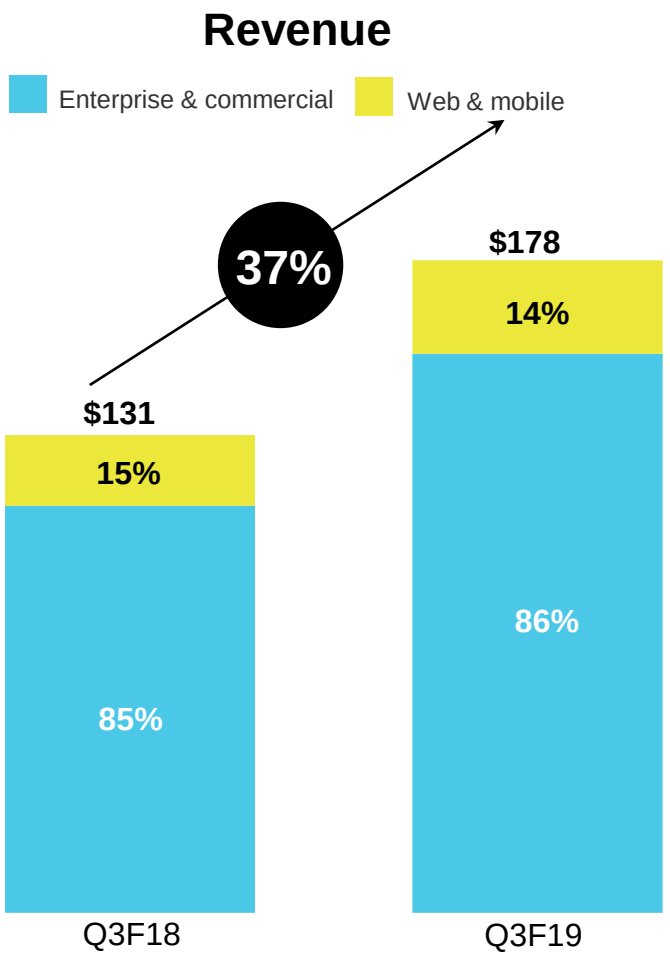
Free cash flows: We define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment. We believe free cash flow is an important liquidity measure of the cash (if any) that is available, after purchases of property and equipment, for operational expenses, investment in our business, and to make acquisitions. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash in excess of our capital investments in property and equipment. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Billings: We define billings as total revenues plus the change in our contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Billings reflects sales to new customers plus subscription renewals and additional sales to existing customers. Only amounts invoiced to a customer in a given period are included in billings. We believe billings is a key metric to measure our periodic performance. Given that most of our customers pay in annual installments one year in advance, but we typically recognize a majority of the related revenue ratably over time, we use billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see "Reconciliation of GAAP to Non-GAAP Financial Measures" set forth in the financial statements included in our Earnings Release.

Strong growth across the board[1]

