

CARBONITE 2015 FIRST QUARTER FINANCIAL RESULTS

APRIL 28, 2015



EMILY WALT

Director of Investor
Relations



Safe Harbor



These slides and the accompanying oral presentation contain "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's views as of the date they were first made based on the current intent, belief or expectations, estimates, forecasts, assumptions and projections of the Company and members of our management team. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Those statements include, but are not limited to, statements regarding guidance on our future financial results and other projections or measures of future performance. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the Company's control. The Company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including, but not limited to, the Company's ability to profitably attract new customers and retain existing customers, the Company's dependence on the market for cloud backup services, the Company's ability to manage growth, and changes in economic or regulatory conditions or other trends affecting the Internet and the information technology industry. These and other important risk factors are discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission, which is available on www.sec.gov. Except as required by law, we do not undertake any obligation to update our forward-looking statements to reflect future events, new information or circumstances.

This presentation contains non-GAAP financial measures including, but not limited to, non-GAAP Gross Margin, non-GAAP EPS and Free Cash Flow. A reconciliation to GAAP can be found in the financial schedules included in our most recent earnings press release which can be found on Carbonite's website, investors.carbonite.com or www.sec.gov.

MOHAMAD ALI

President & CEO



ANTHONY FOLGER

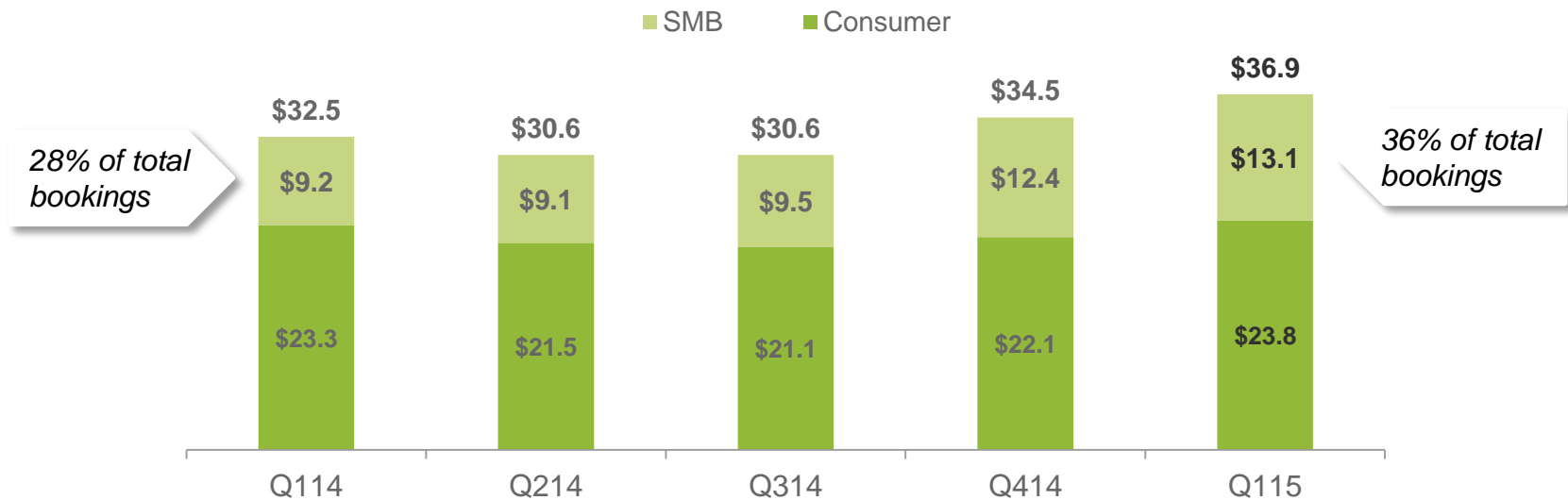
CFO & Treasurer





Q115 Bookings

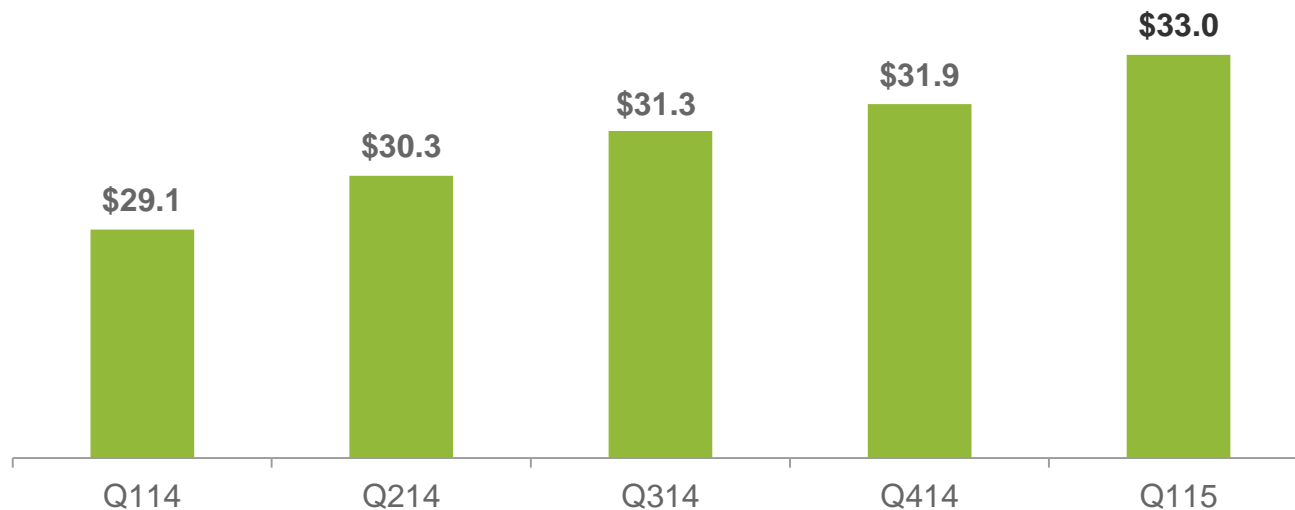
	Q115	Growth Y/Y
Total Bookings	\$36.9M	13%
SMB	\$13.1M	42%
Consumer	\$23.8M	2%

