



August 10, 2017

Paylocity Announces Fourth Quarter and Fiscal Year 2017 Financial Results

- | **Q4 2017 Total Revenue of \$76.1 million, up 27% year-over-year**
- | **FY 2017 Total Revenue of \$300.0 million, up 30% year-over-year**

ARLINGTON HEIGHTS, Ill., Aug. 10, 2017 (GLOBE NEWSWIRE) -- Paylocity Holding Corporation (Nasdaq:PCTY), a cloud-based provider of payroll and human capital management software solutions, today announced financial results for the fourth quarter and full fiscal year 2017, which ended June 30, 2017.

"We ended with a strong fourth quarter, allowing us to finish the fiscal year with 30% revenue growth while driving leverage across all of our key financial metrics," said Steve Beauchamp, President and Chief Executive Officer of Paylocity. "We also continue to realize the benefits of our sustained R&D investment, having announced several additions to our HCM product suite in fiscal 2017, including Expense, Recruiting and the newly released HR Compliance Dashboard."

Fourth Quarter 2017 Financial Highlights

Revenue:

- | Total revenue was \$76.1 million, an increase of 27% from the fourth quarter of fiscal year 2016.
- | Total recurring revenue was \$73.4 million, representing 96% of total revenue and an increase of 27% from the fourth quarter of fiscal year 2016.

Operating Income (Loss):

- | GAAP operating loss was (\$3.4) million, compared to an operating loss of (\$5.0) million in the fourth quarter of fiscal year 2016.
- | Non-GAAP operating income was \$5.5 million, compared to a non-GAAP operating loss of (\$0.0) million in the fourth quarter of fiscal year 2016.

Net Income (Loss):

- | GAAP net loss was (\$3.8) million. This compares to a net loss of (\$5.4) million for the fourth quarter of fiscal year 2016. Net loss per share was (\$0.07) for the three months ended June 30, 2017 based on 51.6 million basic and diluted weighted average common shares outstanding. Net loss per share was (\$0.11) for the three months ended June 30, 2016, based on 51.1 million basic and diluted weighted average common shares outstanding.
- | Non-GAAP net income was \$5.1 million. This compares to non-GAAP net loss of (\$0.4) million for the fourth quarter of fiscal year 2016. Non-GAAP net income per share was \$0.09 for the three months ended June 30, 2017, based on 54.5 million pro forma diluted weighted average common shares outstanding. Non-GAAP net loss per share was (\$0.01) for the three months ended June 30, 2016, based on 51.1 million basic and diluted weighted average common shares outstanding.

Adjusted EBITDA:

- | Adjusted EBITDA, a non-GAAP measure, was \$11.5 million compared to Adjusted EBITDA of \$3.3 million in the fourth quarter of fiscal year 2016.

Fiscal Year 2017 Financial Highlights

Revenue:

- | Total revenue was \$300.0 million, an increase of 30% from fiscal year 2016.

- | Total recurring revenue was \$288.4 million, representing 96% of total revenue and an increase of 31% from fiscal year 2016.

Operating Income (Loss):

- | GAAP operating income was \$7.3 million, compared to an operating loss of (\$3.6) million in fiscal year 2016.
- | Non-GAAP operating income was \$36.6 million, compared to non-GAAP operating income of \$16.2 million in fiscal year 2016.

Net Income (Loss):

- | GAAP net income was \$6.7 million for fiscal year 2017. This compares to a net loss of (\$3.9) million for fiscal year 2016. Net income per share was \$0.12 for fiscal year 2017, based on 54.1 million diluted weighted average common shares outstanding. For fiscal year 2016 net loss was (\$0.08) per share based on 50.9 million basic and diluted weighted average common shares outstanding.
- | Non-GAAP net income was \$36.0 million. This compares to non-GAAP net income of \$15.9 million in fiscal year 2016. Non-GAAP net income per share was \$0.67 for fiscal year 2017 based on 54.1 million diluted weighted-average common shares outstanding. Non-GAAP net income per share was \$0.30 for fiscal year 2016, based on 53.5 million pro forma diluted weighted-average common shares outstanding.

Adjusted EBITDA:

- | Adjusted EBITDA, a non-GAAP measure, was \$56.2 million for fiscal year 2017 compared to Adjusted EBITDA of \$28.4 million for fiscal year 2016.

