

servicenow™

Investor Presentation

Third Quarter 2018

Safe Harbor and Other Information

This presentation contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed strategy, future operations, financing plans, operating model, financial position, future revenues, projected costs, competitive position, industry environment, potential growth opportunities, potential market opportunities, plans and objectives of management, the effects of competition on our business and customer trends.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipates,” “believes,” “could,” “seeks,” “estimates” (including, without limitation, financial estimates denoted with an “E,” such as FY18E), “targets,” “guidance,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “prospects,” “projects,” “should,” “will,” “would” or similar expressions and the negatives of those terms, although not all forward-looking statements contain these identifying words.

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. We cannot guarantee that we will achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

Forward-looking statements represent our management’s beliefs and assumptions only as of the date of this presentation. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts’ expectations, or to provide interim reports or updates on the progress of the current financial quarter. Further information on these and other factors that could affect our financial results are included in the filings we make with the Securities and Exchange Commission (the “SEC”), including those discussed in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

This presentation includes certain non-GAAP financial measures and the corresponding growth rates as defined by SEC rules. For additional information, see the slide titled “Statement Regarding Use of Non-GAAP Financial Measures.” Terms such as “Annual Contract Value,” “Average Contract Term,” “Renewal Rate,” and “G2K Customer” shall have the meanings set forth in our filings with the SEC.

The information in this presentation on new products, features, or functionality is intended to outline our general product direction and should not be relied upon in making a purchasing decision. The information on new products, features, and functionality is for informational purposes only and shall not be incorporated into any contract. The information on new products, features, and functionality is not a commitment, promise, or legal obligation to deliver any material, code or functionality. The development, release, and timing of any features or functionality described for our products remains at our sole discretion.

The comparison period amounts and the related growth rates included in this presentation have been adjusted from previously reported amounts to reflect the impact of the full retrospective adoption of Topic 606.

Statement Regarding Use of Non-GAAP Financial Measures

We report non-GAAP financial measures in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

We present revenues adjusted for constant currency and corresponding growth rates to provide a framework for assessing how our business performed excluding the effect of foreign currency rate fluctuations. To present this information, current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period. We believe the presentation of revenues adjusted for constant currency facilitates the comparison of revenues year-over-year.

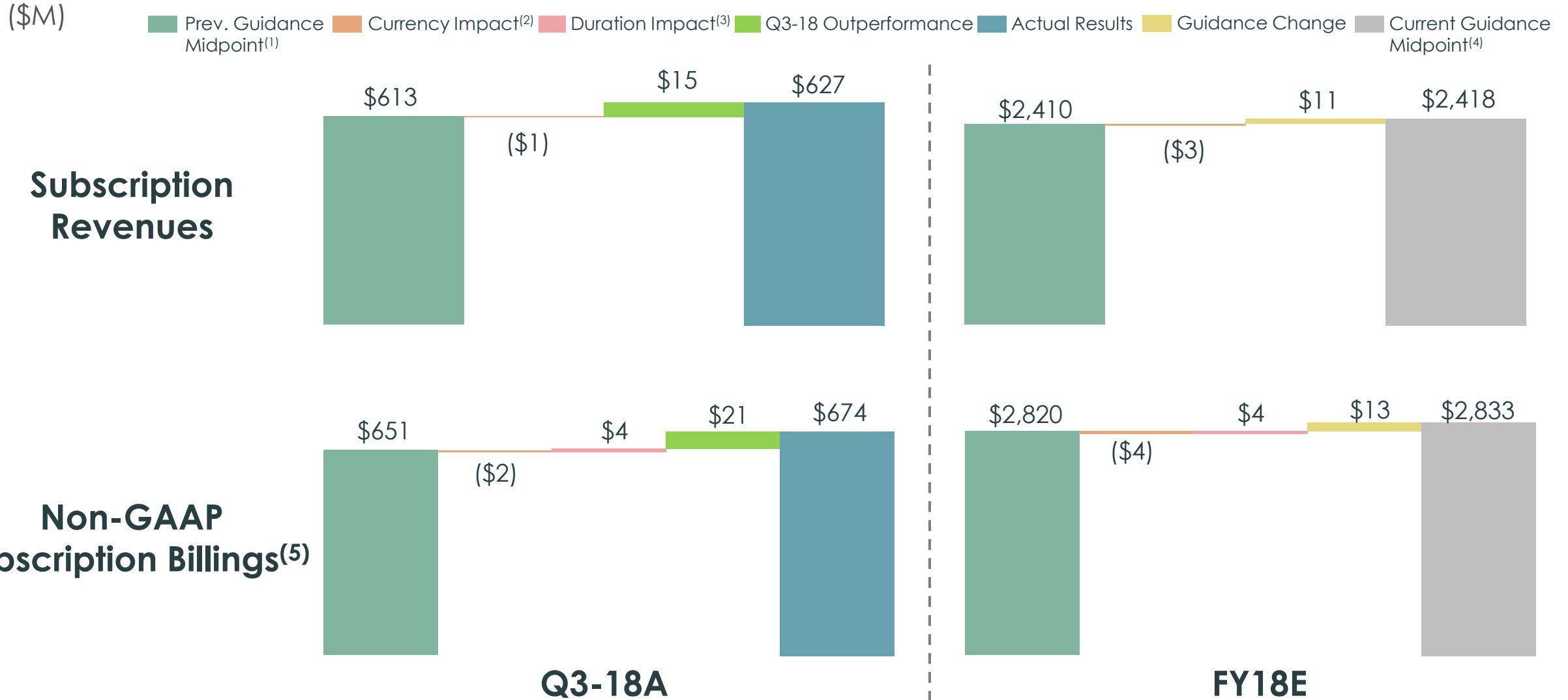
We believe billings is a useful leading indicator regarding the performance of our business. We define subscription billings, professional services and other billings, and total billings as the applicable revenue plus the applicable change in deferred revenue, unbilled receivables and customer deposits as presented or derived from the statement of cash flows. While we typically bill customers annually for our subscription services, customers sometimes request, and we accommodate, multiyear billings, which are billings with durations in excess of the typical 12 month term. Accordingly, to facilitate greater comparability in our billings information, in presenting billings under either definition, we adjust for constant currency, as described above, and adjust for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented.

Our non-GAAP presentation of gross profit, income from operations and net income measures exclude stock-based compensation expense, amortization of debt discount and issuance costs related to the convertible senior notes, loss on early note conversions, amortization of purchased intangibles, legal settlements, business combination and other related costs, and the related income tax effect of these adjustments. We believe the presentation of operating results that exclude these non-cash or non-recurring items provides useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by (used in) operating activities plus cash paid for legal settlements and repayments of convertible senior notes attributable to debt discount, reduced by purchases of property and equipment. Free cash flow margin is calculated as free cash flow as a percentage of total revenues. We believe information regarding free cash flow and free cash flow margin provides useful information to investors because it is an indicator of the strength and performance of our business operations. However, our calculation of free cash flow and free cash flow margin may not be comparable to similar measures used by other companies.

We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand our business. Please see the tables included at the end of this presentation for the reconciliation of GAAP and non-GAAP results.

Outperformed Q3 Guidance, Raising Full-Year Guidance



(1) Refers to previously issued financial guidance dated 7/25/18.

(2) In our guidance, we assume an average daily currency exchange rate for the guidance period based on the rates at the end of the prior quarter for entities reporting in currencies other than U.S. Dollars. Currency impact represents the sum of (i) the impact of the difference between the actual average rates in the period used to calculate our Q3-2018 actual results and the rates as of June 30, 2018 assumed in our previously issued guidance dated July 25, 2018 plus (ii) the impact of the difference between the exchange rates in effect as of September 30, 2018 assumed in our updated full-year guidance, and the rates as of June 30, 2018 assumed in our previously issued guidance dated July 25, 2018.

(3) Represents the impact of billings greater than 12 months in excess of guidance assumptions.

(4) Refers to issued financial guidance dated 10/24/18.

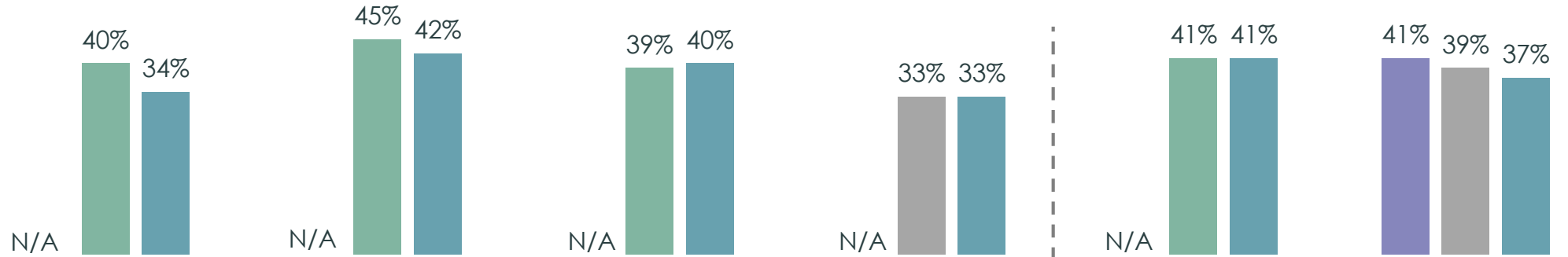
(5) Billings figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for presentation purposes.

