



## Carbonite Announces Second Quarter 2019 Financial Results

July 25, 2019

BOSTON--(BUSINESS WIRE)--Jul. 25, 2019-- Carbonite, Inc. (NASDAQ: CARB), a global leader in data protection, today announced financial results for the second quarter ended June 30, 2019.

### Second Quarter 2019 Highlights:

- Revenue of \$121.5 million increased 56% year-over-year.
- Non-GAAP revenue of \$135.0 million increased 69% year-over-year.<sup>1</sup>
- Net loss was (\$11.3) million, compared to net loss of (\$5.7) million in 2018.
- Net loss per share was (\$0.33) (basic and diluted), as compared to (\$0.20) (basic and diluted) in 2018.
- Non-GAAP net income per share was \$0.58 (basic) and \$0.56 (diluted), as compared to \$0.50 (basic) and \$0.45 (diluted) in 2018.<sup>2</sup>
- Adjusted EBITDA of \$39.1 million, or 29% of non-GAAP revenue, compared to \$20.9 million, or 26% of non-GAAP revenue in 2018.<sup>3</sup>

"Carbonite delivered second quarter non-GAAP revenue of \$135 million, up 69% year-over-year, while delivering an adjusted EBITDA margin of 29%," said Steve Munford, chairman of the board and interim CEO of Carbonite. "Our security software business performed well during the quarter, however, we continued to experience challenges in parts of our data protection business. We remain committed to capitalizing on the opportunity of combining data protection and security, while we improve the effectiveness of our go-to-market efforts and deliver on our profitability targets."

Munford added, "During the quarter we executed on our previously stated plans and made approximately \$55 million in accelerated principal payments on our outstanding term loan; we remain committed to leveraging our strong and growing free cash flow to aggressively pay down outstanding debt."

The Company uses a variety of operational and financial metrics, including non-GAAP financial measures, to evaluate its performance and financial condition. The accompanying financial data includes additional information regarding these metrics and a reconciliation of non-GAAP financial information to GAAP. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

### Second Quarter 2019 Results:

- Revenue for the second quarter was \$121.5 million, an increase of 56% from \$77.7 million in the second quarter of 2018. Non-GAAP revenue for the second quarter was \$135.0 million, an increase of 69% from \$79.9 million in the second quarter of 2018.<sup>1</sup>
- Net loss for the second quarter was (\$11.3) million, compared to net loss of (\$5.7) million in the second quarter of 2018. Non-GAAP net income for the second quarter was \$19.8 million, compared to non-GAAP net income of \$14.2 million in the second quarter of 2018.
- Net loss per share for the second quarter was (\$0.33) (basic and diluted), compared to net loss per share of (\$0.20) (basic and diluted) in the second quarter of 2018. Non-GAAP net income per share was \$0.58 (basic) and \$0.56 (diluted) for the second quarter, compared to non-GAAP net income per share of \$0.50 (basic) and \$0.45 (diluted) in the second quarter of 2018.<sup>2</sup>
- Adjusted EBITDA for the second quarter was \$39.1 million, compared to \$20.9 million in the second quarter of 2018.<sup>3</sup>
- Gross margin for the second quarter was 72.4%, compared to 70.3% in the second quarter of 2018. Non-GAAP gross margin was 82.3% in the second quarter, compared to 77.1% in the second quarter of 2018.<sup>4</sup>
- Cash flow from operations for the second quarter was \$20.3 million, compared to \$13.6 million in the second quarter of 2018. Adjusted free cash flow for the second quarter was \$24.3 million, compared to \$13.3 million in the second quarter of 2018.<sup>5</sup>

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1. Non-GAAP revenue excludes the impact of purchase accounting adjustments for acquisitions.
  2. Non-GAAP net income and non-GAAP net income per share excludes the impact of purchase accounting adjustments on acquired deferred revenue, amortization expense on intangible assets, stock-based compensation expense, litigation-related expense, restructuring-related expense, acquisition-related expense, non-cash convertible debt interest expense and the income tax effect of non-GAAP adjustments.
  3. Adjusted EBITDA is calculated by excluding the impact of interest expense, net, income taxes, depreciation, amortization, purchase accounting adjustments on acquired deferred revenue, stock-based compensation expense, litigation-related expense, restructuring-related expense, and acquisition-related expense from net (loss) income.
  4. Non-GAAP gross margin excludes the impact of purchase accounting adjustments on acquired deferred revenue,

- amortization expense on intangible assets, stock-based compensation expense, and acquisition-related expense.
5. Adjusted free cash flow is calculated by subtracting the cash paid for the purchase of property and equipment and adding the payments related to acquisitions, restructuring, and litigation to net cash provided by operating activities.

