

SVMK INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) <sup>(1)</sup>

| <i>(in thousands)</i>                          | September 30,<br>2019 | December 31,<br>2018 |
|--|-----------------------|----------------------|
| <b>Assets</b>                                  |                       |                      |
| Current assets:                                |                       |                      |
| Cash and cash equivalents                      | \$ 116,184            | \$ 153,807           |
| Accounts receivable, net                       | 11,535                | 7,336                |
| Deferred commissions, current                  | 2,864                 | 1,981                |
| Prepaid expenses and other current assets      | 8,253                 | 7,081                |
| Total current assets                           | <u>138,836</u>        | <u>170,205</u>       |
| Property and equipment, net                    | 39,125                | 117,718              |
| Operating lease right-of-use assets            | 65,134                | —                    |
| Capitalized internal-use software, net         | 34,188                | 33,280               |
| Acquisition intangible assets, net             | 36,116                | 9,324                |
| Goodwill                                       | 461,110               | 336,861              |
| Deferred commissions, non-current              | 5,148                 | 3,317                |
| Other assets                                   | 8,765                 | 8,643                |
| Total assets                                   | <u>\$ 788,422</u>     | <u>\$ 679,348</u>    |
| <b>Liabilities and stockholders' equity</b>    |                       |                      |
| Current liabilities:                           |                       |                      |
| Accounts payable                               | \$ 4,339              | \$ 2,804             |
| Accrued expenses and other current liabilities | 14,727                | 9,692                |
| Accrued compensation                           | 20,326                | 20,070               |
| Deferred revenue                               | 132,074               | 101,236              |
| Operating lease liabilities, current           | 8,107                 | —                    |
| Debt, current                                  | 1,900                 | 1,900                |
| Total current liabilities                      | <u>181,473</u>        | <u>135,702</u>       |
| Deferred tax liabilities                       | 5,775                 | 4,246                |
| Debt, non-current                              | 214,090               | 215,515              |
| Financing obligation on leased facility        | —                     | 92,009               |
| Operating lease liabilities, non-current       | 84,758                | —                    |
| Other non-current liabilities                  | 5,957                 | 12,493               |
| Total liabilities                              | <u>492,053</u>        | <u>459,965</u>       |
| Commitments and contingencies                  |                       |                      |
| Stockholders' equity:                          |                       |                      |
| Preferred stock                                | —                     | —                    |
| Common stock                                   | 1                     | 1                    |
| Additional paid-in capital                     | 680,957               | 551,937              |
| Accumulated other comprehensive loss           | (2,449)               | (287)                |
| Accumulated deficit                            | <u>(382,140)</u>      | <u>(332,268)</u>     |
| Total stockholders' equity                     | <u>296,369</u>        | <u>219,383</u>       |
| Total liabilities and stockholders' equity     | <u>\$ 788,422</u>     | <u>\$ 679,348</u>    |

(1) The Company adopted ASC 842 as of January 1, 2019 on a prospective basis. Amounts presented as of September 30, 2019 are under ASC 842 and amounts presented as of December 31, 2018 are under ASC 840.