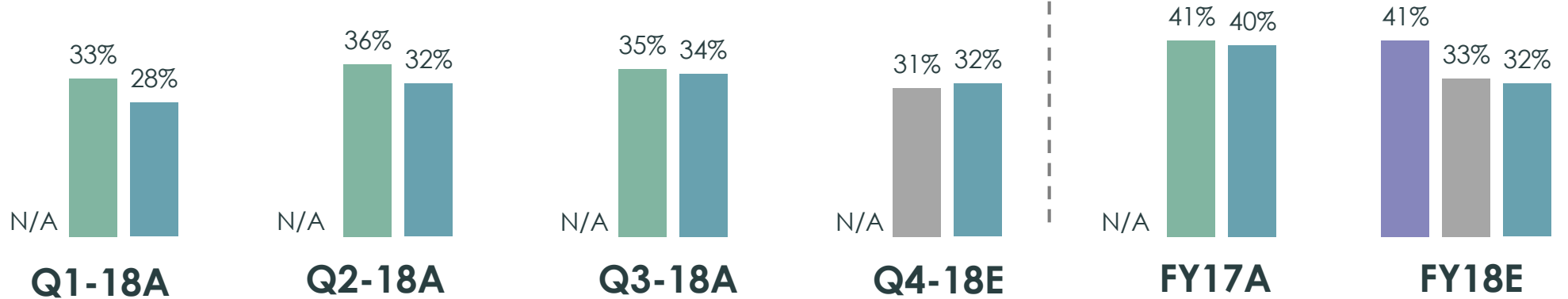
Year-Over-Year Subscription Revenues and Billings Growth

■ Previous Year Growth
 ■ Actual Growth
 ■ Guidance Midpoint Growth
 ■ Non-GAAP Adjusted Growth⁽³⁾
 Sub Rev: Constant Currency⁽¹⁾
 Sub Billings : Constant Currency + Constant Duration⁽¹⁾⁽²⁾

Subscription Revenues



Non-GAAP Subscription Billings⁽³⁾



(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

(2) Subscription billings results and guidance are adjusted for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented.

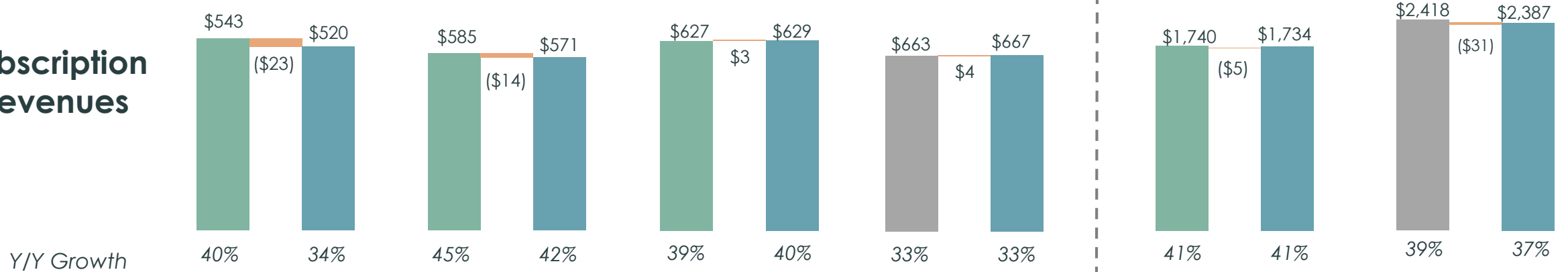
(3) Adjusted subscription revenues, subscription billings and adjusted subscription billings growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

Note: Numbers rounded for presentation purposes.

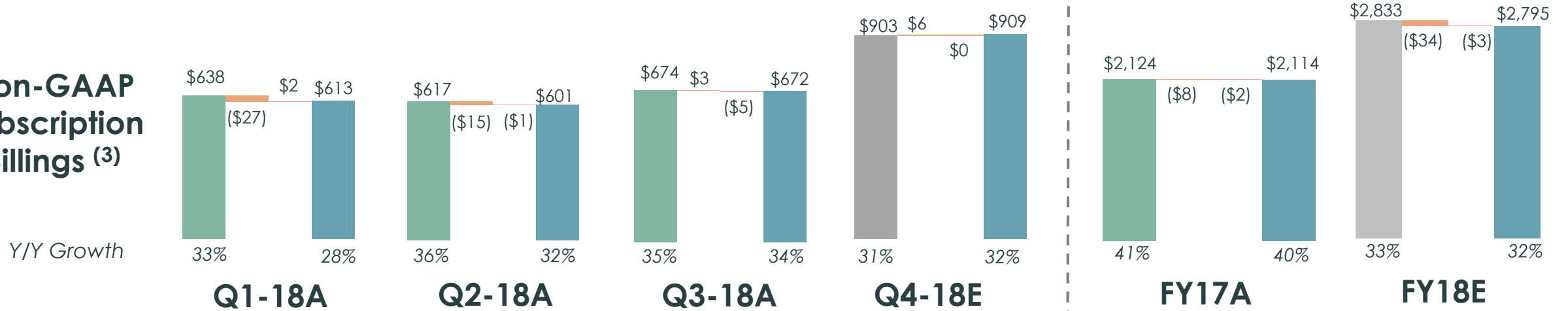
Currency and Duration Impact to Year-Over-Year Sub. Revenues and Billings

■ Actuals
 ■ Guidance Midpoint
 ■ Currency Impact⁽¹⁾
■ Duration Impact⁽²⁾
■ Non-GAAP Adjusted Sub. Revenues and Sub. Billings⁽³⁾

Subscription Revenues



Non-GAAP Subscription Billings⁽³⁾



(1) Current period results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect during the prior period presented, rather than the actual exchange rates in effect during the current period.

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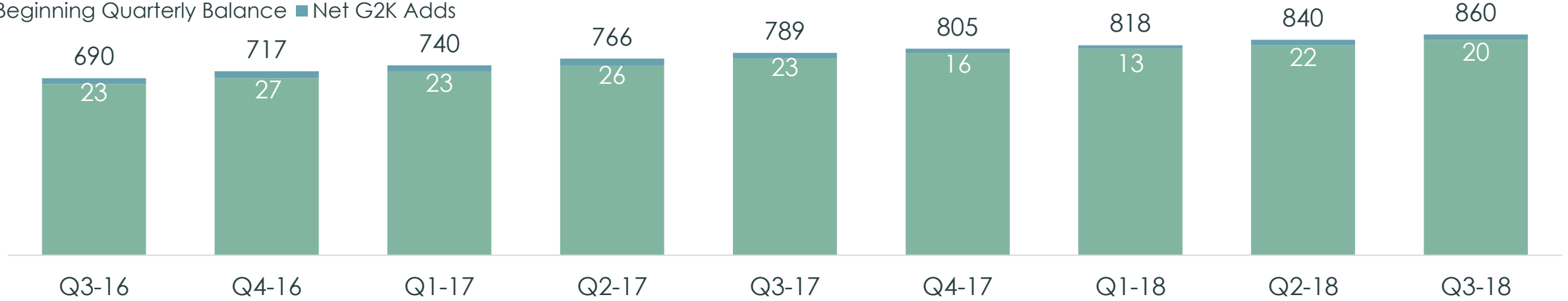
(3) Adjusted subscription revenues, subscription billings and adjusted subscription billings and the related growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

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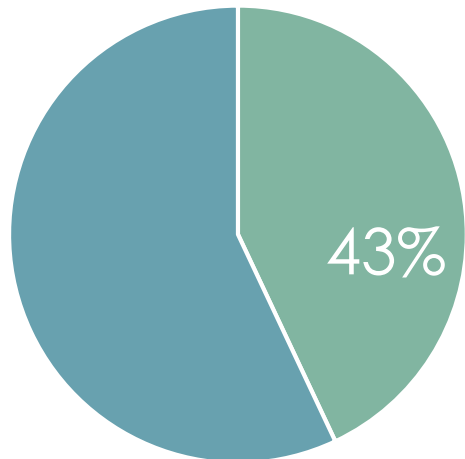
Landing New Customers is a Key Growth Driver...

Number of G2K Customers

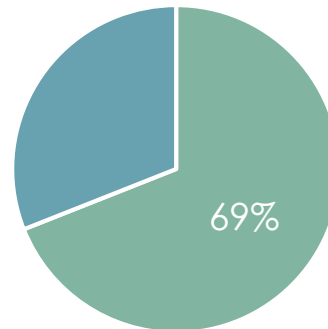
■ Beginning Quarterly Balance ■ Net G2K Adds



