

Non-GAAP Financial Measures

This supplemental financial information contains financial measures that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use the following non-GAAP financial measures: non-GAAP gross profit; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income (loss); non-GAAP net income (loss); non-GAAP diluted shares; non-GAAP net income (loss) per share; non-GAAP free cash flow; adjusted EBITDA and non-GAAP effective tax rate. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP.

We use non-GAAP measures to internally evaluate and analyze financial results. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and enable comparison of our financial results with other public companies, many of which present similar non-GAAP financial measures.

There are limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to our GAAP financial measures reflect the exclusion of certain items, specifically stock-based compensation expense, amortization of intangible assets, and the related income tax effects of the aforementioned exclusions, that are recurring and will be reflected in our financial results for the foreseeable future. In addition, these measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes.

The following are explanations of the adjustments that are reflected in one or more of our non-GAAP financial measures:

- Stock-based compensation expense relates to equity awards granted primarily to our employees. We exclude stock-based compensation expense because we believe that the non-GAAP financial measures excluding this item provide meaningful supplemental information regarding operational performance. In particular, companies calculate stock-based compensation expense using a variety of valuation methodologies and subjective assumptions.
- In January 2017, the Company conducted a reorganization of its business, including a reduction in workforce. The restructuring costs impacted our results for the first quarter of 2017. Restructuring costs primarily included severance-related costs. We believe that excluding this expense provides greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.
- Litigation expense relates to legal costs incurred due to litigation with Aliphcom, Inc. d/b/a Jawbone. We exclude these expenses because we do not believe these expenses have a direct correlation to the operations of our business and because of the singular nature of the claims underlying the Jawbone litigation matters. We began excluding Jawbone litigation costs in the second quarter of 2016 as these costs significantly increased in 2016, and may continue to be material for the remainder of 2017.
- In March 2014, we recalled the Fitbit Force after some of our users experienced allergic reactions to adhesives in the wristband. This recall primarily impacted our results for the fourth quarter of 2013, the first quarter of 2014, and the fourth quarter of 2015. Revaluation of redeemable convertible preferred stock warrant liability is a non-cash charge that will not recur in the periods following our initial public offering.
- Amortization of intangible assets relates to our acquisitions of FitStar, Pebble and Vector. We exclude these amortization expenses because we do not believe these expenses have a direct correlation to the operation of our business.
- The change in contingent consideration relates to our acquisition of FitStar. This is a non-recurring benefit that is has no direct correlation to our business performance.
- Income tax effect of non-GAAP adjustments relates to the tax effect of the adjustments that we incorporate into non-GAAP financial measures such as stock-based compensation, amortization of intangibles, restructuring and valuation allowance in order to provide a more meaningful measure of non-GAAP net income (loss).
- Adjustment to shares includes the conversion of the redeemable convertible preferred stock into shares of common stock as though the conversion had occurred at the beginning of all periods presented, and the shares issued in our initial public offering in June 2015, as if they had been outstanding since the beginning of the second quarter of 2015, and the shares issued in our follow-on offering in November 2015, as if they had been outstanding since the beginning of the fourth quarter of 2015.
- Purchase of property and equipment is deducted from net cash provided by (used in) operating activities to arrive at non-GAAP free cash flow, which reflects the amount of cash generated that is available to be used for investments in the business.

Fitbit, Inc.

