

**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)

	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Revenue:								
License	\$ 43,204	\$ 34,994	\$ 29,780	\$ 34,323	\$ 51,082	\$ 47,482	\$ 37,680	\$ 38,831
Subscription	22,789	25,017	26,359	28,986	30,339	32,888	33,799	34,822
Professional services	3,347	2,896	3,558	4,285	4,207	4,362	4,089	4,627
Total revenue	69,340	62,907	59,697	67,594	85,628	84,732	75,568	78,280
Cost of revenue:								
License	7,240	6,964	7,136	4,919	8,947	6,852	7,607	5,622
Subscription	3,499	3,946	3,801	3,732	4,069	4,613	5,207	5,599
Professional services	5,189	5,163	5,549	6,062	6,181	6,021	6,186	6,235
Total cost of revenue	15,928	16,073	16,486	14,713	19,197	17,486	19,000	17,456
Total gross profit	53,412	46,834	43,211	52,881	66,431	67,246	56,568	60,824
Operating expenses:								
Research and development	10,985	14,801	14,687	14,803	15,062	17,161	18,497	19,440
Sales and marketing	34,028	41,769	42,279	45,039	46,098	50,464	55,923	56,173
General and administrative	9,148	23,941	13,732	13,260	13,880	16,849	16,213	15,838
Total operating expenses	54,161	80,511	70,698	73,102	75,040	84,474	90,633	91,451
Loss from operations	(749)	(33,677)	(27,487)	(20,221)	(8,609)	(17,228)	(34,065)	(30,627)
Interest expense	(290)	(270)	(243)	(225)	(208)	(237)	(93)	(142)
Other income, net	160	382	662	513	865	527	617	505
Revaluation of warrant liabilities	—	(385)	—	—	—	—	—	—
Loss before income taxes	(879)	(33,950)	(27,068)	(19,933)	(7,952)	(16,938)	(33,541)	(30,264)
Income tax provision	412	618	1,128	473	334	1,010	711	496
Net loss	\$ (1,291)	\$ (34,568)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)	\$ (30,760)
Deemed dividend on the conversion of Series G redeemable convertible preferred stock	—	12,810	—	—	—	—	—	—
Net loss attributable to common stockholders	\$ (1,291)	\$ (47,378)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)	\$ (30,760)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.21)	\$ (1.73)	\$ (0.74)	\$ (0.50)	\$ (0.20)	\$ (0.42)	\$ (0.78)	\$ (0.68)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	6,140	27,349	38,313	40,457	42,064	43,016	44,196	45,494

**Forescout Technologies, Inc.**

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

**(In thousands, except per share data)**

**(Unaudited)**

	<u>Q3FY17</u>	<u>Q4FY17</u>	<u>Q1FY18</u>	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>Q1FY19</u>	<u>Q2FY19</u>
Revenue:								
License	\$ 43,204	\$ 34,994	\$ 29,780	\$ 34,323	\$ 51,082	\$ 47,482	\$ 37,680	\$ 38,831
Subscription	22,789	25,017	26,359	28,986	30,339	32,888	33,799	34,822
Professional services	3,347	2,896	3,558	4,285	4,207	4,362	4,089	4,627
Total revenue	<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>	<u>78,280</u>
Cost of revenue:								
License	7,221	6,921	7,083	4,865	8,880	6,486	7,057	5,066
Subscription	3,362	3,270	3,422	3,361	3,720	4,186	4,750	5,114
Professional services	5,040	4,478	5,155	5,710	5,815	5,635	5,785	5,814
Total cost of revenue	<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>	<u>15,994</u>
Total gross profit	<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>	<u>62,286</u>
Operating expenses:								
Research and development	10,355	10,631	12,340	12,290	12,449	14,398	15,397	16,704
Sales and marketing	32,426	32,186	36,099	39,189	39,933	43,258	48,899	48,532
General and administrative	7,776	8,562	9,495	9,464	9,941	10,565	11,508	11,783
Total operating expenses	<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>	<u>77,019</u>
Income (loss) from operations	<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>	<u>(14,733)</u>
Interest expense	(290)	(270)	(243)	(225)	(208)	(237)	(93)	(142)
Other income, net	160	382	662	513	865	527	617	505
Income (loss) before income taxes	<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>	<u>(14,370)</u>
Income tax provision	412	618	1,128	473	465	906	856	707
Net income (loss)	<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>	<u>\$ (15,077)</u>
Net income (loss) per share attributable to common stockholders, diluted	<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>	<u>\$ (0.33)</u>
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders, diluted	<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>	<u>45,494</u>

