

Explanation of Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles (“GAAP”), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

Other companies, including companies in our industry, may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. In addition, the utility of free cash flow as a measure of our financial performance and liquidity is limited as it does not represent the total increase or decrease in our cash balance for a given period.

Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures and not rely on any single financial measure to evaluate our business.

Non-GAAP Subscription Gross Profit and Non-GAAP Subscription Gross Margin

We define non-GAAP subscription gross profit and non-GAAP subscription gross margin as GAAP subscription gross profit and GAAP subscription gross margin, respectively, excluding stock-based compensation expense and amortization of acquired intangible assets. We believe non-GAAP subscription gross profit and non-GAAP subscription gross margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations, as these measures eliminate the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Loss from Operations

We define non-GAAP loss from operations as GAAP loss from operations excluding stock-based compensation expense, amortization of acquired intangible assets, and acquisition-related expenses. We believe non-GAAP loss from operations provides our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations, as this metric generally eliminates the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Net Loss per Share Attributable to Common Stockholders, Basic and Diluted

We define non-GAAP net loss per share attributable to common stockholders, as non-GAAP net loss divided by the weighted-average shares outstanding, which includes the dilutive effect of potentially diluted common stock equivalents outstanding during the period. We may periodically incur charges or receive payments in connection with litigation settlements. We exclude these charges and payments received from non-GAAP net loss when associated with a significant settlement because we do not believe they are reflective of ongoing business and operating results.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that we define as net cash used in operating activities less purchases of property and equipment, capitalized internal-use software, acquisition of intangible assets, and cash used for business combinations. We monitor free cash flow as one measure of our overall business performance, which enables us to analyze our future performance without the effects of non-cash items and allow us to better understand the cash needs of our business. While we believe that free cash flow is useful in evaluating our business, free cash flow is a non-GAAP financial measure that has limitations as an analytical tool, and free cash flow should not be considered as an alternative to, or substitute for, net cash used in operating activities in accordance with GAAP. The utility of free cash flow as a measure of our liquidity is further limited as it does not represent the total increase or decrease in our cash balance for any given period. In addition, other companies, including companies in our industry, may calculate free cash flow differently or not at all, which reduces the usefulness of free cash flow as a tool for comparison.

Explanation of Operational Measures

Annual Recurring Revenue

ARR is calculated as the annualized value of our customer subscription contracts as of the measurement date, assuming any contract that expires during the next 12 months is renewed on its existing terms. To the extent that we are negotiating a renewal with a customer after the expiration of the subscription, we continue to include that revenue in ARR if we are actively in discussion with such an organization for a new subscription or renewal, or until such organization notifies us that it is not renewing its subscription.

Magic Number

Magic Number is calculated by performing the following calculation for the most recent four quarters and taking the average: annualizing the difference between a quarter's Subscription Revenue and the prior quarter's Subscription Revenue, and then dividing the resulting number by the previous quarter's Non-GAAP Sales & Marketing Expense. Magic Number = Average of previous four quarters: $((\text{Quarter Subscription Revenue} - \text{Prior Quarter Subscription Revenue}) \times 4) / \text{Prior Quarter Non-GAAP Sales \& Marketing Expense}$.

CROWDSTRIKE HOLDINGS, INC.

