2019 Investor/Analyst Day

NASDAQ: CSOD
June 4, 2019
Safe Harbor

This presentation includes forward-looking statements. These statements relate to, among other things, our future financial and operating performance, including our GAAP and non-GAAP guidance, the growth of the learning and human capital management market, our business strategy, and our plans and objectives for future operations. In light of the risks and uncertainties outlined below, the future events and circumstances discussed in this presentation may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the date of this presentation and management’s good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

• Statements regarding the Company’s business strategies;
• The Company’s anticipated future operating results and operating expenses;
• The Company’s ability to attract new clients to enter into subscriptions for its solution;
• The Company’s ability to service those clients effectively and induce them to renew and upgrade their deployments of the Company’s solution;
• The Company’s ability to expand its sales organization to address effectively the new industries, geographies and types of organizations the company intends to target;
• The Company’s ability to accurately forecast revenue and appropriately plan its expenses; market acceptance of enhanced solutions, alternate ways of addressing learning and talent management needs or new technologies generally by the Company and its competitors; continued acceptance of SaaS as an effective method for delivering learning and talent management solutions and other business management applications; the attraction and retention of qualified employees and key personnel;
• The Company’s ability to protect and defend its intellectual property; costs associated with defending intellectual property infringement and other claims; events in the markets for the Company’s solution and alternatives to the Company’s solution, as well as in the United States and global markets generally; future regulatory, judicial and legislative changes in the Company’s industry; changes in the competitive environment in the Company’s industry and the markets in which the Company operates; and other factors discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s periodic reports filed with the Securities and Exchange Commission (the “SEC”).

Forward-looking statements speak only as of the date of this presentation. You should not put undue reliance on any forward-looking statement. The Company assumes no obligation to update any forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting future performance or results, except to the extent required by applicable laws. If the Company updates one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Please see the discussion of these non-GAAP financial measures and their reconciliations to the most directly comparable U.S. GAAP measures at the end of this presentation.
Agenda

• Welcome – Jason Gold, VP of Finance and Corporate Development

• Strategic Review – Adam Miller, Founder & CEO

• Exec Interviews – Heidi Spirgi, Mark Goldin and Jeff Lautenbach

• Partner Panel – Deloitte and Alight

• Content Panel – Whil, TED, and Service King

• Financial Overview – Brian Swartz, Chief Financial Officer
Adam Miller
Founder & CEO
Looking Back: The Transformation
Transforming Cornerstone

1. Focus on recurring revenue and exit enterprise service delivery
2. Improve operating margins and cash flows
3. Create new recurring revenue streams and aggressively enter the content market
4. Bolster the team
5. Improve governance
Transforming Cornerstone

- Focus on recurring revenue and exit enterprise service delivery
- Improve operating margins and cash flows
- Create new recurring revenue streams and aggressively enter the content market
- Bolster the team
- Improve governance
Key Metrics: The Cornerstone Transformation

(in millions)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$482</td>
<td>$538</td>
<td>$562 - $570</td>
</tr>
<tr>
<td>Subscription Revenue</td>
<td>$397</td>
<td>$473</td>
<td>$537 - $545</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR)</td>
<td>$439</td>
<td>$510</td>
<td>$578 - $590</td>
</tr>
<tr>
<td>Operating Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAAP OM</td>
<td>6%</td>
<td>-1%</td>
<td>14-15%</td>
</tr>
<tr>
<td>Non-GAAP OM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cashflow Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating CF Margin</td>
<td>14%</td>
<td>9%</td>
<td>15-16%</td>
</tr>
<tr>
<td>uFCF Margin</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalent is provided in the appendix to this presentation.

Note: FY19 Guidance ranges as of May 7, 2019.

8
Cornerstone Today
Global Reach

CLIENTS
3,500+

USERS
40M+

COUNTRIES
190+

LANGUAGES
43

OFFICES
22

Note: User and client count figures exclude PiQ, Cornerstone for Salesforce, Workpop Inc. and Grovo Learning, Inc.