### CEO Transition

In a separate press release issued today, Carbonite announced that Steve Munford has been named interim CEO of Carbonite, effective immediately. Mr. Munford succeeds Mohamad Ali, who has stepped down as president and CEO and as a member of the Carbonite Board, also effective immediately.

### Business Outlook

Based on the information available as of July 25, 2019, Carbonite expects the following for the third quarter and full year of 2019:

Third Quarter 2019:

Current Guidance  
(7/25/2019)

GAAP Revenue \$117 - \$119 million

Non-GAAP Revenue \$131 - \$133 million

Adjusted EBITDA \$34 - \$37 million

Full Year 2019:

Prior Guidance      Current Guidance  
(5/2/2019)            (7/25/2019)

GAAP Revenue      \$457 - \$471 million      \$443.5 - \$448.5 million

Non-GAAP Revenue      \$491 - \$505 million      \$477.5 - \$482.5 million

Non-GAAP Gross Margin      80.5% - 81.5%      80.5% - 81.5%

Adjusted EBITDA      \$132 - \$137 million      \$132 - \$137 million

Carbonite's expectations of adjusted EBITDA for the third quarter and full year of 2019 excludes the impact of interest expense, net, income taxes, depreciation, amortization, purchase accounting adjustments on acquired deferred revenue, stock-based compensation expense, litigation-related expense, restructuring-related expense and acquisition-related expense from net income (loss).

The Company is assuming an effective annual tax rate of approximately 22% and 35.5 million shares outstanding for the full year of 2019.

### Conference Call and Webcast Information

Carbonite will host a conference call on Thursday, July 25, 2019 at 5:30 p.m. ET to review these results. This call will be webcast live and can be found in the investor relations section of the Company's website at <http://investor.carbonite.com>. The conference call can also be accessed by dialing (877) 303-1393 in the United States or (315) 625-3228 internationally with the passcode: 8188460.

Following the completion of the call, a recorded replay will be available on the Company's website, <http://investor.carbonite.com>, under "Events & Presentations".

### Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with GAAP, this press release contains non-GAAP financial measures, including non-GAAP revenue, non-GAAP gross margin, non-GAAP net income and non-GAAP net income per share, non-GAAP operating expense, adjusted EBITDA and adjusted free cash flow.

The Company believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to the Company's financial condition and ordinary results of operations. The Company's management uses these non-GAAP measures to compare the Company's performance to that of prior periods and uses these measures in financial reports prepared for management and the Company's board of directors. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other software-as-a-service companies, many of which present similar non-GAAP financial measures to investors.

The Company does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with

GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant items that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management. The Company urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures provided in the tables at the end of this press release, and not to rely on any single financial measure to evaluate the Company's business.

With respect to our expectations under "Business Outlook" above, the Company has not reconciled non-GAAP gross margin to gross margin or adjusted EBITDA to net income (loss) in this press release because we do not provide guidance for amortization expense on intangible assets, depreciation expense, stock-based compensation expense, litigation-related expense, income tax expense, restructuring-related expense, interest expense, and acquisition-related expense as we are unable to quantify certain of these amounts that would be required to be included in the GAAP measure without unreasonable efforts. In addition, the Company believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

### Cautionary Language Concerning Forward-Looking Statements

Certain matters discussed in this press release, including under "Business Outlook," have "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, our ability to integrate the Webroot acquisition and other acquisitions into our operations and achieve the expected operational and financial benefits of such acquisitions and the timing of such benefits, our ability to profitably attract new customers and retain existing customers, our dependence on the market for cloud backup services, our ability to manage growth, changes in economic or regulatory conditions or other trends affecting the Internet and the information technology industry, and those discussed in the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission (the "SEC"), which is available on [www.sec.gov](http://www.sec.gov), and elsewhere in any subsequent periodic or current reports filed by us with the SEC. Except as required by applicable law, we do not undertake any obligation to update our forward-looking statements to reflect future events, new information or circumstances.