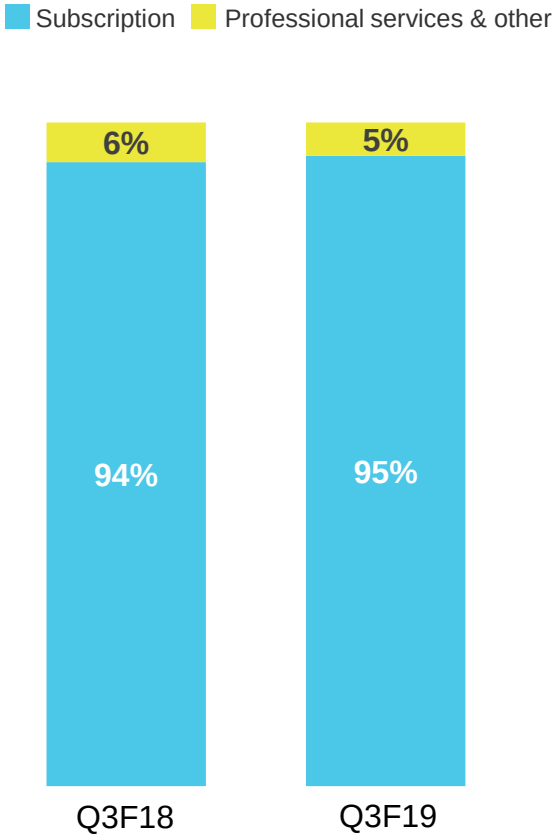




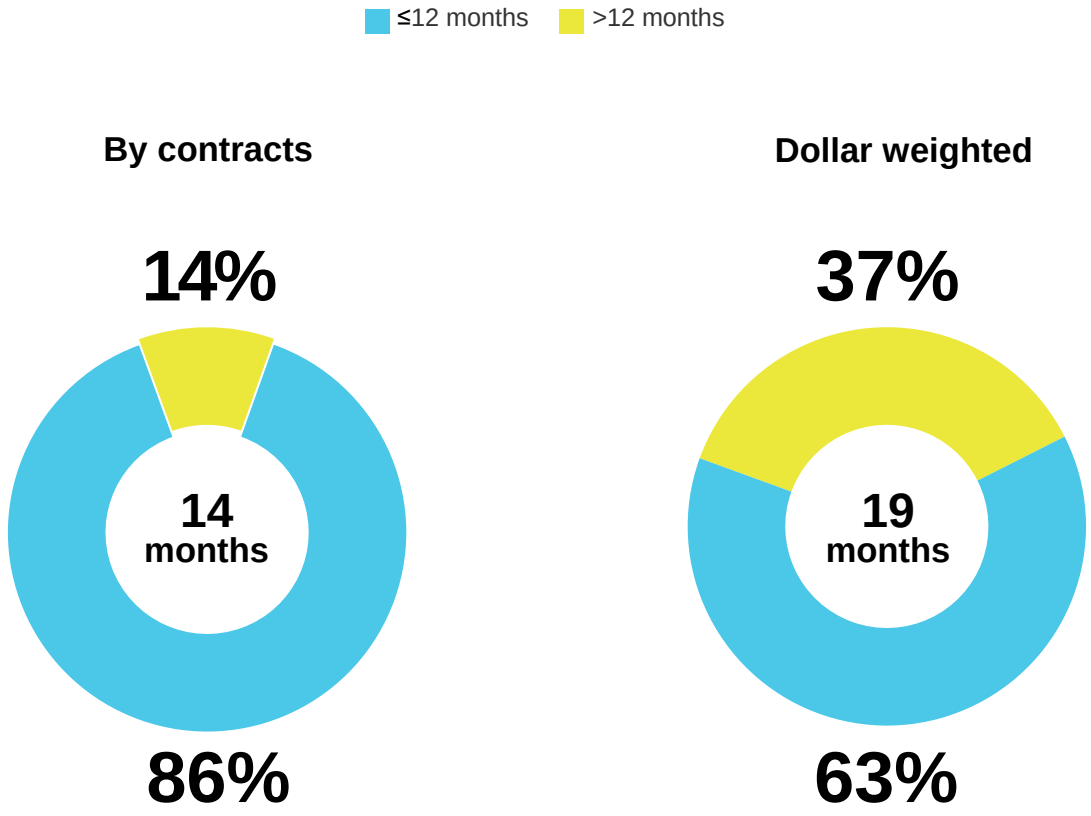
(1) For the fiscal third quarters ended October 31, 2017 and 2018. $ in millions.
(2) Total revenues plus the change in contract liabilities and refund liability less contract assets and unbilled accounts receivable in a given period. Q3F19 billings excludes $11 million in deferred revenue from acquisitions. Please see Appendix for non-GAAP reconciliation.

Strong revenue visibility

Revenue contribution[1]