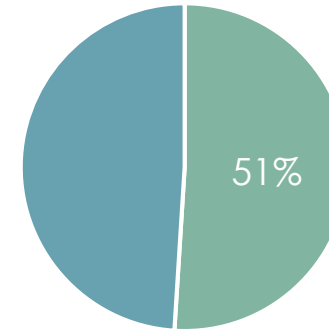
G2K Penetration



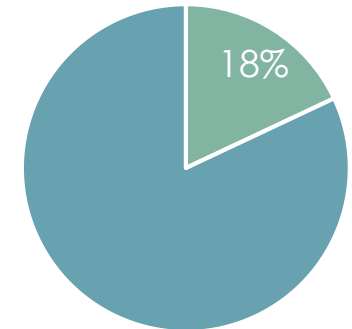
North America



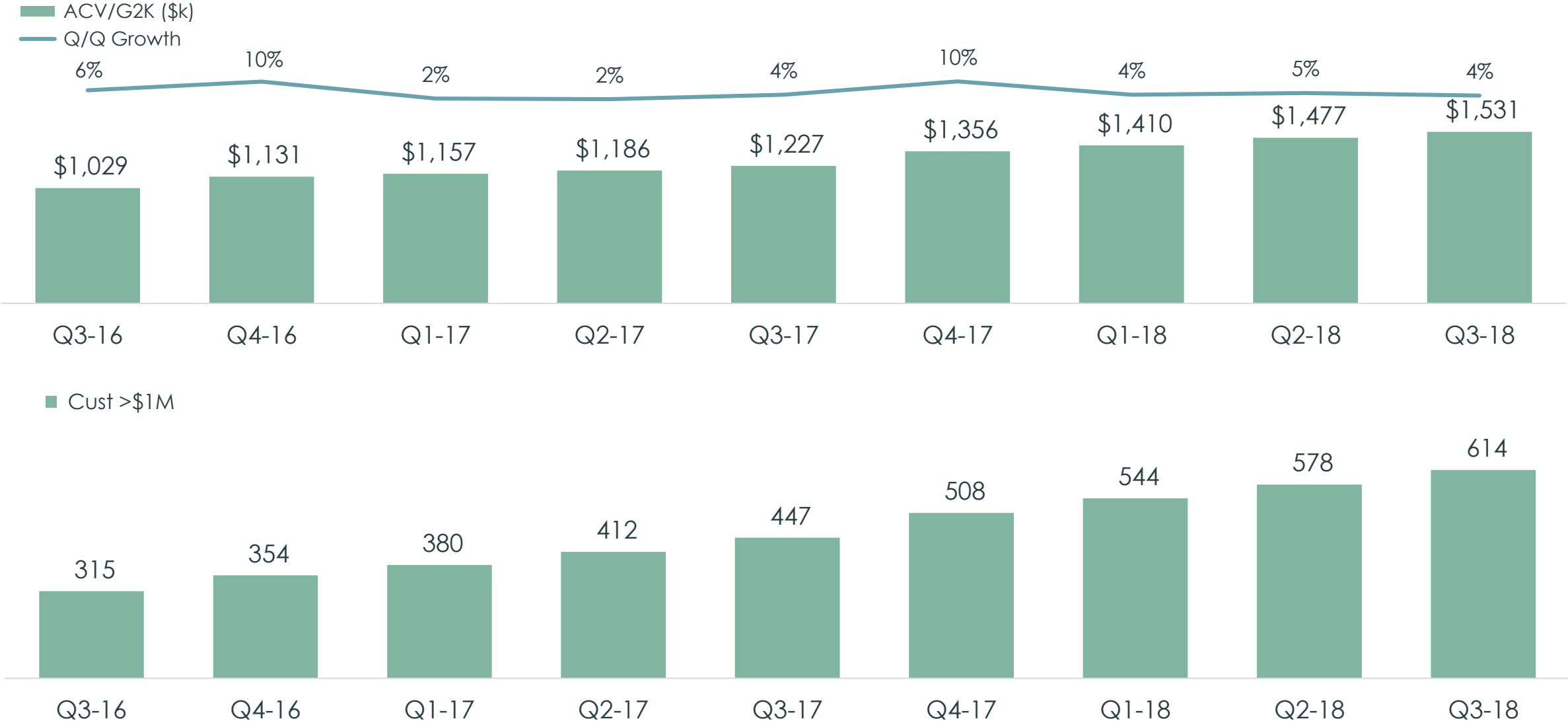
EMEA



APAC & Other



...But Upsells Represent Largest Opportunity



Note: The Forbes Global 2000 is generally updated annually in the second quarter of the calendar year, and we adjust current and prior period G2K customer counts following the release of the latest Global 2000 list in the second or third quarter of the calendar year for comparability purposes. We also adjust the G2K count for acquisitions, spin-offs and other market activity.

Previously disclosed number of customers with ACV greater than \$1 million is restated to allow for comparability. ACV is calculated based on the foreign exchange rate in effect at the time the contract was entered into. Foreign exchange rate fluctuations could cause some variability in the number of customers with ACV greater than \$1 million and the average ACV per G2K.

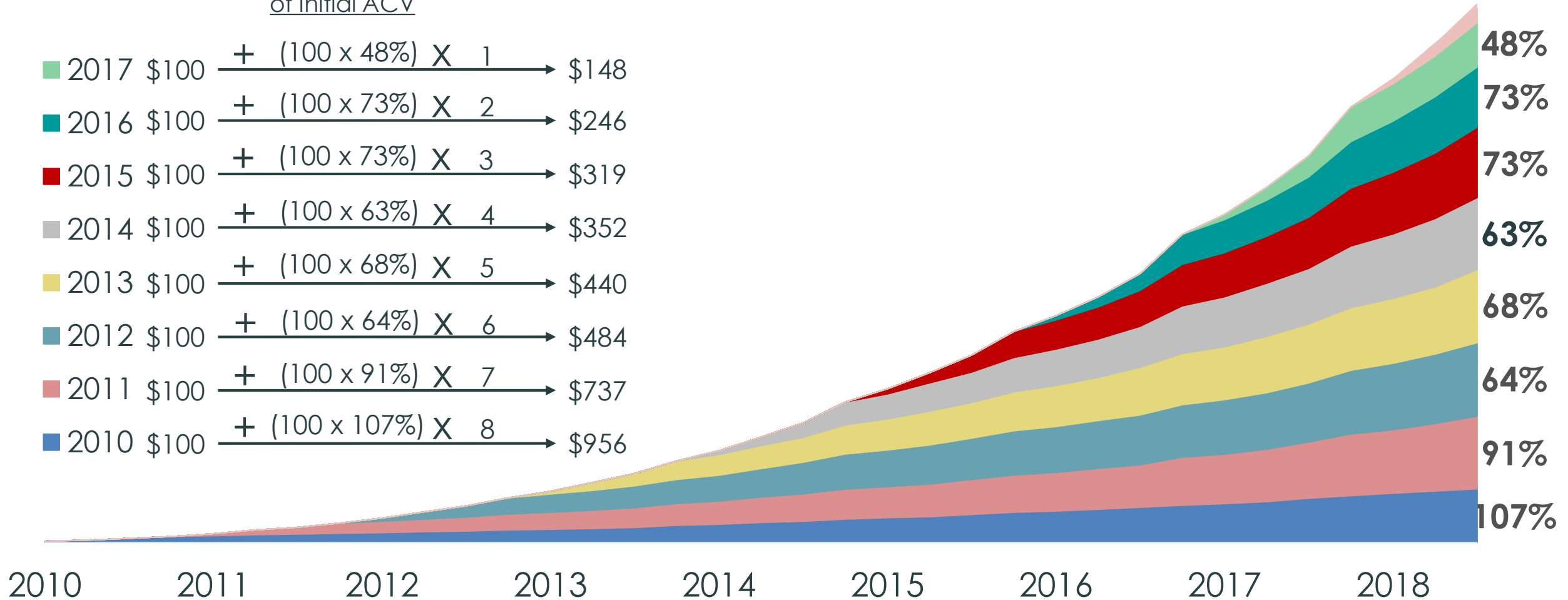
Consistent Customer Growth Across All Cohorts

Illustrative Example

Initial ACV Annual Growth of Initial ACV Periods ACV Today

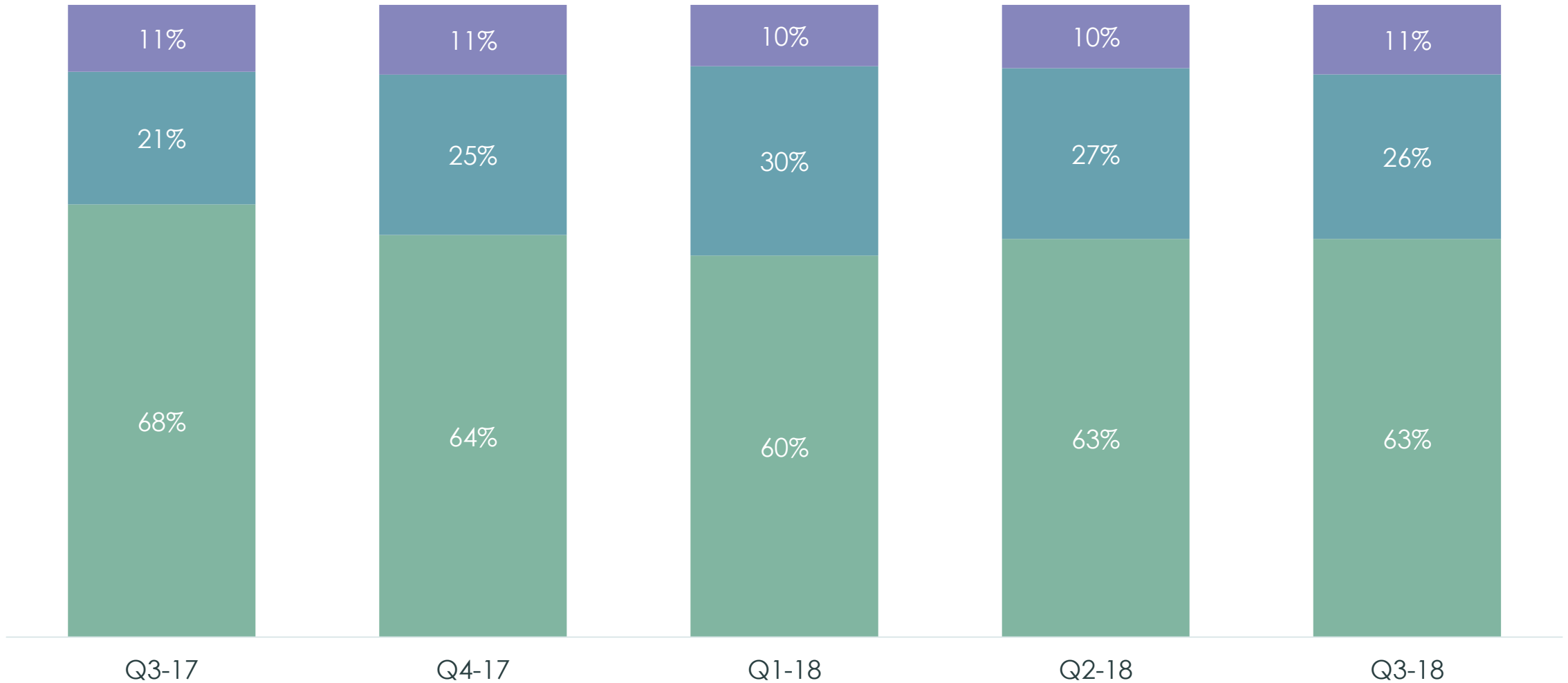
2017	\$100	+ (100 x 48%)	X 1	→ \$148
2016	\$100	+ (100 x 73%)	X 2	→ \$246
2015	\$100	+ (100 x 73%)	X 3	→ \$319
2014	\$100	+ (100 x 63%)	X 4	→ \$352
2013	\$100	+ (100 x 68%)	X 5	→ \$440
2012	\$100	+ (100 x 64%)	X 6	→ \$484
2011	\$100	+ (100 x 91%)	X 7	→ \$737
2010	\$100	+ (100 x 107%)	X 8	→ \$956