SVMK INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) <sup>(1)</sup>

| <i>(in thousands, except per share amounts)</i>                                | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |              |
|--|-------------------------------------|--------------|------------------------------------|--------------|
|  | 2019                                | 2018         | 2019                               | 2018         |
| Revenue  | \$ 79,317                           | \$ 65,205    | \$ 223,097                         | \$ 186,392   |
| Cost of revenue <sup>(2)(3)</sup>  | 19,626                              | 23,213       | 56,203                             | 58,967       |
| Gross profit   | 59,691                              | 41,992       | 166,894                            | 127,425      |
| Operating expenses:  |                                     |              |                                    |              |
| Research and development <sup>(2)</sup>  | 22,718                              | 51,765       | 65,931                             | 85,997       |
| Sales and marketing <sup>(2)(3)</sup>  | 30,926                              | 34,309       | 86,665                             | 71,609       |
| General and administrative <sup>(2)</sup>                                      | 20,992                              | 50,391       | 61,294                             | 76,809       |
| Restructuring  | —                                   | —            | (66)                               | 33           |
| Total operating expenses   | 74,636                              | 136,465      | 213,824                            | 234,448      |
| Loss from operations   | (14,945)                            | (94,473)     | (46,930)                           | (107,023)    |
| Interest expense   | 3,572                               | 7,496        | 10,878                             | 22,181       |
| Other non-operating income (expense), net                                      | 887                                 | (219)        | 3,441                              | 132          |
| Loss before income taxes   | (17,630)                            | (102,188)    | (54,367)                           | (129,072)    |
| Provision for (benefit from) income taxes                                      | (1,320)                             | 174          | (1,802)                            | 470          |
| Net loss   | \$ (16,310)                         | \$ (102,362) | \$ (52,565)                        | \$ (129,542) |
| Net loss per share, basic and diluted  | \$ (0.12)                           | \$ (0.99)    | \$ (0.40)                          | \$ (1.27)    |
| Weighted-average shares used in computing basic and diluted net loss per share | 133,417                             | 103,096      | 130,434                            | 101,984      |

(1) The Company adopted ASC 842 as of January 1, 2019 on a prospective basis. Amounts presented for the three and nine months ended September 30, 2019 are under ASC 842 and amounts presented for the three and nine months ended September 30, 2018 are under ASC 840.

(2) Includes stock-based compensation, net of amounts capitalized as follows:

| <i>(in thousands)</i>                                | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|-----------|------------------------------------|------------|
|  | 2019                                | 2018      | 2019                               | 2018       |
| Cost of revenue                                      | \$ 718                              | \$ 6,472  | \$ 2,805                           | \$ 7,776   |
| Research and development                             | 5,468                               | 37,490    | 15,863                             | 43,903     |
| Sales and marketing                                  | 2,918                               | 14,496    | 8,714                              | 16,411     |
| General and administrative                           | 5,678                               | 40,354    | 17,665                             | 48,014     |
| Stock-based compensation, net of amounts capitalized | \$ 14,782                           | \$ 98,812 | \$ 45,047                          | \$ 116,104 |

(3) Includes amortization of acquisition intangible assets as follows:

| <i>(in thousands)</i>                         | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|---|-------------------------------------|----------|------------------------------------|----------|
|   | 2019                                | 2018     | 2019                               | 2018     |
| Cost of revenue                               | \$ 1,557                            | \$ 488   | \$ 3,448                           | \$ 1,464 |
| Sales and marketing                           | 964                                 | 565      | 2,267                              | 1,773    |
| Amortization of acquisition intangible assets | \$ 2,521                            | \$ 1,053 | \$ 5,715                           | \$ 3,237 |

