

**Forescout Technologies, Inc.**  
**Supplemental Financial Information and Non-GAAP Financial Measures**

Non-GAAP Financial Measures

This supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use these non-GAAP financial measures internally in analyzing our financial results and believe that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations.

**Forescout Technologies, Inc.**

**Condensed Consolidated Statements of Operations - Fiscal Quarters**

(In thousands, except per share data)

(Unaudited)

	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue:								
License	\$ 26,842	\$ 43,204	\$ 34,994	\$ 29,780	\$ 34,323	\$ 51,082	\$ 47,482	\$ 37,680
Subscription	20,009	22,789	25,017	26,359	28,986	30,339	32,888	33,799
Professional services	3,130	3,347	2,896	3,558	4,285	4,207	4,362	4,089
Total revenue	49,981	69,340	62,907	59,697	67,594	85,628	84,732	75,568
Cost of revenue:								
License	5,545	7,240	6,964	7,136	4,919	8,947	6,852	7,607
Subscription	3,206	3,499	3,946	3,801	3,732	4,069	4,613	5,207
Professional services	5,337	5,189	5,163	5,549	6,062	6,181	6,021	6,186
Total cost of revenue	14,088	15,928	16,073	16,486	14,713	19,197	17,486	19,000
Total gross profit	35,893	53,412	46,834	43,211	52,881	66,431	67,246	56,568
Operating expenses:								
Research and development	10,702	10,985	14,801	14,687	14,803	15,062	17,161	18,497
Sales and marketing	33,556	34,028	41,769	42,279	45,039	46,098	50,464	55,923
General and administrative	8,902	9,148	23,941	13,732	13,260	13,880	16,849	16,213
Total operating expenses	53,160	54,161	80,511	70,698	73,102	75,040	84,474	90,633
Loss from operations	(17,267)	(749)	(33,677)	(27,487)	(20,221)	(8,609)	(17,228)	(34,065)
Interest expense	(318)	(290)	(270)	(243)	(225)	(208)	(237)	(93)
Other (expense) income, net	(82)	160	382	662	513	865	527	617
Revaluation of warrant liabilities	50	—	(385)	—	—	—	—	—
Loss before income taxes	(17,617)	(879)	(33,950)	(27,068)	(19,933)	(7,952)	(16,938)	(33,541)
Income tax provision	174	412	618	1,128	473	334	1,010	711
Net loss	\$ (17,791)	\$ (1,291)	\$ (34,568)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)
Deemed dividend on the conversion of Series G redeemable convertible preferred stock	—	—	12,810	—	—	—	—	—
Net loss attributable to common stockholders	\$ (17,791)	\$ (1,291)	\$ (47,378)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)
Net loss per share attributable to common stockholders, basic and diluted	\$ (2.95)	\$ (0.21)	\$ (1.73)	\$ (0.74)	\$ (0.50)	\$ (0.20)	\$ (0.42)	\$ (0.78)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	6,031	6,140	27,349	38,313	40,457	42,064	43,016	44,196

**Forescout Technologies, Inc.**

**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters**

(In thousands, except per share data)

(Unaudited)