As of March 31, 2019
Cornerstone is the Market Leader in Talent Management

Gartner
2018 Magic Quadrant for Talent Management Suites

SOURCE: Gartner 2018 Magic Quadrant for Talent Management Suites (September 2018)
The Macro Backdrop
The Skills Divide is Real

Skilled Jobs
Skilled Workers

Unskilled Jobs
Unskilled Labor
Recruiters Are Overwhelmed

40 Requisitions
Average Number Per Recruiter

250 Resumes
Submitted for the Average Unskilled Job
Many of the **6.5M Americans** Looking for Work Today Do Not Possess the Skills Required to Do Most of the **7.6M Unfilled Jobs**
New jobs to be added: 557,100

Average number of Computer and information technology graduates per year: 40,000

Only 6% of all degrees earned each year are in computer and information technology.
Skills Have Become the New Digital Currency
At the Same Time, Consumer Habits Have Changed

How people consume video

NETFLIX

How people consume audio

Spotify
Expanding our Moat
Cornerstone Learning
Modern learning requires a holistic strategy

- Learning Management (LMS)
- Learning Experience (LXP)
- Modern Content
Cornerstone Learning
The World’s Most Robust Learning Platform

• Configurable, yet simple Learning Management
• The next generation of Learning Experience
• Content you can’t get anywhere else
State of the Art Learning Experience

- Consuming Content
- Discovering Content
- Inserting and/or Authoring Content
- Capturing Learning
- Managing Content
- Measuring Learning
- Assigning Content
Highly Curated Collections of Content

**Subject-matter Experts**

to listen to your business needs and recommend the right content

**Seamlessly Purchased & Loaded**

for enhanced user experience

[We handle metadata, thumbnails, content upload]

**Wide Partner Ecosystem**

with a variety of modalities, topics, and titles

**Intelligently Curated Subscriptions**

built to solve specific business needs

[Playlists included with each subscription]
Our Holistic Solution will Distance us from the Competition
Cornerstone's Second Act: $40 Billion Market Opportunity

20-Year Start up

- Founding to IPO: $3.6B
- IPO to 2017: $6B

2018 and Beyond:
Cornerstone Operates in Two Markets

- 2018: $25B
  - Learning Systems Market
  - Full Talent Management
  - HCM
  - Content

Source: Training Industry Report (2017); Company estimates and WW HCM Apps Forecast, IDC WW Tracker, June 2018 Report
The Global Training Market is Huge

$374b
Global Corporate Training

$100b
External Training

$77b
Content

$50b
Our Content Topics

$25b
Online Only

Source: Training Industry Estimates
Our Opportunity is Enormous

520M+
2018 Registrations

330M+
2018 Completions

Online Classes Only
With >4,500 Content Producers in North America Alone, the Content Market is Highly Fragmented
We Leverage our Massive Set of Aggregated and Anonymized Training Data to Curate
We Can See Which Countries Consume Content
And What Verticals Consume Content
And Which Providers are Popular
Data + Content + Scale = Cornerstone is Unique
Everybody Wins

Content Consumers
- Pre-curated content
- Holistic end-to-end solution

Content Providers
- Expanded distribution
- Incremental profit

Cornerstone
- More at-bats
- Higher batting average
- More software revenue
Recruiting
Modern Recruiting Requires a Modern Solution
Recruiting Growth

There is growing adoption of the Recruiting Suite

Recruiting Clients

<table>
<thead>
<tr>
<th>Year</th>
<th>~ 300</th>
<th>~ 500</th>
<th>~ 600</th>
<th>~ 700</th>
<th>~ 800</th>
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</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
Beyond Learning:
Other Incremental Growth Drivers
Clear Opportunity to Further Penetrate the Installed Base

3,567
CSOD Clients
As of 3/31/2019

77%
of clients
have not
purchased Recruiting

63%
of clients with Learning & Performance
have not purchased Recruiting

22%
of clients with CHR
have not purchased Recruiting

50% penetration in recruiting could drive an incremental $100M in ARR
Asia-Pacific & Japan
Focused on Fewer Markets

In mid-2018 we shifted to a more focused go-to-market approach across the APJ region, resulting in deeper levels of investment across fewer major markets.
Increased Localization

Due to the differences across APJ markets, we also moved to a more localized approach in mid-2018, appointing leaders who have end-to-end responsibility for our growth in each individual APJ market.
Growth in APJ had become stagnant, but after increasing our focus and taking a more localized approach in mid-2018 the results were immediate and momentum is building.