**SVMK INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

| <i>(in thousands)</i>  | <b>Nine Months Ended September 30,</b> |                   |
|--|--|-------------------|
|  | <b>2019</b>                            | <b>2018</b>       |
| <b>Cash flows from operating activities</b>                                      |  |                   |
| Net loss   | \$ (52,565)                            | \$ (129,542)      |
| Adjustments to reconcile net loss to net cash provided by operating activities:  |  |                   |
| Depreciation and amortization  | 32,243                                 | 35,120            |
| Non-cash leases expense  | 9,185                                  | —                 |
| Stock-based compensation expense, net of amounts capitalized                     | 45,047                                 | 116,104           |
| Amortization of debt discount and issuance costs                                 | 225                                    | 726               |
| Deferred income taxes  | (1,866)                                | 431               |
| Gain on sale of a private company investment                                     | (1,001)                                | (999)             |
| Other  | 143                                    | 234               |
| Changes in assets and liabilities:   |  |                   |
| Accounts receivable  | (1,073)                                | (1,822)           |
| Prepaid expenses and other assets  | (2,908)                                | (5,451)           |
| Accounts payable and accrued liabilities   | 5,955                                  | 4,596             |
| Accrued interest on financing lease obligation, net of payments                  | —                                      | (1,036)           |
| Accrued compensation   | (1,401)                                | (648)             |
| Deferred revenue   | 23,486                                 | 16,269            |
| Operating lease liabilities  | (10,237)                               | —                 |
| Net cash provided by operating activities  | <u>45,233</u>                          | <u>33,982</u>     |
| <b>Cash flows from investing activities</b>                                      |  |                   |
| Acquisitions, net of cash acquired   | (114,603)                              | —                 |
| Purchases of property and equipment  | (2,026)                                | (8,811)           |
| Capitalized internal-use software  | (9,593)                                | (8,857)           |
| Proceeds from sale of a private company investment                               | 1,001                                  | 999               |
| Net cash used in investing activities  | <u>(125,221)</u>                       | <u>(16,669)</u>   |
| <b>Cash flows from financing activities</b>                                      |  |                   |
| Proceeds from initial public offering, net                                       | —                                      | 232,509           |
| Payments of deferred offering costs  | —                                      | (1,487)           |
| Proceeds from stock option exercises   | 41,846                                 | 440               |
| Proceeds from employee stock purchase plan                                       | 2,662                                  | —                 |
| Employee payroll taxes paid for net share settlement of restricted stock units   | —                                      | (24,566)          |
| Payments to repurchase common stock  | —                                      | (16)              |
| Repayment of debt  | (1,650)                                | (2,250)           |
| Net cash provided by financing activities  | <u>42,858</u>                          | <u>204,630</u>    |
| Effect of exchange rate changes on cash  | (435)                                  | —                 |
| <b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>     | <u>(37,565)</u>                        | <u>221,943</u>    |
| Cash, cash equivalents and restricted cash at beginning of period                | 154,371                                | 35,345            |
| Cash, cash equivalents and restricted cash at end of period                      | <u>\$ 116,806</u>                      | <u>\$ 257,288</u> |
| <b>Supplemental cash flow data:</b>  |  |                   |
| Interest paid for term debt  | \$ 10,391                              | \$ 16,445         |
| Interest paid for financing obligation on leased facility                        | \$ —                                   | \$ 6,114          |
| Cash paid for operating leases   | \$ 10,124                              | \$ —              |
| Income taxes paid  | \$ 756                                 | \$ 246            |
| <b>Non-cash investing and financing transactions:</b>                            |  |                   |
| Fair value of common stock issued as acquisition consideration                   | \$ 36,204                              | \$ —              |
| Stock compensation included in capitalized software costs                        | \$ 2,889                               | \$ 1,251          |
| Accrued unpaid capital expenditures  | \$ 277                                 | \$ 600            |
| Lease liabilities arising from obtaining right-of-use assets                     | \$ 7,548                               | \$ —              |
| Accrued unpaid payroll taxes related to net share settlement and offering costs  | \$ —                                   | \$ 6,924          |
| Derecognized financing obligation related to building due to adoption of ASC 842 | \$ 92,009                              | \$ —              |
| Derecognized building due to adoption of ASC 842                                 | \$ 71,781                              | \$ —              |