Condensed Consolidated Balance Sheets - Fiscal Quarters

(in thousands)

	As of																	
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Apr 2	Jul 2	Oct 1	Dec 31	Apr 1	July 1
	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015	2015	2015	2016	2016	2016	2016	2017	2017
Assets																		
Current assets:																		
Cash and cash equivalents	\$ 15,119	\$ 36,535	\$ 57,231	\$ 81,728	\$ 98,703	\$ 103,990	\$ 63,957	\$ 195,626	\$ 237,849	\$ 461,276	\$ 462,280	\$ 535,846	\$ 722,062	\$ 416,142	\$ 284,220	\$ 301,320	\$ 374,279	\$ 318,708
Marketable securities	-	-	-	-	-	-	-	-	-	-	113,198	128,632	69,652	343,534	387,882	404,693	351,837	357,090
Accounts receivable, net	14,982	28,146	45,527	80,624	49,683	51,126	77,933	238,859	161,736	252,023	244,921	469,260	339,669	377,545	461,351	477,825	194,834	216,346
Inventories	15,202	16,938	23,952	56,441	53,051	54,235	60,641	115,072	137,509	186,870	276,083	178,146	212,092	190,644	214,955	230,387	200,331	141,504
Prepaid expenses and other current assets	492	1,016	3,554	3,185	5,763	6,492	7,165	13,614	22,012	18,163	21,199	43,530	60,006	59,782	86,372	66,346	58,775	97,717
Restricted cash	-	-	-	2,310	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	45,795	82,635	130,264	224,288	207,200	215,843	209,697	563,171	559,106	918,332	1,117,681	1,355,414	1,403,481	1,387,647	1,434,780	1,480,571	1,180,056	1,131,365
Property and equipment, net	2,527	4,809	5,619	6,486	7,162	15,278	24,376	26,435	28,022	90,945	35,728	44,501	51,579	74,181	94,311	76,553	85,039	80,135
Goodwill	-	-	-	-	-	-	-	-	22,562	22,157	22,157	22,157	22,157	25,217	25,217	51,036	51,036	51,036
Intangible assets, net	-	-	-	-	-	-	-	-	13,812	13,263	12,749	12,216	11,683	15,090	14,578	27,521	26,145	24,768
Deferred tax assets	-	-	-	-	-	-	26,693	42,001	44,457	60,693	72,870	83,020	87,601	119,472	110,814	174,097	184,040	162,899
Other assets	-	-	-	-	483	442	1,586	1,444	1,390	1,240	1,272	1,758	1,773	1,504	10,526	10,448	12,340	10,886
Total assets	\$ 48,322	\$ 87,444	\$ 135,833	\$ 230,774	\$ 214,845	\$ 231,563	\$ 262,351	\$ 633,051	\$ 669,349	\$ 1,046,630	\$ 1,262,457	\$ 1,519,066	\$ 1,578,274	\$ 1,623,111	\$ 1,690,226	\$ 1,820,226	\$ 1,538,656	\$ 1,461,089
Liabilities, Convertible Preferred Stock, and Stockholders' Equity (Deficit)																		
Current liabilities:																		
Accounts payable	\$ 14,040	\$ 15,881	\$ 22,058	\$ 70,896	\$ 29,798	\$ 47,597	\$ 57,401	\$ 195,666	\$ 136,425	\$ 193,594	\$ 320,195	\$ 260,842	\$ 238,696	\$ 226,418	\$ 253,138	\$ 313,773	\$ 127,542	\$ 83,966
Accrued liabilities	6,158	10,021	14,316	28,565	21,773	20,173	27,752	70,940	73,860	79,618	98,258	194,977	232,427	231,921	218,526	390,561	339,896	346,764
Deferred revenue	1,337	2,031	2,693	5,606	5,756	7,520	8,204	9,009	17,024	21,346	27,077	44,448	50,929	46,420	45,001	49,904	46,904	44,427
Fitbit Force Recall reserve	-	-	-	82,938	84,239	57,074	31,029	22,476	15,104	12,894	11,659	5,122	4,339	2,148	1,494	-	-	753
Income taxes payable	1,606	4,274	10,366	17,841	9,541	16,375	10,264	30,631	17,723	795	2,472	2,868	1,671	2,074	1,231	7,694	2,466	599
Long-term debt, current portion	778	1,713	2,849	3,985	38,523	37,789	7,548	132,589	159,611	-	-	-	-	-	-	-	-	-
Total current liabilities	23,919	33,920	52,282	209,831	189,630	186,528	142,198	461,311	419,747	308,247	459,661	508,257	528,062	508,981	519,390	761,932	516,808	476,509
Other liabilities	585	1,221	3,579	7,420	7,870	8,421	10,418	12,867	13,750	15,031	18,624	29,358	36,886	47,473	53,732	59,762	56,280	59,244
Long-term debt, less current portion	10,448	9,475	8,124	6,725	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redeemable convertible preferred stock warrant liability	834	1,329	2,553	4,028	5,381	9,222	9,346	15,797	26,132	-	-	-	-	-	-	-	-	-
Total liabilities	35,786	45,945	66,538	228,004	202,881	204,171	161,962	489,975	459,629	323,278	478,285	537,615	564,948	556,454	573,122	821,694	573,088	535,753
Redeemable convertible preferred stock	23,425	49,248	66,236	66,236	66,236	66,236	67,814	67,814	67,814	-	-	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	(10,889)	(7,749)	3,109	(63,466)	(54,272)	(38,844)	32,575	75,262	141,906	723,352	784,172	981,451	1,013,326	1,066,657	1,117,104	998,532	965,568	925,336
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	\$ 48,322	\$ 87,444	\$ 135,833	\$ 230,774	\$ 214,845	\$ 231,563	\$ 262,351	\$ 633,051	\$ 669,349	\$ 1,046,630	\$ 1,262,457	\$ 1,519,066	\$ 1,578,274	\$ 1,623,111	\$ 1,690,226	\$ 1,820,226	\$ 1,538,656	\$ 1,461,089

Fitbit, Inc.