**Forescout Technologies, Inc.**

**GAAP to Non-GAAP Reconciliations - Fiscal Quarters**

**(In thousands, except percentages and per share data)**

**(Unaudited)**

	<b>Q3FY17</b>	<b>Q4FY17</b>	<b>Q1FY18</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>
GAAP license gross profit	\$ 35,964	\$ 28,030	\$ 22,644	\$ 29,404	\$ 42,135	\$ 40,630	\$ 30,073	\$ 33,209
Stock-based compensation	19	43	53	54	67	79	83	89
Acquisition-related expenses	—	—	—	—	—	7	—	—
Amortization of acquired intangible assets	—	—	—	—	—	280	467	467
Non-GAAP license gross profit	<u>\$ 35,983</u>	<u>\$ 28,073</u>	<u>\$ 22,697</u>	<u>\$ 29,458</u>	<u>\$ 42,202</u>	<u>\$ 40,996</u>	<u>\$ 30,623</u>	<u>\$ 33,765</u>
<i>Non-GAAP margin on license revenue</i>	83 %	80 %	76 %	86 %	83 %	86 %	81 %	87 %
GAAP subscription gross profit	\$ 19,290	\$ 21,071	\$ 22,558	\$ 25,254	\$ 26,270	\$ 28,275	\$ 28,592	\$ 29,223
Stock-based compensation	137	676	379	371	349	418	443	470
Acquisition-related expenses	—	—	—	—	—	9	14	15
Non-GAAP subscription gross profit	<u>\$ 19,427</u>	<u>\$ 21,747</u>	<u>\$ 22,937</u>	<u>\$ 25,625</u>	<u>\$ 26,619</u>	<u>\$ 28,702</u>	<u>\$ 29,049</u>	<u>\$ 29,708</u>
<i>Non-GAAP margin on subscription revenue</i>	85 %	87 %	87 %	88 %	88 %	87 %	86 %	85 %
GAAP professional services gross profit	\$ (1,842)	\$ (2,267)	\$ (1,991)	\$ (1,777)	\$ (1,974)	\$ (1,659)	\$ (2,097)	\$ (1,608)
Stock-based compensation	149	685	394	352	366	386	401	421
Non-GAAP professional services gross profit	<u>\$ (1,693)</u>	<u>\$ (1,582)</u>	<u>\$ (1,597)</u>	<u>\$ (1,425)</u>	<u>\$ (1,608)</u>	<u>\$ (1,273)</u>	<u>\$ (1,696)</u>	<u>\$ (1,187)</u>
<i>Non-GAAP margin on professional services revenue</i>	(51)%	(55)%	(45)%	(33)%	(38)%	(29)%	(41)%	(26)%
GAAP total gross profit	\$ 53,412	\$ 46,834	\$ 43,211	\$ 52,881	\$ 66,431	\$ 67,246	\$ 56,568	\$ 60,824
Stock-based compensation	305	1,404	826	777	782	883	927	980
Acquisition-related expenses	—	—	—	—	—	16	14	15
Amortization of acquired intangible assets	—	—	—	—	—	280	467	467
Non-GAAP total gross profit	<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>	<u>\$ 62,286</u>
<i>Non-GAAP total gross margin</i>	77 %	77 %	74 %	79 %	78 %	81 %	77 %	80 %
GAAP research and development expense	\$ 10,985	\$ 14,801	\$ 14,687	\$ 14,803	\$ 15,062	\$ 17,161	\$ 18,497	\$ 19,440
Stock-based compensation	630	4,170	2,347	2,513	2,613	2,688	3,078	2,691
Acquisition-related expenses	—	—	—	—	—	75	22	45