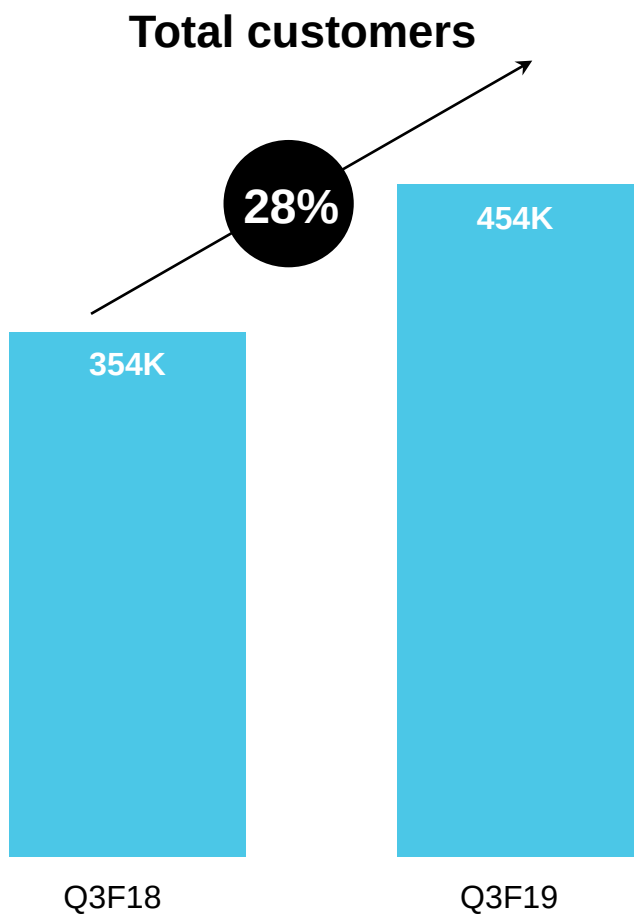


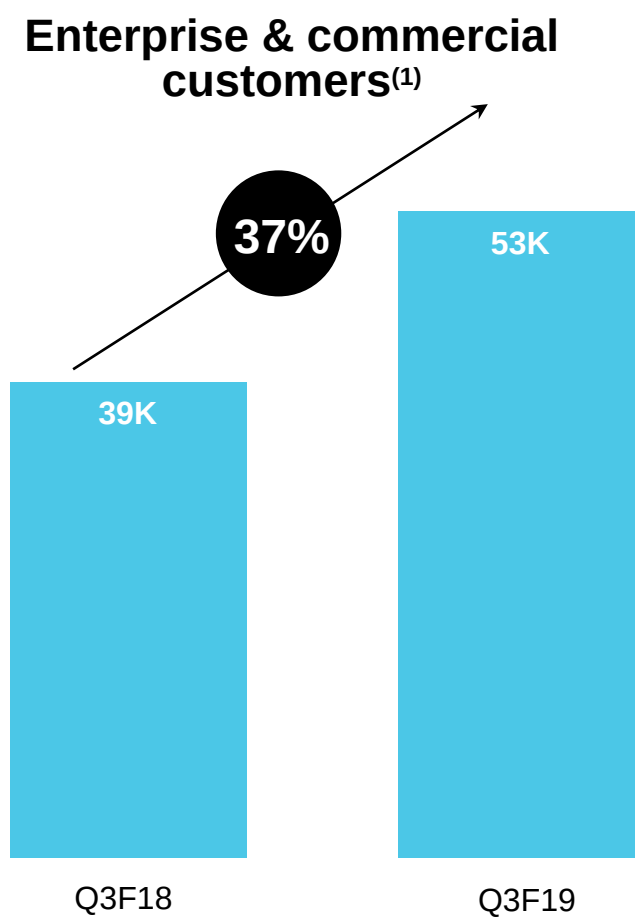
Average contract length[2]



(1) For the fiscal third quarters ended October 31, 2017 and 2018.
(2) Rolling 4-quarter basis FQ318 through FQ319.

