
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): May 3, 2018

BlackLine, Inc

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-37924
(Commission File Number)

46-3354276
(I.R.S. Employer Identification Number)

**21300 Victory Boulevard, 12th Floor
Woodland Hills, CA 91367**
(Address of principal executive offices, including zip code)

(818) 223-9008
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 3, 2018, BlackLine, Inc. (the “Company”) issued a press release and will hold a conference call announcing its financial results for the first quarter ended March 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The Company refers to non-GAAP financial information in both the press release and the conference call. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in the attached press release.

This information is intended to be furnished under Item 2.02 of Form 8-K, “Results of Operations and Financial Condition” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

Exhibit Number Description

[99.1](#) [Press release issued on May 3, 2018.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BlackLine, Inc

Date: May 3, 2018

By: /s/ Mark Partin
Name: Mark Partin
Title: Chief Financial Officer

Blackline Announces First Quarter Financial Results

LOS ANGELES, May 03, 2018 (GLOBE NEWSWIRE) – BlackLine, Inc. (Nasdaq:BL), today announced financial results for the first quarter ended March 31, 2018.

Therese Tucker, Founder and CEO, commented, “The first quarter was a good start to the year and we are pleased with our solid results. We continue to see strong demand globally and a large and growing market opportunity ahead of us as companies across all industries increasingly look to modernize, automate and transform their businesses. We remain focused on executing our top initiatives for the year to capitalize on our opportunities and build a strong foundation as BlackLine scales.”

First Quarter 2018 Financial Highlights

- Total GAAP revenues of \$51.3 million for the first quarter of 2018, an increase of 34% compared to the first quarter of 2017.
- GAAP net loss of \$7.2 million, or \$0.13 per share, on 53.2 million weighted average shares outstanding.
- Non-GAAP net income of \$0.3 million, or \$0.01 per share, on 56.5 million diluted weighted average shares outstanding. This compares with non-GAAP net loss of \$1.6 million in the first quarter of 2017.
- Operating cash flow of \$1.8 million, compared with (\$1.7) million in the first quarter of 2017.
- Free cash flow of (\$1.5) million, compared with (\$3.3) million in the first quarter of 2017.

Key Metrics and Recent Business Highlights

- Added 89 net new customers in the first quarter for a total of 2,297 customers at March 31, 2018.
- Expanded the company’s user base to a total of 202,098 BlackLine users at March 31, 2018.
- Achieved a dollar-based net revenue retention rate of 110% at March 31, 2018.

Financial Outlook

Second Quarter 2018

- Total GAAP revenue is expected to be in the range of \$53 million to \$54 million.
- Non-GAAP net loss is expected to be in the range of \$1.1 million to \$0.1 million, or \$0.02 to \$0.00 per share on 53.7 million weighted average shares outstanding.

Full Year 2018

- Total GAAP revenue is expected to be in the range of \$222 million to \$225 million.
- Non-GAAP net income is expected to be in the range of \$0.5 million to \$1.5 million, or \$0.01 to \$0.03 per share, on 57.0 million diluted weighted average shares outstanding.

BlackLine adopted the new revenue standard, ASC 606, effective January 1, 2018 and its guidance for the second quarter and full year 2018 is according to the new standard. The company adopted the new revenue standard on a full retrospective basis such that prior periods presented are comparable. Guidance for non-GAAP net income (loss) and net income (loss) per share does not include the impact of the benefit from income taxes that we were able to recognize as a result of the deferred tax liabilities associated with the intangible assets established upon the acquisition in the fourth quarter of 2016 of Runbook B.V. (the “Runbook Acquisition”), amortization of acquired intangible assets resulting from the acquisition of the company by its principal stockholders in 2013 (the “2013 Acquisition”) and the Runbook Acquisition, stock-based compensation, the change in fair value of contingent consideration, costs incurred in connection with our secondary offering, and costs incurred with our shelf offering. Reconciliations of non-GAAP net income (loss) and net income (loss) per share guidance to the most directly comparable U.S. GAAP measures, or net income (loss) and net income (loss) per share, are not available on a forward-looking basis without unreasonable efforts due to the unpredictability and complexity of the charges excluded from non-GAAP net income (loss) and net income (loss) per share. The company expects the variability of the above changes could have a significant, and potentially unpredictable, impact on its future GAAP net income (loss) and net income (loss) per share.