### About Carbonite

Carbonite provides a robust Data Protection Platform for businesses, including backup, disaster recovery, high availability and workload migration technology. The Carbonite Data Protection Platform supports businesses on a global scale with secure cloud infrastructure. To learn more, visit [www.carbonite.com](http://www.carbonite.com) and follow us on Twitter at @Carbonite.

Carbonite, Inc. serves customers through three brands: Carbonite data protection, Webroot cybersecurity, and MailStore email archiving.

Carbonite, Inc.  
Consolidated Statement of Operations (unaudited)  
(In thousands, except share and per share amounts)

|                                   | Three Months Ended<br>June 30, 2019 |           | Six Months Ended<br>June 30, 2019 |            |
|-----------------------------------|-------------------------------------|-----------|-----------------------------------|------------|
|                                   | 2019                                | 2018      | 2019                              | 2018       |
| Revenue:                          |                                     |           |                                   |            |
| Services                          | \$ 114,431                          | \$ 68,814 | \$ 185,934                        | \$ 123,388 |
| Product                           | 7,079                               | 8,920     | 16,791                            | 18,372     |
| Total revenue                     | 121,510                             | 77,734    | 202,725                           | 141,760    |
| Cost of revenue:                  |                                     |           |                                   |            |
| Services                          | 23,956                              | 18,358    | 41,058                            | 33,688     |
| Product                           | 440                                 | 374       | 823                               | 931        |
| Amortization of intangible assets | 9,081                               | 4,325     | 12,375                            | 6,750      |
| Total cost of revenue             | 33,477                              | 23,057    | 54,256                            | 41,369     |

|                                      |              |             |             |            |
|--------------------------------------|--------------|-------------|-------------|------------|
| Gross profit                         | 88,033       | 54,677      | 148,469     | 100,391    |
| Operating expenses:                  |              |             |             |            |
| Research and development             | 27,879       | 15,719      | 43,686      | 28,238     |
| General and administrative           | 17,567       | 13,460      | 38,556      | 27,920     |
| Sales and marketing                  | 36,945       | 22,086      | 58,710      | 41,946     |
| Amortization of intangible assets    | 9,765        | 3,652       | 14,065      | 4,591      |
| Restructuring charges                | 702          | 41          | 702         | 903        |
| Total operating expenses             | 92,858       | 54,958      | 155,719     | 103,598    |
| Loss from operations                 | (4,825 )     | (281 )      | (7,250 )    | (3,207 )   |
| Interest expense                     | (11,844 )    | (3,420 )    | (15,855 )   | (6,021 )   |
| Interest income                      | 418          | 169         | 1,383       | 413        |
| Other income (expense), net          | 175          | 183         | 387         | 195        |
| Loss before income taxes             | (16,076 )    | (3,349 )    | (21,335 )   | (8,620 )   |
| (Benefit) provision for income taxes | (4,802 )     | 2,338       | (12,064 )   | (14,877 )  |
| Net (loss) income                    | \$ (11,274 ) | \$ (5,687 ) | \$ (9,271 ) | \$ 6,257   |
| Net (loss) income per share:         |              |             |             |            |
| Basic                                | \$ (0.33 )   | \$ (0.20 )  | \$ (0.27 )  | \$ 0.22    |
| Diluted                              | \$ (0.33 )   | \$ (0.20 )  | \$ (0.27 )  | \$ 0.20    |
| Weighted-average shares outstanding: |              |             |             |            |
| Basic                                | 34,459,359   | 28,628,173  | 34,312,971  | 28,485,695 |
| Diluted                              | 34,459,359   | 28,628,173  | 34,312,971  | 30,885,633 |

Carbonite, Inc.  
Consolidated Balance Sheets (unaudited)  
(In thousands)