**SVMK INC.**

**RECONCILIATION OF GAAP TO NON-GAAP DATA (unaudited) <sup>(1)(2)</sup>**

**Reconciliation of GAAP to Non-GAAP (Loss) Income from Operations**

| <i>(in thousands, except percentages)</i>     | <b>Three Months Ended<br/>September 30,</b> |                 | <b>Nine Months Ended<br/>September 30,</b> |                  |
|---|---|-----------------|--|------------------|
|   | <b>2019</b>                                 | <b>2018</b>     | <b>2019</b>                                | <b>2018</b>      |
| GAAP Loss from operations                     | \$ (14,945)                                 | \$ (94,473)     | \$ (46,930)                                | \$ (107,023)     |
| GAAP Operating margin                         | (19)%                                       | (145)%          | (21)%                                      | (57)%            |
| Stock-based compensation, net                 | 14,782                                      | 98,812          | 45,047                                     | 116,104          |
| Amortization of acquisition intangible assets | 2,521                                       | 1,053           | 5,715                                      | 3,237            |
| Restructuring                                 | —   | —               | (66)                                       | 33               |
| Employer payroll taxes on Performance RSUs    | —   | 1,183           | —  | 1,183            |
| Non-GAAP Income from operations               | <u>\$ 2,358</u>                             | <u>\$ 6,575</u> | <u>\$ 3,766</u>                            | <u>\$ 13,534</u> |
| Non-GAAP Operating margin                     | 3%  | 10%             | 2%   | 7%               |

**Reconciliation of GAAP to Non-GAAP Loss and Loss per diluted share**

| <i>(in thousands, except per share amounts)</i>                             | <b>Three Months Ended<br/>September 30,</b> |                   | <b>Nine Months Ended<br/>September 30,</b> |                   |
|---|---|-------------------|--|-------------------|
|   | <b>2019</b>                                 | <b>2018</b>       | <b>2019</b>                                | <b>2018</b>       |
| GAAP Net loss   | \$ (16,310)                                 | \$ (102,362)      | \$ (52,565)                                | \$ (129,542)      |
| GAAP Net loss per diluted share   | \$ (0.12)                                   | \$ (0.99)         | \$ (0.40)                                  | \$ (1.27)         |
| Weighted-average shares used to compute GAAP net loss per diluted share     | 133,417                                     | 103,096           | 130,434                                    | 101,984           |
| Stock-based compensation, net   | 14,782                                      | 98,812            | 45,047                                     | 116,104           |
| Amortization of acquisition intangible assets                               | 2,521                                       | 1,053             | 5,715                                      | 3,237             |
| Restructuring   | —   | —                 | (66)                                       | 33                |
| Gain on sale of a private company investment                                | —   | —                 | (1,001)                                    | (999)             |
| Employer payroll taxes on Performance RSUs                                  | —   | 1,183             | —  | 1,183             |
| Income tax effect on Non-GAAP adjustments <sup>(3)</sup>                    | (1,029)                                     | 139               | (1,219)                                    | 417               |
| Non-GAAP Net loss   | <u>\$ (36)</u>                              | <u>\$ (1,175)</u> | <u>\$ (4,089)</u>                          | <u>\$ (9,567)</u> |
| Non-GAAP Net loss per diluted share   | <u>\$ —</u>                                 | <u>\$ (0.01)</u>  | <u>\$ (0.03)</u>                           | <u>\$ (0.09)</u>  |
| Weighted-average shares used to compute Non-GAAP net loss per diluted share | 133,417                                     | 103,096           | 130,434                                    | 101,984           |

(1) Please see Appendix A for explanation of non-GAAP measures used.

(2) The Company adopted ASC 842 as of January 1, 2019 on a prospective basis. Amounts presented for the three and nine months ended September 30, 2019 are under ASC 842 and amounts presented for the three and nine months ended September 30, 2018 are under ASC 840.

(3) Due to the full valuation allowance on our US deferred tax assets, there were no tax effects associated with the Non-GAAP adjustments for stock-based compensation, net, restructuring, gain on sale of a private company investment and employer payroll taxes on Performance RSUs. Non-GAAP adjustments pertain to the income tax effects of amortization of acquisition-related intangible assets and release of valuation allowance as a result of acquisitions.

SVMK INC.

