
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 30, 2018

FireEye, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36067
(Commission
File Number)

20-1548921
(IRS Employer
Identification No.)

601 McCarthy Blvd.
Milpitas, CA 95035
(Address of principal executive offices, including zip code)

(408) 321-6300
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On October 30, 2018, FireEye, Inc. (“FireEye”) issued a press release and will hold a conference call regarding its financial results for the third quarter ended September 30, 2018. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information set forth under this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

FireEye is making reference to non-GAAP financial measures in both the press release and the conference call. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is contained in the press release.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated October 30, 2018

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated October 30, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIREEYE, INC.

Date: October 30, 2018

By: /s/ Alexa King

Alexa King

Executive Vice President, General Counsel and Secretary

FireEye Reports Financial Results for Third Quarter 2018

- *Accelerating innovation across products and services resulted in strong performance on key financial metrics*
- *Q3 revenue of \$212 million increased 7 percent from the third quarter of 2017*
- *Q3 billings of \$219 million increased 8 percent from the third quarter of 2017¹*
- *Q3 ending annual recurring revenue of \$538 million increased 10 percent compared to the end of the third quarter of 2017*
- *Q3 cash flow generated by operations of \$22 million increased 75 percent from the third quarter of 2017*

MILPITAS, Calif. – October 30, 2018 – FireEye, Inc. (NASDAQ: FEYE), the intelligence-led security company, today announced financial results for the third quarter ended September 30, 2018.

“We have made tremendous strides in improving productivity and efficiency,” said Kevin Mandia, FireEye chief executive officer. “We have returned FireEye to sustainable growth while increasing profitability and cash flow. At the same time, we have accelerated innovation across our portfolio of product and services. With our expertise and intelligence driving a continuous innovation cycle, this is an exciting time to be at FireEye.”

Third Quarter 2018 Financial Results

- Revenue of \$212 million increased 7 percent from the third quarter of 2017 and was above the guidance range of \$206 million to \$210 million.
- Billings of \$219 million increased 8 percent from the third quarter of 2017 and were at the high end of the guidance range of \$210 million to \$220 million.¹
- GAAP gross margin was 68 percent of revenue, compared to 65 percent of revenue in the third quarter of 2017.
- Non-GAAP gross margin was 76 percent of revenue, compared to 74 percent of revenue in the third quarter of 2017, and was above the guidance of approximately 75 percent of revenue.¹
- GAAP operating margin was negative 17 percent of revenue, compared to negative 29 percent of revenue in the third quarter of 2017.
- Non-GAAP operating margin was 6.7 percent of revenue, compared to negative 0.5 percent of revenue in the third quarter of 2017, and was above the guidance range of 2.5 percent to 3.5 percent of revenue.¹
- GAAP net loss per share was \$0.26, compared to a GAAP net loss per share of \$0.39 in the third quarter of 2017.
- Non-GAAP net income per share was \$0.06, compared to a non-GAAP net loss per share of \$0.02 in the third quarter of 2017, and was above the guidance range for non-GAAP net income per share of \$0.01 to \$0.03.¹
- Cash flow generated by operations was \$21.9 million, compared to cash flow generated by operations of \$12.5 million in the third quarter of 2017.

"Continued strong billings performance translated to an acceleration in revenue growth in the quarter," said Frank Verdecanna, FireEye chief financial officer and chief accounting officer. "As a result, we exceeded the high end of our operating margin guidance range and delivered non-GAAP operating profit on a year-to-date basis. Operating cash flow increased 75 percent and free cash flow increased 197 percent from the third quarter of 2017, and we are on track to meet our objective of positive free cash flow in 2018. Our confidence in our ability to exceed our original 2018 financial objectives is reflected in our updated guidance for billings, revenue, operating margin, and operating cash flow."

FireEye adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), effective January 1, 2018, using the full retrospective method. Certain prior period information has been adjusted to reflect the adoption of the new standard.

¹ A reconciliation of GAAP to non-GAAP financial measures is provided in the financial statement tables included in this press release. An explanation of these measures is also included under the heading “Non-GAAP Financial Measures.”