	<u>Q2FY17</u>	<u>Q3FY17</u>	<u>Q4FY17</u>	<u>Q1FY18</u>	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>Q1FY19</u>
Revenue:								
License	\$ 26,842	\$ 43,204	\$ 34,994	\$ 29,780	\$ 34,323	\$ 51,082	\$ 47,482	\$ 37,680
Subscription	20,009	22,789	25,017	26,359	28,986	30,339	32,888	33,799
Professional services	3,130	3,347	2,896	3,558	4,285	4,207	4,362	4,089
Total revenue	<u>49,981</u>	<u>69,340</u>	<u>62,907</u>	<u>59,697</u>	<u>67,594</u>	<u>85,628</u>	<u>84,732</u>	<u>75,568</u>
Cost of revenue:								
License	5,525	7,221	6,921	7,083	4,865	8,880	6,486	7,057
Subscription	3,070	3,362	3,270	3,422	3,361	3,720	4,186	4,750
Professional services	5,154	5,040	4,478	5,155	5,710	5,815	5,635	5,785
Total cost of revenue	<u>13,749</u>	<u>15,623</u>	<u>14,669</u>	<u>15,660</u>	<u>13,936</u>	<u>18,415</u>	<u>16,307</u>	<u>17,592</u>
Total gross profit	<u>36,232</u>	<u>53,717</u>	<u>48,238</u>	<u>44,037</u>	<u>53,658</u>	<u>67,213</u>	<u>68,425</u>	<u>57,976</u>
Operating expenses:								
Research and development	10,089	10,355	10,631	12,340	12,290	12,449	14,398	15,397
Sales and marketing	31,947	32,426	32,186	36,099	39,189	39,933	43,258	48,899
General and administrative	7,530	7,776	8,562	9,495	9,464	9,941	10,565	11,508
Total operating expenses	<u>49,566</u>	<u>50,557</u>	<u>51,379</u>	<u>57,934</u>	<u>60,943</u>	<u>62,323</u>	<u>68,221</u>	<u>75,804</u>
(Loss) income from operations	<u>(13,334)</u>	<u>3,160</u>	<u>(3,141)</u>	<u>(13,897)</u>	<u>(7,285)</u>	<u>4,890</u>	<u>204</u>	<u>(17,828)</u>
Interest expense	(318)	(290)	(270)	(243)	(225)	(208)	(237)	(93)
Other (expense) income, net	(82)	160	382	662	513	865	527	617
(Loss) income before income taxes	<u>(13,734)</u>	<u>3,030</u>	<u>(3,029)</u>	<u>(13,478)</u>	<u>(6,997)</u>	<u>5,547</u>	<u>494</u>	<u>(17,304)</u>
Income tax provision	174	412	618	1,128	473	465	906	856
Net (loss) income	<u>\$ (13,908)</u>	<u>\$ 2,618</u>	<u>\$ (3,647)</u>	<u>\$ (14,606)</u>	<u>\$ (7,470)</u>	<u>\$ 5,082</u>	<u>\$ (412)</u>	<u>\$ (18,160)</u>
Net (loss) income per share attributable to common stockholders, diluted	<u>\$ (2.31)</u>	<u>\$ 0.08</u>	<u>\$ (0.13)</u>	<u>\$ (0.38)</u>	<u>\$ (0.18)</u>	<u>\$ 0.10</u>	<u>\$ (0.01)</u>	<u>\$ (0.41)</u>
Weighted-average shares used to compute net (loss) income per share attributable to common stockholders, diluted	<u>6,031</u>	<u>34,735</u>	<u>27,349</u>	<u>38,313</u>	<u>40,457</u>	<u>48,507</u>	<u>43,016</u>	<u>44,196</u>



Non-GAAP research and development expense	\$ 10,089	\$ 10,355	\$ 10,631	\$ 12,340	\$ 12,290	\$ 12,449	\$ 14,398	\$ 15,397
<i>Non-GAAP research and development expense as a percentage of total revenue</i>	20 %	15 %	17 %	21 %	18 %	15 %	17 %	20 %
GAAP sales and marketing expense	\$ 33,556	\$ 34,028	\$ 41,769	\$ 42,279	\$ 45,039	\$ 46,098	\$ 50,464	\$ 55,923
Stock-based compensation	1,609	1,602	9,583	6,180	5,850	6,165	6,804	6,486
Acquisition-related expenses	—	—	—	—	—	—	219	234
Amortization of acquired intangible assets	—	—	—	—	—	—	183	304
Non-GAAP sales and marketing expense	\$ 31,947	\$ 32,426	\$ 32,186	\$ 36,099	\$ 39,189	\$ 39,933	\$ 43,258	\$ 48,899
<i>Non-GAAP sales and marketing expense as a percentage of total revenue</i>	64 %	47 %	51 %	60 %	58 %	47 %	51 %	65 %
GAAP general and administrative expense	\$ 8,902	\$ 9,148	\$ 23,941	\$ 13,732	\$ 13,260	\$ 13,880	\$ 16,849	\$ 16,213
Stock-based compensation	1,372	1,372	15,379	4,237	3,796	3,458	3,578	3,337
Acquisition-related expenses	—	—	—	—	—	481	2,706	1,368
Non-GAAP general and administrative expense	\$ 7,530	\$ 7,776	\$ 8,562	\$ 9,495	\$ 9,464	\$ 9,941	\$ 10,565	\$ 11,508
<i>Non-GAAP general and administrative expense as a percentage of total revenue</i>	15 %	11 %	14 %	16 %	14 %	12 %	12 %	15 %
GAAP total operating expenses	\$ 53,160	\$ 54,161	\$ 80,511	\$ 70,698	\$ 73,102	\$ 75,040	\$ 84,474	\$ 90,633
Stock-based compensation	3,594	3,604	29,132	12,764	12,159	12,236	13,070	12,901
Acquisition-related expenses	—	—	—	—	—	481	3,000	1,624
Amortization of acquired intangible assets	—	—	—	—	—	—	183	304
Non-GAAP total operating expenses	\$ 49,566	\$ 50,557	\$ 51,379	\$ 57,934	\$ 60,943	\$ 62,323	\$ 68,221	\$ 75,804
<i>Non-GAAP total operating expenses as a percentage of total revenue</i>	99 %	73 %	82 %	97 %	90 %	73 %	81 %	100 %
GAAP operating loss	\$ (17,267)	\$ (749)	\$ (33,677)	\$ (27,487)	\$ (20,221)	\$ (8,609)	\$ (17,228)	\$ (34,065)
Stock-based compensation	3,933	3,909	30,536	13,590	12,936	13,018	13,953	13,828
Acquisition-related expenses	—	—	—	—	—	481	3,016	1,638
Amortization of acquired intangible assets	—	—	—	—	—	—	463	771
Non-GAAP operating (loss) income	\$ (13,334)	\$ 3,160	\$ (3,141)	\$ (13,897)	\$ (7,285)	\$ 4,890	\$ 204	\$ (17,828)
<i>Non-GAAP operating margin</i>	(27)%	5 %	(5)%	(23)%	(11)%	6 %	— %	(24)%