Quarterly Conference Call

BlackLine, Inc. will hold a conference call to discuss its first quarter results at 2:00 p.m. Pacific time on Thursday, May 3, 2018. A live audio webcast will be accessible on BlackLine’s investor relations website at <http://investors.blackline.com>. The call can also be accessed domestically at (844) 229-7595 and internationally at (314) 888-4260, passcode 3497637. A telephonic replay will be available through Friday, May 11, 2018 at (855) 859-2056 or (404) 537-3406, passcode 3497637. A replay of the webcast will be available at <http://investors.blackline.com> for 12 months. BlackLine has used, and intends to continue to use, its Investor Relations website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

About BlackLine

BlackLine, Inc. is a provider of cloud-based solutions for Finance & Accounting (F&A) that automate, centralize and streamline financial close operations and other key F&A processes for large and midsize organizations. BlackLine’s platform is used by over 2,200 customers worldwide, spanning more than 200,000 users across approximately 150 countries. For more information about BlackLine, Inc., visit <https://www.blackline.com/>.

Forward-looking Statements

This release and the conference call referenced above contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “would,” “continue,” “ongoing” or the negative of these terms or other comparable terminology. Forward-looking statements in this release and quarterly conference call include, but are not limited to, statements regarding BlackLine’s future financial and operational performance, including, without limitation, GAAP and non-GAAP guidance, our expectations for our business in 2018 and our ability to execute on our long-term plans and key initiatives, expectations regarding dollar-based net revenue

retention rate, free cash flow, gross margin, revenue mix, operating expenses and capital expenditures, the impact of ASC 606 on the company's financial results, the company's expectation that it will have positive cash flows and profitability in a specified time period, the impact of seasonality on the company's financial results, market opportunity, the demand for and benefits from the use of BlackLine's current and future solutions, growth strategies including international expansion, customer growth, extension of distribution channels and product innovation, expansion of relationships with partners, customer service initiatives and expectations regarding deal size and increased focus on strategic products.

Any forward-looking statements contained in this press release or the quarterly conference call are based upon BlackLine's historical performance and its current plans, estimates and expectations and are not a representation that such plans, estimates, or expectations will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith beliefs and assumptions as of that time with respect to future events, and are subject to risks and uncertainties. If any of these risks or uncertainties materialize or if any assumptions prove incorrect, actual performance or results may differ materially from those expressed in or suggested by the forward looking statements. These risks and uncertainties include, but are not limited to risks related to the company's ability to attract new customers and expand sales to existing customers; the extent to which customers renew their subscription agreements or increase the number of users; the company's ability to manage growth and scale effectively, including additional headcount and entry into new geographies; the company's ability to provide successful enhancements, new features and modifications to its software solutions; the company's ability to develop new products and software solutions and the success of any new product and service introductions; the success of the company's strategic relationships with technology vendors and business process outsourcers, channel partners and alliance partners; any breaches of the company's security measures; a disruption in the company's hosting network infrastructure; costs and reputational harm that could result from defects in the company's solution; the loss of any key employees; continued strong demand for the company's software in the United States, Europe, Asia Pacific and Latin America; the company's ability to compete as the financial close management provider for organizations of all sizes; the timing and success of solutions offered by competitors; changes in the proportion of the company's customer base that is comprised of enterprise or mid-sized organizations; the company's ability to expand its enterprise and mid-market sales teams and effectively manage its sales forces and their performance and productivity; fluctuations in our financial results due to long and increasingly variable sales cycles, failure to protect the company's intellectual property; the company's ability to integrate acquired businesses and technologies successfully or achieve the expected benefits of such transactions; unpredictable macro-economic conditions; seasonality; changes in current tax or accounting rules; cyber attacks and the risk that the company's security measures may not be sufficient to secure its customer or confidential data adequately; acts of terrorism or other vandalism, war or natural disasters; and other risks and uncertainties described in the other filings we make with the Securities and Exchange Commission from time to time, including the risks described under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission on March 8, 2018. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. Forward-looking statements should not be read as a guarantee of future performance or results, and you should not place undue reliance on such statements. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Use of Non-GAAP Financial Measures