Annual Growth of Initial ACV



New ACV Contribution From Emerging Products

■ IT ■ Emerging Products ■ Platform Add-ons & Other



Note: IT = IT Service Mgmt, IT Operations Mgmt, IT Asset Mgmt, IT Business Mgmt
Emerging Products = CSM, HR, Security, Intelligent Apps (custom apps, ServiceNow Store)
Platform Add-ons & Other = Performance Analytics, Cloud Options, Metric Base, Other

18 of Top 20 New Deals in Q3 Included 3+ Products

■ 5+ Products ■ 3-4 Products ■ 1-2 Products

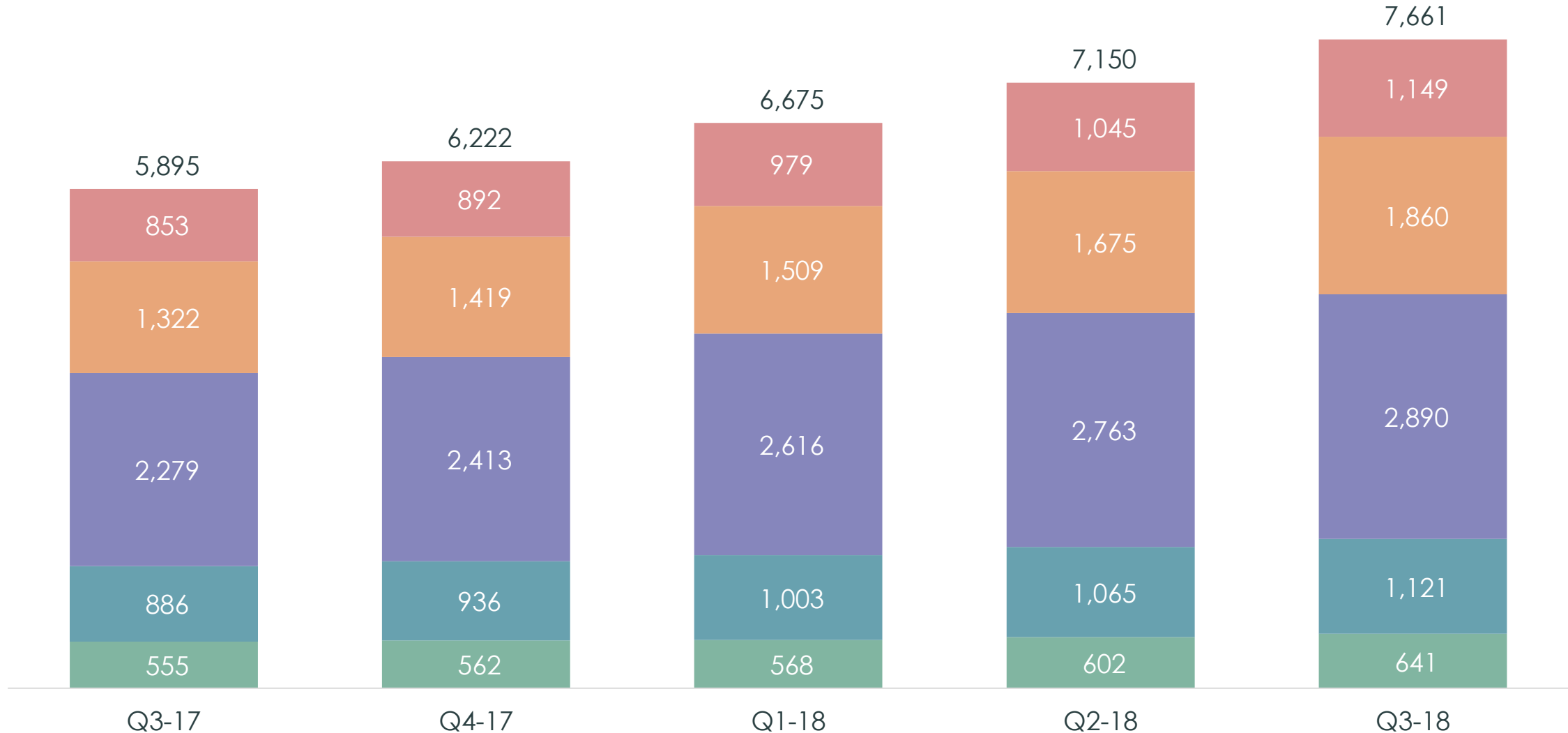
	IT				Emerging Products				Platform Add-ons & Other
	ITSM	ITOM	ITAM	ITBM	Customer Service	HR	Security Operations	Intelligent Apps	Platform Add-ons & Other
Customer 1	X	X	X	X	X		X	X	X
Customer 2	X	X	X	X	X	X	X	X	X
Customer 3	X			X				X	X
Customer 4	X	X	X	X			X	X	X
Customer 5	X			X				X	X
Customer 6	X	X							X
Customer 7	X	X		X			X		X
Customer 8	X	X						X	X
Customer 9	X	X			X				X
Customer 10	X	X		X	X		X		X
Customer 11	X	X			X	X		X	X
Customer 12	X	X						X	X
Customer 13	X			X				X	X
Customer 14	X								X
Customer 15	X	X	X	X	X				X
Customer 16	X			X					X
Customer 17		X	X	X			X		X
Customer 18	X								X
Customer 19		X			X		X	X	X
Customer 20		X					X		X



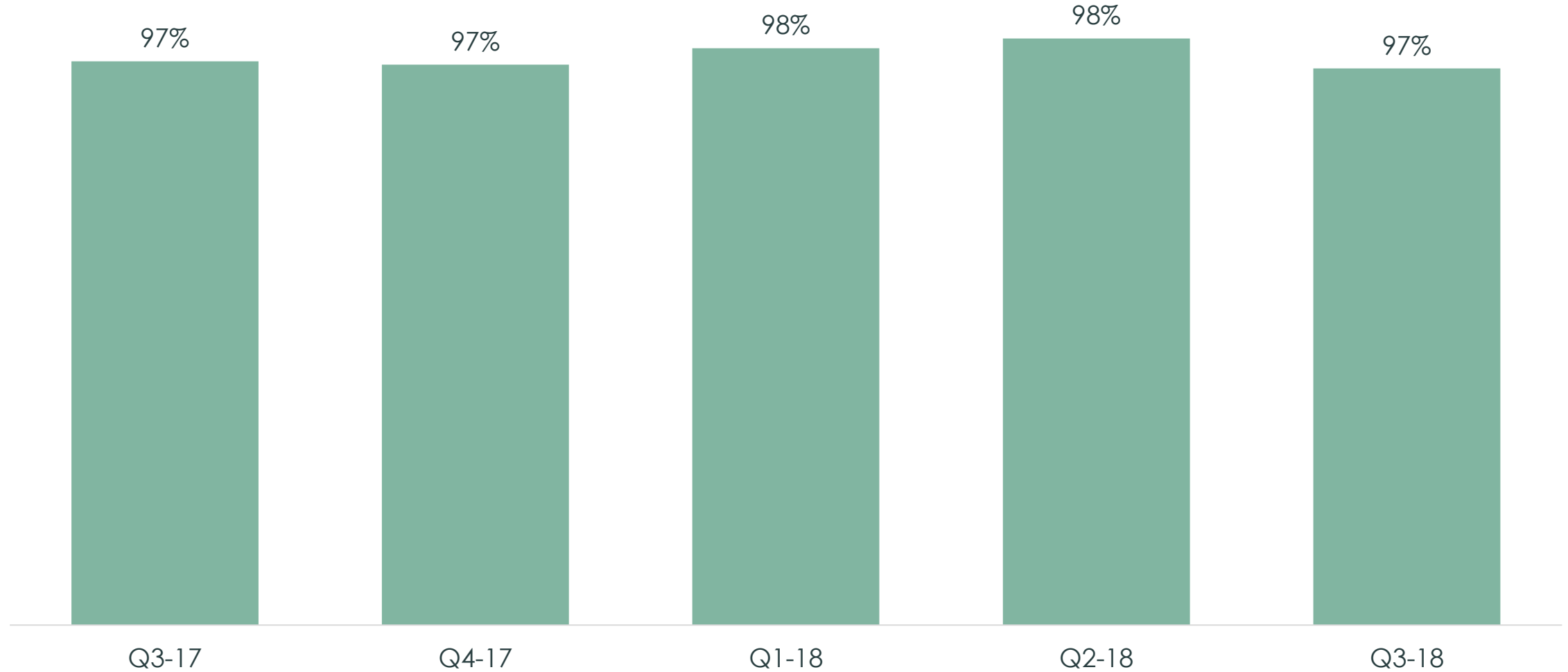
Note: IT = IT Service Mgmt, IT Operations Mgmt, IT Asset Mgmt, IT Business Mgmt
 Emerging Products = CSM, HR, Security, Intelligent Apps (custom apps, ServiceNow Store)
 Platform Add-ons & Other = Performance Analytics, Cloud Options, Metric Base, Other