GAAP net loss	\$ (17,791)	\$ (1,291)	\$ (34,568)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)
Stock-based compensation	3,933	3,909	30,536	13,590	12,936	13,018	13,953	13,828
Acquisition-related expenses	—	—	—	—	—	481	3,016	1,638
Amortization of acquired intangible assets	—	—	—	—	—	—	463	771
Change in revaluation of warrant liabilities	(50)	—	385	—	—	—	—	—
Tax effect of non-GAAP adjustments	—	—	—	—	—	(131)	104	(145)
Non-GAAP net (loss) income	<u>\$ (13,908)</u>	<u>\$ 2,618</u>	<u>\$ (3,647)</u>	<u>\$ (14,606)</u>	<u>\$ (7,470)</u>	<u>\$ 5,082</u>	<u>\$ (412)</u>	<u>\$ (18,160)</u>
Non-GAAP net (loss) income per share, diluted	<u>\$ (2.31)</u>	<u>\$ 0.08</u>	<u>\$ (0.13)</u>	<u>\$ (0.38)</u>	<u>\$ (0.18)</u>	<u>\$ 0.10</u>	<u>\$ (0.01)</u>	<u>\$ (0.41)</u>
GAAP weighted-average shares used to compute net (loss) income per share, diluted	6,031	6,140	27,349	38,313	40,457	42,064	43,016	44,196
Weighted-average effect of potentially dilutive securities	—	28,595	—	—	—	6,442	—	—
Non-GAAP weighted-average shares used to compute net (loss) income per share, diluted	<u>6,031</u>	<u>34,735</u>	<u>27,349</u>	<u>38,313</u>	<u>40,457</u>	<u>48,507</u>	<u>43,016</u>	<u>44,196</u>

**Forescout Technologies, Inc.**  
**Condensed Consolidated Balance Sheets - Fiscal Quarters**  
(In thousands)  
(Unaudited)

	<u>Q1FY18</u>	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>Q1FY19</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 82,356	\$ 99,560	\$ 129,035	\$ 66,895	\$ 70,663
Marketable securities	140,663	120,322	81,289	47,632	56,266
Accounts receivable	54,780	34,106	67,967	79,255	56,734
Inventory	136	1,783	322	1,501	1,248
Deferred commissions - current	10,928	11,072	10,667	12,543	11,707
Prepaid expenses and other current assets	10,992	11,570	11,786	13,353	13,477
Total current assets	<u>299,855</u>	<u>278,413</u>	<u>301,066</u>	<u>221,179</u>	<u>210,095</u>
Deferred commissions - non-current	21,413	21,174	20,942	22,831	22,143
Property and equipment, net	23,918	24,592	24,376	24,349	23,900
Operating lease right-of-use assets	—	—	—	—	20,704
Restricted cash - non-current	4,144	1,686	1,189	1,266	1,283
Intangible assets, net	—	—	—	19,002	17,873
Goodwill	—	—	—	92,482	90,641
Other assets	4,293	4,318	4,358	7,369	7,034
Total assets	<u>\$ 353,623</u>	<u>\$ 330,183</u>	<u>\$ 351,931</u>	<u>\$ 388,478</u>	<u>\$ 393,673</u>
<b>Liabilities and stockholders' equity</b>					
Current liabilities:					
Accounts payable	\$ 1,744	\$ 1,070	\$ 902	\$ 12,118	\$ 9,500
Accrued compensation	21,814	25,501	23,819	32,649	28,121
Accrued expenses	10,031	10,182	11,741	14,558	13,988
Deferred revenue - current	102,273	83,986	95,448	101,900	106,087
Notes payable - current	7,266	7,287	7,309	7,331	7,352
Operating lease liabilities - current	—	—	—	—	4,718
Total current liabilities	<u>143,128</u>	<u>128,026</u>	<u>139,219</u>	<u>168,556</u>	<u>169,766</u>
Deferred revenue - non-current	66,918	63,154	66,633	69,618	72,023
Notes payable - non-current	13,754	11,924	10,089	8,248	6,402
Operating lease liabilities - non-current	—	—	—	—	23,535
Other liabilities	12,771	12,603	10,747	14,335	7,018
Total liabilities	<u>236,571</u>	<u>215,707</u>	<u>226,688</u>	<u>260,757</u>	<u>278,744</u>
Stockholders' equity:					
Common stock	39	42	43	43	45
Additional paid-in capital	581,988	599,740	618,656	639,237	662,674
Accumulated other comprehensive loss	(358)	(282)	(147)	(302)	(2,281)
Accumulated deficit	(464,617)	(485,024)	(493,309)	(511,257)	(545,509)
Total stockholders' equity	<u>117,052</u>	<u>114,476</u>	<u>125,243</u>	<u>127,721</u>	<u>114,929</u>
Total liabilities and stockholders' equity	<u>\$ 353,623</u>	<u>\$ 330,183</u>	<u>\$ 351,931</u>	<u>\$ 388,478</u>	<u>\$ 393,673</u>