To supplement its consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles, or GAAP, BlackLine has provided in this release and the quarterly conference call held on May 3, 2018 certain financial measures that have not been prepared in accordance with GAAP defined as "non-GAAP financial measures," which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin, (iii) non-GAAP operating expenses, (iv) non-GAAP income (loss) from operations, (v) non-GAAP net income (loss) and non-GAAP net income (loss) per share, and (vi) free cash flow.

BlackLine's management uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to the corresponding GAAP measures, in evaluating BlackLine's ongoing operational performance and trends and in comparing its financial measures with other companies in the same industry, many of which present similar non-GAAP financial measures to help investors understand the operational performance of their businesses. However, it is important to note that the particular items BlackLine excludes from, or includes in, its non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of the non-GAAP financial measures to such GAAP measures has been provided in the tables included as part of this press release.

Non-GAAP Gross Profit and Non-GAAP Gross Margin. Non-GAAP gross profit is defined as non-GAAP revenues less GAAP cost of revenue adjusted for the impact of purchase accounting resulting from the Runbook Acquisition, the amortization of acquired developed technology resulting from the 2013 Acquisition and the Runbook Acquisition, and stock-based compensation. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. BlackLine believes that presenting non-GAAP gross margin is useful to investors as it eliminates the impact of certain non-cash expenses and allows a direct comparison of gross margin between periods.

Non-GAAP Operating Expenses. Non-GAAP operating expenses include (a) non-GAAP sales and marketing expense, (b) non-GAAP research and development expense and (c) non-GAAP general and administrative expense. Non-GAAP sales and marketing expense is defined as GAAP sales and marketing expense adjusted for the amortization of acquired intangibles resulting from the 2013 Acquisition and the Runbook Acquisition and stock-based compensation. Non-GAAP research and development expense is defined as GAAP research and development expense adjusted for stock-based compensation. Non-GAAP general and administrative expense is defined as GAAP general and administrative expense as adjusted for the amortization of acquired intangibles resulting from the 2013 Acquisition and Runbook Acquisition, stock-based compensation, the change in fair value of contingent consideration, acquisition costs related to the Runbook Acquisition, costs incurred in connection with our secondary offering, and costs incurred in connection with our shelf offering. BlackLine believes that presenting each of the non-GAAP operating expenses is useful to investors as it eliminates the impact of certain cash and non-cash expenses and allows a direct comparison of operating expenses between periods.

Non-GAAP Income (Loss) from Operations. Non-GAAP income (loss) from operations is defined as GAAP income (loss) from operations adjusted for the impact of purchase accounting to revenues resulting from the Runbook Acquisition, the amortization of acquired intangible assets resulting from the 2013 Acquisition and the Runbook Acquisition, stock-based compensation, the change in fair value of contingent consideration, acquisition costs related to the Runbook Acquisition, costs incurred in connection with our secondary offering, and costs incurred in connection with our shelf offering. The company believes that presenting non-GAAP income (loss) from operations is useful to investors as it eliminates the impact of items that have been impacted by the 2013 Acquisition and the Runbook Acquisition, purchase accounting and other related costs in order to allow a direct comparison of loss from operations between all periods presented.

