

servicenow™

Investor Presentation

Fourth Quarter 2019

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 FY20E), “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. Further information on these and factors that could cause or contribute to such differences include, but are not limited to those discussed in the section titled “Risk Factors,” set forth in our Form 10-Q for the quarter ended 9/30/2019 and in our other Securities and Exchange Commission (“SEC”) filings including our Form 10-K that will be filed for the year ended 12/31/2019. 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.

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,” and “Renewal Rate” 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.

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, revenue growth rates, and remaining performance obligations growth rates adjusted for constant currency 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 for the comparison period, rather than the actual exchange rates in effect for the current period. Similarly, in our guidance, we apply the exchange rates in effect for the comparison period rather than the exchange rates for the guidance period. We believe the presentation of revenues and remaining performance obligations 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. We adjust billings for constant currency, as described above, and for constant duration by replacing the portion of multi-year billings in excess of twelve months during the current or guidance period with the portion of multi-year billings in excess of twelve months during the comparison period. We believe these adjustments facilitate greater comparability in our billings information year-over-year.

Our non-GAAP presentation of gross profit, income from operations, and net income measures exclude certain non-cash or non-recurring items, including stock-based compensation expense, amortization of debt discount and issuance costs related to our convertible senior notes, loss on early note conversions, amortization of purchased intangibles, legal settlements, business combination and other related costs, the related income tax effect of these adjustments, and the one-time income tax benefit from the release of a valuation allowance on the deferred tax assets. The non-GAAP weighted-average shares used to compute our non-GAAP net income per share - diluted excludes the dilutive effect of the in-the-money portion of convertible senior notes as they are covered by our note hedges, and includes the potentially dilutive effect of our stock awards with performance conditions not yet satisfied at forecasted attainment levels to the extent we believe it is probable that the performance condition will be met. We believe these adjustments provide useful supplemental information to investors and facilitates the analysis of our operating results and comparison of operating results across reporting periods.

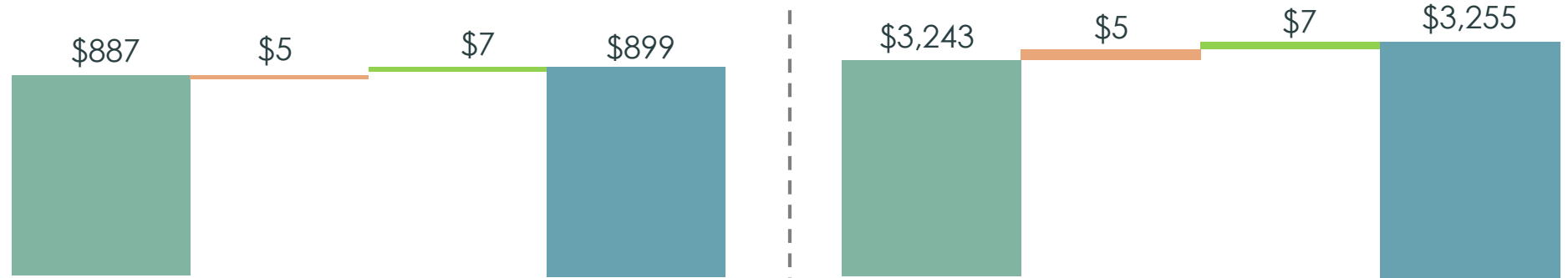
Free cash flow, which is a non-GAAP financial measure, is defined as net cash provided by (used in) operating activities plus cash paid for legal settlements and repayments of convertible senior notes attributable to debt discount, reduced by purchases of property and equipment. Free cash flow margin 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.

Our presentation of non-GAAP financial measures may not be comparable to similar measure 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 and guidance.

Comparison to Previously Issued Guidance

(\$M) ■ Prev. Guidance Midpoint⁽¹⁾ ■ Currency Impact⁽²⁾ ■ Duration Impact⁽⁴⁾ ■ Q4-19 Performance ■ Actual Results

Subscription Revenues



Y/Y Growth

33%

35%

34%

34%

Non-GAAP Adjusted Y/Y Growth⁽³⁾

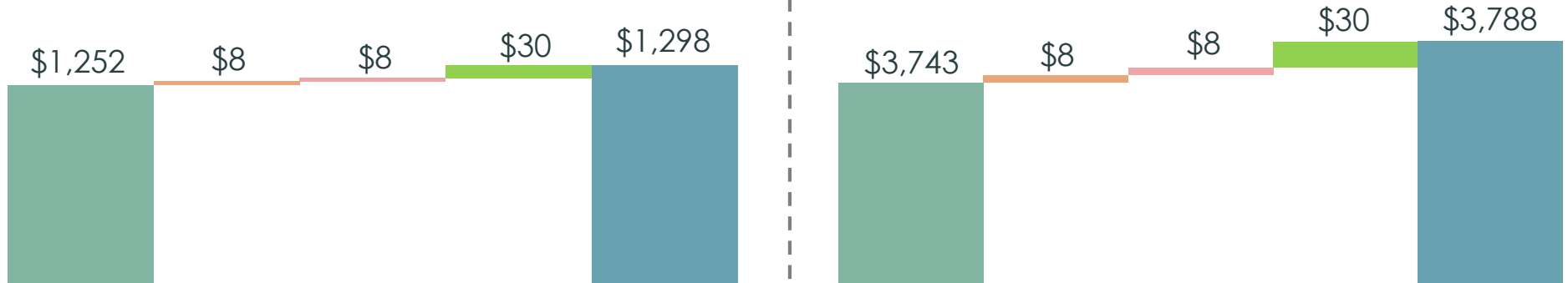
35%

36%

36%

37%

Non-GAAP Subscription Billings⁽³⁾



Y/Y Growth⁽³⁾

32%

36%

30%

31%

Non-GAAP Adjusted Y/Y Growth⁽³⁾

34%

37%

33%

34%

Q4-19A

FY19A

(1) Refers to previously issued financial guidance dated 10/23/19.

(2) GAAP subscription revenues and non-GAAP subscription billings included in our quarterly guidance is based on foreign exchange rates in effect at the end of the current quarter for entities reporting in currencies other than U.S. Dollars. Currency impact in Q4 2019 and full-year 2019 represents the impact of the difference between the actual average rates in the period used to calculate our Q4 2019 and full-year 2019 actual results and the rates as of 9/30/19 assumed in our previously issued guidance dated 10/23/19.

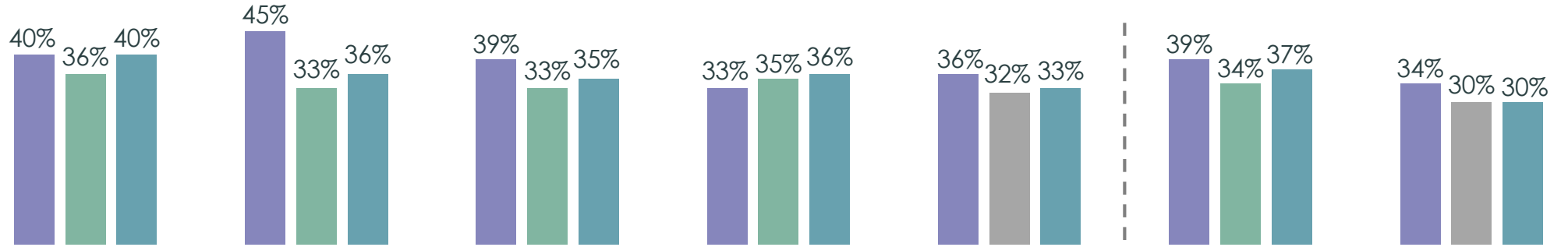
(3) Adjusted subscription revenues, subscription billings, adjusted subscription billings and the corresponding growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

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

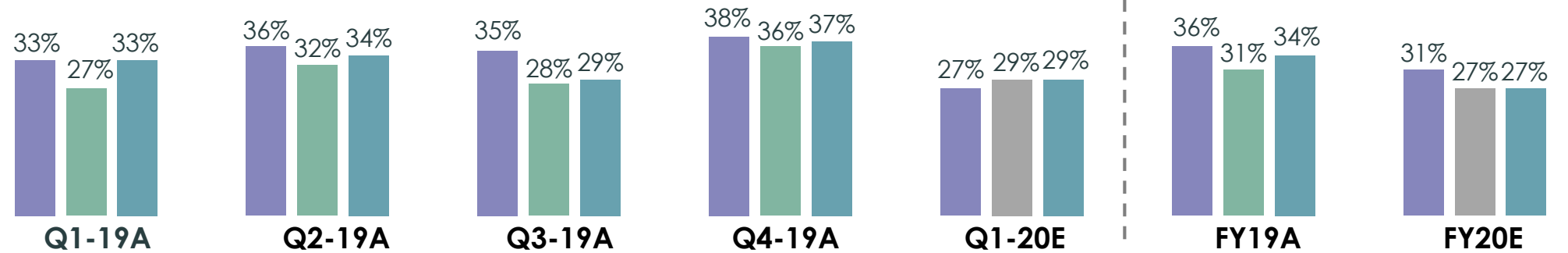
Year-Over-Year Subscription Revenues and Billings Growth

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

Subscription Revenues



Non-GAAP Subscription Billings⁽¹⁾



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

(2) Adjusted revenues and the corresponding growth rates are derived by applying the average exchange rates in effect during the comparison period rather than the exchange rate for the current or guidance period.