Condensed Consolidated Statements of Operations

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

	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20
Revenue							
Subscription	\$ 32,494	\$ 39,758	\$ 49,161	\$ 57,651	\$ 72,831	\$ 85,990	\$ 97,575
Professional services	6,223	7,531	6,540	8,728	7,624	10,087	10,533
Total revenue	38,717	47,289	55,701	66,379	80,455	96,077	108,108
Cost of revenue							
Subscription	14,357	15,171	14,604	17,302	22,131	23,691	24,946
Professional services	4,813	4,223	3,971	4,972	4,864	5,582	6,636
Total cost of revenue	19,170	19,394	18,575	22,274	26,995	29,273	31,582
Gross profit							
Subscription	18,137	24,587	34,557	40,349	50,700	62,299	72,629
Professional services	1,410	3,308	2,569	3,756	2,760	4,505	3,897
Total gross profit	19,547	27,895	37,126	44,105	53,460	66,804	76,526
Operating expenses							
Sales and marketing	34,265	36,617	40,113	46,614	49,338	56,843	65,274
Research and development	15,928	17,615	18,963	25,968	22,005	23,875	31,630
General and administrative	6,121	6,777	8,477	13,614	13,349	11,861	30,261
Total operating expenses	56,314	61,009	67,553	86,196	84,692	92,579	127,165
Loss from operations	(36,767)	(33,114)	(30,427)	(42,091)	(31,232)	(25,775)	(50,639)
Interest expense	(190)	(192)	(236)	-	-	(1)	(164)
Other income (expense), net	(53)	(190)	(1,852)	303	321	394	(451)
Loss before provision for income taxes	(37,010)	(33,496)	(32,515)	(41,788)	(30,911)	(25,382)	(51,254)
Provision for income taxes	(483)	(121)	(362)	(535)	(349)	(595)	(635)
Net loss	\$ (37,493)	\$ (33,617)	\$ (32,877)	\$ (42,323)	\$ (31,260)	\$ (25,977)	\$ (51,889)
Net loss per share attributable to common stockholders, basic and diluted		\$ (0.77)	\$ (0.75)			\$ (0.55)	\$ (0.40)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted		43,614	44,105			47,205	130,091

CROWDSTRIKE HOLDINGS, INC.

Statements of Operations: GAAP to Non-GAAP Reconciliation

(in thousands)
(unaudited)

	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20
GAAP cost of revenue	\$ 19,170	\$ 19,394	\$ 18,575	\$ 22,274	\$ 26,995	\$ 29,273	\$ 31,582
Less:							
Stock based compensation expense	258	109	145	435	205	368	1,877
Amortization of acquired intangible assets	287	96	106	20	106	104	97
Non-GAAP cost of revenue	<u>\$ 18,625</u>	<u>\$ 19,189</u>	<u>\$ 18,324</u>	<u>\$ 21,819</u>	<u>\$ 26,684</u>	<u>\$ 28,801</u>	<u>\$ 29,608</u>
GAAP subscription gross profit	\$ 18,137	\$ 24,587	\$ 34,557	\$ 40,349	\$ 50,700	\$ 62,299	\$ 72,629
Add:							
Stock based compensation expense	52	63	88	382	156	270	1,233
Amortization of acquired intangible assets	287	96	106	20	106	104	97
Non-GAAP subscription gross profit	<u>\$ 18,476</u>	<u>\$ 24,746</u>	<u>\$ 34,751</u>	<u>\$ 40,751</u>	<u>\$ 50,961</u>	<u>\$ 62,673</u>	<u>\$ 73,959</u>
GAAP professional services gross profit	\$ 1,410	\$ 3,308	\$ 2,569	\$ 3,756	\$ 2,760	\$ 4,505	\$ 3,897
Add:							
Stock based compensation expense	206	46	57	53	49	98	644
Non-GAAP professional services gross profit	<u>\$ 1,616</u>	<u>\$ 3,354</u>	<u>\$ 2,626</u>	<u>\$ 3,809</u>	<u>\$ 2,809</u>	<u>\$ 4,603</u>	<u>\$ 4,541</u>
GAAP Sales and marketing operating expenses	\$ 34,258	\$ 36,617	\$ 40,113	\$ 46,614	\$ 49,338	\$ 56,843	\$ 65,274
Less:							
Stock based compensation expense	438	773	1,031	2,137	1,234	1,518	6,638
Amortization of acquired intangible assets	21	17	62	32	32	31	32
Non-GAAP sales and marketing operating expenses	<u>\$ 33,799</u>	<u>\$ 35,827</u>	<u>\$ 39,020</u>	<u>\$ 44,445</u>	<u>\$ 48,072</u>	<u>\$ 55,294</u>	<u>\$ 58,604</u>
GAAP research and development operating expenses	\$ 15,933	\$ 17,615	\$ 18,963	\$ 25,968	\$ 22,005	\$ 23,875	\$ 31,630
Less:							
Stock based compensation expense	401	448	539	6,245	583	681	4,976
Amortization of acquired intangible assets	124	53	39	11	11	11	10
Non-GAAP research and development operating expenses	<u>\$ 15,408</u>	<u>\$ 17,114</u>	<u>\$ 18,385</u>	<u>\$ 19,712</u>	<u>\$ 21,411</u>	<u>\$ 23,183</u>	<u>\$ 26,644</u>
GAAP general and administrative operating expenses	\$ 6,123	\$ 6,777	\$ 8,477	\$ 13,614	\$ 13,349	\$ 11,861	\$ 30,261
Less:							
Stock based compensation expense	239	389	509	4,643	1,080	1,185	16,368
Acquisition related expenses	167	-	-	-	-	-	-
Non-GAAP general and administrative operating expenses	<u>\$ 5,717</u>	<u>\$ 6,388</u>	<u>\$ 7,968</u>	<u>\$ 8,971</u>	<u>\$ 12,269</u>	<u>\$ 10,676</u>	<u>\$ 13,893</u>
GAAP loss from operations	\$ (36,767)	\$ (33,114)	\$ (30,427)	\$ (42,091)	\$ (31,232)	\$ (25,775)	\$ (50,639)
Add:							
Stock based compensation expense	1,336	1,719	2,224	13,460	3,102	3,752	29,859
Amortization of acquired intangible assets	432	166	207	63	149	146	139
Acquisition related expenses	167	-	-	-	-	-	-
Non-GAAP loss from operations	<u>\$ (34,832)</u>	<u>\$ (31,229)</u>	<u>\$ (27,996)</u>	<u>\$ (28,568)</u>	<u>\$ (27,981)</u>	<u>\$ (21,877)</u>	<u>\$ (20,641)</u>
GAAP net loss	\$ (37,493)	\$ (33,617)	\$ (32,877)	\$ (42,323)	\$ (31,260)	\$ (25,977)	\$ (51,889)
Add:							
Stock based compensation expense	1,336	1,719	2,224	13,460	3,102	3,752	29,859
Amortization of acquired intangible assets	432	166	207	63	149	146	139
Acquisition related expenses	167	-	-	-	-	-	-
Less:							
Gain on settlement of lawsuit	-	-	-	-	-	-	1,250
Non-GAAP net loss	<u>\$ (35,558)</u>	<u>\$ (31,732)</u>	<u>\$ (30,446)</u>	<u>\$ (28,800)</u>	<u>\$ (28,009)</u>	<u>\$ (22,079)</u>	<u>\$ (23,141)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted (GAAP and Non-GAAP)		<u>43,614</u>	<u>44,105</u>			<u>47,205</u>	<u>130,091</u>
GAAP net loss per share attributable to common stockholders, basic and diluted		<u>\$ (.77)</u>	<u>\$ (.75)</u>			<u>\$ (.55)</u>	<u>\$ (.40)</u>
Non- GAAP net loss per share attributable to common stockholders, basic and diluted		<u>\$ (.73)</u>	<u>\$ (.69)</u>			<u>\$ (.47)</u>	<u>\$ (.18)</u>