Fourth Quarter and Updated 2018 Outlook

FireEye provides guidance based on current market conditions and expectations.

For the fourth quarter of 2018, FireEye currently expects:

- Total revenue in the range of \$214 million to \$218 million.
- Billings in the range of \$245 million to \$255 million.
- Non-GAAP gross margin as a percent of revenue between 75 percent and 76 percent.
- Non-GAAP operating margin as a percent of revenue in the range of 5 percent to 7 percent.
- Non-GAAP net income per share between \$0.04 and \$0.06.
- Cash flow generated by operations between \$30 million and \$35 million.

Non-GAAP net income per share for the fourth quarter assumes cash interest expense of approximately \$3.5 million associated with the company’s convertible senior notes, provision for income taxes of between \$1.0 million and \$2.0 million, and diluted weighted average shares outstanding of approximately 201 million.

For 2018, FireEye currently expects:

- Revenue in the range of \$827 million to \$831 million.
- Billings in the range of \$835 million to \$845 million.
- Non-GAAP operating margin as a percent of revenue between 2 percent and 4 percent.
- Non-GAAP net income per share between \$0.06 and \$0.08.
- Non-GAAP cash flow generated by operations between \$60 million and \$65 million. Guidance for non-GAAP cash flow generated by operations excludes \$43.6 million that was deemed to be a repayment of accreted debt discount on \$340 million principal amount of the 1.000% Convertible Senior Notes due 2035 ("Series A Notes"), which were repurchased and retired on May 24, 2018.
- Capital expenditures between \$45 million and \$50 million.

Non-GAAP net income per share for 2018 assumes cash interest expense of approximately \$14 million, paid semi-annually in June and December, associated with the company's convertible senior notes, provision for income taxes of between \$5 million and \$6 million, and diluted weighted average shares outstanding of approximately 199 million.

Guidance for non-GAAP financial measures excludes stock-based compensation, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, recognition of non-cash interest expense related to the company’s convertible senior notes, and amounts deemed repayment of accreted debt discounts on repurchased Series A Notes. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis due to the uncertainty regarding, and the

potential variability of, the amounts of stock-based compensation expense, amortization of intangible assets, and non-recurring expenses that may be incurred in the future. Stock-based compensation expense is impacted by the company's future hiring and retention needs, as well as the future fair market value of the company's common stock, all of which are difficult to predict and subject to constant change. The actual amount of stock-based compensation in the fourth quarter of 2018 and full year 2018 will have a significant impact on the company's GAAP operating margin and net loss per share. Further, amortization of intangible assets, as well as other non-recurring expenses, if any, will also impact results. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures for future periods is not available without unreasonable effort.

Conference Call Information

FireEye will host a conference call today, October 30, 2018, at 5 p.m. Eastern time (2 p.m. Pacific time) to discuss its third quarter results and the company's outlook for the fourth quarter and updated outlook for 2018. Interested parties may access the conference call by dialing 877-312-5521 (domestic) or 678-894-3048 (international). A live audio webcast of the call, as well as related multi-media content, can be accessed from the Investor Relations section of the company's website at <http://investors.fireeye.com>. An archived version of the webcast will be available at the same website shortly after the conclusion of the live event.

Forward-Looking Statements

This press release contains forward-looking statements, including statements related to future financial results for the fourth quarter and full year 2018, including revenue, billings, non-GAAP gross margin, non-GAAP operating margin, GAAP and non-GAAP cash flows generated by operations, cash interest expense, provision for income taxes, non-GAAP net income per share, diluted weighted average shares outstanding, and capital expenditures in the section entitled "Fourth Quarter and Updated 2018 Outlook" above, as well as statements related to future growth, profitability, innovation, competitive advantages, and adapting as the threat landscape evolves.