Non-GAAP Net Income (Loss). Non-GAAP net income (loss) is defined as GAAP net income (loss) adjusted for the impact of the benefit from income taxes that we were able to recognize as a result of the deferred tax liabilities associated with the intangible assets established upon the 2013 Acquisition and the Runbook Acquisition, the impact of purchase accounting to revenues resulting from the Runbook Acquisition, amortization of acquired intangible assets resulting from the 2013 Acquisition and the Runbook Acquisition, stock-based compensation, accretion of debt discount pertaining to the former debt facility, accretion of warrant discount relating to warrants issued in connection with the former debt facility, the change in the fair value of contingent consideration, the change in fair value of the common stock warrant liability, acquisition costs related to the Runbook Acquisition, costs incurred in connection with our secondary offering, and costs incurred in connection with our shelf offering. Non-GAAP diluted net income (loss) per common share includes the adjustment for shares resulting from the elimination of stock-based compensation. The company believes that presenting non-GAAP net income (loss) is useful to investors as it eliminates the impact of items that have been impacted by the 2013 Acquisition and the Runbook Acquisition, purchase accounting and other related costs in order to allow a direct comparison of net loss between all periods presented.

Free Cash Flow. Free cash flow is defined as cash flows used in operating activities less cash flows used in investing activities related to purchase of property and equipment and capitalized software development. BlackLine believes that presenting free cash flow is useful to investors as it provides a measure of the company's liquidity used by management to evaluate the amount of cash generated by the company's business including the impact of purchases of property and equipment and cost of capitalized software development.

Use of Operating Metrics

BlackLine has provided in this release and the quarterly conference call held on May 3, 2018 certain operating metrics, including (i) number of customers, (ii) number of users and (iii) dollar-based net revenue retention rate, which BlackLine uses to evaluate its business, measure its performance, identify trends affecting its business, formulate financial projections and make strategic decisions. These operating metrics exclude the impact of Runbook licensed customers and users as these customers did not have an active subscription agreement with BlackLine as of March 31, 2018.

Dollar-based Net Revenue Retention Rate. Dollar-based net revenue retention rate is calculated as the implied monthly subscription and support revenue at the end of a period for the base set of customers from which the company generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription and support revenue one year prior to the date of calculation for that same customer base. This calculation does not reflect implied monthly subscription and support revenue for new customers added during the one-year period but does include the effect of customers who terminated during the period. Implied monthly subscription and support revenue is defined as the total amount of minimum subscription and support revenue contractually committed to, under each of BlackLine's customer agreements over the entire term of the agreement, divided by the number of months in the term of the agreement. BlackLine believes that dollar-based net revenue retention rate is an important metric to measure the long-term value of customer agreements and the company's ability to retain and grow its relationships with existing customers over time.

Number of Customers. A customer is defined as an entity with an active subscription agreement as of the measurement date. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. BlackLine believes that its ability to expand its customer base is an indicator of the company's market penetration and the growth of its business.

Number of Users. Since BlackLine's customers generally pay fees based on the number of users of its platform within their organization, the company believes the total number of users is an indicator of the growth of its business.

Media Contact:

BlackLine
Kimberly Uberti
Kimberly.uberti@blackline.com

Investor Relations Contact:

The Blueshirt Group
Maria Riley
415.217.7722
maria@blueshirtgroup.com

BlackLine, Inc.
Consolidated Balance Sheets
(in thousands)
(unaudited)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
		*As Adjusted
ASSETS		
Cash and cash equivalents	\$ 30,864	\$ 31,104
Marketable securities	83,168	81,476
Accounts receivable, net of allowance	57,019	61,918
Prepaid expenses and other current assets	15,625	13,956
Total current assets	<u>186,676</u>	<u>188,454</u>
Capitalized software development costs, net	7,557	6,824