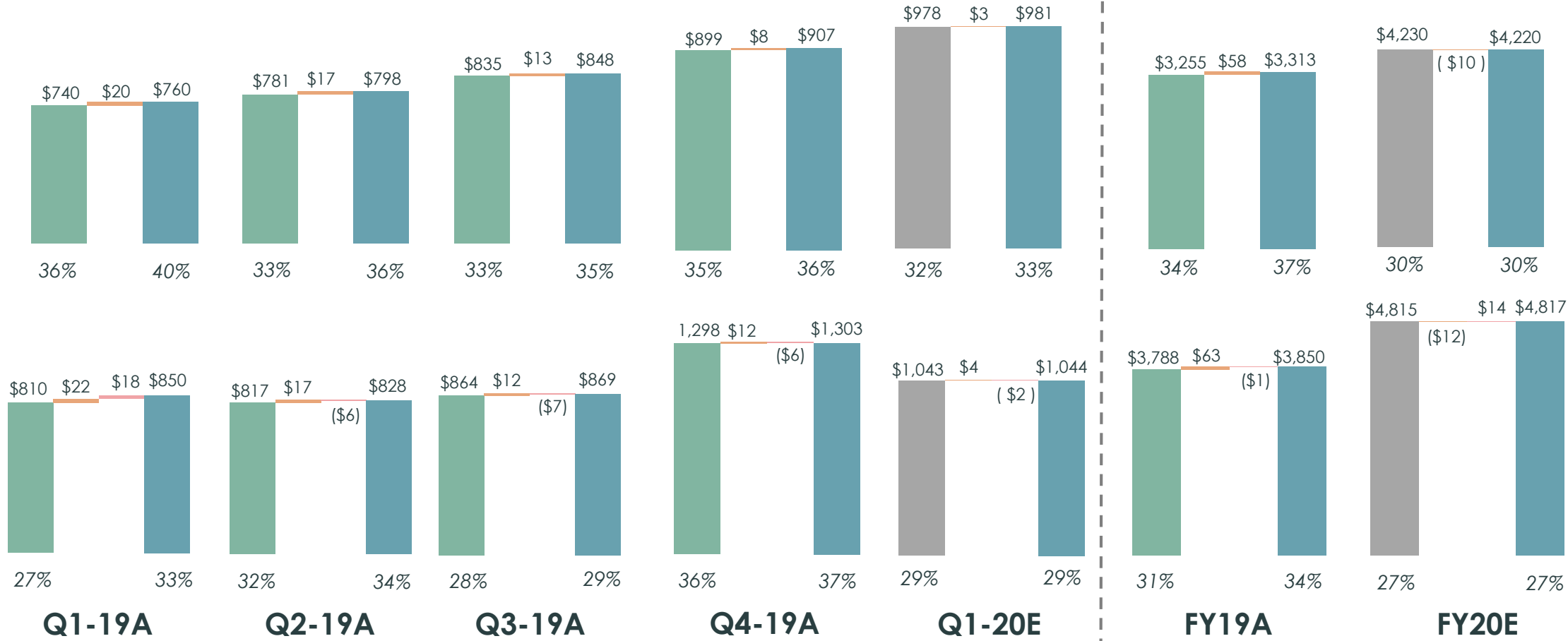
(3) Adjusted billings and the corresponding growth rates are derived by applying the average exchange rates in effect during the comparison period rather than the exchange rates for the current or guidance period, and by replacing the portion of multi-year billings in excess of twelve months during the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

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

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

Subscription Revenues

Y/Y Growth



Non-GAAP Subscription Billings⁽³⁾

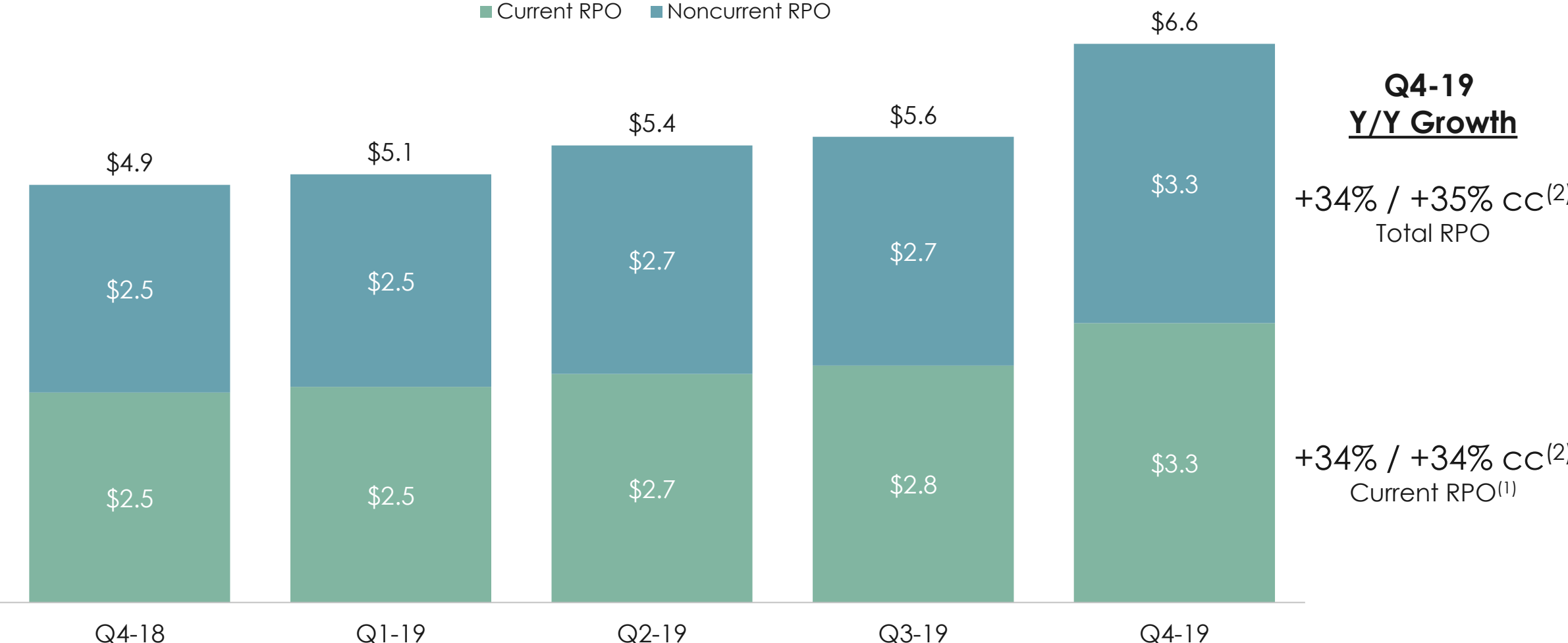
Y/Y Growth⁽³⁾

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

(3) Adjusted subscription revenues, subscription billings, adjusted subscription billings and the corresponding growth figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.
 Note: Numbers rounded for presentation purposes.

Remaining Performance Obligations⁽¹⁾

(\$B)



(1) Transaction price allocated to remaining performance obligations (RPO) represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenues in future periods. RPO excludes contracts that are billed in arrears, such as certain time and materials contracts, as we apply the "right to invoice" practical expedient under relevant accounting guidance. Current remaining performance obligations (cRPO) represents RPO that will be recognized as revenue in the next 12 months.

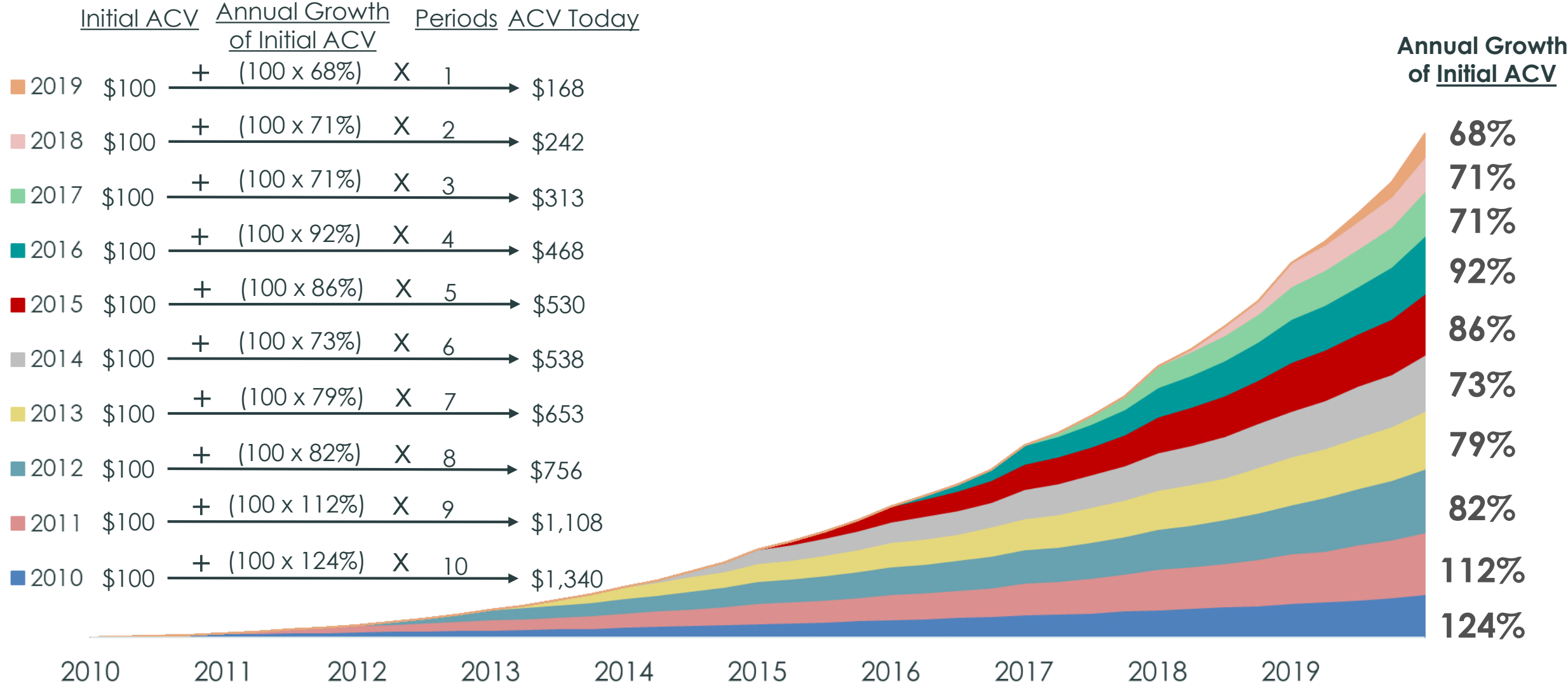
(2) Current period end results for entities reporting in currencies other than U.S. Dollars are converted into U.S. Dollars at the exchange rates in effect at the end of the comparison period, rather than the actual exchange rates in effect at the end of the current period. The total RPO and current RPO growth rates adjusted for constant currency are calculated on a non-GAAP basis. See appendix for reconciliation to non-GAAP financial measures.