RECONCILIATION OF GAAP TO NON-GAAP DATA (unaudited) <sup>(1)(2)</sup>

Calculation of Free Cash Flow and Unlevered Free Cash Flow

| <i>(in thousands)</i>                      | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2019                                | 2018             | 2019                               | 2018             |
| Net cash provided by operating activities  | \$ 23,521                           | \$ 11,951        | \$ 45,233                          | \$ 33,982        |
| Purchases of property and equipment        | (691)                               | (4,002)          | (2,026)                            | (8,811)          |
| Capitalized internal-use software          | (3,066)                             | (3,390)          | (9,593)                            | (8,857)          |
| <b>Free cash flow</b>                      | <b>\$ 19,764</b>                    | <b>\$ 4,559</b>  | <b>\$ 33,614</b>                   | <b>\$ 16,314</b> |
| Interest paid for term debt                | 3,478                               | 5,632            | 10,391                             | 16,445           |
| Employer payroll taxes on Performance RSUs | —                                   | 1,183            | —                                  | 1,183            |
| <b>Unlevered free cash flow</b>            | <b>\$ 23,242</b>                    | <b>\$ 11,374</b> | <b>\$ 44,005</b>                   | <b>\$ 33,942</b> |

Calculation of Adjusted EBITDA

| <i>(in thousands)</i>                      | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|------------------------------------|------------------|
|  | 2019                                | 2018             | 2019                               | 2018             |
| Net loss                                   | \$ (16,310)                         | \$ (102,362)     | \$ (52,565)                        | \$ (129,542)     |
| Provision for (benefit from) income taxes  | (1,320)                             | 174              | (1,802)                            | 470              |
| Other non-operating (income) expenses, net | (887)                               | 219              | (3,441)                            | (132)            |
| Interest expense                           | 3,572                               | 7,496            | 10,878                             | 22,181           |
| Depreciation and amortization              | 11,698                              | 11,468           | 32,243                             | 35,120           |
| Stock-based compensation, net              | 14,782                              | 98,812           | 45,047                             | 116,104          |
| Restructuring                              | —                                   | —                | (66)                               | 33               |
| Employer payroll taxes on Performance RSUs | —                                   | 1,183            | —                                  | 1,183            |
| <b>Adjusted EBITDA</b>                     | <b>\$ 11,535</b>                    | <b>\$ 16,990</b> | <b>\$ 30,294</b>                   | <b>\$ 45,417</b> |

(1) Please see Appendix A for explanation of non-GAAP measures used.

(2) The Company adopted ASC 842 as of January 1, 2019 on a prospective basis. Amounts presented for the three and nine months ended September 30, 2019 are under ASC 842 and amounts presented for the three and nine months ended September 30, 2018 are under ASC 840.

SVMK INC.