Large and growing customer base

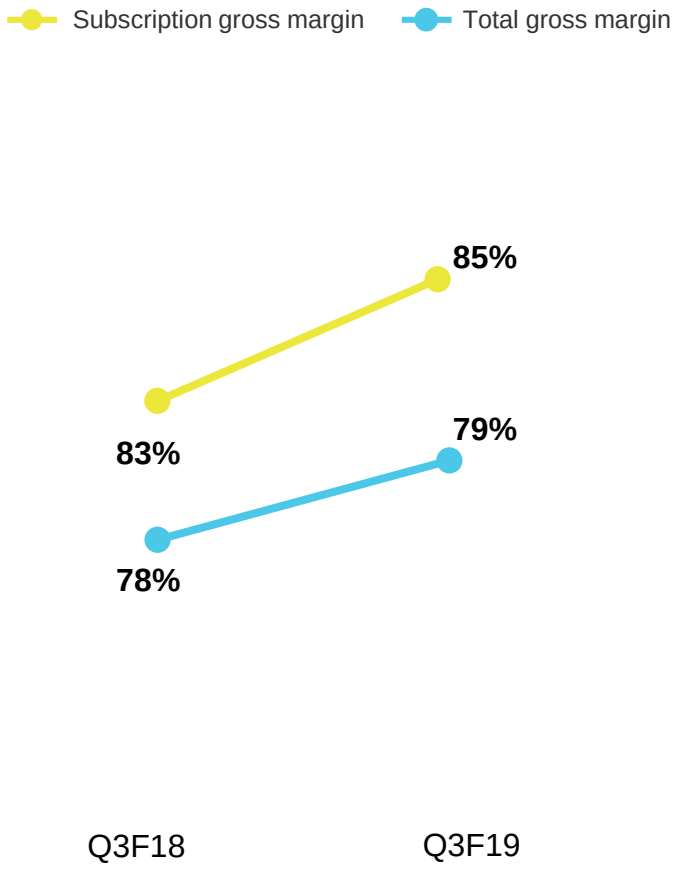




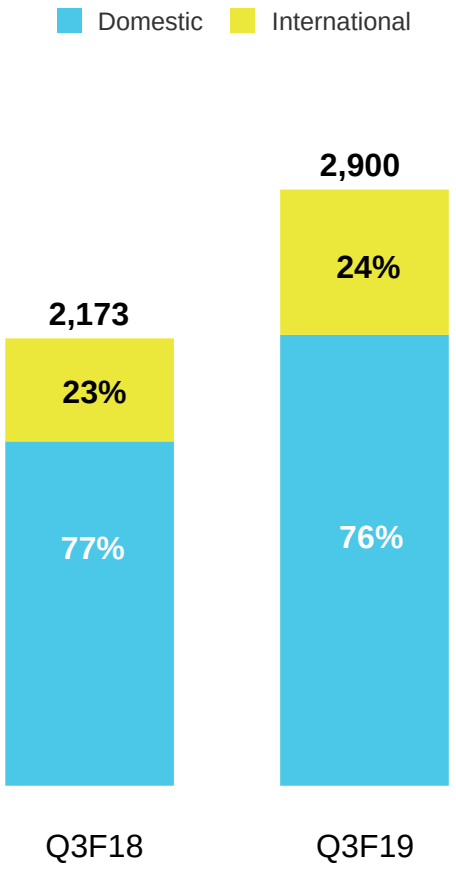
(1) Comprised of customers who were not acquired through our self-service channel. We define enterprise customers as companies generally included in the Global 2000. We generally define commercial customers to include both mid-market companies, which includes companies outside the Global 2000 that have 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]

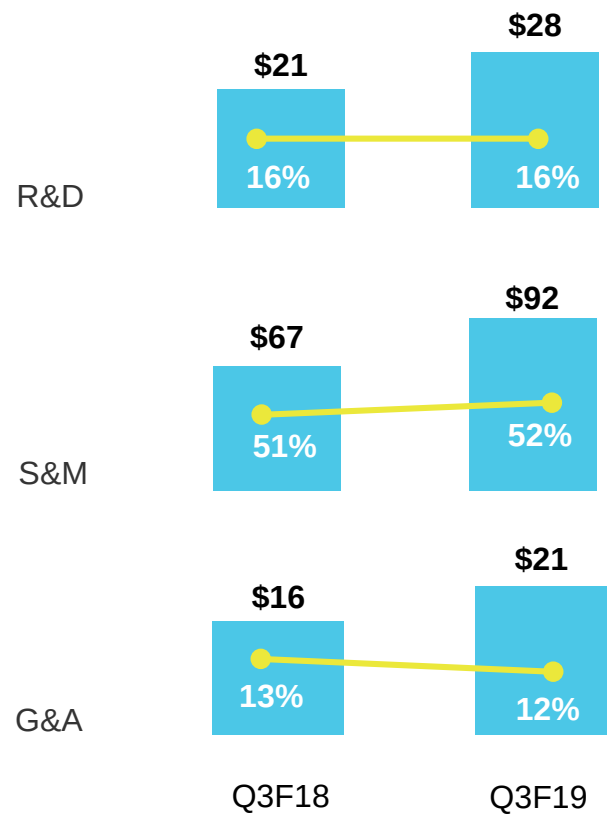
Non-GAAP gross margin[2]



Headcount[3]