Note: Numbers rounded for presentation purposes



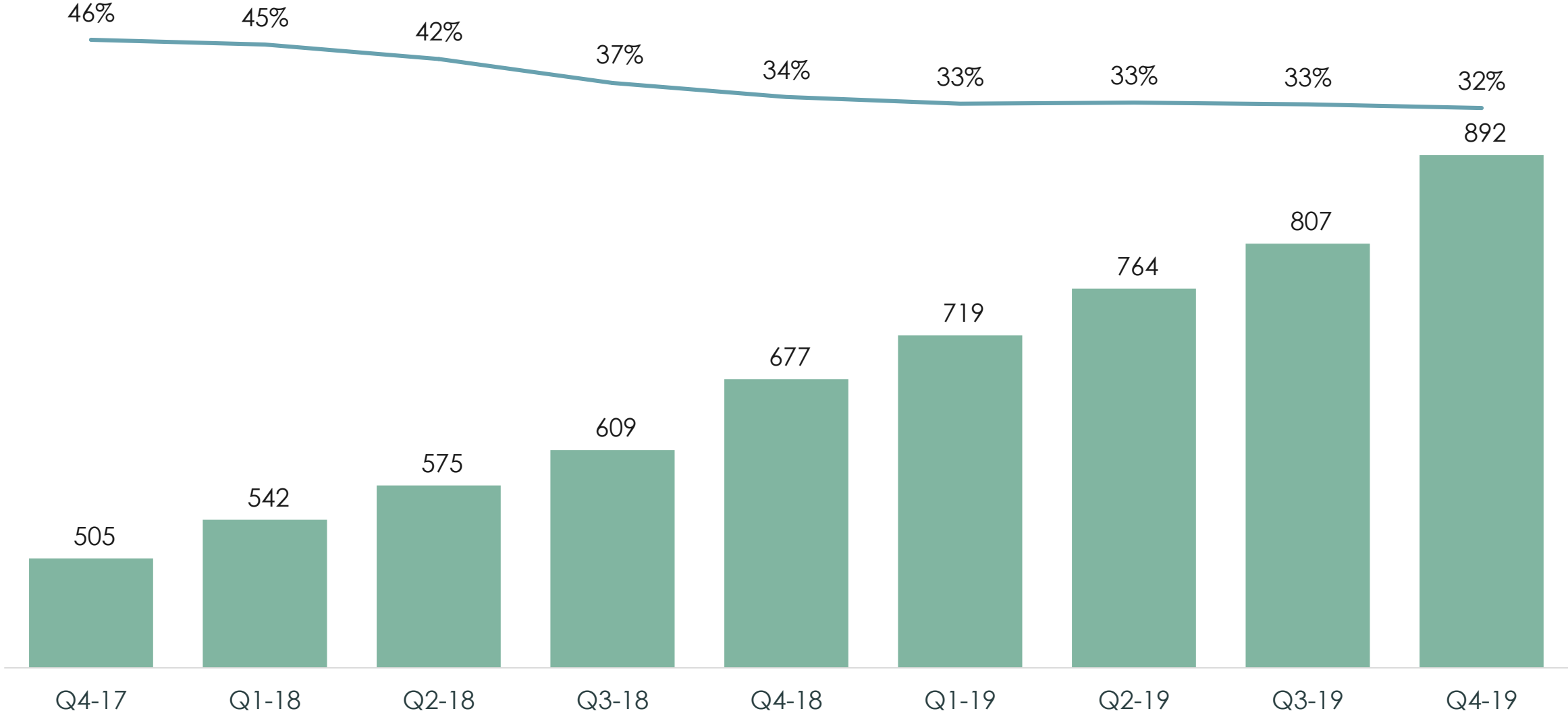
Customer Cohort Growth

Illustrative Example



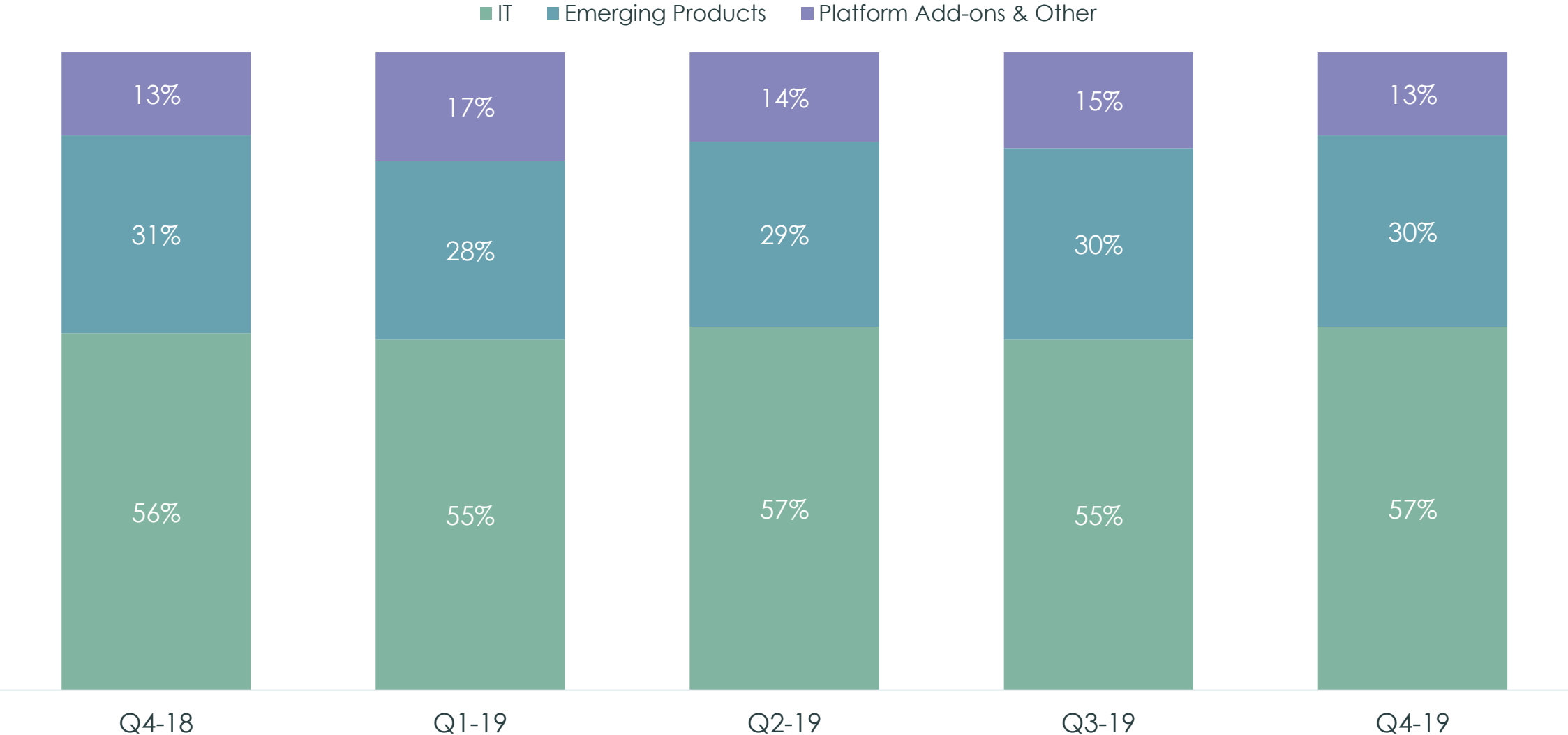
Expansion of Customer Relationships

Cust >\$1M ACV Y/Y Growth



Note: 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.

Net New ACV Contribution Across Products



Note: IT = IT Service Mgmt, IT Operations Mgmt*, IT Asset Mgmt, IT Business Mgmt
 Emerging Products = CSM, HR, Security, Finance, DevOps, App Engine
 Platform Add-ons & Other = Performance Analytics, Cloud Options, Metric Base, IntegrationHub*, Other

*IntegrationHub included in Platform Add-ons & Other in 2019. 2018 periods have been restated for comparability.