RECONCILIATION OF GAAP TO NON-GAAP DATA (unaudited) <sup>(1)(2)</sup>

Supplemental GAAP and Non-GAAP Information

| <i>(in thousands, except percentages)</i>         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|-----------|------------------------------------|------------|
|   | 2019                                | 2018      | 2019                               | 2018       |
| GAAP Gross profit                                 | \$ 59,691                           | \$ 41,992 | \$ 166,894                         | \$ 127,425 |
| <i>GAAP Gross margin</i>                          | 75%                                 | 64%       | 75%                                | 68%        |
| Stock-based compensation, net                     | 718                                 | 6,472     | 2,805                              | 7,776      |
| Amortization of acquisition intangible assets     | 1,557                               | 488       | 3,448                              | 1,464      |
| Employer payroll taxes on Performance RSUs        | —                                   | 103       | —                                  | 103        |
| Non-GAAP Gross profit                             | \$ 61,966                           | \$ 49,055 | \$ 173,147                         | \$ 136,768 |
| <i>Non-GAAP Gross margin</i>                      | 78%                                 | 75%       | 78%                                | 73%        |
| GAAP Research and development                     | \$ 22,718                           | \$ 51,765 | \$ 65,931                          | \$ 85,997  |
| <i>GAAP Research and development margin</i>       | 29%                                 | 79%       | 30%                                | 46%        |
| Stock-based compensation, net                     | 5,468                               | 37,490    | 15,863                             | 43,903     |
| Employer payroll taxes on Performance RSUs        | —                                   | 456       | —                                  | 456        |
| Non-GAAP Research and development                 | \$ 17,250                           | \$ 13,819 | \$ 50,068                          | \$ 41,638  |
| <i>Non-GAAP Research and development margin</i>   | 22%                                 | 21%       | 22%                                | 22%        |
| GAAP Sales and marketing                          | \$ 30,926                           | \$ 34,309 | \$ 86,665                          | \$ 71,609  |
| <i>GAAP Sales and marketing margin</i>            | 39%                                 | 53%       | 39%                                | 38%        |
| Stock-based compensation, net                     | 2,918                               | 14,496    | 8,714                              | 16,411     |
| Amortization of acquisition intangible assets     | 964                                 | 565       | 2,267                              | 1,773      |
| Employer payroll taxes on Performance RSUs        | —                                   | 228       | —                                  | 228        |
| Non-GAAP Sales and marketing                      | \$ 27,044                           | \$ 19,020 | \$ 75,684                          | \$ 53,197  |
| <i>Non-GAAP Sales and marketing margin</i>        | 34%                                 | 29%       | 34%                                | 29%        |
| GAAP General and administrative                   | \$ 20,992                           | \$ 50,391 | \$ 61,294                          | \$ 76,809  |
| <i>GAAP General and administrative margin</i>     | 26%                                 | 77%       | 27%                                | 41%        |
| Stock-based compensation, net                     | 5,678                               | 40,354    | 17,665                             | 48,014     |
| Employer payroll taxes on Performance RSUs        | —                                   | 396       | —                                  | 396        |
| Non-GAAP General and administrative               | \$ 15,314                           | \$ 9,641  | \$ 43,629                          | \$ 28,399  |
| <i>Non-GAAP General and administrative margin</i> | 19%                                 | 15%       | 20%                                | 15%        |

(1) Please see Appendix A for explanation of non-GAAP measures used.

(2) The Company adopted ASC 842 as of January 1, 2019 on a prospective basis. Amounts presented for the three and nine months ended September 30, 2019 are under ASC 842 and amounts presented for the three and nine months ended September 30, 2018 are under ASC 840.

**SVMK INC.**  
**EXPLANATION OF NON-GAAP MEASURES**

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with US GAAP ("GAAP"), we use the following Non-GAAP financial measures: Non-GAAP income from operations, Non-GAAP operating margin, Non-GAAP net loss, Non-GAAP net loss per share, Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP research and development, Non-GAAP research and development margin, Non-GAAP sales and marketing, Non-GAAP sales and marketing margin, Non-GAAP general and administrative, Non-GAAP general and administrative margin, adjusted EBITDA, free cash flow and unlevered free cash flow. Our definition for each Non-GAAP measure used is provided below, however a limitation of Non-GAAP financial measures are that they do not have uniform definitions. Accordingly, our definitions for Non-GAAP measures used will likely differ from similarly titled Non-GAAP measures used by other companies thereby limiting comparability.

With regards to the Non-GAAP guidance provided above, a reconciliation to the corresponding GAAP amounts are not provided as the quantification of certain items excluded from each respective Non-GAAP measure, which may be significant, cannot be reasonably calculated or predicted at this time without unreasonable efforts. For example, the Non-GAAP adjustment for stock-based compensation expense, net, requires additional inputs such as number of shares granted and market price that are not currently ascertainable.

*Non-GAAP income from operations, Non-GAAP operating margin:* We define Non-GAAP income from operations as GAAP loss from operations excluding stock-based compensation, net, amortization of acquisition intangible assets, restructuring costs and employer payroll taxes on Performance RSUs. Non-GAAP operating margin is defined as Non-GAAP income from operations divided by revenue.

*Non-GAAP net loss, Non-GAAP net loss per share:* We define Non-GAAP net loss as GAAP net loss excluding stock-based compensation, net, amortization of intangible assets, restructuring costs, gain on sale of a private company investment and employer payroll taxes on Performance RSUs. Non-GAAP net loss per share is defined as Non-GAAP net loss divided by the weighted-average shares outstanding.