Headcount by Department

■ PS & Other Cost of Sales ■ Sub. Cost of Sales ■ S&M ■ R&D ■ G&A

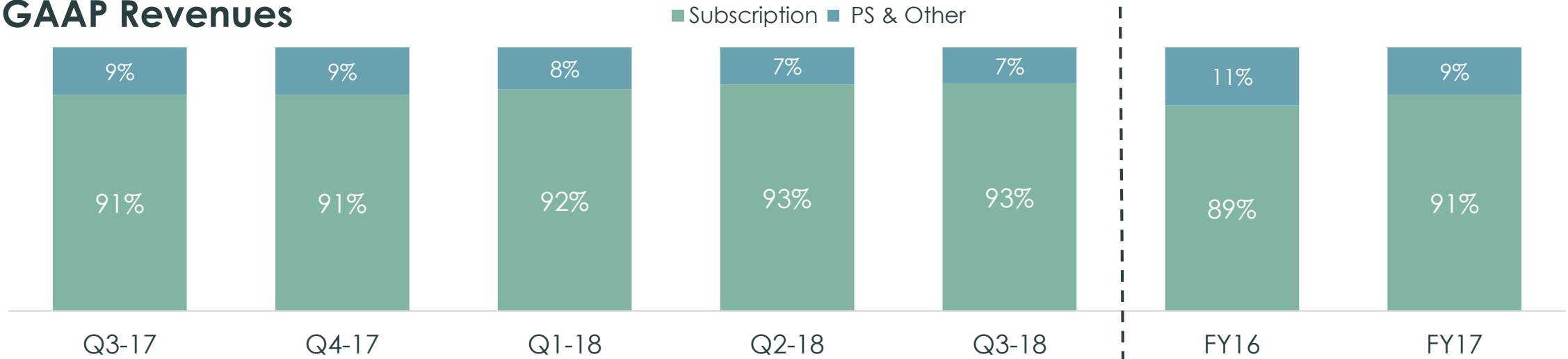


Consistently High Renewal Rate

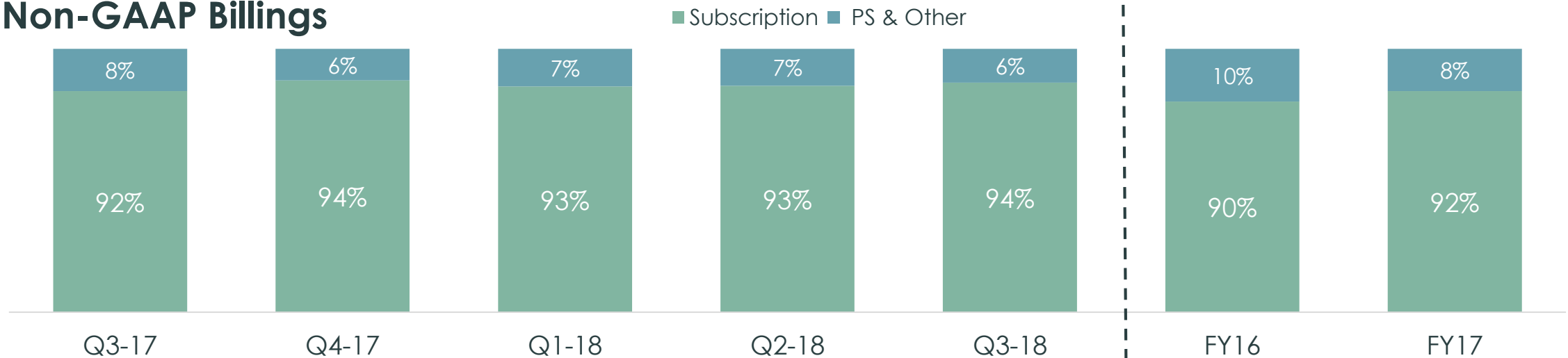


Top Line Mix Shifting to Subscription

GAAP Revenues

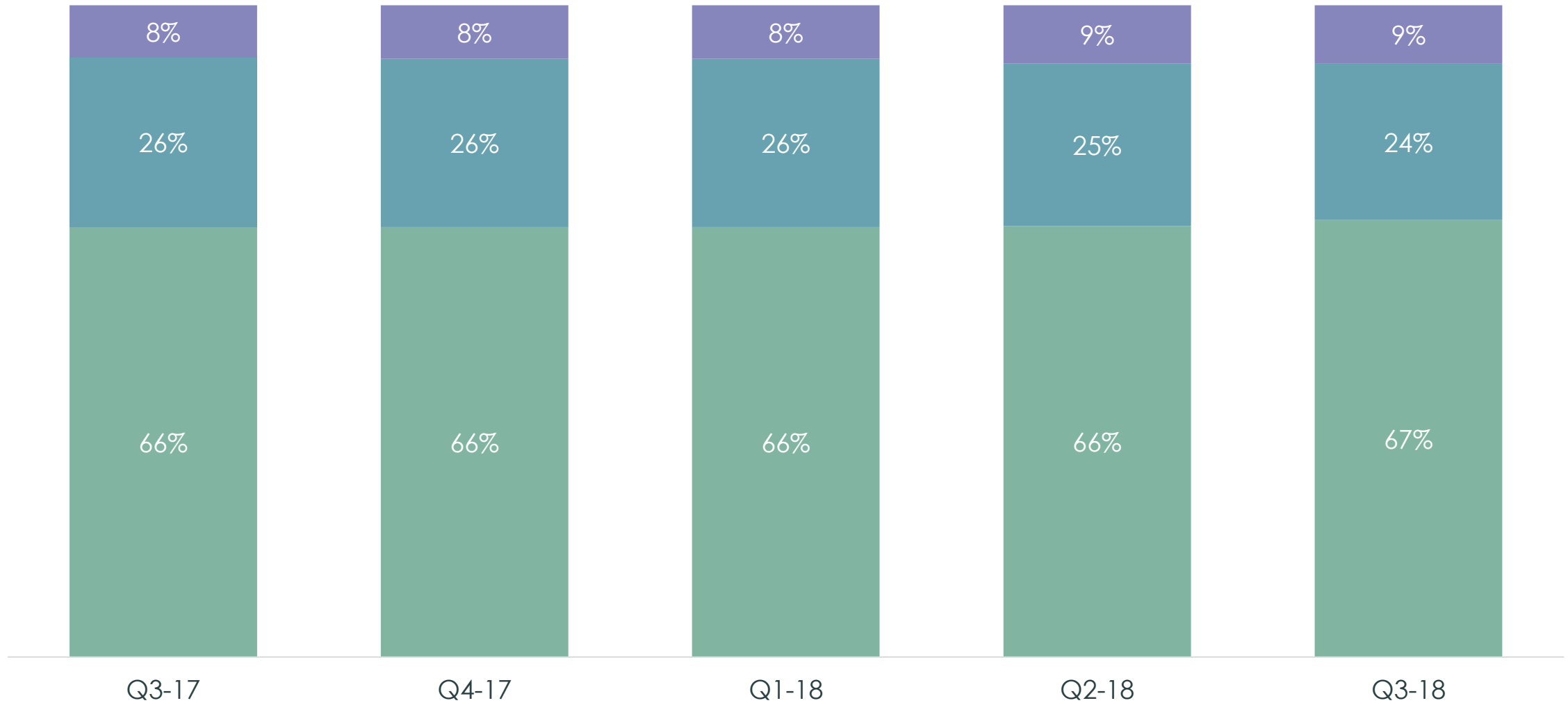


Non-GAAP Billings



GAAP Revenues by Geography

■ North America ■ EMEA ■ APAC & Other

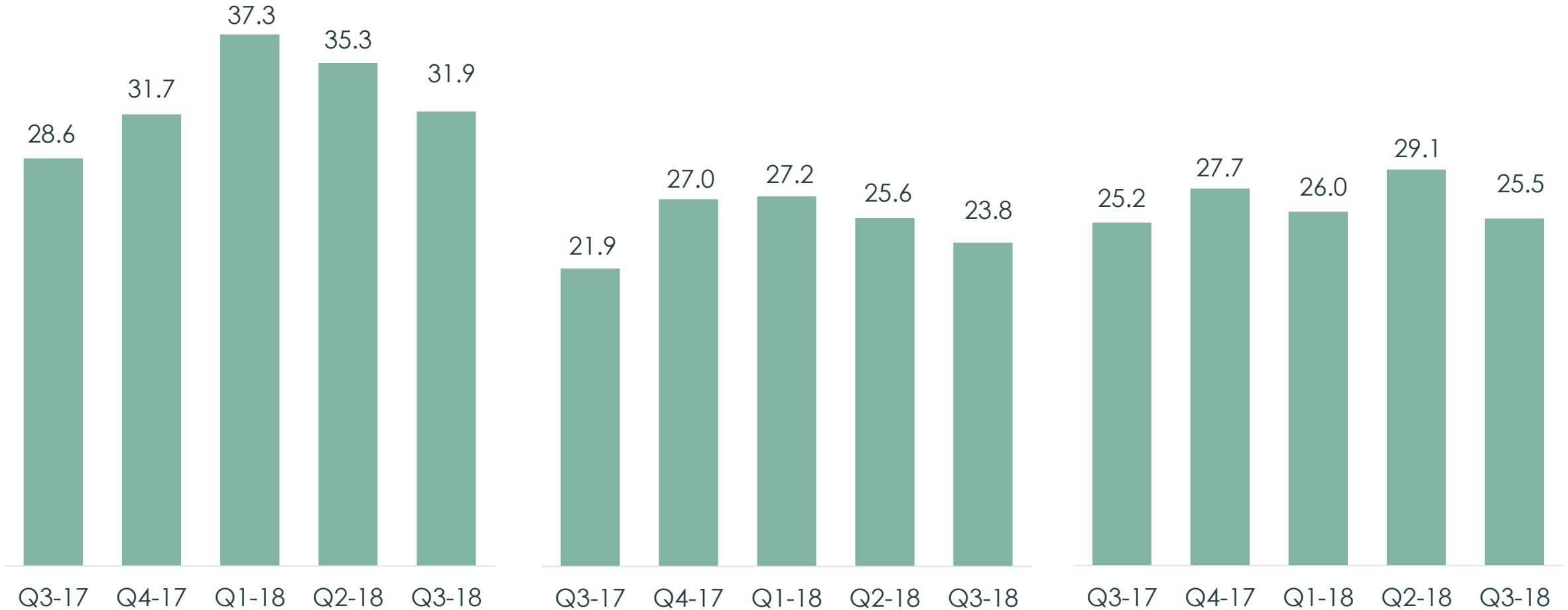


Average Contract Terms

New Customer

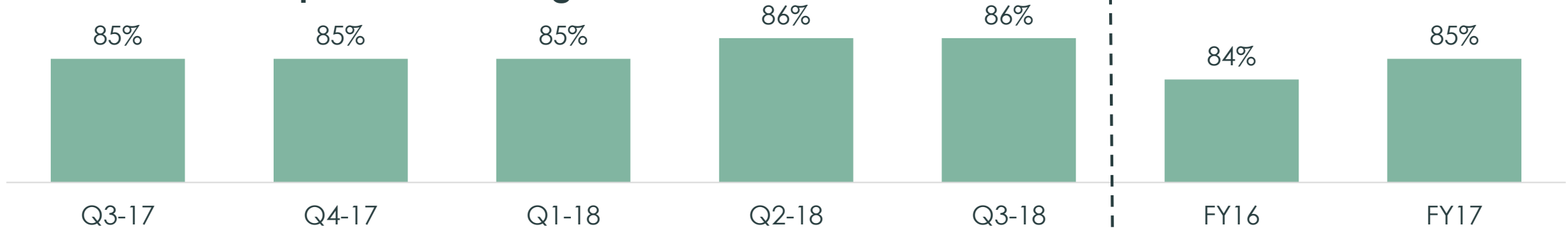
Upsell

Renewal

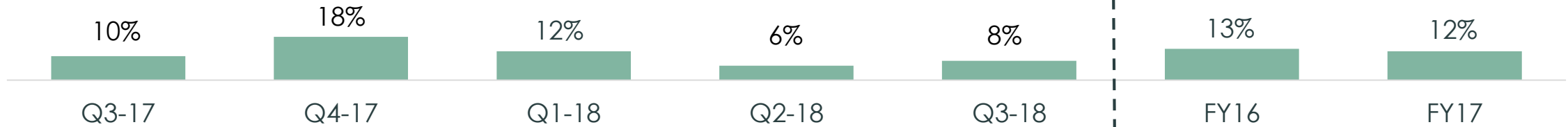


Non-GAAP Gross Margins

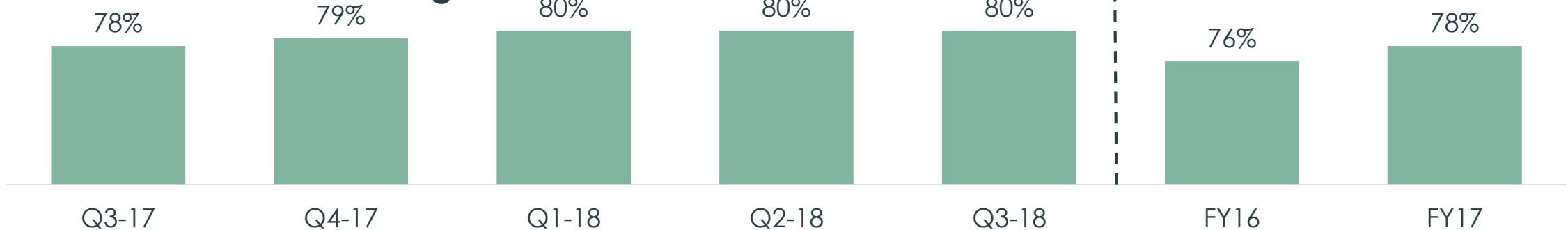
Non-GAAP Subscription Gross Margin



Non-GAAP PS & Other Gross Margin

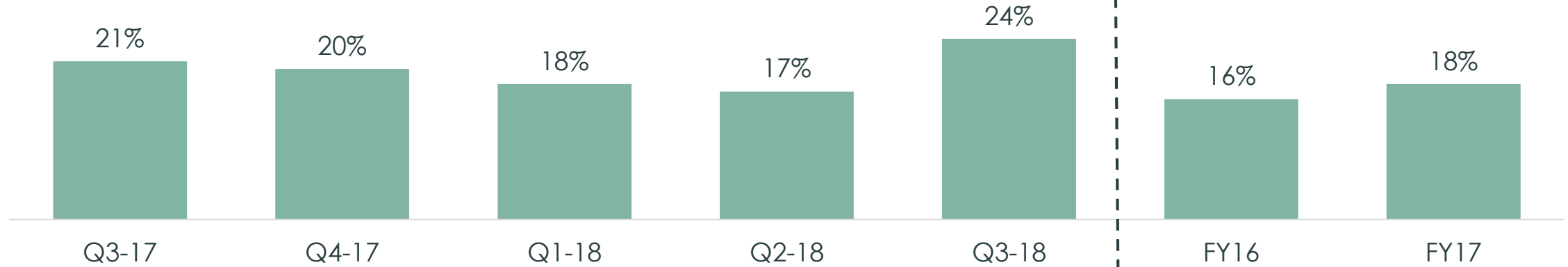


Non-GAAP Total Gross Margin

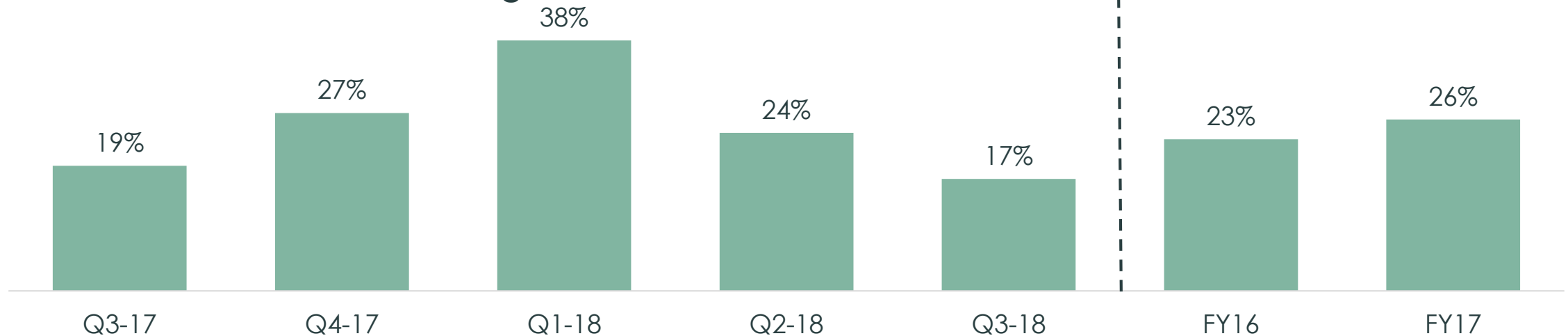


Demonstrated Operating Leverage Expansion

Non-GAAP Operating Margin

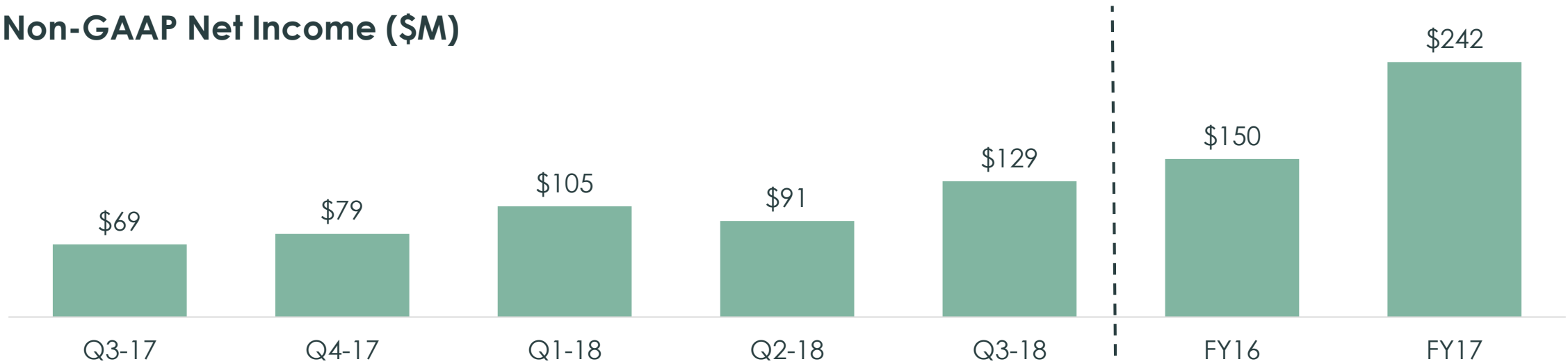


Non-GAAP Free Cash Flow Margin

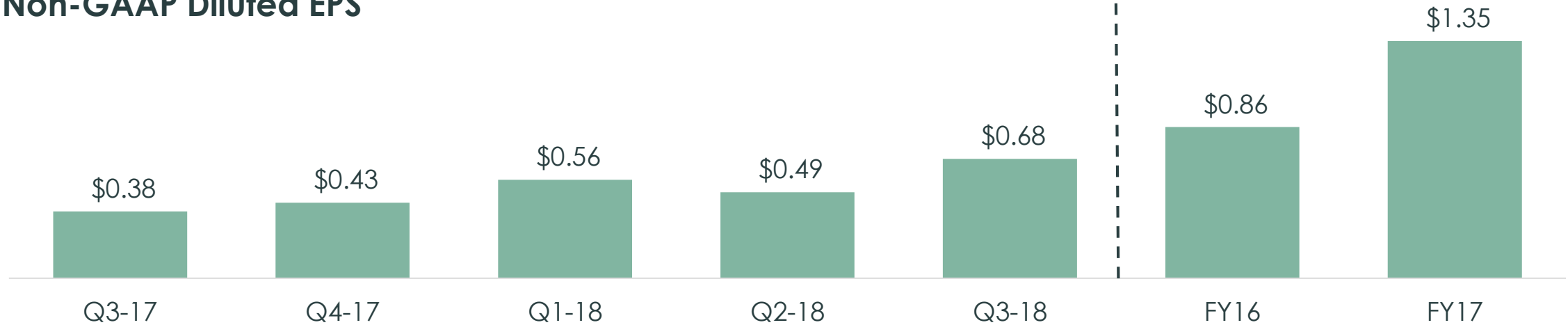


Non-GAAP Net Income and Diluted EPS

Non-GAAP Net Income (\$M)



Non-GAAP Diluted EPS



GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation – Revenues and Billings

in millions (except %'s)	2016	Q1-17	Q2-17	Q3-17	Q4-17	2017	Q1-18	Q2-18	Q3-18	Q4-18E Midpoint	2018E Midpoint