Q4-19 Top 20 New Deals

19 of top 20 deals included 3+ products

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

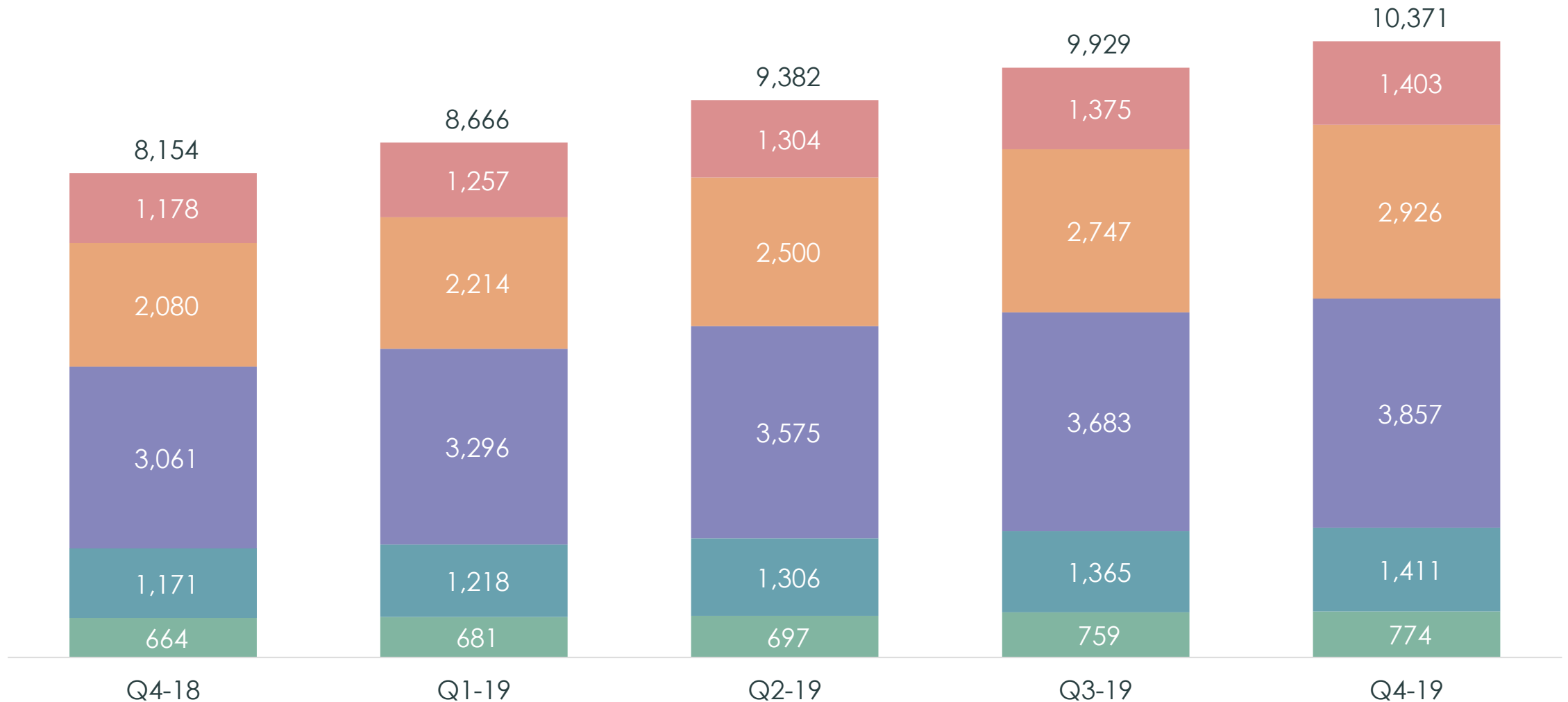
	IT				Emerging Products				Platform Add-ons & Other
	ITSM	ITOM	ITAM	ITBM	Customer Service	HR	Security Operations	App Engine	Platform Add-ons & Other
Customer 1	X	X	X						X
Customer 2	X	X	X	X		X	X	X	X
Customer 3				X	X		X	X	X
Customer 4	X	X		X	X	X		X	X
Customer 5	X		X	X		X		X	X
Customer 6	X	X		X		X	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



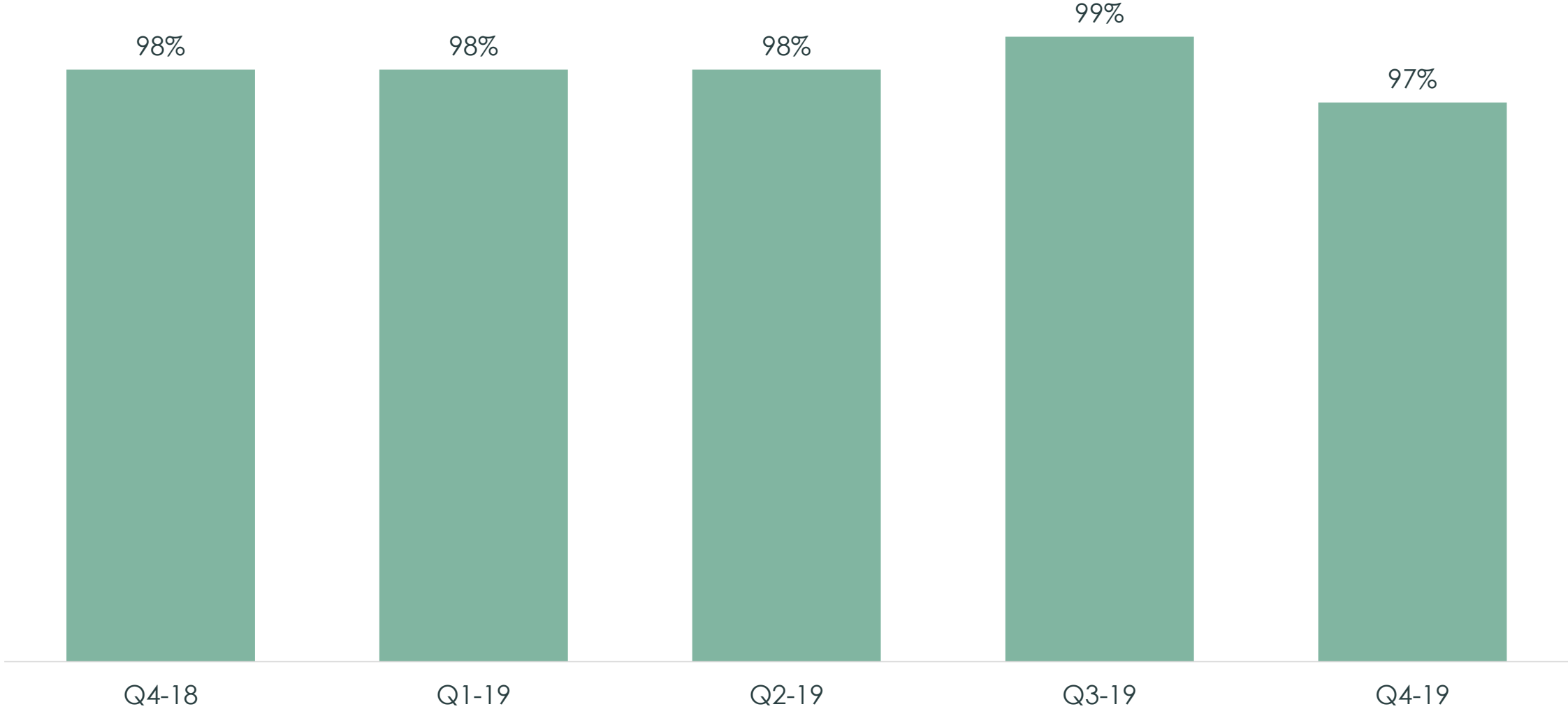
Note: IT = IT Service Mgmt, IT Operations Mgmt, IT Asset Mgmt, IT Business Mgmt
 Emerging Products = CSM, HR, Security, App Engine
 Platform Add-ons & Other = Performance Analytics, Cloud Options, Metric Base, IntegrationHub, Other