Condensed Consolidated Statements of Operations - Fiscal Quarters
(in thousands)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue (GAAP)	\$ 33,121	\$ 47,169	\$ 83,667	\$ 107,130	\$ 108,815	\$ 113,572	\$ 152,862	\$ 370,184	\$ 336,754	\$ 400,412	\$ 409,262	\$ 711,570	\$ 505,356	\$ 586,528	\$ 503,802	\$ 573,775	\$ 298,942	\$ 353,299
Plus:																		
Impact of Fitbit Force recall	-	-	-	30,607	11,561	-	-	(3,449)	-	-	-	-	-	-	-	-	-	-
Revenue (Non-GAAP)	\$ 33,121	\$ 47,169	\$ 83,667	\$ 137,737	\$ 120,376	\$ 113,572	\$ 152,862	\$ 366,735	\$ 336,754	\$ 400,412	\$ 409,262	\$ 711,570	\$ 505,356	\$ 586,528	\$ 503,802	\$ 573,775	\$ 298,942	\$ 353,299
Cost of revenue	18,132	25,947	42,412	124,345	64,046	55,183	69,257	199,290	167,545	212,870	213,249	363,271	271,601	341,559	263,144	447,273	180,643	204,054
Gross profit (GAAP)	14,989	21,222	41,255	(17,215)	44,769	58,389	83,605	170,894	169,209	187,542	196,013	348,299	233,755	244,969	240,658	126,502	118,299	149,245
Gross margin (GAAP)	45.3%	45.0%	49.3%	(16.1)%	41.1%	51.4%	54.7%	46.2%	50.2%	46.8%	47.9%	48.9%	46.3%	41.8%	47.8%	22.1%	39.6%	42.2%
Plus:																		
Stock-based compensation expense	2	4	8	23	59	129	346	356	446	825	1,351	2,117	1,309	1,084	1,014	1,390	18	1,492
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37	-
Impact of Fitbit Force recall	-	-	-	81,812	22,163	-	(1,485)	(1,227)	(2,040)	-	-	(3,715)	-	-	-	-	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	467	432	451	451	451	451	453	1,319	1,319
Gross profit (Non-GAAP)	14,991	21,226	41,263	64,620	66,991	58,518	82,466	170,023	167,615	188,834	197,796	347,152	235,515	246,504	242,123	128,345	119,673	152,056
Gross margin (Non-GAAP)	45.3%	45.0%	49.3%	46.9%	55.7%	51.5%	53.9%	46.4%	49.8%	47.2%	48.3%	48.8%	46.6%	42.0%	48.1%	22.4%	40.0%	43.0%
Research and development (GAAP)	5,346	6,507	7,766	8,254	9,088	11,809	14,945	18,325	22,426	30,492	42,890	54,227	72,248	79,909	82,972	85,062	87,758	80,543
Less:																		
Stock-based compensation expense	(40)	(55)	(75)	(118)	(92)	(192)	(873)	(1,192)	(1,879)	(3,138)	(5,893)	(7,341)	(10,393)	(11,725)	(12,314)	(12,775)	(14,344)	(12,648)
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,744)	-
Research and development (Non-GAAP)	5,306	6,452	7,691	8,136	8,996	11,617	14,072	17,133	20,547	27,354	36,997	46,886	61,855	68,184	70,658	72,287	70,670	67,895
Sales and marketing (GAAP)	4,217	5,433	6,159	11,038	11,273	13,311	17,539	69,882	43,867	69,690	65,115	154,069	107,051	118,138	79,872	186,194	91,174	100,732
Less:																		
Stock-based compensation expense	(14)	(42)	(64)	(84)	(63)	(120)	(466)	(645)	(1,307)	(1,322)	(2,451)	(2,339)	(2,535)	(2,927)	(3,030)	(3,083)	(3,248)	(3,987)
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,000)	-
Sales and marketing (Non-GAAP)	4,203	5,391	6,095	10,954	11,210	13,191	17,073	69,237	42,560	68,368	62,664	151,730	104,516	115,211	76,842	183,111	85,926	96,745
General and administrative (GAAP)	1,338	2,154	2,853	8,140	8,617	7,443	7,849	9,647	12,981	14,648	20,698	29,466	35,702	37,262	33,333	40,606	30,746	31,379
Less:																		
Stock-based compensation expense	(8)	(15)	(18)	(50)	(100)	(220)	(785)	(1,166)	(1,271)	(2,462)	(3,339)	(3,543)	(3,533)	(4,664)	(3,647)	(4,009)	(4,155)	(3,839)
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,594)	-