June 30, 2019 December 31, 2018

## Assets

Current assets

|   |              |            |
|---|--------------|------------|
| Cash and cash equivalents                 | \$ 83,378    | \$ 198,087 |
| Trade accounts receivable, net            | 47,110       | 31,569     |
| Prepaid expenses and other current assets | 22,573       | 10,409     |
| Total current assets                      | 153,061      | 240,065    |
| Property and equipment, net               | 45,961       | 34,101     |
| Right-of-use lease assets                 | 48,299       | —          |
| Other assets                              | 24,176       | 13,876     |
| Acquired intangible assets, net           | 417,827      | 117,963    |
| Goodwill                                  | 543,524      | 155,086    |
| Total assets                              | \$ 1,232,848 | \$ 561,091 |

#### **Liabilities and Stockholders' Equity**

##### Current liabilities

|  |          |          |
|--|----------|----------|
| Accounts payable                               | \$ 7,787 | \$ 2,114 |
| Accrued compensation                           | 20,919   | 11,620   |
| Accrued expenses and other current liabilities | 29,947   | 15,844   |
| Current portion of deferred revenue            | 180,053  | 121,553  |
| Total current liabilities                      | 238,706  | 151,131  |
| Long-term debt                                 | 598,301  | 118,305  |
| Long-term lease liabilities                    | 46,750   | —        |
| Deferred revenue, net of current portion       | 43,727   | 29,151   |
| Long-term deferred tax liabilities             | 43,052   | 1,456    |
| Other long-term liabilities                    | 3,140    | 3,838    |
| Total liabilities                              | 973,676  | 303,881  |

##### Stockholders' equity

|                            |           |           |
|----------------------------|-----------|-----------|
| Common stock               | 374       | 366       |
| Additional paid-in capital | 461,633   | 451,618   |
| Treasury stock, at cost    | (47,850 ) | (48,522 ) |

|  |              |            |
|--|--------------|------------|
| Accumulated other comprehensive income     | 2,188        | 1,650      |
| Accumulated deficit                        | (157,173 )   | (147,902 ) |
| Total stockholders' equity                 | 259,172      | 257,210    |
| Total liabilities and stockholders' equity | \$ 1,232,848 | \$ 561,091 |

Carbonite, Inc.  
Consolidated Statement of Cash Flows (unaudited)  
(In thousands)

Six Months Ended  
June 30, 2019

2019      2018

**Operating activities**

|   |             |           |
|---|-------------|-----------|
| Net (loss) income   | \$ (9,271 ) | \$ 6,257  |
| Adjustments to reconcile net income to net cash provided by operating activities: |             |           |
| Depreciation and amortization   | 34,214      | 17,763    |
| Amortization of right-of-use lease assets   | 3,556       | —         |
| Amortization of deferred costs  | 1,413       | 931       |
| Gain on disposal of equipment   | (17 )       | (141 )    |
| Impairment of capitalized software  | —           | 653       |
| Stock-based compensation expense  | 9,717       | 8,478     |
| Benefit for deferred income taxes   | (12,241 )   | (16,317 ) |
| Non-cash interest expense related to amortization of debt discount                | 3,955       | 3,101     |
| Other non-cash items, net   | (262 )      | 64        |
| Changes in assets and liabilities, net of acquisition:                            |             |           |
| Accounts receivable   | 3,401       | (6,437 )  |
| Prepaid expenses and other current assets   | (394 )      | (1,541 )  |
| Other assets  | (1,512 )    | (3,771 )  |
| Accounts payable  | 4,553       | (3,895 )  |
| Accrued expenses and other current liabilities                                    | (6,254 )    | 2,549     |