### YoY ARR Growth

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Key GTM Changes Implemented</th>
<th>Increased Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTM June '18</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2H '18</td>
<td>40%</td>
<td>51%</td>
</tr>
<tr>
<td>1H '19</td>
<td>0%</td>
<td>estimated</td>
</tr>
</tbody>
</table>
Highly Attractive Opportunity in Japan Remains Untapped

**Large Market Size:** Japan is the third-largest economy in the world behind the U.S. and China.

**Attractive Market Profile:** With more Fortune 2,000 companies than any nation except the U.S., a significant portion of the Japan market falls in the Enterprise segment where our product has a strong competitive advantage.

**Multiple Precedent SaaS Success Stories:** Enterprise cloud adoption is becoming more common in Japan, resulting in numerous SaaS success stories including the following:

- Salesforce: $1B+ in ARR and 1,300 Employees
- Concur: $60M+ in ARR in 5 Years
- Marketo: $35M+ in ARR in 3 Years

1 Source: Company estimates
Small & Medium Business
A number of key go-to-market changes were made in mid-2017 to help us better address the SMB opportunity, resulting in sales productivity improving by more than four times versus the prior year.
After a full year of continued success in 2018 we elected to significantly increase our SMB investment heading into 2019, and as a result, year-over-year growth is accelerating.
Highly Efficient Sales Approach

As we continue to grow aggressively down market, we are doing so more cost effectively with inside sales.

- RFP Support
- Business Development Resources
- Travel
- Solution Consultants
Questions?
Panel Discussions
Executive Interviews

Jeff Lautenbach
President, Global Field Operations

Heidi Spirgi
Chief Marketing & Strategy Officer

Mark Goldin
Chief Technology Officer
Partner Panel

Jeff Lautenbach
President of Global Field Operations

MODERATOR

Jason Magill
Senior Manager

Deloitte.

Ernie Cambareri
Vice President

alight
Expanding Market Opportunity

HCM + Content: $40B

- HCM – $16B, 10% growth
- Talent Management – $7B, 12% growth
- Learning – $1.5B, 9-11% growth
- Performance – $1.5B, 5% growth
- Recruiting – $4B, 16% growth

Source: Training Industry Report (2017); Company estimates and WW HCM Apps Forecast, IDC WW Tracker, June 2018 Report
Content Economics

Content Subscription Margins

Content Gross Revenue → 50% → CSOD → 25% + OPERATING MARGIN

Content Providers → 50%
Revenue Growth - Subscription vs. Services

Subscription Revenue Growth vs. Total Revenue Growth

(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscription Revenue</th>
<th>Services</th>
<th>Total Revenue Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$340</td>
<td>$83</td>
<td>$423</td>
</tr>
<tr>
<td>2017</td>
<td>$397</td>
<td>$85</td>
<td>$482</td>
</tr>
<tr>
<td>2018</td>
<td>$473</td>
<td>$65</td>
<td>$538</td>
</tr>
<tr>
<td>2019E</td>
<td>$537-$545</td>
<td>$25</td>
<td>$562-$570</td>
</tr>
</tbody>
</table>

Reflects guidance given May 7, 2019
Quarterly Services Revenue Trend (on purpose)

(in millions)

Q1 '17: $18.7  
Q2 '17: $20.2  
Q3 '17: $20.7  
Q4 '17: $25.7  
Q1 '18: $20.0  
Q2 '18: $17.7  
Q3 '18: $15.2  
Q4 '18: $11.9  
Q1 '19: $8.9  

Cornerstone
How ARR Moves

Illustrative Year-over-Year Bridge

Note: Bar sizes are representative only and should not be used to estimate actual values.
How ARR Impacts Subscription Revenue

**EXAMPLE: $1M DEAL**

- **Jan 1**
  - ARR = $1M
  - Full Yr Rev = $1M

- **July 1**
  - ARR = $1M
  - Full Yr Rev = $0.5M

- **Dec 30**
  - ARR = $1M
  - Full Yr Rev = $5K
Improving Operating Leverage

Non-GAAP Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>-14%</td>
</tr>
<tr>
<td>2013</td>
<td>-5%</td>
</tr>
<tr>
<td>2014</td>
<td>-4%</td>
</tr>
<tr>
<td>2015</td>
<td>-4%</td>
</tr>
<tr>
<td>2016</td>
<td>2%</td>
</tr>
<tr>
<td>2017</td>
<td>6%</td>
</tr>
<tr>
<td>2018</td>
<td>12%</td>
</tr>
<tr>
<td>2019E</td>
<td>14% - 15%</td>
</tr>
</tbody>
</table>