These forward-looking statements involve risks and uncertainties, as well as assumptions which, if they do not fully materialize or prove incorrect, could cause FireEye's results to differ materially from those expressed or implied by such forward-looking statements. The risks and uncertainties that could cause FireEye's results to differ materially from those expressed or implied by such forward-looking statements include customer demand and adoption of FireEye's products and services; real or perceived defects, errors or vulnerabilities in FireEye's products or services; any delay in the release of FireEye's new products or services; FireEye's ability to react to trends and challenges in its business and the markets in which it operates; FireEye's ability to anticipate market needs or develop new or enhanced products and services to meet those needs; FireEye's ability to hire and retain key executives and employees; FireEye's ability to attract new and retain existing customers and train its sales force; the budgeting cycles, seasonal buying patterns and length of FireEye's sales cycle; risks associated with new offerings; sales and marketing execution risks; the failure to achieve expected synergies and efficiencies of operations between FireEye and its acquired companies; the ability of FireEye and its acquired companies to successfully integrate their respective market opportunities, technologies, products, personnel and operations; the ability of FireEye and its partners to execute their strategies, plans, objectives and expected investments with respect to FireEye's partnerships; and general market, political, economic, and business conditions, as well as those risks and uncertainties included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in FireEye's Form 10-Q filed with the Securities and Exchange Commission on August 3, 2018, which should be read in conjunction with these financial results and is available on the Investor Relations section of FireEye's website at investors.fireeye.com and on the SEC website at www.sec.gov.

All forward-looking statements in this press release are based on information available to the company as of the date hereof, and FireEye does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law. Any future product, service, feature, or related specification that may be referenced in this release is for informational purposes only and is not a commitment to deliver any offering, technology or enhancement. FireEye reserves the right to modify future product or service plans at any time.

Non-GAAP Financial Measures

In this release FireEye has provided financial information that has not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). These non-GAAP financial measures are not based on any standardized methodology and are not necessarily comparable to similar measures used by other companies. The company uses these non-GAAP financial measures internally in analyzing its financial results and believes 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 the company's financial results with other companies in its 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 financial information prepared in accordance with GAAP, and should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP. A reconciliation of the company's non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation.

Billings. FireEye defines billings as revenue recognized plus the change in deferred revenue from the beginning to the end of the period. FireEye excludes deferred revenue assumed in connection with acquisitions from the billings calculation. The company considers billings to be a useful metric for management and investors because billings drive deferred revenue balances, which are an important indicator of the company's future revenues. Revenue recognized from deferred revenue represents a significant percentage of quarterly revenue. There are a number of limitations related to the use of billings versus revenue calculated in accordance with GAAP. First, billings include amounts that have not yet been recognized as revenue. Second, FireEye's calculation of billings may be different from other companies in its industry, some of which may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure. FireEye compensates for these limitations by providing specific information regarding GAAP revenue and evaluating billings together with revenue calculated in accordance with GAAP.

Non-GAAP gross margin, operating income, operating margin, net income (loss), net income (loss) per share, non-GAAP cash flow generated by (used in) operations, and free cash flow. FireEye defines non-GAAP gross margin as total gross profit excluding stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, and, as applicable, other special or non-recurring items, divided by total revenue.

FireEye defines non-GAAP operating income (loss) as operating income (loss) excluding stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, legal settlement costs, acquisition-related expenses, change in fair value of contingent earn-out liability, restructuring charges, and other special or non-recurring items. FireEye defines non-GAAP operating margin as non-GAAP operating income divided by total revenue.

FireEye defines non-GAAP net income (loss) as net income (loss) excluding stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, legal settlement costs, acquisition-related expenses, change in fair value of contingent earn-out liability, restructuring charges, other special or non-recurring items, non-cash interest expense related to the company's convertible senior notes, non-cash losses on Series A Notes retired prior to maturity, and discrete tax provision (benefits). FireEye defines non-GAAP net income per share as non-GAAP net income divided by diluted weighted average shares outstanding. Diluted weighted average shares used to calculate non-GAAP net income per share excludes shares issuable upon conversion of the company's convertible senior notes that are anti-dilutive. FireEye defines non-GAAP net loss per share as non-GAAP net loss divided by basic weighted average shares outstanding, which excludes stock options, restricted stock units, performance stock units, and shares issuable upon conversion of the company's convertible senior notes that are anti-dilutive.