Non-GAAP research and development expense	\$ 10,355	\$ 10,631	\$ 12,340	\$ 12,290	\$ 12,449	\$ 14,398	\$ 15,397	\$ 16,704
<i>Non-GAAP research and development expense as a percentage of total revenue</i>	15 %	17 %	21 %	18 %	15 %	17 %	20 %	21 %
GAAP sales and marketing expense	\$ 34,028	\$ 41,769	\$ 42,279	\$ 45,039	\$ 46,098	\$ 50,464	\$ 55,923	\$ 56,173
Stock-based compensation	1,602	9,583	6,180	5,850	6,165	6,804	6,486	7,198
Acquisition-related expenses	—	—	—	—	—	219	234	139
Amortization of acquired intangible assets	—	—	—	—	—	183	304	304
Non-GAAP sales and marketing expense	\$ 32,426	\$ 32,186	\$ 36,099	\$ 39,189	\$ 39,933	\$ 43,258	\$ 48,899	\$ 48,532
<i>Non-GAAP sales and marketing expense as a percentage of total revenue</i>	47 %	51 %	60 %	58 %	47 %	51 %	65 %	62 %
GAAP general and administrative expense	\$ 9,148	\$ 23,941	\$ 13,732	\$ 13,260	\$ 13,880	\$ 16,849	\$ 16,213	\$ 15,838
Stock-based compensation	1,372	15,379	4,237	3,796	3,458	3,578	3,337	3,196
Acquisition-related expenses	—	—	—	—	481	2,706	1,368	859
Non-GAAP general and administrative expense	\$ 7,776	\$ 8,562	\$ 9,495	\$ 9,464	\$ 9,941	\$ 10,565	\$ 11,508	\$ 11,783
<i>Non-GAAP general and administrative expense as a percentage of total revenue</i>	11 %	14 %	16 %	14 %	12 %	12 %	15 %	15 %
GAAP total operating expenses	\$ 54,161	\$ 80,511	\$ 70,698	\$ 73,102	\$ 75,040	\$ 84,474	\$ 90,633	\$ 91,451
Stock-based compensation	3,604	29,132	12,764	12,159	12,236	13,070	12,901	13,085
Acquisition-related expenses	—	—	—	—	481	3,000	1,624	1,043
Amortization of acquired intangible assets	—	—	—	—	—	183	304	304
Non-GAAP total operating expenses	\$ 50,557	\$ 51,379	\$ 57,934	\$ 60,943	\$ 62,323	\$ 68,221	\$ 75,804	\$ 77,019
<i>Non-GAAP total operating expenses as a percentage of total revenue</i>	73 %	82 %	97 %	90 %	73 %	81 %	100 %	98 %
GAAP operating loss	\$ (749)	\$ (33,677)	\$ (27,487)	\$ (20,221)	\$ (8,609)	\$ (17,228)	\$ (34,065)	\$ (30,627)
Stock-based compensation	3,909	30,536	13,590	12,936	13,018	13,953	13,828	14,065
Acquisition-related expenses	—	—	—	—	481	3,016	1,638	1,058
Amortization of acquired intangible assets	—	—	—	—	—	463	771	771
Non-GAAP operating income (loss)	\$ 3,160	\$ (3,141)	\$ (13,897)	\$ (7,285)	\$ 4,890	\$ 204	\$ (17,828)	\$ (14,733)
<i>Non-GAAP operating margin</i>	5 %	(5)%	(23)%	(11)%	6 %	— %	(24)%	(19)%

GAAP net loss	\$ (1,291)	\$ (34,568)	\$ (28,196)	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)	\$ (30,760)
Stock-based compensation	3,909	30,536	13,590	12,936	13,018	13,953	13,828	14,065
Acquisition-related expenses	—	—	—	—	481	3,016	1,638	1,058
Amortization of acquired intangible assets	—	—	—	—	—	463	771	771
Change in revaluation of warrant liabilities	—	385	—	—	—	—	—	—
Tax effect of non-GAAP adjustments	—	—	—	—	(131)	104	(145)	(211)
Non-GAAP net income (loss)	<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>	<u>\$ (15,077)</u>
Non-GAAP net income (loss) per share, diluted	<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>	<u>\$ (0.33)</u>
GAAP weighted-average shares used to compute net income (loss) per share, diluted	6,140	27,349	38,313	40,457	42,064	43,016	44,196	45,494
Weighted-average effect of potentially dilutive securities	28,595	—	—	—	6,442	—	—	—
Non-GAAP weighted-average shares used to compute net income (loss) per share, diluted	<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>	<u>45,494</u>