$78M - $85M

Reflects guidance given May 7, 2019. A reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalents is provided in the appendix to this presentation.
Improving Operating Leverage

Unlevered Free Cash Flow

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3%</td>
<td>2%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>12%</td>
<td></td>
</tr>
</tbody>
</table>

$84M - $92M
15% - 16%

1 Reflects guidance given May 7, 2019. A reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalents is provided in the appendix to this presentation.
Normalized 2019 uFCF

2019 uFCF Guidance: 15-16% Margin

Facilities Optimization: ~1%

Exiting the Delivery Business: ~1%

"Normalized" 2019 uFCF: 17-18% Margin

Unlevered Free Cash Flow

UNLEVERED FCF

- Operating Cash flow

- Capitalized Software and Capex

+ Cash Interest
Operational Excellence Initiatives

1. Optimize S&M to improve productivity
2. Allocate new hires to lower-cost offices
3. Increase back-office automation
4. Optimize partner management
5. Migrate to the public cloud
6. Continue shift to recurring revenue
2019 Guidance

(Dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>2018 Actual</th>
<th>2019 Guidance(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARR Growth</td>
<td>$510</td>
<td>$578 - $590</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13-16% / 14-16% CC</td>
</tr>
<tr>
<td>Total Revenue Growth</td>
<td>$538</td>
<td>$562 - $570</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4-6% / 5-7% CC</td>
</tr>
<tr>
<td>Subscription Revenue Growth</td>
<td>$473</td>
<td>$537 - $545</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14-15% / 14-16% CC</td>
</tr>
<tr>
<td>Professional Services Revenue</td>
<td>$65</td>
<td>Down ~60%</td>
</tr>
<tr>
<td>Non-GAAP Operating Profit</td>
<td>$63</td>
<td>$78 - $85</td>
</tr>
<tr>
<td>Margin</td>
<td>12%</td>
<td>14-15%</td>
</tr>
<tr>
<td>Unlevered Free Cash Flow</td>
<td>$64</td>
<td>$84 - $92</td>
</tr>
<tr>
<td>Margin</td>
<td>12%</td>
<td>15-16%</td>
</tr>
</tbody>
</table>

OTHER:
1. GBP to USD 1.32
   EUR to USD 1.12
2. 5% FX Δ = $5 ARR / $6 Revenue
3. Net Interest Expense(3):
   - GAAP $15
   - Non-GAAP $11
4. Cash Interest Paid $17
5. Shares outstanding increases from 60M to 66M when Net Income is positive
6. Income tax expense $3M
7. SBC as % of revenue ~13%, versus prior year of 11%
8. Capex ~4% of revenue

Notes:
1. Reflects guidance issued as of May 7, 2019.
2. Denotes a non-GAAP metric
3. Net Interest Expense is Gross Interest Expense less Interest Income

A reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalents is provided in the appendix to this presentation.
## Q2 2019 Guidance

### (Dollars in millions)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2018 Actual</th>
<th>Q2 2019 Guidance&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>$133</td>
<td>$137 - $140</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3-6% / 5-7% CC</td>
</tr>
<tr>
<td><strong>Subscription Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>$115</td>
<td>$131 - $133</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14-16% / 15-17% CC</td>
</tr>
<tr>
<td><strong>Professional Consulting Services Revenue</strong></td>
<td>$18</td>
<td>Down ~60%</td>
</tr>
<tr>
<td><strong>Non-GAAP Operating Profit&lt;sup&gt;(2)&lt;/sup&gt;</strong></td>
<td></td>
<td>Operating Margin in low double-digits</td>
</tr>
<tr>
<td>Margin</td>
<td>$13</td>
<td>uFCF Margin in mid single-digits</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td><strong>Unlevered Free Cash Flow&lt;sup&gt;(2)&lt;/sup&gt;</strong></td>
<td>$8</td>
<td></td>
</tr>
<tr>
<td>Margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
1. Reflects guidance issued as of May 7, 2019
2. Denotes a non-GAAP metric
3. Net Interest Expense is Gross Interest Expense less Interest Income