FireEye defines non-GAAP cash flow generated by (used in) operations as cash flow generated by (used in) operations excluding amounts deemed to be repayment of accreted debt discount on repurchased convertible senior notes. FireEye defines free cash flow as cash flow generated by (used in) operations plus amounts deemed to be repayment of accreted debt discount on repurchased convertible senior notes, less purchases of property and equipment and demonstration units.

Non-GAAP net income and net income per share in the third quarter of 2018 excluded stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, acquisition-related expenses, non-cash interest expense related to convertible senior notes issued in June 2015 and the second quarter of 2018, non-cash losses on the repurchase and retirement of \$340 million principal amount of Series A Notes, and discrete benefit from income taxes. Diluted weighted average shares outstanding used to calculate non-GAAP net income per share excluded shares issuable upon conversion of convertible senior notes that are anti-dilutive.

Non-GAAP net loss and net loss per share for the third quarter of 2017 excluded stock-based compensation expense, amortization of intangible assets, and non-cash interest expense related to convertible senior notes issued in June 2015. Weighted average shares outstanding used to calculate non-GAAP loss per share excluded stock options, restricted stock units, performance stock units, and shares issuable upon conversion of convertible senior notes that are anti-dilutive.

FireEye considers these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of stock-based compensation expense, amortization of stock-based compensation expense capitalized in software development costs, amortization of intangible assets, acquisition related expenses, non-cash interest expense related to the company's convertible senior notes, amounts deemed repayment of accreted debt discount on repurchased convertible senior notes, change in fair value of contingent earn-out liability, restructuring charges, and other non-recurring and discrete items so that management and investors can compare the company's core business operating results over multiple periods.

There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. First, these non-GAAP financial measures exclude stock-based compensation expense. Stock-based compensation is an important part of FireEye employees' overall compensation and has been, and will continue to be for the foreseeable future, a significant recurring expense in the company's business. Second, the components of the costs that FireEye excludes in its calculation of these non-GAAP financial measures, including not only stock-based compensation, but also amortization of stock-based compensation expense capitalized in software development costs, non-recurring or non-operating items such as acquisition related expenses, legal

settlement costs, amortization of intangible assets, non-cash interest expense related to the company's convertible senior notes, amounts deemed repayment of accreted debt discount on convertible senior notes, non-cash losses related to the retirement of convertible senior notes prior to maturity, change in fair value of contingent earn-out liability, restructuring charges, and discrete tax benefits, may differ from the components excluded by peer companies when they report their non-GAAP results of operations. FireEye compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP financial measures and evaluating non-GAAP financial measures together with their nearest GAAP equivalents.

About FireEye, Inc.

FireEye is the intelligence-led security company. Working as a seamless, scalable extension of customer security operations, FireEye offers a single platform that blends innovative security technologies, nation-state grade threat intelligence, and world-renowned Mandiant® consulting. With this approach, FireEye eliminates the complexity and burden of cyber security for organizations struggling to prepare for, prevent, and respond to cyber attacks. FireEye has over 7,300 customers across 67 countries, including more than 50 percent of the Forbes Global 2000.

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FireEye, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	September 30, 2018	December 31, 2017*
Assets		
Current assets:		
Cash and cash equivalents	\$ 397,297	\$ 180,891
Short-term investments	691,004	715,911
Accounts receivable, net	129,163	146,317
Inventories	6,067	5,746
Prepaid expenses and other current assets	97,546	93,799
Total current assets	1,321,077	1,142,664
Property and equipment, net	86,251	71,357
Goodwill	999,888	984,661
Intangible assets, net	155,583	187,388
Deposits and other long-term assets	74,116	72,767
Total assets	<u>\$ 2,636,915</u>	<u>\$ 2,458,837</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 31,938	\$ 35,684
Accrued and other current liabilities	27,982	19,569
Accrued compensation	63,951	59,588
Deferred revenue, current portion	528,752	546,615
Total current liabilities	652,623	661,456
Convertible senior notes, net	950,942	779,578
Deferred revenue, non-current portion	358,403	363,485
Other long-term liabilities	24,085	22,102
Total liabilities	1,986,053	1,826,621
Stockholders' equity:		
Common stock	20	19
Additional paid-in capital	3,104,476	2,891,441
Treasury stock	(150,000)	(150,000)
Accumulated other comprehensive loss	(2,545)	(2,881)
Accumulated deficit	(2,301,089)	(2,106,363)
Total stockholders' equity	650,862	632,216
Total liabilities and stockholders' equity	<u>\$ 2,636,915</u>	<u>\$ 2,458,837</u>