Forescout Technologies, Inc.

Condensed Consolidated Statements of Cash Flows - Fiscal Quarters

(In thousands)

(Unaudited)

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<b>Cash flows from operating activities</b>					
Net loss	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities</b>					
Stock-based compensation	13,590	12,936	13,018	13,953	13,828
Depreciation and amortization	1,607	1,922	1,961	2,513	2,845
Other	125	(97)	85	348	(15)
<b>Changes in operating assets and liabilities, net of business acquisition</b>					
Accounts receivable	9,768	20,674	(33,856)	(7,485)	22,227
Inventory	3,534	(1,647)	1,461	(1,180)	253
Deferred commissions	411	95	637	(3,764)	1,520
Prepaid expenses and other current assets	(1,779)	(429)	284	(1,160)	(203)
Other assets	108	(149)	(113)	(3,389)	385
Accounts payable	(5,355)	(651)	(104)	10,742	(2,705)
Accrued compensation	(3,544)	3,687	(1,682)	8,596	(4,512)
Accrued expenses	(1,289)	604	1,712	1,640	549
Deferred revenue	34,332	(22,051)	14,941	3,144	6,559
Other liabilities	1,142	94	(1,702)	87	(40)
<b>Net cash provided by (used in) operating activities</b>	<b>24,454</b>	<b>(5,418)</b>	<b>(11,644)</b>	<b>6,097</b>	<b>6,439</b>
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	(2,313)	(2,519)	(1,934)	(862)	(1,589)
Purchases of marketable securities	(26,304)	(19,817)	(8,409)	—	(37,651)
Proceeds from maturities of marketable securities	9,000	40,400	47,650	33,583	29,123
Business acquisition, net of cash acquired	—	—	—	(105,425)	—
<b>Net cash (used in) provided by investing activities</b>	<b>(19,617)</b>	<b>18,064</b>	<b>37,307</b>	<b>(72,704)</b>	<b>(10,117)</b>
<b>Cash flows from financing activities</b>					
Repayments of notes payable	(1,875)	(1,875)	(1,875)	(1,875)	(1,875)
Proceeds from sales of shares through employee equity incentive plans	3,622	14,201	6,825	7,142	12,173
Payments related to shares withheld for taxes on vesting of restricted stock units	—	(9,592)	(1,135)	(716)	(2,764)
Proceeds from public offerings, net	13,818	—	—	—	—
Payments of deferred offering costs	(1,057)	(485)	—	—	—
<b>Net cash provided by financing activities</b>	<b>14,508</b>	<b>2,249</b>	<b>3,815</b>	<b>4,551</b>	<b>7,534</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(7)	(70)
<b>Net change in cash, cash equivalents, and restricted cash for period</b>	<b>19,345</b>	<b>14,895</b>	<b>29,478</b>	<b>(62,063)</b>	<b>3,786</b>
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>67,357</b>	<b>86,702</b>	<b>101,597</b>	<b>131,075</b>	<b>69,012</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 86,702</b>	<b>\$ 101,597</b>	<b>\$ 131,075</b>	<b>\$ 69,012</b>	<b>\$ 72,798</b>