Headcount by Department

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



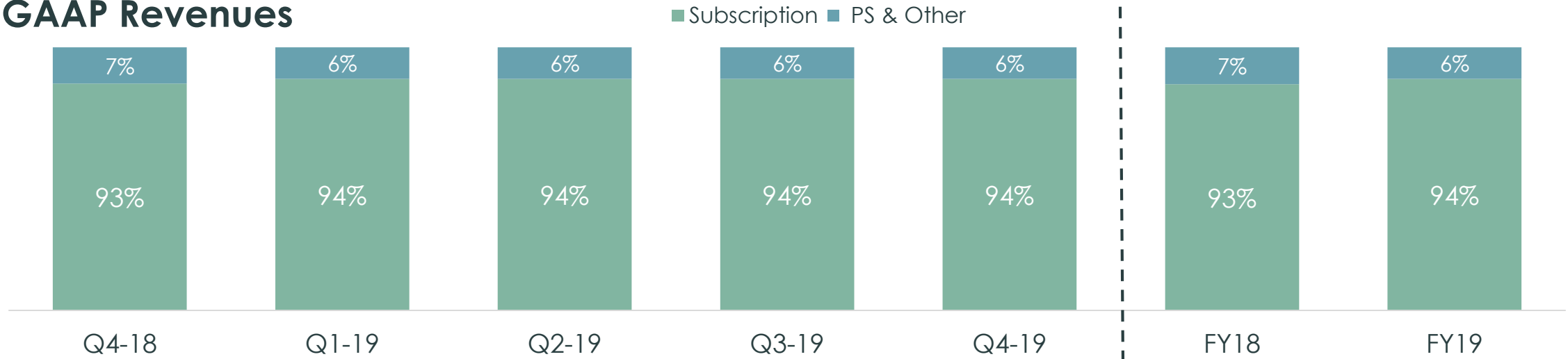
Renewal Rate



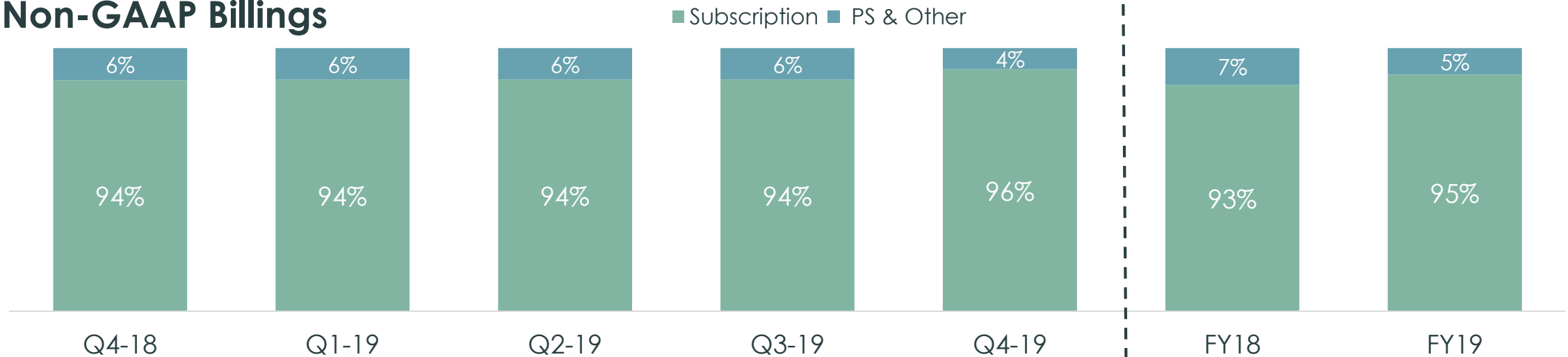
Note: We adjust our Renewal Rate for acquisitions, consolidations and other customer events that cause the merging of two or more accounts occurring at the time of renewal. Previously disclosed Renewal Rates may be restated to reflect such adjustments to allow for comparability.