Property and equipment, net	13,280	12,769
Intangible assets, net	37,485	40,808
Goodwill	185,138	185,138
Other assets	28,379	26,820
Total assets	<u>\$ 458,515</u>	<u>\$ 460,813</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 6,566	\$ 7,254
Accrued expenses and other current liabilities	12,240	20,874
Deferred revenue	110,733	104,184
Short-term portion of contingent consideration	2,008	2,008
Total current liabilities	<u>131,547</u>	<u>134,320</u>
Contingent consideration	3,970	3,858
Deferred tax liabilities	1,501	1,743
Deferred revenue, noncurrent	477	468
Other long-term liabilities	3,459	3,119
Total liabilities	<u>140,954</u>	<u>143,508</u>
Stockholders' equity:		
Common stock	535	530
Additional paid-in capital	427,104	419,628
Accumulated other comprehensive loss	(133)	(63)
Accumulated deficit	(109,945)	(102,790)
Total stockholders' equity	<u>317,561</u>	<u>317,305</u>
Total liabilities and stockholders' equity	<u>\$ 458,515</u>	<u>\$ 460,813</u>

*Prior-period information has been adjusted for the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, which we adopted on January 1, 2018.

BlackLine, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Quarter Ended March 31,	
	2018	2017 *As Adjusted
Revenues		
Subscription and support	\$ 48,625	\$ 36,558
Professional services	2,659	1,623
Total revenues	<u>51,284</u>	<u>38,181</u>
Cost of revenues		
Subscription and support	9,381	7,755
Professional services	2,225	1,455
Total cost of revenues	<u>11,606</u>	<u>9,210</u>
Gross profit	<u>39,678</u>	<u>28,971</u>
Operating expenses		
Sales and marketing	29,227	21,820

Research and development	6,929	5,948
General and administrative	11,082	8,253
Total operating expenses	47,238	36,021
Loss from operations	(7,560)	(7,050)
Other income (expense)		
Interest income	389	224
Interest expense	(4)	(4)
Change in fair value of the common stock warrant liability	—	(1,000)
Other income (expense), net	385	(780)
Loss before income taxes	(7,175)	(7,830)
Benefit from income taxes	(20)	(145)
Net loss	\$ (7,155)	\$ (7,685)
Basic net loss per share:		
Basic net loss per share	\$ (0.13)	\$ (0.15)
Shares used to calculate basic net loss per share	53,151	51,282
Diluted net loss per share:		
Diluted net loss per share	\$ (0.13)	\$ (0.15)
Shares used to calculate diluted net loss per share	53,151	51,282

*Prior-period information has been adjusted for the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, which we adopted on January 1, 2018.

BlackLine, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Quarter Ended	
	March 31,	
	2018	2017
	*As Adjusted	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,155)	\$ (7,685)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,394	4,791
Change in fair value of common stock warrant liability	-	1,000
Change in fair value of contingent consideration	112	93
Stock-based compensation	3,974	1,849
(Accretion)/amortization of purchase discounts/premiums on marketable securities, net	(67)	63
Net foreign currency (gains) losses	(59)	-
Deferred income taxes	(242)	(235)
Provision for doubtful accounts receivable	(51)	-
Changes in operating assets and liabilities, net of effects of the acquisition:		
Accounts receivable	5,058	(1,595)
Prepaid expenses and other current assets	(1,891)	(1,277)
Other assets	(1,285)	(1,434)
Accounts payable	(929)	(3,253)
Accrued expenses and other current liabilities	(7,935)	(2,469)

Deferred revenue	6,558	8,422
Other long-term liabilities	340	25
Net cash provided by (used in) operating activities	<u>1,822</u>	<u>(1,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(30,175)	-
Proceeds from maturities of marketable securities	28,480	5,200
Capitalized software development costs	(1,653)	(1,083)
Purchases of property and equipment	(1,634)	(488)
Net cash provided by (used in) investing activities	<u>(4,982)</u>	<u>3,629</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(443)	(549)
Proceeds from exercises of stock options	3,453	65
Repurchases of common stock	(16)	-
Payments of initial public offering costs	-	(110)
Net cash provided by (used in) financing activities	<u>2,994</u>	<u>(594)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(166)	1,330
Cash, cash equivalents, and restricted cash, beginning of period	31,504	22,518
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 31,338</u>	<u>\$ 23,848</u>
Cash and cash equivalents	\$ 30,864	\$ 23,448
Restricted cash included within prepaid expenses and other current assets	200	-
Restricted cash included within other assets	274	400
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 31,338</u>	<u>\$ 23,848</u>

*Prior-period information has been adjusted for the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash (Topic 230)*, both of which we adopted on January 1, 2018.