**OTHER:**
1. GBP to USD 1.32
   EUR to USD 1.12
2. Net Interest Expense<sup>(3)</sup>:
   - GAAP $4
   - Non-GAAP $3
3. Shares outstanding increases from 60M to 66M when Net Income is positive
4. Capex primarily in 1H for tenant improvement build-outs

---

<sup>(1)</sup> A reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalents is provided in the appendix to this presentation.
2020 Growth vs Profitability Framework

<table>
<thead>
<tr>
<th>FY18 Actual</th>
<th>FY19 Guidance</th>
<th>Low Growth</th>
<th>Moderate Growth</th>
<th>High Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription Revenue Growth</td>
<td>19%</td>
<td>14-15%</td>
<td>&lt; 10%</td>
<td>10 - 20%</td>
</tr>
<tr>
<td>Non-GAAP Operating Margin</td>
<td>12%</td>
<td>14-15%</td>
<td>30%+</td>
<td>18 - 28%</td>
</tr>
<tr>
<td>Unlevered Free Cash Flow Margin</td>
<td>12%</td>
<td>15-16%</td>
<td>30%+</td>
<td>20 - 30%</td>
</tr>
</tbody>
</table>

2020 'Moderate Growth' Target Assumes ~$150M in uFCF and ~$2.00 Per Share

Note: FY19 guidance updated as of May 7, 2019. A reconciliation of non-GAAP metrics used in this presentation to their nearest GAAP equivalents is provided in the appendix to this presentation.
2020 and Beyond

Targeting rule of 40 in 2020

...but it’s not our final destination. We see a path to the mid-40s in the coming years.
Questions?
Thank You!
Appendix
Cornerstone OnDemand, Inc.

RECONCILIATIONS OF NET LOSS TO NON-GAAP NET INCOME AND NON-GAAP NET INCOME PER SHARE

(in thousands, except per share amounts)
(unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (3,464)</td>
</tr>
<tr>
<td>Adjustments to net loss</td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>17,045</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>1,286</td>
</tr>
<tr>
<td>Accretion of debt discount and amortization of debt issuance costs(^1)</td>
<td>1,026</td>
</tr>
<tr>
<td>Restructuring</td>
<td>—</td>
</tr>
<tr>
<td>Total adjustments to net loss</td>
<td>19,357</td>
</tr>
<tr>
<td>Non-GAAP net income</td>
<td>$ 15,893</td>
</tr>
<tr>
<td>Non-GAAP basic net income per share</td>
<td>$ 0.27</td>
</tr>
<tr>
<td>Non-GAAP diluted net income per share</td>
<td>$ 0.25</td>
</tr>
<tr>
<td>Weighted-average common shares outstanding, basic</td>
<td>59,141</td>
</tr>
<tr>
<td>Non-GAAP weighted-average common shares outstanding, diluted</td>
<td>64,750</td>
</tr>
</tbody>
</table>

\(^1\) Debt discount accretion and debt issuance cost amortization has been recorded in connection with our issuance of $253.0 million in convertible notes on June 17, 2013 and $300.0 million in convertible notes on December 8, 2017. These expenses represent non-cash charges that have been recorded in accordance with the authoritative accounting literature for such transactions.
Cornerstone OnDemand, Inc.

RECONCILIATION OF NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO UNLEVERED FREE CASH FLOW AND UNLEVERED FREE CASH FLOW MARGIN
(A Non-GAAP Financial Measure)

(in thousands)
(unaudited)

<table>
<thead>
<tr>
<th>Reconciliation of unlevered free cash flow:</th>
<th>Three Months Ended</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>$</td>
<td>7,294</td>
<td>$</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(4,243)</td>
<td>(2,559)</td>
<td></td>
</tr>
<tr>
<td>Capitalized software costs</td>
<td>(7,399)</td>
<td>(6,039)</td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>8,685</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Unlevered free cash flow</td>
<td>$</td>
<td>4,337</td>
<td>$</td>
</tr>
<tr>
<td>Unlevered free cash flow margin</td>
<td>3.1%</td>
<td>(7.6)%</td>
<td></td>
</tr>
</tbody>
</table>