Revenues and Billings Mix

GAAP Revenues

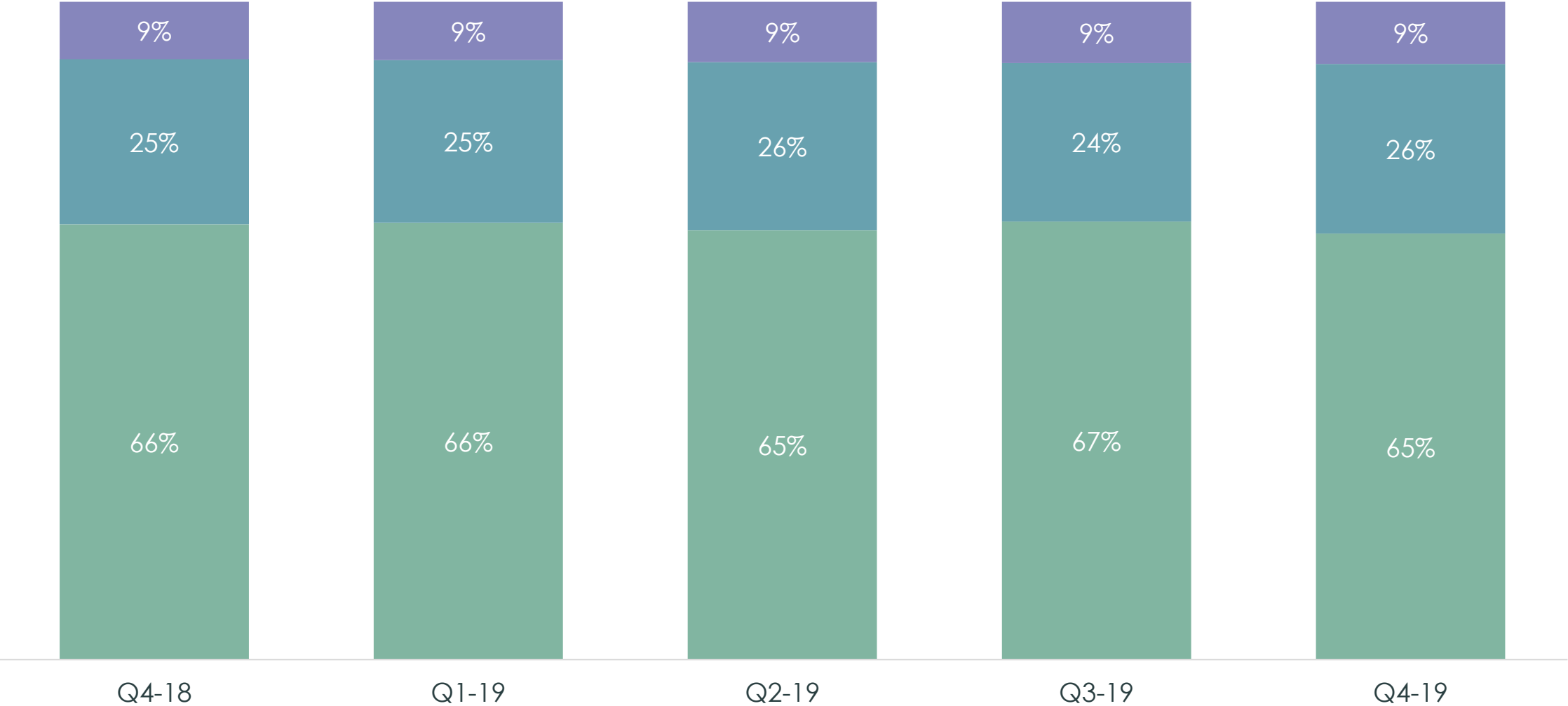


Non-GAAP Billings

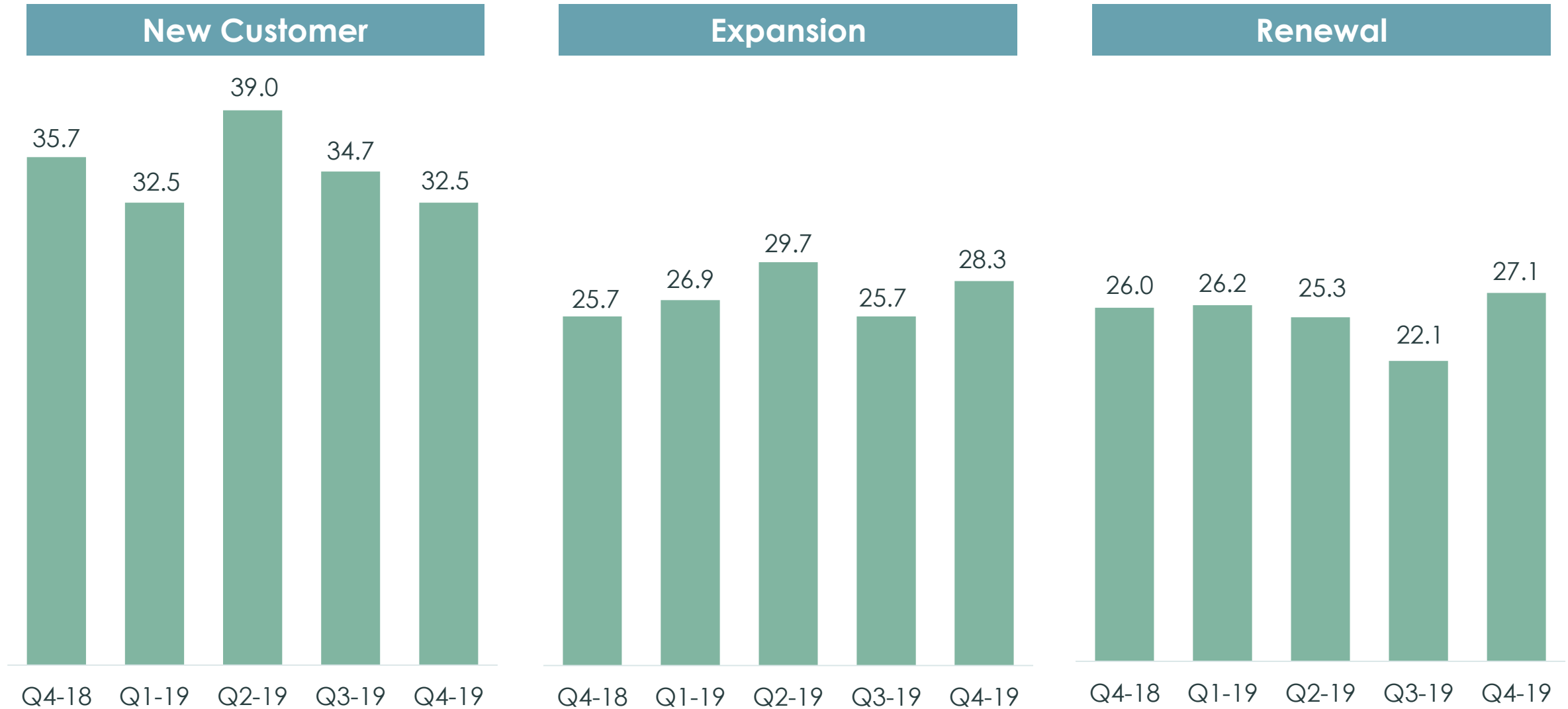


GAAP Revenues by Geography

■ North America ■ EMEA ■ APAC & Other

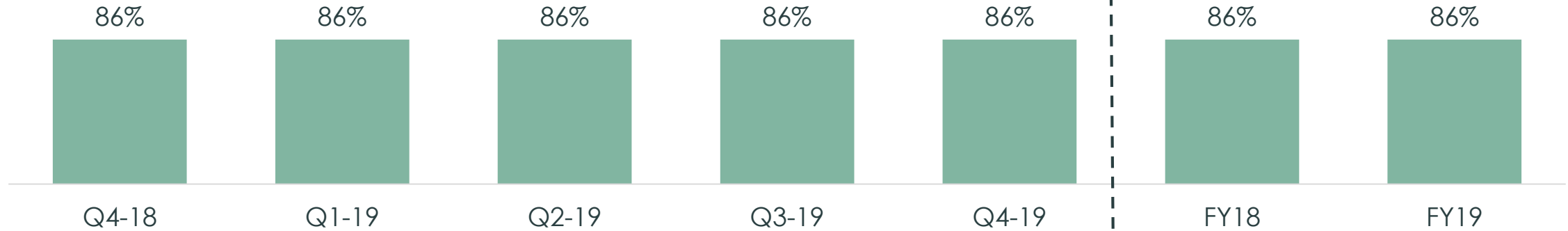


Average Contract Terms

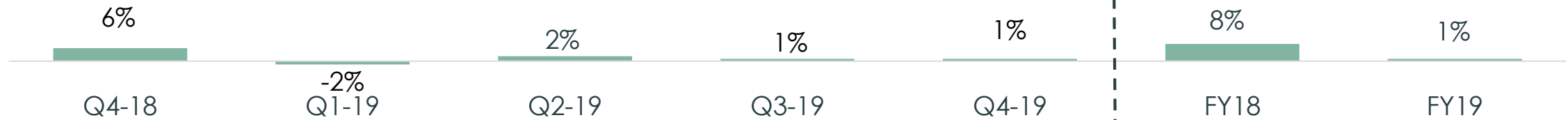


Non-GAAP Gross Margins

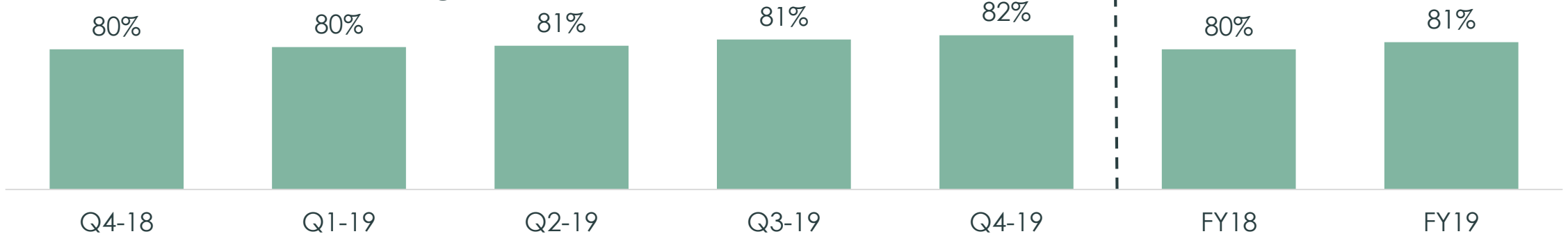
Non-GAAP Subscription Gross Margin



Non-GAAP PS & Other Gross Margin

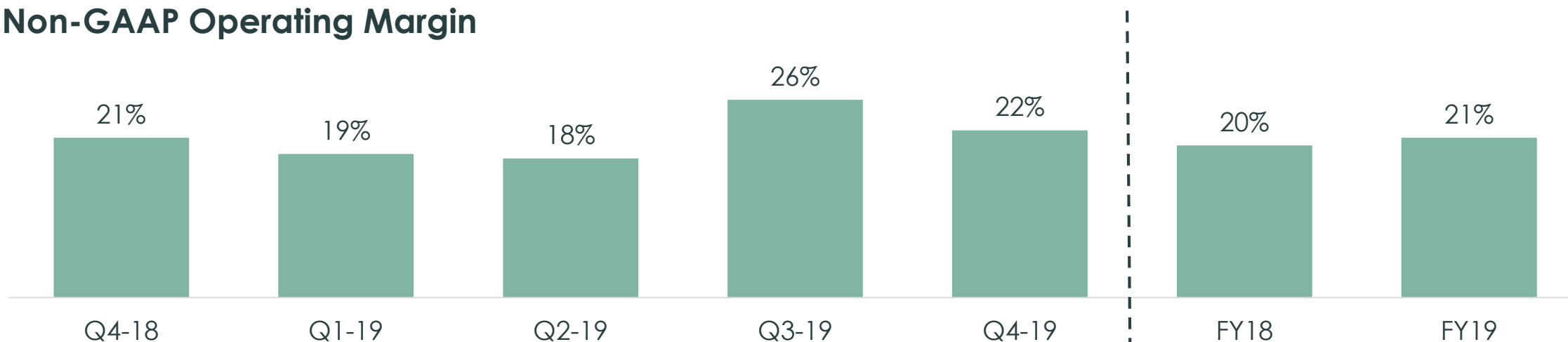


Non-GAAP Total Gross Margin

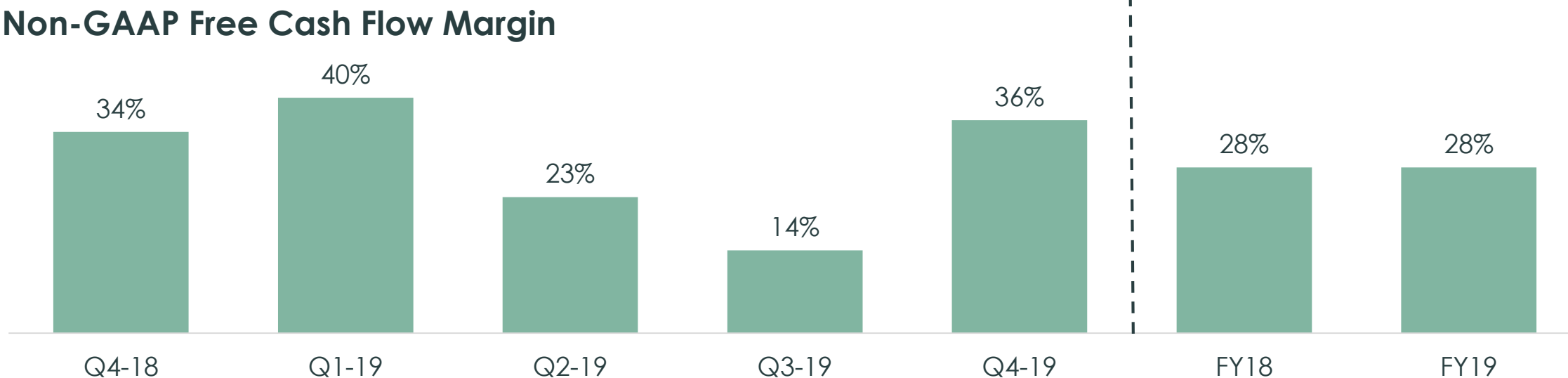


Non-GAAP Operating and Free Cash Flow Margins

Non-GAAP Operating Margin

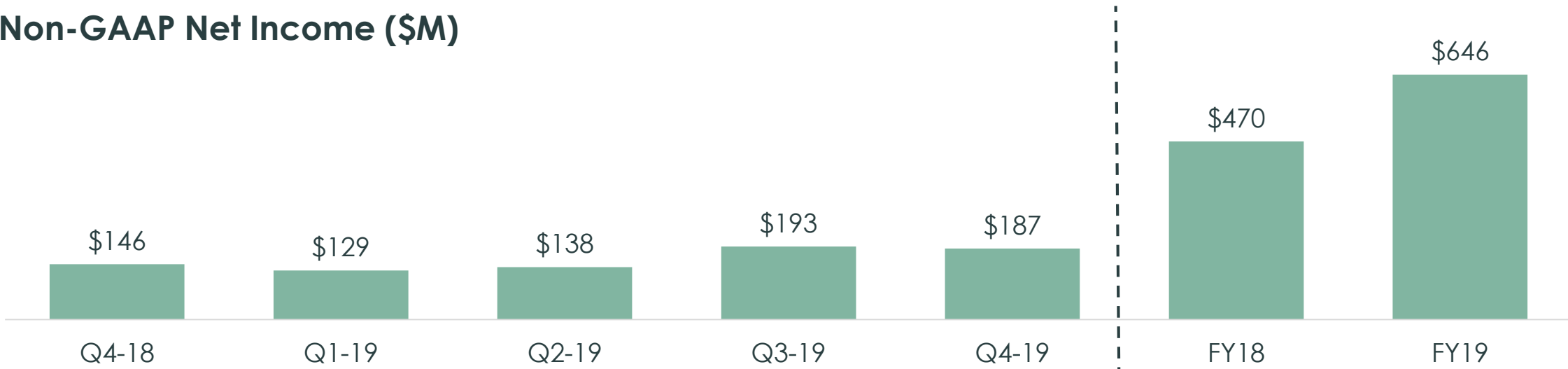


Non-GAAP Free Cash Flow Margin

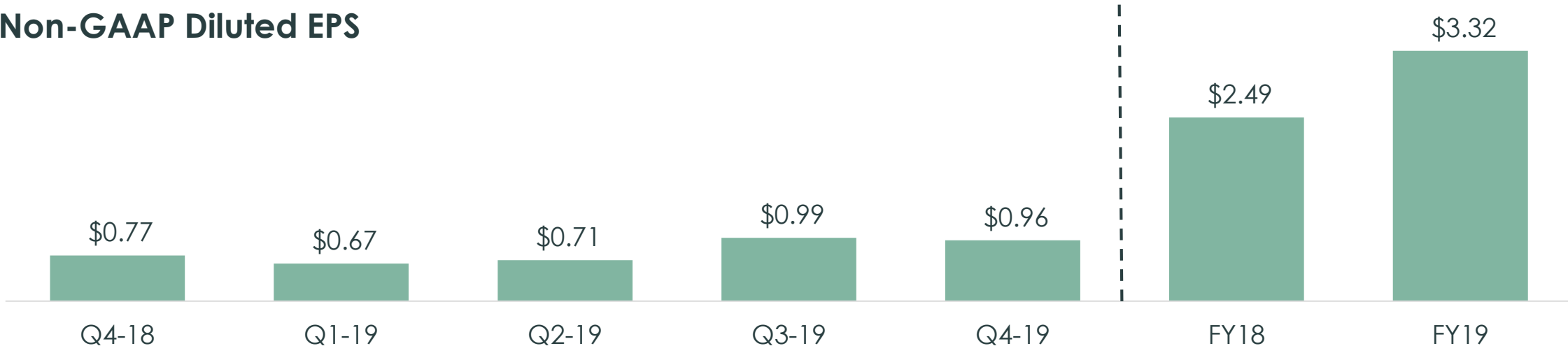


Non-GAAP Net Income and Diluted EPS

Non-GAAP Net Income (\$M)



Non-GAAP Diluted EPS



Note: All figures are calculated on a non-GAAP basis. See appendix for reconciliation of non-GAAP financial measures.