|  |           |             |
|--|-----------|-------------|
| Other long-term liabilities  | (6,858    | ) 53        |
| Deferred revenue   | 15,020    | 9,099       |
| Net cash provided by operating activities                                      | 39,020    | 16,846      |
| <b>Investing activities</b>  |           |             |
| Purchases of property and equipment  | (6,023    | ) (7,795 )  |
| Proceeds from sale of property and equipment and businesses                    | 77        | 534         |
| Proceeds from maturities of derivatives  | 1,340     | 1,680       |
| Purchases of derivatives   | (6        | ) (1,403 )  |
| Payment for intangibles  | —         | (1,250 )    |
| Payment for acquisition, net of cash acquired                                  | (622,009) | (144,597)   |
| Net cash used in investing activities  | (626,621) | (152,831)   |
| <b>Financing activities</b>  |           |             |
| Proceeds from exercise of stock options  | 263       | 942         |
| Proceeds from issuance of treasury stock under employee stock purchase plan    | 1,582     | 1,215       |
| Payments of withholding taxes in connection with restricted stock unit vesting | (905      | ) (1,184 )  |
| Proceeds from long-term borrowings, net of debt issuance costs                 | 529,483   | 88,068      |
| Payments on long-term borrowings   | (55,000   | ) (10,000 ) |
| Net cash provided by financing activities                                      | 475,423   | 79,041      |
| Effect of currency exchange rate changes on cash                               | (92       | ) (305 )    |
| Net decrease in cash, cash equivalents and restricted cash                     | (112,270) | (57,249 )   |
| Cash, cash equivalents and restricted cash, beginning of period                | 198,087   | 128,231     |
| Cash, cash equivalents and restricted cash, end of period                      | \$ 85,817 | \$ 70,982   |

Carbonite, Inc.

Reconciliation of GAAP to Non-GAAP Measures (unaudited)  
(In thousands, except share and per share amounts)

Reconciliation of GAAP Revenue to Non-GAAP Revenue

|                    |                  |
|--------------------|------------------|
| Three Months Ended | Six Months Ended |
| June 30, 2019      | June 30, 2019    |

|              | 2019       | 2018      | 2019       | 2018       |
|--------------|------------|-----------|------------|------------|
| GAAP revenue | \$ 121,510 | \$ 77,734 | \$ 202,725 | \$ 141,760 |

Add:

|  |            |           |            |            |
|--|------------|-----------|------------|------------|
| Fair value adjustment of acquired deferred revenue | 13,537     | 2,116     | 15,290     | 2,998      |
| Non-GAAP revenue                                   | \$ 135,047 | \$ 79,850 | \$ 218,015 | \$ 144,758 |

#### Reconciliation of GAAP Gross Margin to Non-GAAP Gross Margin

|              | Three Months Ended<br>June 30, 2019 |           | Six Months Ended<br>June 30, 2019 |            |
|--------------|-------------------------------------|-----------|-----------------------------------|------------|
|              | 2019                                | 2018      | 2019                              | 2018       |
| Gross profit | \$ 88,033                           | \$ 54,677 | \$ 148,469                        | \$ 100,391 |
| Gross margin | 72.4                                | % 70.3    | % 73.2                            | % 70.8     |

Add:

|  |            |           |            |            |
|--|------------|-----------|------------|------------|
| Fair value adjustment of acquired deferred revenue | 13,537     | 2,116     | 15,290     | 2,998      |
| Amortization of intangibles                        | 9,081      | 4,325     | 12,375     | 6,750      |
| Stock-based compensation expense                   | 478        | 413       | 902        | 738        |
| Acquisition-related expense                        | —          | 3         | 14         | 57         |
| Non-GAAP gross profit                              | \$ 111,129 | \$ 61,534 | \$ 177,050 | \$ 110,934 |
| Non-GAAP gross margin                              | 82.3       | % 77.1    | % 81.2     | % 76.6     |

#### Reconciliation of GAAP Net Income and Net Income per Share to Non-GAAP Net Income and Net Income per Share

|                        | Three Months Ended<br>June 30, 2019 |             | Six Months Ended<br>June 30, 2019 |          |
|------------------------|-------------------------------------|-------------|-----------------------------------|----------|
|                        | 2019                                | 2018        | 2019                              | 2018     |
| GAAP net (loss) income | \$ (11,274 )                        | \$ (5,687 ) | \$ (9,271 )                       | \$ 6,257 |