Balance Sheet and Cash Flow:

- | Cash and cash equivalents totaled \$103.5 million at the end of the year.
- | Cash flow from operations for fiscal year 2017 was \$62.0 million compared to \$33.0 million for fiscal year 2016.

A reconciliation of GAAP to non-GAAP financial measures has been provided in this press release, including the accompanying tables. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Business Outlook

Based on information available as of August 10, 2017, Paylocity is issuing guidance for the first quarter and full fiscal year 2018 as indicated below.

First Quarter 2018:

- | Total revenue is expected to be in the range of \$80.3 million to \$81.3 million.
- | Adjusted EBITDA is expected to be in the range of \$12.0 million to \$13.0 million.
- | Non-GAAP net income is expected to be in the range of \$5.5 million to \$6.5 million, or \$0.10 to \$0.12 per share, based on approximately 55 million diluted weighted average common shares outstanding.

Fiscal Year 2018:

- | Total revenue is expected to be in the range of \$368.0 million to \$370.0 million.
- | Adjusted EBITDA is expected to be in the range of \$71.0 million to \$72.0 million.
- | Non-GAAP net income is expected to be in the range of \$43.0 million to \$44.0 million, or \$0.78 to \$0.80 per share, based on approximately 55 million diluted weighted average common shares outstanding.

We are unable to reconcile these forward-looking non-GAAP financial measures to their directly comparable GAAP financial measures because the information which is needed to complete a reconciliation is unavailable at this time without unreasonable effort.

Conference Call Details

Paylocity will host a conference call to discuss its fourth quarter and fiscal year 2017 results at 4:00 p.m. Central Time today (5:00 Eastern Time). A live audio webcast of the conference call, together with detailed financial information, can be accessed through the company's Investor Relations Web site at www.paylocity.com. Participants who choose to call in to the conference call can do so by dialing (855) 226-3021 or (315) 625-6892, passcode 46527251. A replay of the call will be available and archived via webcast at www.paylocity.com.

About Paylocity

Paylocity is a provider of cloud-based payroll and human capital management, or HCM, software solutions. Paylocity's comprehensive and easy-to-use solutions enable its clients to manage their workforces more effectively. Paylocity's solutions help drive strategic human capital decision-making and improve employee engagement by enhancing the human resource, payroll, and finance capabilities of its clients. For more information, visit www.paylocity.com.

Non-GAAP Financial Measures

The company uses certain non-GAAP financial measures in this release, including Adjusted EBITDA, adjusted gross profit, adjusted recurring gross profit, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP net income (loss) per share, non-GAAP sales and marketing, non-GAAP total research and development and non-GAAP general and administrative. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We define Adjusted EBITDA as net income (loss) before interest expense, income tax expense, and depreciation and amortization expense, adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises. Adjusted gross profit and adjusted recurring gross profit are adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and amortization of capitalized internal-use software costs. Non-GAAP operating income (loss) is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and the amortization of acquired intangibles. Non-GAAP sales and marketing expense is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises. Non-GAAP general and administrative expense is adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and the amortization of acquired intangibles. Non-GAAP net income (loss) and non-GAAP net income (loss) per share are adjusted to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises and the amortization of acquired intangibles. Pro forma diluted weighted average number of common shares are adjusted for the weighted average effect of potentially diluted shares. Non-GAAP total research and development is adjusted for capitalized internal-use software costs and to eliminate stock-based compensation expense and employer payroll taxes related to stock releases and option exercises. Please note that other companies may define their non-GAAP financial measures differently than we do. Management presents certain non-GAAP financial measures in this release because it considers them to be important supplemental measures of performance. Management uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the company's financial and operational performance. Management also intends to provide these non-GAAP financial measures as part of the company's future earnings discussions and, therefore, the inclusion of the non-GAAP financial measures should provide consistency in the company's financial reporting. Non-GAAP financial measures have limitations as an analytical tool. Investors are encouraged to review the reconciliation of the non-GAAP measures to their most directly comparable GAAP measures provided in this release.