CROWDSTRIKE HOLDINGS, INC.

Additional Metrics

(In thousands, except percentages and customer count)

	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20
Annual recurring revenue	\$ 141,314	\$ 170,392	\$ 208,172	\$ 254,152	\$ 312,656	\$ 364,648	\$ 423,780
<i>Year-over-year growth</i>	<i>141%</i>	<i>138%</i>	<i>132%</i>	<i>124%</i>	<i>121%</i>	<i>114%</i>	<i>104%</i>
Subscription customer count	1,242	1,491	1,800	2,147	2,516	3,059	3,789
<i>Year-over-year growth</i>	<i>176%</i>	<i>178%</i>	<i>162%</i>	<i>155%</i>	<i>103%</i>	<i>105%</i>	<i>111%</i>
Free cash flow reconciliation							
Cash flow from operating activities	\$ (6,925)	\$ (6,393)	\$ (28,744)	\$ (3,639)	\$ 15,808	\$ 1,415	\$ (6,214)
Less: Purchase of property and equipment	(3,444)	(8,649)	(5,419)	(7,596)	(14,187)	(15,541)	(21,618)
Less: Capitalized internal-use software	(2,879)	(1,707)	(1,494)	(1,841)	(1,752)	(1,984)	(1,326)
Free cash flow	<u>\$ (13,248)</u>	<u>\$ (16,749)</u>	<u>\$ (35,657)</u>	<u>\$ (13,076)</u>	<u>\$ (131)</u>	<u>\$ (16,110)</u>	<u>\$ (29,158)</u>