Litigation (expense)/credit — Jawbone	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,558)	(6,062)	(7,225)	114	(1,533)
Impact of Fitbit Force recall	-	-	-	(2,838)	(2,876)	(1,483)	(2)	972	142	(69)	(20)	4,363	(11)	11	-	(26)	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	(82)	(82)	(82)	(82)	(82)	(61)	(56)	(58)	(58)
General and administrative (Non-GAAP)	1,330	2,139	2,835	5,252	5,641	5,740	7,062	9,453	11,852	12,035	17,257	30,204	32,076	20,969	23,563	29,290	25,053	25,949
Operating expenses:																		
Research and development	5,346	6,507	7,766	8,254	9,088	11,809	14,945	18,325	22,426	30,492	42,890	54,227	72,248	79,909	82,972	85,062	87,758	80,543
Sales and marketing	4,217	5,433	6,159	11,038	11,273	13,311	17,539	69,882	43,867	69,690	65,115	154,069	107,051	118,138	79,872	186,194	91,174	100,732
General and administrative	1,338	2,154	2,853	8,140	8,617	7,443	7,849	9,647	12,981	14,648	20,698	29,466	35,702	37,262	33,333	40,606	30,746	31,379
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-	-	-	-	-	-	-	-
Total operating expenses (GAAP)	10,901	14,094	16,778	27,432	28,978	32,563	40,333	97,854	79,274	107,126	128,703	237,762	215,001	235,309	196,177	311,862	209,678	212,654
Less:																		
Stock-based compensation expense	(62)	(112)	(157)	(252)	(255)	(532)	(2,124)	(3,003)	(4,457)	(6,922)	(11,683)	(13,223)	(16,461)	(19,316)	(18,991)	(19,867)	(21,747)	(20,474)
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,338)	-
Litigation expense — Jawbone	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,558)	(6,062)	(7,225)	114	(1,533)
Impact of Fitbit Force recall	-	-	-	(2,838)	(2,876)	(1,483)	(2)	972	142	(69)	(20)	4,363	(11)	11	-	(26)	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	(82)	(82)	(82)	(82)	(82)	(61)	(56)	(58)	(58)
Change in contingent consideration	-	-	-	-	-	-	-	-	-	7,704	-	-	-	-	-	-	-	-
Total operating expenses (Non-GAAP)	10,839	13,982	16,621	24,342	25,847	30,548	38,207	95,823	74,959	107,757	116,918	228,820	198,447	204,364	171,063	284,688	181,649	190,589
Operating income (loss) (GAAP)	4,088	7,128	24,477	(44,647)	15,791	25,826	43,272	73,040	89,935	80,416	67,310	110,537	18,754	9,660	44,481	(185,360)	(91,379)	(63,409)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Plus:																		
Stock-based compensation expense	64	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034	15,340	17,770	20,400	20,005	21,257	21,765	21,966
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,375	-
Litigation expense/(credit) — Jawbone	-	-	-	-	-	-	-	-	-	-	-	-	-	11,558	6,062	7,225	(114)	1,533
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20	(8,078)	11	(11)	-	26	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	549	514	533	533	533	512	509	1,377	1,377
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-	-	-	-	-	-	-	-
Operating income (loss) (Non-GAAP)	4,152	7,244	24,642	40,278	41,144	27,970	44,259	74,200	92,656	81,077	80,878	118,332	37,068	42,140	71,060	(156,343)	(61,976)	(38,533)
Interest and other income (expense), net	(405)	(923)	(1,495)	(1,908)	(1,628)	(4,139)	(3,496)	(8,893)	(13,544)	(45,687)	(960)	(58)	2,150	376	(67)	711	1,628	496
Income (loss) before income taxes	3,683	6,205	22,982	(46,555)	14,163	21,687	39,776	64,147	76,391	34,729	66,350	110,479	20,904	10,036	44,414	(184,649)	(89,751)	(62,913)