Safe Harbor/forward looking statements

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included herein regarding Paylocity's future operations, future financial position and performance, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "will," "would," "seek" and similar expressions (or the negative of these terms) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about management's estimates regarding future revenues and financial performance and other statements about management's beliefs, intentions or goals. Paylocity may not actually achieve the expectations disclosed in the forward-looking statements, and you should not place undue reliance on Paylocity's forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results or events to differ materially from the expectations disclosed in the forward-looking statements, including, but not limited to, risks related to regulatory, legislative and judicial uncertainty in Paylocity's markets, including the potential repeal or replacement of the Affordable Care Act; Paylocity's ability to retain existing clients and to attract new clients to enter into subscriptions for its services; Paylocity's ability to sell new products and retain subscriptions for its existing products, such as ACA Compliance, to its new and existing clients; the challenges associated with a growing company's ability to effectively service clients in a dynamic and competitive market; challenges associated with expanding and evolving a sales organization to effectively address new geographies and products and services; Paylocity's reliance on and ability to expand its referral network of third parties;

difficulties associated with accurately forecasting revenue and appropriately planning expenses; challenges with managing growth effectively; difficulties in forecasting Paylocity's tax position, including but not limited to the assessment of the need for a valuation allowance against its deferred tax position; continued acceptance of SaaS as an effective method for delivery of payroll and HCM solutions; Paylocity's ability to protect and defend its intellectual property; the risk that Paylocity's security measures are compromised or the unauthorized access to customer data; unexpected events in the market for Paylocity's solutions; changes in the competitive environment in Paylocity's industry and the markets in which it operates; adverse changes in general economic or market conditions; changes in the employment rates of Paylocity's clients and the resultant impact on revenue; and other risks and potential factors that could affect Paylocity's business and financial results identified in Paylocity's filings with the Securities and Exchange Commission (the "SEC"), including its 10-K filed with the SEC on August 12, 2016. Additional information will also be set forth in Paylocity's future quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that Paylocity makes with the SEC. These forward-looking statements represent Paylocity's expectations as of the date of this press release. Subsequent events may cause these expectations to change, and Paylocity disclaims any obligations to update or alter these forward-looking statements in the future, whether as a result of new information, future events or otherwise.

PAYLOCITY HOLDING CORPORATION
Consolidated Balance Sheets
(in thousands, except per share data)

| | <u>As of June 30,</u> | |
|--|-----------------------|--------------------|
| | <u>2016</u> | <u>2017</u> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$86,496 | \$103,468 |
| Accounts receivable, net | 1,681 | 2,040 |
| Prepaid expenses and other | 7,409 | 14,879 |
| | <hr/> | <hr/> |
| Total current assets before funds held for clients | 95,586 | 120,387 |
| Funds held for clients | 1,239,622 | 942,459 |
| | <hr/> | <hr/> |
| Total current assets | 1,335,208 | 1,062,846 |
| Long-term prepaid expenses | 845 | 1,535 |
| Capitalized internal-use software, net | 11,427 | 17,394 |
| Property and equipment, net | 26,787 | 40,756 |
| Intangible assets, net | 10,419 | 8,907 |
| Goodwill | 6,003 | 6,003 |
| | <hr/> | <hr/> |
| Total assets | <u>\$1,390,689</u> | <u>\$1,137,441</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$1,621 | \$2,046 |
| Accrued expenses | 24,979 | 30,301 |
| | <hr/> | <hr/> |
| Total current liabilities before client fund obligations | 26,600 | 32,347 |
| Client fund obligations | 1,239,622 | 942,459 |
| | <hr/> | <hr/> |
| Total current liabilities | 1,266,222 | 974,806 |
| Deferred rent | 4,646 | 14,621 |
| Deferred income tax liabilities, net | 249 | 401 |
| | <hr/> | <hr/> |
| Total liabilities | <u>\$1,271,117</u> | <u>\$989,828</u> |
| Stockholders' equity | | |
| Preferred stock, \$0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2016 and 2017 | \$— | \$— |
| Common stock, \$0.001 par value, 155,000 shares authorized at June 30, 2016 and 2017; | | |

51,132 shares issued and outstanding at June 30, 2016 and 51,738 shares issued and outstanding at June 30, 2017

| | | |
|--|---------------------------|---------------------------|
| | 51 | 52 |
| Additional paid-in capital | 171,515 | 192,837 |
| Accumulated deficit | <u>(51,994)</u> | <u>(45,276)</u> |
| Total stockholders' equity | <u>\$119,572</u> | <u>\$147,613</u> |
| Total liabilities and stockholders' equity | <u><u>\$1,390,689</u></u> | <u><u>\$1,137,441</u></u> |