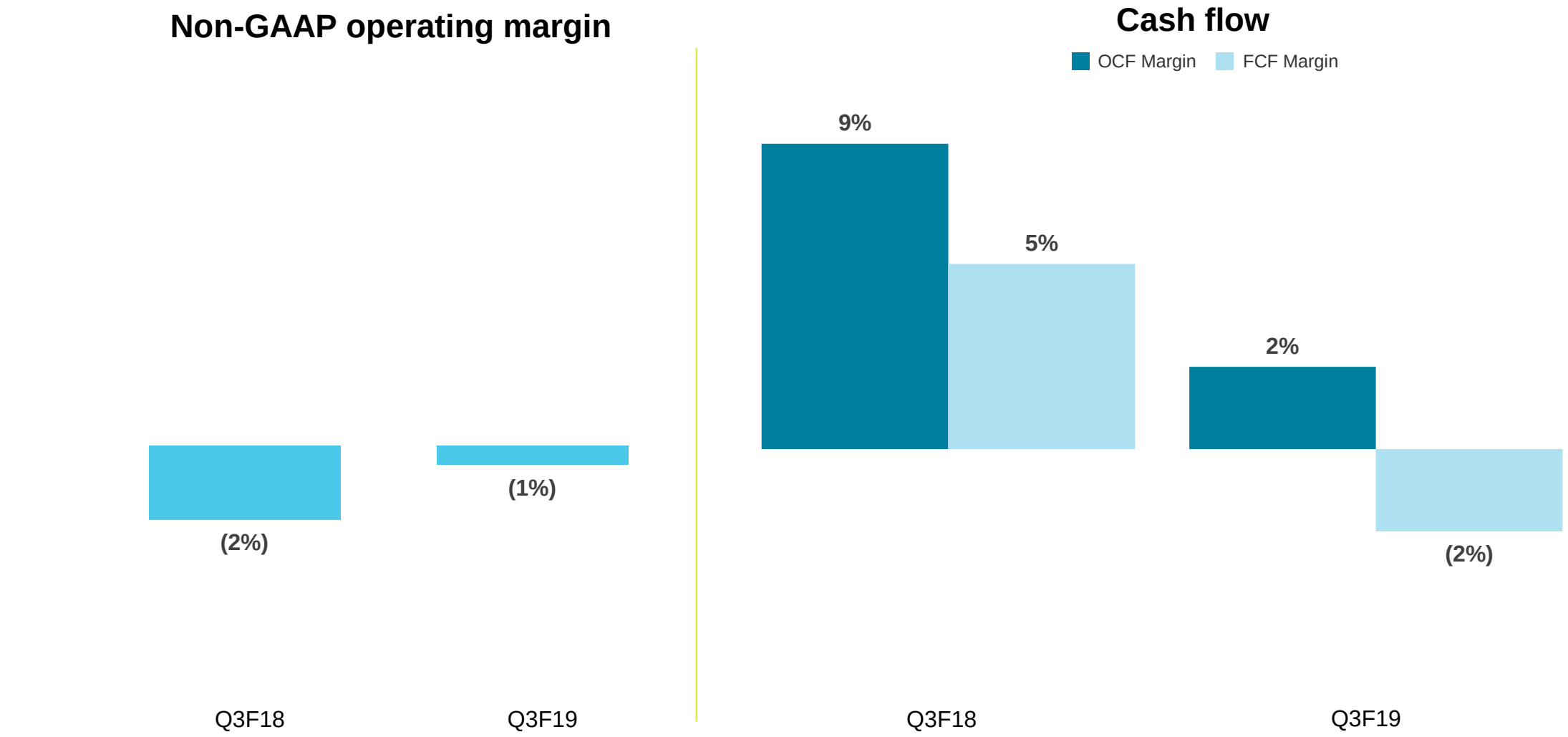


Non-GAAP Opex[2]



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

Improving profitability and cash flows[1]



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

Q4 F2019 Guidance[(1)]

	Q4 Fiscal 2019		
Total Revenue	$192M	-	$194M
Billings	$245M	-	$255M
Non-GAAP gross margin	78%	-	81%
Non-GAAP Sales and marketing	50%	-	52%
Non-GAAP Research and development	16%	-	18%
Non-GAAP General and administrative	11%	-	13%
Other income	$3M	-	$4M
Provision for income taxes	~$750K		
Non-GAAP diluted weighted-average shares o/s	185M	-	190M

(1) These guidance ranges include estimated contributions from SpringCM of $4 to $5 million of revenue and $5 to $8 million of operating losses, including one-time integration costs.

FY 2019 Guidance

	Fiscal 2019		
Total Revenue	$693M	-	$695M
Billings	$795M	-	$805M
Non-GAAP gross margin	78%	-	81%
Non-GAAP Sales and marketing	50%	-	52%
Non-GAAP Research and development	16%	-	18%
Non-GAAP General and administrative	11%	-	13%
Provision for income taxes	$2M	-	$4M
Non-GAAP diluted weighted-average shares o/s	155M	-	160M

(1) These guidance ranges include estimated contributions from SpringCM of $8 to $9 million of revenue and $9 to $12 million of operating losses, including $3 to $4 million of one-time integration costs.