Income tax expense (benefit)	1,974	3,325	12,297	20,341	5,291	6,934	(29,136)	24,907	28,394	17,048	20,516	46,314	9,869	3,695	18,294	(38,376)	(29,671)	(4,673)
Net income (loss) (GAAP)	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834	\$ 64,165	\$ 11,035	\$ 6,341	\$ 26,120	\$ (146,273)	\$ (60,080)	\$ (58,240)
Plus:																		
Stock-based compensation expense	\$ 64	\$ 116	\$ 165	\$ 275	\$ 314	\$ 661	\$ 2,470	\$ 3,359	\$ 4,903	\$ 7,747	\$ 13,034	\$ 15,340	\$ 17,770	\$ 20,400	\$ 20,005	\$ 21,257	\$ 21,765	\$ 21,966
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,375	-
Litigation expense/(credit) — Jawbone	-	-	-	-	-	-	-	-	-	-	-	-	-	11,558	6,062	7,225	(114)	1,533
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20	(8,078)	11	(11)	-	26	-	-
Revaluation of redeemable convertible preferred stock warrant liability	345	496	1,224	1,305	1,353	3,842	1,626	6,451	10,335	46,320	-	-	-	-	-	-	-	-
Intangible assets amortization	-	-	-	-	-	-	-	-	-	549	514	533	533	533	512	509	1,377	1,377
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-	-	-	-	-	-	-	-
Income tax effect of non-GAAP adjustments	(164)	(245)	(556)	(34,492)	(10,682)	(2,394)	(44,437)	(3,044)	(4,857)	(13,349)	(183)	15,423	(4,829)	(9,297)	(6,955)	(8,445)	(3,722)	14,056
Net income (loss) (Non-GAAP)	\$ 1,954	\$ 3,247	\$ 11,518	\$ (15,158)	\$ 24,896	\$ 18,345	\$ 27,088	\$ 43,807	\$ 56,196	\$ 51,313	\$ 59,219	\$ 87,383	\$ 24,520	\$ 29,524	\$ 45,744	\$ (125,701)	\$ (34,399)	\$ (19,308)
Less: undistributed earnings to participating securities and noncumulative dividends to preferred stockholders					\$ (7,183)	\$ (11,750)	\$ (53,763)	\$ (30,701)	\$ (37,374)	\$ (12,456)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss) attributable to common stockholders - basic					1,689	3,003	15,149	8,539	10,623	5,225	45,834	64,165	11,035	6,341	26,120	(146,273)	(60,080)	(58,240)
Add: adjustments for undistributed earnings to participating securities					570	1,058	5,387	3,326	4,992	1,862	-	-	-	-	-	-	-	-
Net income (loss) attributable to common stockholders - diluted					\$ 2,259	\$ 4,061	\$ 20,536	\$ 11,865	\$ 15,615	\$ 7,087	\$ 45,834	\$ 64,165	\$ 11,035	\$ 6,341	\$ 26,120	\$ (146,273)	\$ (60,080)	\$ (58,240)
Net income (loss) per share attributable to common stockholders:																		
Basic	\$ 0.04	\$ 0.07	\$ 0.38	\$ 0.21	\$ 0.26	\$ 0.09	\$ 0.22	\$ 0.30	\$ 0.05	\$ 0.03	\$ 0.12	\$ 0.30	\$ 0.05	\$ 0.03	\$ 0.12	\$ (0.65)	\$ (0.27)	\$ (0.25)
Diluted (GAAP)	\$ 0.04	\$ 0.07	\$ 0.34	\$ 0.19	\$ 0.22	\$ 0.07	\$ 0.19	\$ 0.26	\$ 0.05	\$ 0.03	\$ 0.11	\$ 0.26	\$ 0.05	\$ 0.03	\$ 0.11	\$ (0.65)	\$ (0.27)	\$ (0.25)
Shares used to compute net income (loss) per share attributable to common stockholders:																		
Basic					40,155	40,193	40,376	40,676	41,201	58,548	206,657	210,438	216,043	218,850	222,412	224,412	226,511	230,322
Diluted (GAAP)					59,478	60,487	61,003	63,742	70,289	95,190	243,660	245,009	242,009	242,328	243,687	224,412	226,511	230,322
Plus:																		
Diluted effect of redeemable convertible preferred common stock conversion					139,504	139,504	139,708	139,851	139,851	126,020	-	-	-	-	-	-	-	-
Public offering shares					-	-	-	-	-	20,173	-	1,565	-	-	-	-	-	-
Other dilutive equity awards					1,701	1,886	1,802	1,756	1,839	1,766	-	-	-	-	-	-	-	-