PAYLOCITY HOLDING CORPORATION
Consolidated Statements of Operations
(in thousands, except per share data)

| | For the Three Months Ended June 30, | | For the Years Ended June 30, | |
|--|---|-------------------------|---------------------------------|-----------------------|
| | 2016 | 2017 | 2016 | 2017 |
| Revenues: | | | | |
| Recurring fees | \$57,042 | \$72,236 | \$217,416 | \$284,817 |
| Interest income on funds held for clients | 742 | 1,142 | 2,688 | 3,631 |
| Total recurring revenues | <u>57,784</u> | <u>73,378</u> | <u>220,104</u> | <u>288,448</u> |
| Implementation services and other | 2,055 | 2,683 | 10,597 | 11,562 |
| Total revenues | <u>59,839</u> | <u>76,061</u> | <u>230,701</u> | <u>300,010</u> |
| Cost of revenues: | | | | |
| Recurring revenues | 18,273 | 23,144 | 66,131 | 85,399 |
| Implementation services and other | 8,308 | 10,019 | 31,954 | 38,588 |
| Total cost of revenues | <u>26,581</u> | <u>33,163</u> | <u>98,085</u> | <u>123,987</u> |
| Gross profit | <u>33,258</u> | <u>42,898</u> | <u>132,616</u> | <u>176,023</u> |
| Operating expenses: | | | | |
| Sales and marketing | 17,361 | 20,518 | 61,832 | 77,506 |
| Research and development | 7,749 | 7,606 | 26,736 | 29,098 |
| General and administrative | 13,188 | 18,208 | 47,598 | 62,123 |
| Total operating expenses | <u>38,298</u> | <u>46,332</u> | <u>136,166</u> | <u>168,727</u> |
| Operating income (loss) | <u>(5,040)</u> | <u>(3,434)</u> | <u>(3,550)</u> | <u>7,296</u> |
| Other income (expense) | <u>(338)</u> | <u>77</u> | <u>(124)</u> | <u>73</u> |
| Income (loss) before income taxes | <u>(5,378)</u> | <u>(3,357)</u> | <u>(3,674)</u> | <u>7,369</u> |
| Income tax expense | 34 | 487 | 177 | 651 |
| Net income (loss) | <u><u>\$(5,412)</u></u> | <u><u>\$(3,844)</u></u> | <u><u>\$(3,851)</u></u> | <u><u>\$6,718</u></u> |
| Net income (loss) per share: | | | | |
| Basic | <u><u>\$(0.11)</u></u> | <u><u>\$(0.07)</u></u> | <u><u>\$(0.08)</u></u> | <u><u>\$0.13</u></u> |
| Diluted | <u><u>\$(0.11)</u></u> | <u><u>\$(0.07)</u></u> | <u><u>\$(0.08)</u></u> | <u><u>\$0.12</u></u> |
| Weighted-average shares used in computing net income (loss) per share: | | | | |
| Basic | <u>51,058</u> | <u>51,602</u> | <u>50,913</u> | <u>51,415</u> |
| Diluted | <u>51,058</u> | <u>51,602</u> | <u>50,913</u> | <u>54,057</u> |

Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises are included in the above line items:

| | For the Three Months Ended June 30, | | For the Years Ended June 30, | |
|---|---|-------|---------------------------------|---------|
| | 2016 | 2017 | 2016 | 2017 |
| Cost of revenue — recurring | \$448 | \$610 | \$1,765 | \$2,329 |
| Cost of revenue — implementation services and other | 297 | 379 | 1,202 | 1,473 |
| Sales and marketing | 1,207 | 1,514 | 4,567 | 6,558 |

| | | | | |
|----------------------------|----------------|----------------|-----------------|-----------------|
| Research and development | 714 | 740 | 2,942 | 3,348 |
| General and administrative | 1,973 | 5,288 | 7,723 | 14,086 |
| Total | <u>\$4,639</u> | <u>\$8,531</u> | <u>\$18,199</u> | <u>\$27,794</u> |