* Certain prior period amounts have been adjusted as a result of adoption of the ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on a full retrospective basis, effective January 1, 2018.

FireEye, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
Revenue:				
Product, subscription and support	\$ 175,653	\$ 163,174	\$ 508,555	\$ 475,000
Professional services	35,998	34,192	104,862	98,847
Total revenue	211,651	197,366	613,417	573,847
Cost of revenue: (1)(2)(8)				
Product, subscription and support	46,752	48,438	140,317	142,497
Professional services	20,682	20,628	62,328	60,110
Total cost of revenue	67,434	69,066	202,645	202,607
Total gross profit	144,217	128,300	410,772	371,240
Operating expenses: (1)(2)				
Research and development (8)	62,120	64,316	191,891	183,415
Sales and marketing	92,297	92,105	283,744	283,506
General and administrative (3)(4)	26,241	29,823	80,838	85,243
Total operating expenses	180,658	186,244	556,473	552,164
Operating loss	(36,441)	(57,944)	(145,701)	(180,924)
Other expense, net (5)(6)	(11,916)	(10,143)	(44,881)	(30,461)
Loss before income taxes	(48,357)	(68,087)	(190,582)	(211,385)
Provision for income taxes (7)	1,680	1,127	4,144	3,385
Net loss attributable to common stockholders	\$ (50,037)	\$ (69,214)	\$ (194,726)	\$ (214,770)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.26)	\$ (0.39)	\$ (1.03)	\$ (1.22)
Weighted average shares used in per share calculations, basic and diluted	192,359	179,732	189,526	176,232

* Certain prior period amounts have been adjusted as a result of adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on a full retrospective basis, effective January 1, 2018.

FireEye, Inc.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2018	2017*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (194,726)	\$ (214,770)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	66,688	78,612
Stock-based compensation	118,366	125,492
Non-cash interest expense related to convertible senior notes	31,638	28,023
Loss on repurchase of convertible senior notes	10,764	—
Deemed repayment of convertible senior notes attributable to accreted debt discount (9)	(43,575)	—
Change in fair value of contingent earn-out liability	—	(54)
Deferred income taxes	(131)	(53)
Other	3,762	5,095
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed in business acquisitions:		
Accounts receivable	15,969	4,157
Inventories	(4,146)	(1,890)
Prepaid expenses and other assets	(3,014)	3,529
Accounts payable	(6,615)	(960)
Accrued liabilities	8,419	(915)
Accrued compensation	4,364	2,095
Deferred revenue	(22,946)	(52,412)
Other long-term liabilities	1,982	8,116
Net cash used in operating activities	(13,201)	(15,935)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and demonstration units	(37,020)	(25,924)
Purchases of short-term investments	(346,588)	(315,626)
Proceeds from maturities of short-term investments	370,128	304,042
Proceeds from sales of short-term investments	—	3,620
Business acquisitions, net of cash acquired	(5,945)	—
Lease deposits	239	(451)
Net cash used in investing activities	(19,186)	(34,339)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of convertible senior notes	584,405	—
Purchase of capped calls	(65,220)	—
Repurchase of convertible senior notes	(286,817)	—
Payments for contingent earn-outs	—	(38,928)
Payment related to shares withheld for taxes	—	(1,004)
Proceeds from employee stock purchase plan	10,993	10,764
Proceeds from exercise of equity awards	5,432	16,582
Net cash provided by (used in) financing activities	248,793	(12,586)
Net change in cash and cash equivalents	216,406	(62,860)
Cash and cash equivalents, beginning of period	180,891	223,667
Cash and cash equivalents, end of period	\$ 397,297	\$ 160,807

* Certain prior period amounts have been adjusted as a result of adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on a full retrospective basis, effective January 1, 2018.