Diluted shares (Non-GAAP)					200,683	201,877	202,513	205,349	211,979	243,149	243,660	246,574	242,009	242,328	243,687	224,412	226,511	230,322
Diluted net income (loss) per share (Non-GAAP)					\$ 0.12	\$ 0.09	\$ 0.13	\$ 0.21	\$ 0.27	\$ 0.21	\$ 0.24	\$ 0.35	\$ 0.10	\$ 0.12	\$ 0.19	\$ (0.56)	\$ (0.15)	\$ (0.08)
Adjusted EBITDA																		
Net income (loss) (GAAP)	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834	\$ 64,165	\$ 11,035	\$ 6,341	\$ 26,120	\$ (146,273)	\$ (60,079)	\$ (58,240)
Impact of Fitbit Force recall	-	-	-	84,650	25,039	1,483	(1,483)	(2,199)	(2,182)	69	20	(8,078)	11	(11)	-	26	-	-
Stock-based compensation expense	64	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034	15,340	17,770	20,400	20,005	21,257	21,765	21,966
Impact of restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,375	-
Litigation expense/(credit) — Jawbone	-	-	-	-	-	-	-	-	-	-	-	-	-	11,558	6,062	7,225	(114)	1,533
Revaluation of redeemable convertible preferred stock warrant liability	345	496	1,224	1,305	1,353	3,842	1,626	6,451	10,335	46,320	-	-	-	-	-	-	-	-
Depreciation and amortization	452	680	700	1,180	750	963	1,251	3,167	3,469	4,705	5,367	7,566	7,008	7,178	11,275	12,672	10,517	11,435
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-	-	-	-	-	-	-	-
Interest (income) expense, net	196	268	274	344	409	452	680	681	467	379	216	(43)	(582)	(839)	(970)	(765)	(1,096)	(193)
Income tax expense (benefit)	1,974	3,325	12,297	20,341	5,291	6,934	(29,136)	24,907	28,394	17,048	20,516	46,314	9,869	3,695	18,294	(38,376)	(29,671)	(4,673)
Adjusted EBITDA	\$ 4,740	\$ 7,765	\$ 25,345	\$ 41,199	\$ 42,028	\$ 29,088	\$ 44,320	\$ 75,606	\$ 93,383	\$ 86,245	\$ 84,987	\$ 125,264	\$ 45,111	\$ 48,322	\$ 80,786	\$ (144,234)	\$ (52,303)	\$ (28,172)
Devices Sold	521	745	1,291	1,919	1,575	1,720	2,332	5,277	3,866	4,458	4,773	8,258	4,842	5,673	5,283	6,497	2,956	3,373

Fitbit, Inc.
Condensed Consolidated Statements of Cash Flows - Fiscal Quarters

(in thousands)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Cash Flows from Operating activities:																		
Net income (loss)	\$ 1,709	\$ 2,880	\$ 10,685	\$ (66,896)	\$ 8,872	\$ 14,753	\$ 68,912	\$ 39,240	\$ 47,997	\$ 17,681	\$ 45,834	\$ 64,165	\$ 11,035	\$ 6,341	\$ 26,120	\$ (146,273)	\$ (60,079)	\$ (58,240)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities																		
Provision for (recovery of) doubtful accounts	-	-	-	651	(63)	12	66	849	73	(101)	(5)	1,148	413	(232)	(40)	198	1	(1)
Provision for inventory obsolescence	201	272	422	204	757	473	(707)	2,441	1,761	2,776	-	523	231	434	349	3,979	3,997	4,412
Provision for inventory obsolescence related to Fitbit Force recall	-	-	-	10,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	452	680	700	1,180	750	963	1,250	3,168	3,363	4,156	4,853	7,033	6,475	6,646	10,763	12,162	9,140	10,059
Accelerated depreciation of property and equipment	-	-	-	1,712	-	-	-	1,004	-	-	-	1,206	484	165	113	19,043	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	106	549	514	533	533	533	512	509	1,377	1,376
Write-off of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,250
Revaluation of redeemable convertible preferred stock warrants liability	345	496	1,224	1,305	1,353	3,841	1,627	6,451	10,335	46,320	-	-	-	-	-	-	-	-
Amortization of issuance costs and discount on debt	17	22	21	22	160	56	398	181	161	161	162	477	117	116	117	116	116	(116)