PAYLOCITY HOLDING CORPORATION
Consolidated Statements of Cash Flows
(in thousands)

| | For the Years Ended June 30, | |
|--|-------------------------------------|-------------------------|
| | 2016 | 2017 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$(3,851) | \$6,718 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Stock-based compensation expense | 17,563 | 26,734 |
| Depreciation and amortization expense | 13,873 | 21,027 |
| Deferred income tax expense | 150 | 152 |
| Provision for doubtful accounts | 159 | 113 |
| Loss on disposal of equipment | 712 | 253 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (725) | (472) |
| Prepaid expenses and other | (3,270) | (2,074) |
| Accounts payable | 72 | 219 |
| Accrued expenses | 8,310 | 6,465 |
| Tenant improvement allowance | — | 2,845 |
| Net cash provided by operating activities | <u>32,993</u> | <u>61,980</u> |
| Cash flows from investing activities: | | |
| Capitalized internal-use software costs | (8,391) | (13,641) |
| Purchases of property and equipment | (16,083) | (21,338) |
| Lease allowances used for tenant improvements | — | (2,845) |
| Payments for acquisitions | (483) | — |
| Net change in funds held for clients | <u>(648,403)</u> | <u>297,163</u> |
| Net cash provided by (used in) investing activities | <u>(673,360)</u> | <u>259,339</u> |
| Cash flows from financing activities: | | |
| Net change in client funds obligation | 648,403 | (297,163) |
| Proceeds from exercise of stock options | 137 | 34 |
| Proceeds from employee stock purchase plan | 2,991 | 3,677 |
| Taxes paid related to net share settlement of equity awards | (5,926) | (11,342) |
| Excess tax benefits from stock-based compensation | — | 447 |
| Net cash provided by (used in) financing activities | <u>645,605</u> | <u>(304,347)</u> |
| Net Change in Cash and Cash Equivalents | <u>5,238</u> | <u>16,972</u> |
| Cash and Cash Equivalents—Beginning of Year | <u>81,258</u> | <u>86,496</u> |
| Cash and Cash Equivalents—End of Year | <u><u>\$86,496</u></u> | <u><u>\$103,468</u></u> |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities | | |
| Build-out allowances received from landlords | <u>\$1,888</u> | <u>\$—</u> |
| Purchase of property and equipment and internal-use software, accrued but not paid | <u>\$607</u> | <u>\$667</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for income taxes, net of refunds | <u>\$3</u> | <u>\$28</u> |

Reconciliation of GAAP to non-GAAP Financial Measures
(In thousands except per share data)

| | Three months Ended June 30, | | For the year Ended June 30, | |
|--|--|-----------------|--|------------------|
| | 2016 | 2017 | 2016 | 2017 |
| Reconciliation from gross profit to adjusted gross profit: | | | | |
| Gross profit | \$33,258 | \$42,898 | \$132,616 | \$176,023 |
| Amortization of capitalized internal-use software costs | 1,577 | 3,240 | 5,446 | 9,447 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 745 | 989 | 2,967 | 3,802 |
| Adjusted gross profit | <u>\$35,580</u> | <u>\$47,127</u> | <u>\$141,029</u> | <u>\$189,272</u> |
| | | | | |
| | Three months Ended June 30, | | For the year Ended June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Reconciliation from total recurring revenues to adjusted recurring gross profit: | | | | |
| Total recurring revenues | \$57,784 | \$73,378 | \$220,104 | \$288,448 |
| Cost of recurring revenues | 18,273 | 23,144 | 66,131 | 85,399 |
| Recurring gross profit | 39,511 | 50,234 | 153,973 | 203,049 |
| Amortization of capitalized internal-use software costs | 1,577 | 3,240 | 5,446 | 9,447 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 448 | 610 | 1,765 | 2,329 |
| Adjusted recurring gross profit | <u>\$41,536</u> | <u>\$54,084</u> | <u>\$161,184</u> | <u>\$214,825</u> |
| | | | | |
| | Three months Ended June 30, | | For the year Ended June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Reconciliation from operating income (loss) to non-GAAP operating income (loss): | | | | |
| Operating income (loss) | \$ (5,040) | \$ (3,434) | \$ (3,550) | \$ 7,296 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 4,639 | 8,531 | 18,199 | 27,794 |
| Amortization of acquired intangibles | 380 | 370 | 1,522 | 1,512 |
| Non-GAAP operating income (loss) | <u>\$ (21)</u> | <u>\$ 5,467</u> | <u>\$ 16,171</u> | <u>\$ 36,602</u> |
| | | | | |
| | Three months Ended June 30, | | For the year Ended June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Reconciliation from net income (loss) to non-GAAP net income (loss): | | | | |
| Net income (loss) | \$ (5,412) | \$ (3,844) | \$ (3,851) | \$ 6,718 |
| Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises | 4,639 | 8,531 | 18,199 | 27,794 |
| Amortization of acquired intangibles | 380 | 370 | 1,522 | 1,512 |
| Non-GAAP net income (loss) | <u>\$ (393)</u> | <u>\$ 5,057</u> | <u>\$ 15,870</u> | <u>\$ 36,024</u> |
| | | | | |
| | Three months Ended June 30, | | For the year Ended June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Calculation of non-GAAP net income (loss) per share: | | | | |
| Non-GAAP net income (loss) | \$ (393) | \$ 5,057 | \$ 15,870 | \$ 36,024 |
| Diluted weighted-average number of common shares (pro forma for the year | | | | |