Appendix

GAAP to non-GAAP gross profit reconciliation

Gross Profit (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP Gross Profit	99,373	133,312
Add: Stock-based Compensation in Cost of Revenue	481	5,976
Add: Amortization of Intangibles in Cost of Revenue	1,691	1,632
Add: Acquisition-related expenses	-	108
› Non-GAAP Gross Profit	101,545	141,028
GAAP Gross Margin	76%	75%
Non-GAAP Gross Margin	78%	79%

Subscription Gross Profit (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP Subscription Revenue	122,905	169,426
Less: GAAP Subscription Cost of Revenue	(22,335)	(28,709)
GAAP Subscription Gross Profit	100,570	140,717
Add: SBC in Subscription Cost of Revenue	228	2,398
Add: Amortization in Subscription Cost of Revenue	1,691	1,632
› Non-GAAP Subscription Gross Profit	102,489	144,747
GAAP Subscription Gross Margin	82%	83%
Non-GAAP Subscription Gross Margin	83%	85%

GAAP to non-GAAP operating gain/ (loss) and free cash flow reconciliation

Adjusted Operating Gain / (Loss) (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP Operating Loss	(12,343)	(58,417)
Add: Stock-based Compensation in Cost of Revenue	481	5,976
Add: Amortization of Intangibles in Cost of Revenue	1,691	1,632
Add: Acquisition-related Cost of Revenue	-	108
Add: Stock-based Compensation in Operating Expenses	6,114	45,772
Add: Amortization of Intangibles in Operating Expenses	1,015	2,257
Add: Acquisition-related Operating Expenses	-	1,660
› Non-GAAP Operating Income (Loss)	(3,042)	(1,012)
Operating Margin (GAAP)	(9%)	(33%)
Operating Margin (non-GAAP)	(2%)	(1%)

Free Cash Flow (in $K)	Quarter Ended October 31,	
	2017	**2018**
Cash Flow from Operations	11,618	4,261
Less: Purchases of Property, Plant, and Equipment	(4,603)	(8,576)
› Free Cash Flow	7,015	(4,315)
Free Cash Flow Margin	5%	(2%)

GAAP to non-GAAP operating expenses reconciliation

Sales & Marketing (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP Sales & Marketing	69,666	117,051
Less: Stock-based Compensation in Sales & Marketing	(1,959)	(22,338)
Less: Amortization of Intangibles in Sales & Marketing	(1,015)	(2,257)
Less: Acquisition-related expenses in Sales & Marketing	-	(68)
› Non-GAAP Sales & Marketing	66,692	92,388
Sales & Marketing as % of Revenue (GAAP)	53%	66%
Sales & Marketing as % of Revenue (non-GAAP)	51%	52%

Research & Development (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP Research & Development	22,522	38,404
Less: Stock-based Compensation in Research & Development	(1,042)	(9,919)
Less: Acquisition-related expenses in Research & Development	-	(302)
› Non-GAAP Research & Development	21,480	28,183
Research & Development as % of Revenue (GAAP)	17%	22%
Research & Development as % of Revenue (non-GAAP)	16%	16%

General & Administrative (in $K)	Quarter Ended October 31,	
	2017	**2018**
GAAP General & Administrative	19,528	36,274
Less: Stock-based Compensation in General & Administrative	(3,113)	(13,515)
Less: Acquisition-related expenses in General & Administrative	-	(1,290)
› Non-GAAP General & Administrative	16,415	21,469
General & Administrative as % of Revenue (GAAP)	15%	20%
General & Administrative as % of Revenue (non-GAAP)	13%	12%

Computation of Billings

Computation of Billings (in $K)	Three Months Ended October 31,	
	2017	**2018**
Revenue	130,589	178,385
Add: Contract Liabilities and Refund Liability, End of Period	226,836	330,060
Less: Contract Liabilities and Refund Liability, Beginning of Period	(214,405)	(300,426)
Add: Contract Assets and Unbilled Accounts Receivable, Beginning of Period	11,381	16,196
Less: Contract Assets and Unbilled Accounts Receivable, End of Period	(12,678)	(15,229)
Less: Contract liabilities and refund liability contributed by the acquisition of SpringCM	-	(11,002)
Billings	141,723	197,984