Add:

|  |        |       |        |        |
|--|--------|-------|--------|--------|
| Fair value adjustment of acquired deferred revenue | 13,537 | 2,116 | 15,290 | 2,998  |
| Amortization of intangibles                        | 18,846 | 7,977 | 26,440 | 11,341 |
| Stock-based compensation expense                   | 5,512  | 4,741 | 9,717  | 8,478  |



|   |            |            |            |            |
|---|------------|------------|------------|------------|
| Litigation-related expense                    | 73         | 46         | 171        | 63         |
| Restructuring-related expense                 | 702        | 41         | 702        | 903        |
| Acquisition-related expense                   | 872        | 2,357      | 10,735     | 5,977      |
| Non-cash debt interest expense                | 2,243      | 1,558      | 3,955      | 3,101      |
| Less:   |            |            |            |            |
| Income tax effect of non-GAAP adjustments     | 10,664     | (1,027)    | 22,455     | 16,818     |
| Non-GAAP net income                           | \$ 19,847  | \$ 14,176  | \$ 35,284  | \$ 22,300  |
| GAAP net (loss) income per share:             |            |            |            |            |
| Basic   | \$ (0.33)  | \$ (0.20)  | \$ (0.27)  | \$ 0.22    |
| Diluted                                       | \$ (0.33)  | \$ (0.20)  | \$ (0.27)  | \$ 0.20    |
| Non-GAAP net income per share:                |            |            |            |            |
| Basic   | \$ 0.58    | \$ 0.50    | \$ 1.03    | \$ 0.78    |
| Diluted                                       | \$ 0.56    | \$ 0.45    | \$ 1.00    | \$ 0.72    |
| GAAP weighted-average shares outstanding:     |            |            |            |            |
| Basic   | 34,459,359 | 28,628,173 | 34,312,971 | 28,485,695 |
| Diluted                                       | 34,459,359 | 28,628,173 | 34,312,971 | 30,885,633 |
| Non-GAAP weighted-average shares outstanding: |            |            |            |            |
| Basic   | 34,459,359 | 28,628,173 | 34,312,971 | 28,485,695 |
| Diluted                                       | 35,277,653 | 31,718,232 | 35,285,788 | 30,885,633 |

Reconciliation of GAAP Operating Expense to Non-GAAP Operating Expense

|                                  | Three Months Ended<br>June 30, 2019 |           | Six Months Ended<br>June 30, 2019 |           |
|----------------------------------|-------------------------------------|-----------|-----------------------------------|-----------|
|                                  | 2019                                | 2018      | 2019                              | 2018      |
| Research and development         | \$ 27,879                           | \$ 15,719 | \$ 43,686                         | \$ 28,238 |
| Less:                            |                                     |           |                                   |           |
| Stock-based compensation expense | 1,611                               | 1,047     | 2,557                             | 1,734     |
| Acquisition-related expense      | —                                   | 2         | 83                                | 37        |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Non-GAAP research and development          | \$ 26,268 | \$ 14,670 | \$ 41,046 | \$ 26,467 |
| General and administrative                 | \$ 17,567 | \$ 13,460 | \$ 38,556 | \$ 27,920 |
| Less:                                      |           |           |           |           |
| Stock-based compensation expense           | 2,290     | 2,494     | 4,248     | 4,618     |
| Litigation-related expense                 | 73        | 46        | 171       | 63        |
| Acquisition-related expense                | 768       | 2,321     | 10,246    | 5,811     |
| Non-GAAP general and administrative        | \$ 14,436 | \$ 8,599  | \$ 23,891 | \$ 17,428 |
| Sales and marketing                        | \$ 36,945 | \$ 22,086 | \$ 58,710 | \$ 41,946 |
| Less:                                      |           |           |           |           |
| Stock-based compensation expense           | 1,133     | 787       | 2,010     | 1,388     |
| Acquisition-related expense                | 104       | 31        | 392       | 72        |
| Non-GAAP sales and marketing               | \$ 35,708 | \$ 21,268 | \$ 56,308 | \$ 40,486 |
| Amortization of intangible assets          | \$ 9,765  | \$ 3,652  | \$ 14,065 | \$ 4,591  |
| Less:                                      |           |           |           |           |
| Amortization of intangible assets          | 9,765     | 3,652     | 14,065    | 4,591     |
| Non-GAAP amortization of intangible assets | \$ —      | \$ —      | \$ —      | \$ —      |
| Restructuring charges                      | \$ 702    | \$ 41     | \$ 702    | \$ 903    |
| Less:                                      |           |           |           |           |
| Restructuring-related expense              | 702       | 41        | 702       | 903       |
| Non-GAAP restructuring charges             | \$ —      | \$ —      | \$ —      | \$ —      |
| Calculation of Adjusted Free Cash Flow     |           |           |           |           |