FireEye, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
GAAP operating loss	\$ (36,441)	\$ (57,944)	\$ (145,701)	\$ (180,924)
Stock-based compensation expense (1)	37,326	42,208	118,366	125,494
Amortization of stock-based compensation capitalized in software development costs (8)	624	—	1,121	—
Amortization of intangible assets (2)	12,644	14,786	37,904	44,361
Acquisition related expenses (3)	—	—	264	—
Change in fair value of contingent earn-out liability (4)	—	—	—	(54)
Non-GAAP operating loss	\$ 14,153	\$ (950)	\$ 11,954	\$ (11,123)
GAAP gross margin	68 %	65 %	67 %	65 %
Stock-based compensation expense (1)	4 %	4 %	4 %	4 %
Amortization of stock-based compensation capitalized in software development costs (8)	— %	— %	— %	— %
Amortization of intangible assets (2)	4 %	5 %	4 %	5 %
Non-GAAP gross margin	76 %	74 %	75 %	74 %
GAAP operating margin	(17)%	(29)%	(24)%	(32)%
Stock-based compensation expense (1)	18 %	21 %	20 %	22 %
Amortization of stock-based compensation capitalized in software development costs (8)	— %	— %	— %	— %
Amortization of intangible assets (2)	6 %	8 %	6 %	8 %
Non-GAAP operating margin	7 %	(—)%	2 %	(2)%
GAAP net loss	\$ (50,037)	\$ (69,214)	\$ (194,726)	\$ (214,770)
Stock-based compensation expense (1)	37,326	42,208	118,366	125,494
Amortization of stock-based compensation capitalized in software development costs (8)	624	—	1,121	—
Amortization of intangible assets (2)	12,644	14,786	37,904	44,361
Acquisition related expenses (3)	—	—	264	—
Change in fair value of contingent earn-out liability (4)	—	—	—	(54)
Loss on repurchase of convertible senior notes (6)	—	—	10,764	—
Non-cash interest expense related to convertible senior notes (5)	11,494	9,457	31,638	28,023
Adjustment to provision (benefit) from income taxes (7)	(196)	—	(480)	—
Non-GAAP net income (loss)	\$ 11,855	\$ (2,763)	\$ 4,851	\$ (16,946)
GAAP net loss per common share, basic and diluted	\$ (0.26)	\$ (0.39)	\$ (1.03)	\$ (1.22)
Stock-based compensation expense (1)	0.19	0.23	0.62	0.71
Amortization of stock-based compensation capitalized in software development costs (8)	—	—	0.01	—
Amortization of intangible assets (2)	0.07	0.09	0.20	0.25
Loss on repurchase of convertible senior notes (6)	—	—	0.06	—
Non-cash interest expense related to convertible senior notes (5)	0.06	0.05	0.17	0.16
Non-GAAP net income (loss) per common share, basic	\$ 0.06	\$ (0.02)	\$ 0.03	\$ (0.10)
Non-GAAP net income (loss) per common share, diluted	\$ 0.06	\$ (0.02)	\$ 0.02	\$ (0.10)
Weighted average shares used in per share calculation for GAAP, basic and diluted	192,359	179,732	189,526	176,232

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
Weighted average shares used in per share calculation for Non-GAAP, basic	192,359	179,732	189,526	176,232
Weighted average shares used in per share calculation for Non-GAAP, diluted	199,598	179,732	197,307	176,232
GAAP net cash provided by (used in) operating activities	\$ 21,899	\$ 12,487	\$ (13,201)	\$ (15,935)
Deemed repayment of convertible senior notes attributable to accreted debt discount (9)	—	—	43,575	—
Purchase of property and equipment and demonstration units	(10,375)	(8,612)	(37,020)	(25,924)
Free cash flow	<u>\$ 11,524</u>	<u>\$ 3,875</u>	<u>\$ (6,646)</u>	<u>\$ (41,859)</u>