GAAP to Non-GAAP Reconciliation

GAAP to Non-GAAP Reconciliation – Revenues and Billings

in millions (except %'s)	Q1-18	Q2-18	Q3-18	Q4-18	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Q1-20E Midpoint	2020E Midpoint
GAAP Subscription Revenues	\$ 543	\$ 585	\$ 627	\$ 666	\$ 2,421	\$ 740	\$ 781	\$ 835	\$ 899	\$ 3,255	\$ 978	\$ 4,230
(+) Effects of Foreign Currency Rate Fluctuations	(23)	(14)	3	7	(27)	20	17	13	8	58	3	(10)
Non-GAAP Adjusted Subscription Revenues ⁽¹⁾	\$ 520	\$ 571	\$ 629	\$ 674	\$ 2,394	\$ 760	\$ 798	\$ 848	\$ 907	\$ 3,313	\$ 981	\$ 4,220
<i>YoY Non-GAAP Adjusted Subscription Revenues Growth Rates ⁽¹⁾</i>	34%	42%	40%	35%	38%	40%	36%	35%	36%	37%	33%	30%
GAAP Subscription Revenues	\$ 543	\$ 585	\$ 627	\$ 666	\$ 2,421	\$ 740	\$ 781	\$ 835	\$ 899	\$ 3,255	\$ 978	\$ 4,230
(+/-) Change in Subscription Deferred Revenue, Unbilled Receivables, and Customer Deposits	95	32	48	286	460	70	36	29	399	533	65	585
Non-GAAP Subscription Billings	\$ 638	\$ 617	\$ 674	\$ 952	\$ 2,881	\$ 810	\$ 817	\$ 864	\$ 1,298	\$ 3,788	\$ 1,043	\$ 4,815
<i>YoY Non-GAAP Subscription Billings Growth Rates</i>	33%	36%	35%	38%	36%	27%	32%	28%	36%	31%	29%	27%
(+) Effects of Foreign Currency Rate Fluctuations	(27)	(15)	3	11	(29)	22	17	12	12	63	4	(12)
(+) Effects of Fluctuations in Billings Duration	2	(1)	(5)	(4)	(7)	18	(6)	(7)	(6)	(1)	(2)	14
Non-GAAP Adjusted Subscription Billings ⁽²⁾	\$ 613	\$ 601	\$ 672	\$ 959	\$ 2,845	\$ 850	\$ 828	\$ 869	\$ 1,303	\$ 3,850	\$ 1,044	\$ 4,817
<i>YoY Non-GAAP Adjusted Subscription Billings Growth Rates ⁽²⁾</i>	28%	32%	34%	39%	34%	33%	34%	29%	37%	34%	29%	27%
GAAP Professional Services and Other Revenues	\$ 46	\$ 46	\$ 47	\$ 49	\$ 188	\$ 49	\$ 53	\$ 51	\$ 53	\$ 205	N/A	N/A
(+/-) Change in Professional Services and Other Deferred Revenues	5	3	(0)	12	20	(1)	1	0	8	9	N/A	N/A
Non-GAAP Professional Services and Other Billings	\$ 51	\$ 49	\$ 46	\$ 61	\$ 207	\$ 48	\$ 54	\$ 51	\$ 61	\$ 214	N/A	N/A
GAAP Total Revenues	\$ 589	\$ 631	\$ 673	\$ 715	\$ 2,609	\$ 789	\$ 834	\$ 886	\$ 952	\$ 3,460	N/A	N/A
(+/-) Change in Total Deferred Revenue, Unbilled Receivables, and Customer Deposits	100	35	47	298	480	69	37	29	407	542	N/A	N/A
Non-GAAP Total Billings	\$ 689	\$ 666	\$ 721	\$ 1,013	\$ 3,089	\$ 858	\$ 871	\$ 915	\$ 1,358	\$ 4,002	N/A	N/A

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

⁽²⁾ Adjusted billings and the corresponding growth rates are derived by applying the average exchange rates in effect during the comparison period rather than the actual average exchange rates in effect during the current period or the exchange rates for the 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.

GAAP to Non-GAAP Reconciliation – Remaining Performance Obligations

in billions (except %'s)	Q1-18	Q2-18	Q3-18	Q4-18	2018	Q1-19	Q2-19	Q3-19	Q4-19	2019	Q1-20E Midpoint	2020E Midpoint
GAAP Current Remaining Performance Obligations at Period End	\$ 1.9	\$ 2.0	\$ 2.1	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.7	\$ 2.8	\$ 3.3	\$ 3.3	N/A	N/A
(+) Effects of Foreign Currency Rate Fluctuations	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.1	0.0	0.0	N/A	N/A
Non-GAAP Adjusted Current Remaining Performance Obligations at Period End ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	\$ 2.7	\$ 2.9	\$ 3.3	\$ 3.3	N/A	N/A
YoY Non-GAAP Adjusted Current Remaining Performance Obligations Growth Rates ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	37%	36%	34%	34%	N/A	N/A
GAAP Remaining Performance Obligations at Period End	\$ 3.8	\$ 4.0	\$ 4.2	\$ 4.9	\$ 4.9	\$ 5.1	\$ 5.4	\$ 5.6	\$ 6.6	\$ 6.6	N/A	N/A
(+) Effects of Foreign Currency Rate Fluctuations	N/A	N/A	N/A	N/A	N/A	N/A	0.1	0.1	0.0	0.0	N/A	N/A
Non-GAAP Adjusted Remaining Performance Obligations at Period End ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	\$ 5.5	\$ 5.7	\$ 6.7	\$ 6.7	N/A	N/A
YoY Non-GAAP Adjusted Remaining Performance Obligations Growth Rates ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	36%	36%	35%	35%	N/A	N/A

⁽³⁾ Adjusted current remaining performance obligations, adjusted remaining performance obligations and the corresponding growth rates are derived by applying the exchange rates in effect at the end of the comparison period rather than the actual exchange rates in effect at the end of the current period.