GAAP Subscription Revenues	\$ 1,234	\$ 388	\$ 403	\$ 450	\$ 500	\$ 1,740	\$ 543	\$ 585	\$ 627	\$ 663	\$ 2,418
(+) Effects of Foreign Currency Rate Fluctuations	N/A	8	6	(6)	(13)	(5)	(23)	(14)	3	4	(31)
Non-GAAP Adjusted Subscription Revenues ⁽¹⁾	N/A	\$ 395	\$ 408	\$ 444	\$ 487	\$ 1,734	\$ 520	\$ 571	\$ 629	\$ 667	\$ 2,387
<i>YoY Non-GAAP Adjusted Subscription Revenues Growth Rates</i>	N/A	N/A	N/A	N/A	N/A	41%	34%	42%	40%	33%	37%
GAAP Subscription Revenues	\$ 1,234	\$ 388	\$ 403	\$ 450	\$ 500	\$ 1,740	\$ 543	\$ 585	\$ 627	\$ 663	\$ 2,418
(+/-) Change in Subscription Deferred Revenue, Unbilled Receivables, and Customer Deposits	273	92	52	51	189	384	95	32	48	240	415
Non-GAAP Subscription Billings	\$ 1,507	\$ 480	\$ 455	\$ 501	\$ 688	\$ 2,124	\$ 638	\$ 617	\$ 674	\$ 903	\$ 2,833
<i>YoY Non-GAAP Subscription Billings Growth Rates</i>	N/A	N/A	N/A	N/A	N/A	41%	33%	36%	35%	31%	33%
(+) Effects of Foreign Currency Rate Fluctuations	N/A	10	6	(6)	(18)	(8)	(27)	(15)	3	6	(34)
(+) Effects of Fluctuations in Billings Duration ⁽³⁾	N/A	(21)	3	4	12	(2)	2	(1)	(5)	(0)	(3)
Non-GAAP Adjusted Subscription Billings ⁽²⁾	N/A	\$ 468	\$ 464	\$ 499	\$ 682	\$ 2,114	\$ 613	\$ 601	\$ 672	\$ 909	\$ 2,795
<i>YoY Non-GAAP Adjusted Subscription Billings Growth Rates</i>	N/A	N/A	N/A	N/A	N/A	40%	28%	32%	34%	32%	32%
GAAP Professional Services and Other Revenues	\$ 157	\$ 41	\$ 46	\$ 43	\$ 49	\$ 179	\$ 46	\$ 46	\$ 47	N/A	N/A