ended June 30, 2016 and three months ended June 30, 2017)
 Non-GAAP net income (loss) per share

| | | | |
|-----------|---------|---------|---------|
| 51,058 | 54,537 | 53,522 | 54,057 |
| \$ (0.01) | \$ 0.09 | \$ 0.30 | \$ 0.67 |

Reconciliation from diluted weighted-average number of common shares as reported to pro forma diluted weighted average number of common shares

Diluted weighted-average number of common shares, as reported
 Weighted-average effect of potentially dilutive shares
 Pro forma diluted weighted-average number of common shares

| Three months Ended June 30, | | For the year Ended June 30, | |
|-----------------------------|------|-----------------------------|------|
| 2016 | 2017 | 2016 | 2017 |

| | | | |
|--------|--------|--------|--------|
| 51,058 | 51,602 | 50,913 | 54,057 |
| - | 2,935 | 2,609 | - |
| 51,058 | 54,537 | 53,522 | 54,057 |

Reconciliation from net income (loss) to Adjusted EBITDA:

Net income (loss)
 Interest expense
 Income tax expense
 Depreciation and amortization expense
 EBITDA
 Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises
 Adjusted EBITDA

| Three months Ended June 30, | | For the year Ended June 30, | |
|-----------------------------|------|-----------------------------|------|
| 2016 | 2017 | 2016 | 2017 |

| | | | |
|------------|------------|-------------|-----------|
| \$ (5,412) | \$ (3,844) | \$ (3,851) | \$ 6,718 |
| - | - | - | - |
| 34 | 487 | 177 | 651 |
| 3,998 | 6,342 | 13,873 | 21,027 |
| (1,380) | 2,985 | 10,199 | 28,396 |
| 4,639 | 8,531 | 18,199 | 27,794 |
| \$ 3,259 | \$11,516 | # \$ 28,398 | \$ 56,190 |

Reconciliation of non-GAAP Sales and Marketing:

Sales and Marketing
 Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises
 Non-GAAP Sales and Marketing

| Three months Ended June 30, | | For the year Ended June 30, | |
|-----------------------------|------|-----------------------------|------|
| 2016 | 2017 | 2016 | 2017 |

| | | | |
|----------|----------|-----------|-----------|
| \$17,361 | \$20,518 | \$ 61,832 | \$ 77,506 |
| 1,207 | 1,514 | 4,567 | 6,558 |
| \$16,154 | \$19,004 | \$ 57,265 | \$ 70,948 |

Reconciliation of non-GAAP Total Research and Development:

Research and Development
 Capitalized internal-use software costs
 Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises
 Non-GAAP Total Research and Development

| Three months Ended June 30, | | For the year Ended June 30, | |
|-----------------------------|------|-----------------------------|------|
| 2016 | 2017 | 2016 | 2017 |

| | | | |
|----------|----------|-----------|-----------|
| \$ 7,749 | \$ 7,606 | \$ 26,736 | \$ 29,098 |
| 2,584 | 3,568 | 8,391 | 13,641 |
| 714 | 740 | 2,942 | 3,348 |
| \$ 9,619 | \$10,434 | \$ 32,185 | \$ 39,391 |

Reconciliation of non-GAAP General and Administrative:

General and Administrative
 Stock-based compensation expense and employer payroll taxes related to stock releases and option exercises
 Amortization of acquired intangibles

| Three months Ended June 30, | | For the year Ended June 30, | |
|-----------------------------|------|-----------------------------|------|
| 2016 | 2017 | 2016 | 2017 |

| | | | |
|----------|----------|-----------|-----------|
| \$13,188 | \$18,208 | \$ 47,598 | \$ 62,123 |
| 1,973 | 5,288 | 7,723 | 14,086 |
| 380 | 370 | 1,522 | 1,512 |

Non-GAAP General and Administrative

\$10,835 \$12,550 \$ 38,353 \$ 46,525

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