Three Months Ended June 30, 2019      Six Months Ended June 30, 2019

|   | 2019      | 2018      | 2019      | 2018      |
|---|-----------|-----------|-----------|-----------|
| Net cash provided by operating activities | \$ 20,276 | \$ 13,555 | \$ 39,020 | \$ 16,846 |

Subtract:

|                                     |       |       |       |       |
|-------------------------------------|-------|-------|-------|-------|
| Purchases of property and equipment | 3,265 | 4,507 | 6,023 | 7,795 |
|-------------------------------------|-------|-------|-------|-------|

|                |        |       |        |       |
|----------------|--------|-------|--------|-------|
| Free cash flow | 17,011 | 9,048 | 32,997 | 9,051 |
|----------------|--------|-------|--------|-------|

Add:

|                              |       |       |        |       |
|------------------------------|-------|-------|--------|-------|
| Acquisition-related payments | 7,182 | 3,681 | 10,853 | 5,328 |
|------------------------------|-------|-------|--------|-------|

|                                |   |     |   |       |
|--------------------------------|---|-----|---|-------|
| Restructuring-related payments | — | 461 | — | 1,125 |
|--------------------------------|---|-----|---|-------|

|                             |     |    |     |     |
|-----------------------------|-----|----|-----|-----|
| Litigation-related payments | 137 | 85 | 138 | 212 |
|-----------------------------|-----|----|-----|-----|

|                         |           |           |           |           |
|-------------------------|-----------|-----------|-----------|-----------|
| Adjusted free cash flow | \$ 24,330 | \$ 13,275 | \$ 43,988 | \$ 15,716 |
|-------------------------|-----------|-----------|-----------|-----------|

Reconciliation of EBITDA and Adjusted EBITDA to Net (Loss) Income

|                                | Three Months Ended<br>June 30, 2019 |             | Six Months Ended<br>June 30, 2019 |           |
|--------------------------------|-------------------------------------|-------------|-----------------------------------|-----------|
|                                | 2019                                | 2018        | 2019                              | 2018      |
| Net (loss) income              | \$ (11,274 )                        | \$ (5,687 ) | \$ (9,271 )                       | \$ 6,257  |
| Adjustments:                   |                                     |             |                                   |           |
| Interest expense, net          | 11,426                              | 3,251       | 14,472                            | 5,608     |
| Income tax (benefit) provision | (4,802 )                            | 2,338       | (12,064 )                         | (14,877 ) |
| Depreciation and amortization  | 23,065                              | 11,686      | 34,214                            | 17,763    |
| EBITDA                         | 18,415                              | 11,588      | 27,351                            | 14,751    |

Adjustments to EBITDA:

|  |        |       |        |       |
|--|--------|-------|--------|-------|
| Fair value adjustment of acquired deferred revenue | 13,537 | 2,116 | 15,290 | 2,998 |
|--|--------|-------|--------|-------|

|                                  |       |       |       |       |
|----------------------------------|-------|-------|-------|-------|
| Stock-based compensation expense | 5,512 | 4,741 | 9,717 | 8,478 |
|----------------------------------|-------|-------|-------|-------|

|                            |    |    |     |    |
|----------------------------|----|----|-----|----|
| Litigation-related expense | 73 | 46 | 171 | 63 |
|----------------------------|----|----|-----|----|

|                               |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|
| Restructuring-related expense | 702       | 41        | 702       | 903       |
| Acquisition-related expense   | 872       | 2,357     | 10,735    | 5,977     |
| Adjusted EBITDA               | \$ 39,111 | \$ 20,889 | \$ 63,966 | \$ 33,170 |

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