(+/-) Change in Professional Services and Other Deferred Revenues	10	(1)	(3)	3	(2)	(3)	5	3	(0)	N/A	N/A
Non-GAAP Professional Services and Other Billings	\$ 167	\$ 40	\$ 43	\$ 46	\$ 47	\$ 176	\$ 51	\$ 49	\$ 46	N/A	N/A
GAAP Total Revenues	\$ 1,391	\$ 429	\$ 448	\$ 492	\$ 549	\$ 1,918	\$ 589	\$ 631	\$ 673	N/A	N/A
(+/-) Change in Total Deferred Revenue, Unbilled Receivables, and Customer Deposits	284	91	49	54	187	381	100	35	47	N/A	N/A
Non-GAAP Total Billings	\$ 1,675	\$ 519	\$ 498	\$ 547	\$ 736	\$ 2,300	\$ 689	\$ 666	\$ 721	N/A	N/A

⁽¹⁾ Adjusted revenues and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual/forecasted exchange rates in effect during the current/guidance period.

⁽²⁾ Adjusted billings and the corresponding growth rates are derived by applying the exchange rates in effect during the comparison period rather than the actual/forecasted exchange rates during the current/guidance period, and by replacing the portion of multi-year billings in excess of twelve months during the current/guidance period with the portion of multi-year billings in excess of twelve months during the comparison period.

⁽³⁾ Results and guidance are adjusted for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current period with the portion of multi-year billings in excess of twelve months during the prior period presented.