(1) Includes stock-based compensation expense as follows:

Cost of product, subscription and support revenue	\$ 3,552	\$ 4,768	\$ 10,732	\$ 13,145
Cost of professional services revenue	3,491	3,545	10,841	10,592
Research and development expense	11,480	14,400	38,251	42,982
Sales and marketing expense	11,678	11,674	36,878	35,908
General and administrative expense	7,125	7,821	21,664	22,867
Total stock-based compensation expense	<u>\$ 37,326</u>	<u>\$ 42,208</u>	<u>\$ 118,366</u>	<u>\$ 125,494</u>

(2) Includes amortization of intangible assets as follows:

Cost of product, subscription and support revenue	\$ 8,716	\$ 10,177	\$ 26,095	\$ 30,532
Research and development expense	134	162	425	487
Sales and marketing expense	3,794	4,447	11,384	13,342
Total amortization of intangible assets	<u>\$ 12,644</u>	<u>\$ 14,786</u>	<u>\$ 37,904</u>	<u>\$ 44,361</u>

(3) Includes acquisition related expenses as follows:

General and administrative expense	\$ —	\$ —	\$ 264	\$ —
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(4) Includes change in fair value of contingent earn-out liability as follows:

General and administrative expense	\$ —	\$ —	\$ —	\$ (54)
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(5) Includes non-cash interest expense related to convertible senior notes as follows:

Other expense, net	\$ 11,494	\$ 9,457	\$ 31,638	\$ 28,023
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(6) Includes non-cash loss on repurchase of convertible senior notes as follows:

Other expense, net	—	—	10,764	—
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(7) Includes income tax effect of non-GAAP adjustments as follows:

Benefit from income taxes	\$ (196)	\$ —	\$ (480)	\$ —
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(8) Includes amortization of stock-based compensation capitalized in software development costs as follows:

Cost of product, subscription and support revenue	196	—	384	—
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
Cost of professional services revenue	98	—	192	—
Research and development expense	330	—	545	—
Total amortization of stock-based compensation capitalized in software development costs	\$ 624	\$ —	\$ 1,121	\$ —
(9) Includes deemed repayment of convertible senior notes attributable to accreted debt discount as follows:				
Net cash provided by (used in) operating activities	\$ —	\$ —	\$ (43,575)	\$ —

* Certain prior period amounts have been adjusted as a result of adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on a full retrospective basis, effective January 1, 2018.

FireEye, Inc.
RECONCILIATION OF NON-GAAP BILLINGS TO REVENUE
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
GAAP revenue	\$ 211,651	\$ 197,366	\$ 613,417	\$ 573,847
Add change in deferred revenue	7,599	5,517	(22,945)	(52,412)
Non-GAAP billings	\$ 219,250	\$ 202,883	\$ 590,472	\$ 521,435

FireEye, Inc.
BILLINGS BREAKOUT
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
Product and related subscription and support billings	\$ 120,502	\$ 112,723	\$ 317,892	\$ 285,261
Cloud subscription and managed services	59,360	50,971	166,087	125,590
Professional services billings	39,388	39,189	106,493	110,584
Non-GAAP billings	\$ 219,250	\$ 202,883	\$ 590,472	\$ 521,435

FireEye, Inc.
REVENUE BREAKOUT
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017*	2018	2017*
Product and related subscription and support revenue	\$ 127,011	\$ 121,922	\$ 370,495	\$ 353,213
Cloud subscription and managed services revenue	48,642	41,252	138,060	121,787
Professional services revenue	35,998	34,192	104,862	98,847
Total revenue	\$ 211,651	\$ 197,366	\$ 613,417	\$ 573,847

* Certain prior period amounts have been adjusted as a result of adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606) on a full retrospective basis, effective January 1, 2018.