*Non-GAAP gross profit, Non-GAAP gross margin:* We define Non-GAAP gross profit as GAAP gross profit excluding stock-based compensation, net, amortization of intangible assets and employer payroll taxes on Performance RSUs. Non-GAAP gross margin is defined as Non-GAAP gross profit divided by revenue.

*Non-GAAP research and development, Non-GAAP research and development margin:* We define Non-GAAP research and development as GAAP research and development excluding stock-based compensation, net and employer payroll taxes on Performance RSUs. Non-GAAP research and development margin is defined as Non-GAAP research and development divided by revenue.

*Non-GAAP sales and marketing, Non-GAAP sales and marketing margin:* We define Non-GAAP sales and marketing as GAAP sales and marketing excluding stock-based compensation, net, amortization of intangible assets and employer payroll taxes on Performance RSUs. Non-GAAP sales and marketing margin is defined as Non-GAAP sales and marketing divided by revenue.

*Non-GAAP general and administrative, Non-GAAP general and administrative margin:* We define Non-GAAP general and administrative as GAAP general and administrative excluding stock-based compensation, net and employer payroll taxes on Performance RSUs. Non-GAAP general and administrative margin is defined as Non-GAAP general and administrative divided by revenue.

We use these Non-GAAP measures to compare and evaluate our operating results across periods in order to manage our business, for purposes of determining executive and senior management incentive compensation, and for budgeting and developing our strategic operating plans. We believe that these Non-GAAP measures provide useful information about our operating results, enhance the overall understanding of our past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by our management in evaluating our financial performance and for operational decision making, but they are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

We have excluded the effect of the following items from the aforementioned Non-GAAP measures because they are non-cash and/or are non-recurring in nature and because we believe that the Non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance and liquidity. We further believe this measure is useful to investors in that it allows for greater transparency to certain line items in our financial statements and facilitates comparisons to historical operating results and comparisons to peer operating results. A description of the Non-GAAP adjustments for the above measures is as follows:

- Stock-based compensation, net: We incur stock based-compensation expense on a GAAP basis resulting from equity awards granted to our employees. Although stock-based compensation is a key incentive offered to our employees, and we believe such compensation contributed to the revenues earned during the periods presented and also believe it will contribute to the generation of future period revenues, we continue to evaluate our business performance excluding stock-based compensation expenses. Stock-based compensation expenses will recur in future periods.
- Amortization of intangible assets: We incur amortization expense on intangible assets on a GAAP basis resulting from prior acquisitions. Amortization of acquired intangible assets is inconsistent in amount and frequency and is significantly affected by the timing and size of any acquisitions. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of acquired intangible assets will recur in future periods.
- Restructuring: Restructuring expenses consist of employee severance and other exit costs. We believe it is useful for investors to understand the effects of these items on our total operating expenses. We expect that restructuring costs will generally diminish over time with respect to past acquisitions and/or strategic initiatives. However, we may incur these expenses in future periods in connection with any new acquisitions and/or strategic initiatives.
- Gain on sale of a private company investment: Gain on sale of a private company investment because it was recognized on a GAAP basis resulting from the sale of certain corporate assets. We expect that such transactions will be infrequent in occurrence and are therefore excluded from our Non-GAAP results as they do not otherwise relate to our core business operations.
- Employer payroll taxes on Performance RSUs: We incurred incremental employer payroll taxes on Performance RSUs during the third quarter of 2018 as a result of our initial public offering. Employer payroll taxes on Performance RSUs are excluded from our Non-GAAP results as we currently do not expect to incur expenses of a similar nature in future periods because we will no longer grant Performance RSUs where a vesting condition is our initial public offering.

For more information on the Non-GAAP financial measures, please see the “Reconciliation of GAAP to Non-GAAP Data” section of this press release. The accompanying tables provide details on the GAAP financial measures that are most directly comparable to the Non-GAAP financial measures and the related reconciliations between those financial measures.