GAAP to Non-GAAP Reconciliation – Other

in millions (except %'s and per share data)	2016	Margin	Q1-17	Margin	Q2-17	Margin	Q3-17	Margin	Q4-17	Margin	2017	Margin	Q1-18	Margin	Q2-18	Margin	Q3-18	Margin	Q4-18E	2018E
GAAP Subscription Gross Profit	\$ 999	81%	\$ 317	82%	\$ 327	81%	\$ 368	82%	\$ 412	82%	\$ 1,424	82%	\$ 448	82%	\$ 484	83%	\$ 520	83%	N/A	82%
(+) Subscription SBC	29	2%	8	2%	9	2%	9	2%	9	2%	35	2%	11	2%	13	2%	13	2%	N/A	2%
(+) Subscription Amort of Purchased Intangibles	13	1%	4	1%	4	1%	4	1%	4	1%	15	1%	4	1%	5	1%	5	1%	N/A	1%
Non-GAAP Subscription Gross Profit	\$ 1,040	84%	\$ 329	85%	\$ 340	84%	\$ 380	85%	\$ 426	85%	\$ 1,474	85%	\$ 464	85%	\$ 501	86%	\$ 537	86%	N/A	85%
GAAP Professional Services and Other Gross Profit (Loss)	\$ (7)	(4%)	\$ (5)	(11%)	\$ (1)	(2%)	\$ (3)	(6%)	\$ 3	6%	\$ (5)	(3%)	\$ (2)	(5%)	\$ (6)	(12%)	\$ (5)	(10%)	N/A	N/A
(+) Professional Services and Other SBC	26	17%	7	17%	8	17%	7	16%	6	12%	27	15%	8	17%	8	18%	8	18%	N/A	N/A
Non-GAAP Professional Services and Other Gross Profit	\$ 20	13%	\$ 2	6%	\$ 7	15%	\$ 4	10%	\$ 9	18%	\$ 22	12%	\$ 5	12%	\$ 3	6%	\$ 4	8%	N/A	N/A
GAAP Gross Profit	\$ 992	71%	\$ 313	73%	\$ 326	73%	\$ 365	74%	\$ 415	76%	\$ 1,419	74%	\$ 446	76%	\$ 478	76%	\$ 515	77%	N/A	N/A
(+) SBC	55	4%	15	3%	17	4%	16	3%	15	3%	63	3%	19	3%	21	3%	21	3%	N/A	N/A
(+) Amort of Purchased Intangibles	13	1%	4	1%	4	0%	4	1%	4	0%	15	1%	4	1%	5	1%	5	0%	N/A	N/A
Non-GAAP Gross Profit	\$ 1,059	76%	\$ 331	77%	\$ 346	77%	\$ 385	78%	\$ 434	79%	\$ 1,496	78%	\$ 469	80%	\$ 503	80%	\$ 541	80%	N/A	N/A
GAAP Sales and Marketing	\$ 660	47%	\$ 204	48%	\$ 222	49%	\$ 218	44%	\$ 251	46%	\$ 895	47%	\$ 284	48%	\$ 311	49%	\$ 289	43%	N/A	N/A
(-) Sales and Marketing SBC	132	9%	38	9%	42	9%	44	9%	46	8%	171	9%	52	9%	57	9%	60	9%	N/A	N/A
(-) Sales and Marketing Amort of Purchased Intangibles	0	0%	1	0%	0	0%	0	0%	0	0%	0	0%	-	0%	-	0%	-	0%	N/A	N/A
Non-GAAP Sales and Marketing	\$ 528	38%	\$ 165	39%	\$ 180	40%	\$ 174	35%	\$ 205	38%	\$ 724	38%	\$ 232	39%	\$ 254	40%	\$ 229	34%	N/A	N/A
GAAP Research and Development	\$ 285	21%	\$ 84	20%	\$ 90	20%	\$ 98	20%	\$ 105	19%	\$ 378	20%	\$ 117	20%	\$ 128	20%	\$ 136	20%	N/A	N/A
(-) Research and Development SBC	82	6%	22	5%	23	5%	23	5%	24	4%	92	5%	29	5%	34	5%	36	5%	N/A	N/A
(-) Research and Development Amort of Purchased Intangibles	1	0%	0	0%	0	0%	0	0%	0	0%	2	0%	0	0%	0	0%	0	0%	N/A	N/A
Non-GAAP Research and Development	\$ 202	15%	\$ 62	15%	\$ 67	15%	\$ 75	15%	\$ 80	15%	\$ 284	15%	\$ 88	15%	\$ 94	15%	\$ 100	15%	N/A	N/A
GAAP General and Administrative	\$ 159	12%	\$ 46	10%	\$ 52	11%	\$ 52	11%	\$ 60	11%	\$ 211	11%	\$ 65	11%	\$ 71	11%	\$ 81	12%	N/A	N/A
(-) General and Administrative SBC	49	4%	15	3%	16	4%	17	4%	20	4%	69	4%	22	4%	24	4%	28	4%	N/A	N/A
(-) General and Administrative Amort of Purchased Intangibles	1	0%	1	0%	1	0%	1	0%	1	0%	2	0%	1	0%	1	0%	1	0%	N/A	N/A
(-) General and Administrative Business Combination and Other Related Costs	1	0%	0	0%	1	0%	0	0%	1	0%	2	0%	0	0%	1	0%	0	0%	N/A	N/A
Non-GAAP General and Administrative	\$ 108	8%	\$ 31	7%	\$ 33	7%	\$ 34	7%	\$ 39	7%	\$ 137	7%	\$ 42	7%	\$ 46	7%	\$ 52	8%	N/A	N/A
GAAP Operating Profit (Loss)	\$ (382)	(27%)	\$ (22)	(5%)	\$ (38)	(8%)	\$ (4)	(1%)	\$ (1)	0%	\$ (64)	(3%)	\$ (20)	(3%)	\$ (32)	(5%)	\$ 10	1%	1%	(2%)
(+) SBC	318	23%	90	21%	98	22%	100	20%	106	19%	394	21%	121	21%	136	21%	144	21%	19%	21%
(+) Amort of Purchased Intangibles	15	1%	5	1%	5	1%	5	2%	5	1%	20	0%	6	0%	6	1%	6	2%	1%	1%
(+) Business Combination and Other Related Costs	1	0%	0	0%	1	0%	0	0%	1	0%	2	0%	0	0%	1	0%	0	0%	0%	0%
(+) Legal Settlements	270	19%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	0%	0%
Non-GAAP Operating Profit	\$ 222	16%	\$ 73	17%	\$ 66	15%	\$ 102	21%	\$ 111	20%	\$ 352	18%	\$ 107	18%	\$ 110	17%	\$ 161	24%	21%	20%
GAAP Net Income (Loss)	\$ (414)	(30%)	\$ (22)	(5%)	\$ (56)	(12%)	\$ (22)	(5%)	\$ (17)	(3%)	\$ (117)	(6%)	\$ 11	2%	\$ (53)	(8%)	\$ 8	1%	N/A	N/A
(+) SBC	318	23%	90	21%	98	22%	100	20%	106	19%	394	21%	121	21%	136	21%	144	21%	N/A	N/A
(+) Amort of Purchased Intangibles	15	1%	5	1%	5	1%	5	2%	5	1%	20	0%	6	0%	6	1%	6	2%	N/A	N/A
(+) Business Combination and Other Related Costs	1	0%	0	0%	1	0%	0	0%	1	0%	2	0%	0	0%	1	0%	0	0%	N/A	N/A
(+) Legal Settlements	270	19%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	N/A	N/A
(+) Amortization of Debt Discount and Issuance Costs for the Convertible Senior Notes	33	2%	9	2%	11	3%	17	3%	17	3%	53	3%	17	3%	15	2%	11	2%	N/A	N/A
(+) Loss on Early Note Conversions	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	1	0%	3	1%	0	0%	N/A	N/A
(-) Income Tax Expense Effects Related to the Above Adjustments	73	4%	27	6%	20	5%	30	6%	33	6%	111	5%	51	8%	17	3%	42	7%	N/A	N/A
Non-GAAP Net Income	\$ 150	11%	\$ 55	13%	\$ 39	9%	\$ 69	14%	\$ 79	14%	\$ 242	13%	\$ 105	18%	\$ 91	14%	\$ 129	19%	N/A	N/A

GAAP to Non-GAAP Reconciliation – Other (cont.)

in millions (except %'s and per share data)	2016	Margin	Q1-17	Margin	Q2-17	Margin	Q3-17	Margin	Q4-17	Margin	2017	Margin	Q1-18	Margin	Q2-18	Margin	Q3-18	Margin	Q4-18E	2018E
GAAP Weighted-Average Shares Used to Compute Net Income (Loss) per Share - Diluted	165	N/A	169	N/A	170	N/A	172	N/A	174	N/A	171	N/A	190	N/A	177	N/A	192	N/A	192	178
(+) Effect of Dilutive Time-based Awards ⁽⁴⁾	9	N/A	8	N/A	8	N/A	8	N/A	8	N/A	9	N/A	-	N/A	7	N/A	-	N/A	-	7
(-) In-the-money Portion of Convertible Senior Notes ⁽⁴⁾	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A	-	N/A	5	N/A	-	N/A	3	N/A	2	-
(+) Warrants related to the Issuance of Convertible Senior Notes ⁽⁴⁾	-	N/A	-	N/A	-	N/A	0	N/A	1	N/A	-	N/A	-	N/A	3	N/A	-	N/A	-	3
(+) Stock Awards with Performance Conditions Not Yet Satisfied ⁽⁴⁾	1	N/A	-	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	0	N/A	-	-
Non-GAAP Weighted-Average Shares Used to Compute Net Income per Share - Diluted	174	N/A	177	N/A	179	N/A	180	N/A	183	N/A	180	N/A	186	N/A	188	N/A	189	N/A	190	188
GAAP Net Income (Loss) per Share - Diluted	\$ (2.52)	N/A	\$ (0.13)	N/A	\$ (0.33)	N/A	\$ (0.13)	N/A	\$ (0.10)	N/A	\$ (0.68)	N/A	\$ 0.06	N/A	\$ (0.30)	N/A	\$ 0.04	N/A	N/A	N/A
Non-GAAP Net Income per Share - Diluted	\$ 0.86	N/A	\$ 0.31	N/A	\$ 0.22	N/A	\$ 0.38	N/A	\$ 0.43	N/A	\$ 1.35	N/A	\$ 0.56	N/A	\$ 0.49	N/A	\$ 0.68	N/A	N/A	N/A
GAAP Net Cash Provided by Operating Activities	\$ 159	11%	\$ 188	44%	\$ 129	29%	\$ 142	29%	\$ 185	34%	\$ 643	34%	\$ 250	42%	\$ 126	20%	\$ 146	22%	N/A	30%
(-) Purchases of Property and Equipment	106	7%	33	8%	36	8%	47	10%	35	7%	151	8%	35	5%	53	8%	48	7%	N/A	8%
(+) Cash Paid for Legal Settlements	268	19%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	N/A	0%
(+) Repayments of Convertible Senior Notes attributable to Debt Discount	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	9	1%	79	12%	14	2%	N/A	6%
Non-GAAP Free Cash Flow	\$ 321	23%	\$ 154	36%	\$ 93	21%	\$ 95	19%	\$ 150	27%	\$ 492	26%	\$ 223	38%	\$ 152	24%	\$ 112	17%	N/A	28%

⁽⁴⁾ Effect of dilutive time-based stock awards, in-the-money portion of convertible senior notes and warrants are included in the GAAP weighted-average diluted shares in periods where we have/forecast GAAP net income. We exclude the in-the-money portion of convertible senior notes for non-GAAP weighted-average diluted shares as they are covered by our note hedges. We include stock awards with performance conditions not yet satisfied as we believe it is probable that the performance condition will be met.