GAAP to Non-GAAP Reconciliation – Other

in millions (except %'s and per share data)	Q1-18	Margin	Q2-18	Margin	Q3-18	Margin	Q4-18	Margin	2018	Margin	Q1-19	Margin	Q2-19	Margin	Q3-19	Margin	Q4-19	Margin	2019	Margin	Q1-20E	2020E
GAAP Subscription Gross Profit	\$ 448	82%	\$ 484	83%	\$ 520	83%	\$ 553	83%	\$ 2,004	83%	\$ 613	83%	\$ 646	83%	\$ 696	83%	\$ 751	84%	\$ 2,705	83%	N/A	83%
(+) Subscription SBC	11	2%	13	2%	13	2%	12	2%	49	2%	16	2%	19	2%	19	2%	19	2%	73	2%	N/A	2%
(+) Subscription Amort of Purchased Intangibles	4	1%	5	1%	5	1%	5	1%	19	1%	5	1%	6	1%	6	1%	8	0%	24	1%	N/A	1%
Non-GAAP Subscription Gross Profit	\$ 464	85%	\$ 501	86%	\$ 537	86%	\$ 570	86%	\$ 2,072	86%	\$ 634	86%	\$ 670	86%	\$ 721	86%	\$ 777	86%	\$ 2,802	86%	N/A	86%
GAAP Professional Services and Other Gross Loss	\$ (2)	(5%)	\$ (6)	(12%)	\$ (5)	(10%)	\$ (5)	(11%)	\$ (18)	(9%)	\$ (11)	(22%)	\$ (10)	(18%)	\$ (11)	(21%)	\$ (11)	(20%)	\$ (42)	(20%)	N/A	N/A
(+) Professional Services and Other SBC	8	17%	8	18%	8	18%	9	17%	33	17%	10	20%	11	20%	11	22%	11	21%	43	21%	N/A	N/A
Non-GAAP Professional Services and Other Gross Profit (Loss)	\$ 5	12%	\$ 3	6%	\$ 4	8%	\$ 3	6%	\$ 15	8%	\$ (1)	(2%)	\$ 1	2%	\$ 0	1%	\$ 1	1%	\$ 1	1%	N/A	N/A
GAAP Gross Profit	\$ 446	76%	\$ 478	76%	\$ 515	77%	\$ 547	76%	\$ 1,986	76%	\$ 603	76%	\$ 636	76%	\$ 685	77%	\$ 740	78%	\$ 2,664	77%	N/A	N/A
(+) SBC	19	3%	21	3%	21	3%	21	3%	82	3%	26	3%	30	4%	30	3%	30	3%	116	3%	N/A	N/A
(+) Amort of Purchased Intangibles	4	1%	5	1%	5	0%	5	1%	19	1%	5	1%	6	1%	6	1%	8	1%	24	1%	N/A	N/A
Non-GAAP Gross Profit	\$ 469	80%	\$ 503	80%	\$ 541	80%	\$ 573	80%	\$ 2,087	80%	\$ 633	80%	\$ 671	81%	\$ 721	81%	\$ 778	82%	\$ 2,804	81%	N/A	N/A
GAAP Sales and Marketing	\$ 284	48%	\$ 311	49%	\$ 289	43%	\$ 319	45%	\$ 1,203	46%	\$ 361	46%	\$ 394	47%	\$ 363	41%	\$ 416	44%	\$ 1,534	44%	N/A	N/A
(-) Sales and Marketing SBC	52	9%	57	9%	60	9%	59	8%	228	9%	62	8%	69	8%	69	8%	68	7%	268	8%	N/A	N/A
(-) Sales and Marketing Amort of Purchased Intangibles	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	0	0%	0	0%	N/A	N/A
Non-GAAP Sales and Marketing	\$ 232	39%	\$ 254	40%	\$ 229	34%	\$ 260	37%	\$ 975	37%	\$ 299	38%	\$ 325	39%	\$ 294	33%	\$ 348	37%	\$ 1,266	37%	N/A	N/A
GAAP Research and Development	\$ 117	20%	\$ 128	20%	\$ 136	20%	\$ 149	21%	\$ 530	20%	\$ 173	22%	\$ 183	22%	\$ 190	21%	\$ 202	21%	\$ 748	22%	N/A	N/A
(-) Research and Development SBC	29	5%	34	5%	36	5%	37	5%	135	5%	44	6%	50	6%	51	6%	51	5%	195	6%	N/A	N/A
(-) Research and Development Amort of Purchased Intangibles	0	0%	0	0%	0	0%	0	0%	2	0%	0	0%	0	0%	0	0%	0	0%	2	0%	N/A	N/A
Non-GAAP Research and Development	\$ 88	15%	\$ 94	15%	\$ 100	15%	\$ 111	16%	\$ 392	15%	\$ 128	16%	\$ 133	16%	\$ 139	16%	\$ 151	16%	\$ 552	16%	N/A	N/A
GAAP General and Administrative	\$ 65	11%	\$ 71	11%	\$ 81	12%	\$ 79	11%	\$ 296	11%	\$ 84	10%	\$ 85	10%	\$ 76	9%	\$ 93	10%	\$ 339	10%	N/A	N/A
(-) General and Administrative SBC	22	4%	24	4%	28	4%	26	4%	99	4%	26	3%	22	3%	14	2%	21	2%	83	2%	N/A	N/A
(-) General and Administrative Amort of Purchased Intangibles	1	0%	1	0%	1	0%	2	0%	4	0%	2	0%	2	0%	2	0%	2	0%	8	0%	N/A	N/A
(-) General and Administrative Business Combination and Other Related Costs	0	0%	1	0%	0	0%	0	0%	1	0%	0	0%	0	0%	0	0%	1	0%	1	0%	N/A	N/A
Non-GAAP General and Administrative	\$ 42	7%	\$ 46	7%	\$ 52	8%	\$ 52	7%	\$ 191	7%	\$ 57	7%	\$ 61	7%	\$ 60	7%	\$ 70	8%	\$ 247	7%	N/A	N/A
GAAP Income (Loss) from Operations	\$ (20)	(3%)	\$ (32)	(5%)	\$ 10	1%	\$ 0	0%	\$ (42)	(2%)	\$ (16)	(2%)	\$ (27)	(3%)	\$ 56	6%	\$ 29	3%	\$ 42	1%	2%	2%
(+) SBC	121	21%	136	21%	144	21%	143	20%	544	21%	157	20%	172	21%	163	18%	170	18%	662	19%	19%	19%
(+) Amort of Purchased Intangibles	6	0%	6	1%	6	2%	7	1%	25	1%	7	1%	8	0%	9	2%	10	1%	35	1%	1%	1%
(+) Business Combination and Other Related Costs	0	0%	1	0%	0	0%	0	0%	1	0%	0	0%	0	0%	0	0%	1	0%	1	0%	0%	0%
Non-GAAP Income from Operations	\$ 107	18%	\$ 110	17%	\$ 161	24%	\$ 150	21%	\$ 528	20%	\$ 149	19%	\$ 153	18%	\$ 228	26%	\$ 210	22%	\$ 740	21%	22%	22%
GAAP Net Income (Loss)	\$ 11	2%	\$ (53)	(8%)	\$ 8	1%	\$ 7	1%	\$ (27)	(1%)	\$ (2)	0%	\$ (11)	(1%)	\$ 41	5%	\$ 599	63%	\$ 627	18%	N/A	N/A
(+) SBC	121	21%	136	21%	144	21%	143	20%	544	21%	157	20%	172	21%	163	18%	170	18%	662	19%	N/A	N/A
(+) Amort of Purchased Intangibles	6	0%	6	1%	6	2%	7	1%	25	1%	7	1%	8	0%	9	2%	10	1%	35	1%	N/A	N/A
(+) Business Combination and Other Related Costs	0	0%	1	0%	0	0%	0	0%	1	0%	0	0%	0	0%	0	0%	1	0%	1	0%	N/A	N/A
(+) Amortization of Debt Discount and Issuance Costs for the Convertible Senior Notes	17	3%	15	2%	11	2%	9	1%	53	2%	8	1%	8	1%	8	1%	8	1%	33	1%	N/A	N/A
(+) Loss on Early Note Conversions	1	0%	3	1%	0	0%	-	0%	4	0%	-	0%	-	0%	-	0%	-	0%	-	0%	N/A	N/A
(-) Income Tax Expense Effects Related to the Above Adjustments	51	8%	17	3%	42	7%	20	3%	130	5%	42	6%	40	5%	28	3%	27	3%	137	4%	N/A	N/A
(-) Income Tax benefit from the release of a valuation allowance on the deferred tax asset	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	574	60%	574	17%	N/A	N/A
Non-GAAP Net Income	\$ 105	18%	\$ 91	14%	\$ 129	19%	\$ 146	20%	\$ 470	18%	\$ 129	16%	\$ 138	16%	\$ 193	22%	\$ 187	20%	\$ 646	19%	N/A	N/A

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

in millions (except %'s and per share data)	Q1-18	Margin	Q2-18	Margin	Q3-18	Margin	Q4-18	Margin	2018	Margin	Q1-19	Margin	Q2-19	Margin	Q3-19	Margin	Q4-19	Margin	2019	Margin	Q1-20E	2020E
GAAP Weighted-Average Shares Used to Compute Net Income (Loss) per Share - Diluted	190	N/A	177	N/A	192	N/A	191	N/A	178	N/A	182	N/A	187	N/A	198	N/A	198	N/A	197	N/A	198	199
(+) Effects of Dilutive Time-based Awards ⁽⁴⁾	-	N/A	7	N/A	-	N/A	-	N/A	8	N/A	6	N/A	6	N/A	-	N/A	-	N/A	-	N/A	-	-
(-) Effects of In-the-money Portion of Convertible Senior Notes ⁽⁴⁾	5	N/A	-	N/A	3	N/A	1	N/A	-	N/A	-	N/A	-	N/A	3	N/A	3	N/A	3	N/A	3	3
(+) Effects of Warrants related to the Issuance of Convertible Senior Notes ⁽⁴⁾	-	N/A	3	N/A	-	N/A	-	N/A	3	N/A	4	N/A	2	N/A	-	N/A	-	N/A	-	N/A	-	-
(+) Effects of Stock Awards with Performance Conditions Not Yet Satisfied ⁽⁴⁾	0	N/A	0	N/A	0	N/A	-	N/A	-	N/A	-	N/A	0	N/A	0	N/A	-	N/A	-	N/A	-	-
Non-GAAP Weighted-Average Shares Used to Compute Net Income per Share - Diluted	186	N/A	188	N/A	189	N/A	189	N/A	189	N/A	192	N/A	194	N/A	195	N/A	195	N/A	194	N/A	195	196
GAAP Net Income (Loss) per Share - Diluted	\$ 0.06	N/A	\$ (0.30)	N/A	\$ 0.04	N/A	\$ 0.04	N/A	\$ (0.15)	N/A	\$ (0.01)	N/A	\$ (0.06)	N/A	\$ 0.21	N/A	\$ 3.03	N/A	\$ 3.18	N/A	N/A	N/A
Non-GAAP Net Income per Share - Diluted	\$ 0.56	N/A	\$ 0.49	N/A	\$ 0.68	N/A	\$ 0.77	N/A	\$ 2.49	N/A	\$ 0.67	N/A	\$ 0.71	N/A	\$ 0.99	N/A	\$ 0.96	N/A	\$ 3.32	N/A	N/A	N/A
GAAP Net Cash Provided by Operating Activities	\$ 250	42%	\$ 126	20%	\$ 146	22%	\$ 290	40%	\$ 811	31%	\$ 361	46%	\$ 244	29%	\$ 210	24%	\$ 421	44%	\$ 1,236	36%	N/A	37%
(-) Purchases of Property and Equipment	35	5%	53	8%	48	7%	88	12%	224	9%	47	6%	50	6%	89	10%	79	8%	265	8%	N/A	8%
(+) Repayments of Convertible Senior Notes attributable to Debt Discount	9	1%	79	12%	14	2%	44	6%	145	6%	-	0%	-	0%	-	0%	-	0%	-	0%	N/A	0%
Non-GAAP Free Cash Flow	\$ 223	38%	\$ 152	24%	\$ 112	17%	\$ 245	34%	\$ 732	28%	\$ 314	40%	\$ 194	23%	\$ 121	14%	\$ 342	36%	\$ 971	28%	N/A	29%

⁽⁴⁾ Effects 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 for non-GAAP weighted-average diluted shares at forecasted attainment levels to the extent we believe it is probable that the performance condition will be met.