Adjusted EBITDA: We define adjusted EBITDA as net loss excluding provision for (benefit from) income taxes, other non-operating expenses (income), net, interest expense, depreciation and amortization, stock-based compensation, net, restructuring costs and employer payroll taxes on Performance RSUs. We consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that are not indicative of the core operating performance of our business that are excluded from adjusted EBITDA. Adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures. Some of the limitations of adjusted EBITDA are that it excludes recurring expenses for interest payments, does not reflect the dilution that results from stock-based compensation, and does not reflect the cost to replace depreciated property and equipment. It may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.



*Free cash flow:* We define free cash flow as GAAP net cash provided by operating activities less purchases of property and equipment, capitalized internal-use software less employer payroll taxes on Performance RSUs. We consider free cash flow to be an important measure because it measures our liquidity after deducting capital expenditures for purchases of property and equipment and capitalized software development costs, which we believe provides a more accurate view of our cash generation and cash available to grow our business. Our free cash flow included cash payments for interest on our long-term debt of \$3.5 million and \$6.9 million, for the three and six months ended June 30, 2019, respectively, and \$5.7 million and \$10.8 million for the three and six months ended June 30, 2018, respectively. For the three and nine months ended September 30, 2018, our free cash flow also included a one-time payment for employer payroll taxes on Performance RSUs of \$1.2 million. We expect our free cash flow to increase as we reduce cash paid for interest on our long-term debt following the partial repayment of the outstanding indebtedness under our credit facilities of \$101.3 million in the fourth quarter of 2018. We expect to generate positive free cash flow over the long term. Free cash flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of free cash flow are that free cash flow does not reflect our future contractual commitments and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure.

*Unlevered free cash flow:* Unlevered free cash flow is a liquidity measure used by management in evaluating the cash generated by our operations after purchases of property and equipment and capitalized internal-use software but prior to the impact of our capital structure. The usefulness of unlevered free cash flow as an analytical tool is limited because it excludes certain items which are settled in cash, does not represent residual cash flow available for discretionary expenses, does not reflect our future contractual commitments, and is calculated differently by other companies in our industry. Accordingly, it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities.

#### **Safe Harbor Statement**

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This press release may contain forward-looking statements about our products, including our investments in products, technology and other key strategic areas. The achievement of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any of these risks or uncertainties materialize or if any of the assumptions prove incorrect, the company’s results could differ materially from the results expressed or implied by the forward-looking statements the company makes.

The risks and uncertainties referred to above include - but are not limited to - risks related to our ability to retain and upgrade customers; our revenue growth rate; our brand; our marketing strategies; our self-serve business model; the length of our sales cycles; the growth and development of our salesforce; security measures; expectations regarding our ability to timely and effectively scale and adapt existing technology and network infrastructure to ensure that our products and services are accessible at all times; competition; our debt; revenue recognition; our ability to manage our growth; our culture and talent; our data centers; privacy, security and data transfer concerns, as well as changes in regulations, which could impact our ability to serve our customers or curtail our monetization efforts; litigation and regulatory issues; expectations regarding the return on our strategic investments; execution of our plans and strategies, including with respect to mobile products and features and expansion into new areas and businesses; our international operations; intellectual property; the application of U.S. and international tax laws on our tax structure and any changes to such tax laws; acquisitions we have made or may make in the future; the price volatility of our common stock; and general economic conditions.

Further information on these and other factors that could affect our financial results is included in filings it makes with the Securities and Exchange Commission from time to time, including the section entitled “Risk Factors” in the Form 10-Q that will be filed for the quarter ended September 30, 2019, which should be read in conjunction with these financial results. These documents are or will be available on the SEC Filings section of our Investor Relations website page at [investor.surveymonkey.com](http://investor.surveymonkey.com). All information provided in this release and in the attachments is as of November 7, 2019, and we undertake no obligation to update this information.