Stock-based compensation	64	116	165	275	314	661	2,470	3,359	4,903	7,747	13,034	15,340	17,770	20,400	20,005	21,257	22,493	21,966
Change in contingent consideration	-	-	-	-	-	-	-	-	-	(7,704)	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	(26,693)	(15,308)	(3,875)	(16,236)	(12,177)	(10,250)	(4,581)	(31,871)	8,658	(70,940)	(5,005)	10,785
Excess tax benefit from stock-based compensation (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	(560)	297	17	(1,131)	300	391	(300)	1,727
Changes in operating assets and liabilities																		
Accounts receivable	10,663	(13,164)	(17,381)	(35,748)	31,004	(1,456)	(26,872)	(161,464)	77,371	(90,205)	7,334	(225,600)	129,218	(37,681)	(83,781)	(16,457)	282,917	(21,752)
Inventories	(5,239)	(2,008)	(7,436)	(32,693)	2,633	(1,657)	(5,699)	(56,872)	(24,198)	(52,136)	(88,819)	97,045	(34,149)	20,798	(37,532)	(11,092)	27,193	54,293
Prepaid expenses and other assets	468	(524)	(2,538)	369	(2,457)	(729)	(235)	(6,258)	(8,220)	5,725	(2,169)	(24,551)	(16,547)	462	(22,703)	912	(976)	(38,990)
Fitbit Force recall reserve	-	-	-	72,687	1,300	(27,164)	(26,045)	(8,553)	(7,371)	(2,210)	(1,236)	(6,537)	(783)	(2,191)	(654)	(241)	(295)	(205)
Accounts payable	(4,493)	903	7,104	47,367	(39,616)	12,510	10,642	140,225	(59,478)	53,918	125,328	(63,009)	(16,317)	(23,108)	26,299	58,780	(176,619)	(40,340)
Accrued liabilities and other liabilities	(2,369)	4,499	6,653	18,260	(6,340)	(1,052)	9,576	45,549	(4,826)	13,656	21,827	108,091	38,729	15,271	(10,715)	170,076	(52,173)	8,210
Deferred revenue	(3,410)	694	662	2,913	150	1,764	684	805	7,467	4,322	5,731	17,371	6,481	(4,508)	(1,419)	4,902	(3,000)	(2,477)
Income taxes payable	1,522	2,668	6,092	7,513	(8,300)	6,834	(6,111)	20,381	(12,909)	(16,927)	1,677	32,495	4,317	10,540	4,899	25,680	351	(1,867)
Net cash provided by (used in) operating activities	(70)	(2,466)	6,373	29,372	(9,483)	9,809	3,263	15,198	32,660	(28,508)	121,328	15,777	143,443	(19,016)	(58,709)	73,002	49,138	(45,910)
Cash Flows from Investing activities:																		
Change in restricted cash	-	-	-	(2,310)	2,310	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of property and equipment	(775)	(2,024)	(2,437)	(2,288)	(2,909)	(3,789)	(11,187)	(8,610)	(5,009)	(6,736)	(6,003)	(12,818)	(16,676)	(20,069)	(30,053)	(11,842)	(28,157)	(11,660)
Purchase of marketable securities	-	-	-	-	-	-	-	-	-	-	(124,713)	(106,222)	(62,576)	(330,162)	(160,014)	(85,303)	(129,661)	(188,017)
Sales of marketable securities	-	-	-	-	-	-	-	-	-	-	12,070	45,941	-	38,814	6,197	1,500	4,256	9,550
Maturities of marketable securities	-	-	-	-	-	-	-	-	-	-	-	44,500	121,598	18,664	109,007	66,505	178,028	173,116
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-	(11,037)	-	-	-	-	(5,600)	-	(32,656)	-	-
Net cash provided by (used in) investing activities	(775)	(2,024)	(2,437)	(4,598)	(599)	(3,789)	(11,187)	(8,610)	(16,046)	(6,736)	(118,646)	(28,599)	42,346	(298,353)	(74,863)	(61,796)	24,466	(17,011)
Cash Flows from Financing activities:																		
Proceeds from initial public offering, net of underwriters' fees	-	-	-	-	-	-	-	-	-	420,885	-	84,390	-	-	-	-	-	-
Proceeds from issuance of debt and revolving credit facility, net debt discount	2,830	-	-	-	30,000	-	8,000	125,000	160,000	-	-	-	-	-	-	-	-	-