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

	<u>Q2FY18</u>	<u>Q3FY18</u>	<u>Q4FY18</u>	<u>Q1FY19</u>	<u>Q2FY19</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 99,560	\$ 129,035	\$ 66,895	\$ 70,663	\$ 46,872
Marketable securities	120,322	81,289	47,632	56,266	58,065
Accounts receivable	34,106	67,967	79,255	56,734	66,903
Inventory	1,783	322	1,501	1,248	2,093
Deferred commissions - current	11,072	10,667	12,543	11,707	11,716
Prepaid expenses and other current assets	11,570	11,786	13,353	13,477	13,180
Total current assets	<u>278,413</u>	<u>301,066</u>	<u>221,179</u>	<u>210,095</u>	<u>198,829</u>
Deferred commissions - non-current	21,174	20,942	22,831	22,143	21,848
Property and equipment, net	24,592	24,376	24,349	23,900	23,701
Operating lease right-of-use assets	—	—	—	20,704	22,271
Restricted cash - non-current	1,686	1,189	1,266	1,283	1,293
Intangible assets, net	—	—	19,002	17,873	17,369
Goodwill	—	—	92,482	90,641	92,045
Other assets	4,318	4,358	7,369	7,034	6,889
Total assets	<u>\$ 330,183</u>	<u>\$ 351,931</u>	<u>\$ 388,478</u>	<u>\$ 393,673</u>	<u>\$ 384,245</u>
<b>Liabilities and stockholders' equity</b>					
Current liabilities:					
Accounts payable	\$ 1,070	\$ 902	\$ 12,118	\$ 9,500	\$ 9,563
Accrued compensation	25,501	23,819	32,649	28,121	31,739
Accrued expenses	10,182	11,741	14,558	13,988	14,087
Deferred revenue - current	83,986	95,448	101,900	106,087	103,365
Notes payable - current	7,287	7,309	7,331	7,352	7,375
Operating lease liabilities - current	—	—	—	4,718	5,240
Total current liabilities	<u>128,026</u>	<u>139,219</u>	<u>168,556</u>	<u>169,766</u>	<u>171,369</u>
Deferred revenue - non-current	63,154	66,633	69,618	72,023	69,779
Notes payable - non-current	11,924	10,089	8,248	6,402	4,550
Operating lease liabilities - non-current	—	—	—	23,535	24,376
Other liabilities	12,603	10,747	14,335	7,018	7,056
Total liabilities	<u>215,707</u>	<u>226,688</u>	<u>260,757</u>	<u>278,744</u>	<u>277,130</u>
Stockholders' equity:					
Common stock	42	43	43	45	46
Additional paid-in capital	599,740	618,656	639,237	662,674	683,957
Accumulated other comprehensive loss	(282)	(147)	(302)	(2,281)	(619)
Accumulated deficit	(485,024)	(493,309)	(511,257)	(545,509)	(576,269)
Total stockholders' equity	<u>114,476</u>	<u>125,243</u>	<u>127,721</u>	<u>114,929</u>	<u>107,115</u>
Total liabilities and stockholders' equity	<u>\$ 330,183</u>	<u>\$ 351,931</u>	<u>\$ 388,478</u>	<u>\$ 393,673</u>	<u>\$ 384,245</u>

Forescout Technologies, Inc.

Condensed Consolidated Statements of Cash Flows - Fiscal Quarters

(In thousands)

(Unaudited)

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<b>Cash flows from operating activities</b>					
Net loss	\$ (20,406)	\$ (8,286)	\$ (17,948)	\$ (34,252)	\$ (30,760)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities</b>					
Stock-based compensation	12,936	13,018	13,953	13,828	14,065
Depreciation and amortization	1,922	1,961	2,513	2,845	2,945
Other	(97)	85	348	(15)	7
<b>Changes in operating assets and liabilities, net of business acquisition</b>					
Accounts receivable	20,674	(33,856)	(7,485)	22,227	(10,050)
Inventory	(1,647)	1,461	(1,180)	253	(846)
Deferred commissions	95	637	(3,764)	1,520	289
Prepaid expenses and other current assets	(429)	284	(1,160)	(203)	521
Other assets	(149)	(113)	(3,389)	385	166
Accounts payable	(651)	(104)	10,742	(2,705)	196
Accrued compensation	3,687	(1,682)	8,596	(4,512)	3,607
Accrued expenses	604	1,712	1,640	549	(142)
Deferred revenue	(22,051)	14,941	3,144	6,559	(5,064)
Other liabilities	94	(1,702)	87	(40)	(120)
<b>Net cash (used in) provided by operating activities</b>	<b>(5,418)</b>	<b>(11,644)</b>	<b>6,097</b>	<b>6,439</b>	<b>(25,186)</b>
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	(2,519)	(1,934)	(862)	(1,589)	(1,813)
Purchases of marketable securities	(19,817)	(8,409)	—	(37,651)	(25,918)
Proceeds from maturities of marketable securities	40,400	47,650	33,583	29,123	24,231
Business acquisition, net of cash acquired	—	—	(105,425)	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>18,064</b>	<b>37,307</b>	<b>(72,704)</b>	<b>(10,117)</b>	<b>(3,500)</b>
<b>Cash flows from financing activities</b>					
Repayments of notes payable	(1,875)	(1,875)	(1,875)	(1,875)	(1,874)
Proceeds from sales of shares through employee equity incentive plans	14,201	6,825	7,142	12,173	8,553
Payments related to shares withheld for taxes on vesting of restricted stock units	(9,592)	(1,135)	(716)	(2,764)	(1,538)
Payments of deferred offering costs	(485)	—	—	—	—
<b>Net cash provided by financing activities</b>	<b>2,249</b>	<b>3,815</b>	<b>4,551</b>	<b>7,534</b>	<b>5,141</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	(7)	(70)	66
<b>Net change in cash, cash equivalents, and restricted cash for period</b>	<b>14,895</b>	<b>29,478</b>	<b>(62,063)</b>	<b>3,786</b>	<b>(23,479)</b>
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>86,702</b>	<b>101,597</b>	<b>131,075</b>	<b>69,012</b>	<b>72,798</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 101,597</b>	<b>\$ 131,075</b>	<b>\$ 69,012</b>	<b>\$ 72,798</b>	<b>\$ 49,319</b>