BlackLine, Inc.
Reconciliations of Non-GAAP Financial Measures
(in thousands, except percentages and per share data)
(unaudited)

	Quarter Ended	
	March 31,	
	<u>2018</u>	<u>2017</u>
	*As Adjusted	
Non-GAAP Gross Profit		
Gross profit	\$ 39,678	\$ 28,971
Amortization of developed technology	1,715	1,704
Stock-based compensation	838	250
Total Non-GAAP Gross Profit	<u>\$ 42,231</u>	<u>\$ 30,925</u>
Gross margin	77.4%	75.9%
Non-GAAP gross margin	82.3%	81.0%

Non-GAAP Operating Income (Loss):		
Loss from operations	\$ (7,560)	\$ (7,050)
Amortization of intangible assets	3,323	3,330
Stock-based compensation	3,974	1,849
Change in fair value of contingent consideration	112	93
Shelf offering costs	177	-
Total non-GAAP operating income (loss)	\$ 26	\$ (1,778)
Non-GAAP Net Income (Loss)		
Net loss	\$ (7,155)	\$ (7,685)
Benefit from income taxes	(125)	(235)
Amortization of intangible assets	3,323	3,330
Stock-based compensation	3,974	1,849
Change in fair value of contingent consideration	112	93
Change in fair value of the common stock warrant liability	-	1,000
Shelf offering costs	177	-
Total non-GAAP net income (loss)	\$ 306	\$ (1,648)
Basic non-GAAP net income (loss) per share:		
Basic non-GAAP net income (loss) per share	\$ 0.01	\$ (0.03)
Shares used to calculate basic non-GAAP net income (loss) per share	53,151	51,282
Diluted non-GAAP net income (loss) per share:		
Diluted non-GAAP net income (loss) per share	\$ 0.01	\$ (0.03)
Shares used to calculate diluted non-GAAP net income (loss) per share	56,477	51,282

*Prior-period information has been adjusted for the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, which we adopted on January 1, 2018.

	Quarter Ended March 31,	
	2018	2017
		*As Adjusted
Non-GAAP Sales and Marketing Expense:		
Sales and marketing expense	\$ 29,227	\$ 21,820
Amortization of intangible assets	(969)	(965)
Stock-based compensation	(1,437)	(660)
Total non-GAAP sales and marketing expense	\$ 26,821	\$ 20,195
Non-GAAP Research and Development Expense:		
Research and development expense	\$ 6,929	\$ 5,948
Stock-based compensation	(429)	(83)
Total non-GAAP research and development expense	\$ 6,500	\$ 5,865
Non-GAAP General and Administrative Expense:		
General and administrative expense	\$ 11,082	\$ 8,253
Amortization of intangible assets	(639)	(661)
Stock-based compensation	(1,270)	(856)
Change in fair value of contingent consideration	(112)	(93)
Shelf offering costs	(177)	-
Total non-GAAP general and administrative expense	\$ 8,884	\$ 6,643

Total Non-GAAP Operating Expenses	<u>\$ 42,205</u>	<u>\$ 32,703</u>
Free Cash Flow		
Net cash provided by (used in) operating activities	\$ 1,822	\$ (1,705)
Capitalized software development costs	(1,653)	(1,083)
Purchases of property and equipment	(1,634)	(488)
Free cash flow	<u>\$ (1,465)</u>	<u>\$ (3,276)</u>

*Prior-period information has been adjusted for the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*, and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash (Topic 230)*, both of which we adopted on January 1, 2018.