Repayment of debt	(59)	(60)	(237)	(240)	(2,347)	(749)	(38,250)	-	(134,503)	(160,000)	-	-	-	-	-	-	-	-
Payment of issuance costs	-	-	-	(45)	(604)	-	(1,971)	-	-	-	-	(748)	-	-	-	-	-	-
Payments of offering costs	-	-	-	-	-	-	-	-	(1)	(2,522)	(2,249)	(317)	(1,236)	-	-	-	-	-
Proceeds from the issuance of redeemable convertible preferred stock, net of issuance costs	-	25,823	16,988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock to employees	45	143	9	8	3	9	20	65	70	372	498	3,078	2,374	12,093	3,849	7,653	2,581	8,826
Taxes paid related to net share settlement of restricted stock units	-	-	-	-	-	-	-	-	-	-	-	-	(574)	(533)	(2,121)	(1,711)	(3,127)	(2,107)
Excess tax benefit from stock-based compensation (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of redeemable convertible preferred stock warrants	-	-	-	-	-	-	75	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	2,816	25,906	16,760	(277)	27,052	(740)	(32,126)	125,065	25,566	258,735	(1,751)	86,403	564	11,560	1,728	5,942	(546)	6,719
Net increase (decrease) in cash and cash equivalents	1,971	21,416	20,696	24,497	16,970	5,280	(40,050)	131,653	42,180	223,491	931	73,581	186,353	(305,809)	(131,844)	17,148	73,058	(56,202)
Effect of exchange rate changes on cash	-	-	-	-	5	7	17	16	43	(64)	73	(15)	(137)	(111)	(78)	(48)	(99)	631
Cash and cash equivalents at beginning of period	13,148	15,119	36,535	57,231	81,728	98,703	103,990	63,957	195,626	237,849	461,276	462,280	535,846	722,062	416,142	284,220	301,320	374,279
Cash and cash equivalents at end of period	\$ 15,119	\$ 36,535	\$ 57,231	\$ 81,728	\$ 98,703	\$ 103,990	\$ 63,957	\$ 195,626	\$ 237,849	\$ 461,276	\$ 462,280	\$ 535,846	\$ 722,062	\$ 416,142	\$ 284,220	\$ 301,320	\$ 374,279	\$ 318,708
Free cash flow																		
Net cash provided by (used in) operating activities (GAAP) (1)	\$ (70)	\$ (2,466)	\$ 6,373	\$ 29,372	\$ (9,483)	\$ 9,809	\$ 3,263	\$ 15,198	\$ 32,660	\$ (28,508)	\$ 121,328	\$ 15,777	\$ 143,443	\$ (19,016)	\$ (58,709)	\$ 73,002	\$ 49,138	\$ (45,910)
Purchase of property and equipment	(775)	(2,024)	(2,437)	(2,288)	(2,909)	(3,789)	(11,187)	(8,610)	(5,009)	(6,736)	(6,003)	(12,818)	(16,676)	(20,069)	(30,053)	(11,842)	(28,157)	(11,660)
Free cash flow (Non-GAAP)	\$ (845)	\$ (4,490)	\$ 3,936	\$ 27,084	\$ (12,392)	\$ 6,020	\$ (7,924)	\$ 6,588	\$ 27,651	\$ (35,244)	\$ 115,325	\$ 2,959	\$ 126,767	\$ (39,085)	\$ (88,762)	\$ 61,160	\$ 20,981	\$ (57,570)
Net cash provided by (used in) investing activities (GAAP)	\$ (775)	\$ (2,024)	\$ (2,437)	\$ (4,598)	\$ (599)	\$ (3,789)	\$ (11,187)	\$ (8,610)	\$ (16,046)	\$ (6,736)	\$ (118,646)	\$ (28,599)	\$ 42,346	\$ (298,353)	\$ (74,863)	\$ (61,796)	\$ 24,466	\$ (17,011)
Net cash provided by (used in) financing activities (GAAP) (1)	\$ 2,816	\$ 25,906	\$ 16,760	\$ (277)	\$ 27,052	\$ (740)	\$ (32,126)	\$ 125,065	\$ 25,566	\$ 258,735	\$ (1,751)	\$ 86,403	\$ 564	\$ 11,560	\$ 1,728	\$ 5,942	\$ (546)	\$ 6,719

(1) - The Company's adoption of ASU 2016-09 on January 1, 2017 resulted in excess tax benefits for share-based payments recorded as a reduction of income tax expense and reflected within operating cash flows, rather than recorded within equity and reflected within financing cash flows. The Company elected to adopt this new standard retrospectively, which impacted the presentation for all periods prior to the adoption date.