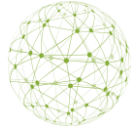


Q115 Revenue



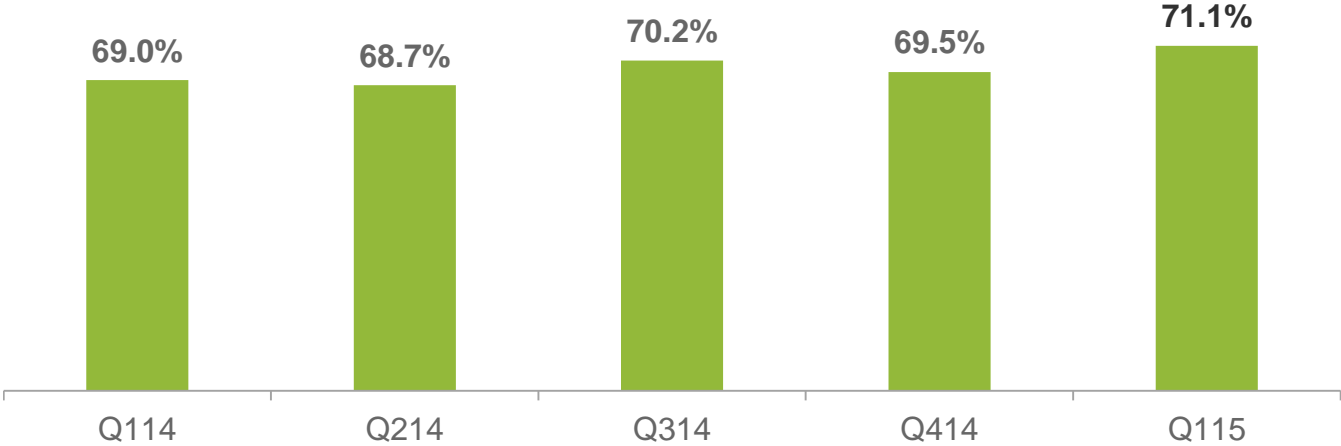
	Q115	Growth Y/Y
Total Revenue	\$33.0M	13%





Q115 Non-GAAP Gross Margins

	Q115	Growth Y/Y
Non-GAAP Gross Margin	71.1%	210 bps



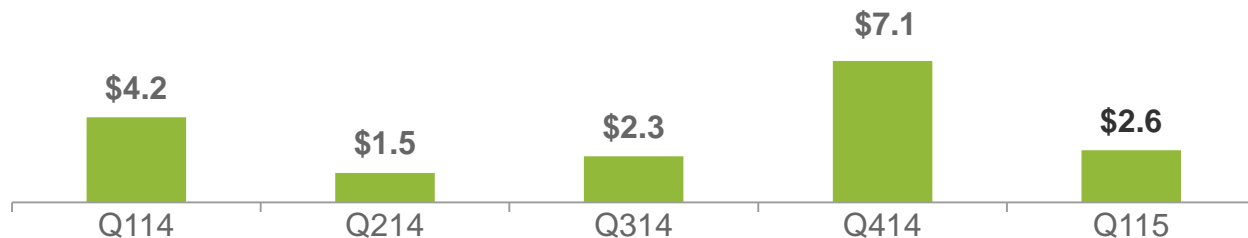
For a full reconciliation of GAAP to non-GAAP, please see the Appendix.



Total Cash and Free Cash Flow

	Q115	Growth Q/Q
Total Cash and Investments	\$64.5M	6%

Quarterly Free Cash Flow



For a full reconciliation of GAAP to non-GAAP, please see the Appendix.

Q215 & FY15 Non-GAAP Business Outlook



Q215	
Revenue	\$33.5 - \$33.7M
Non-GAAP net loss per share	(\$0.04) – (\$0.02)

2015	
Revenue	\$137.3M - \$138.3M
Non-GAAP EPS	\$0.09 – \$0.11
Non-GAAP gross margin	~200 bps over 2014
Free cash flow	\$16.0M - \$18.0M

MOHAMAD ALI

President & CEO



Areas of Focus in 2015



Enhance
Product
Roadmap



Increase
Go-to-Market
Capacity



Improve
Operational
Effectiveness



The Current State of SMB Business Continuity Plans



35%

35% of SMBs do not have a business continuity solution in place at all today.



65%

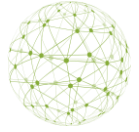
65% of SMBs still use backup to tape or disk, which can result in significant overhead costs, including the initial purchase price and the maintenance costs.



30%

Only 30% of SMBs are currently using a cloud backup solution.

Full Suite of Powerful Yet Simple Solutions



PERSONAL

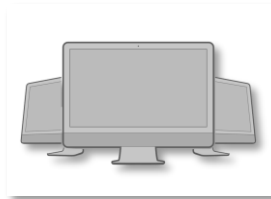
From \$60 /yr



1 PC or Mac with unlimited cloud storage
Automatic & continuous protection for photos, documents, music and more

PRO

From \$270 /yr



All PCs, external drives, NAS devices & file servers
Easily access, restore and centrally manage all backed up files

SERVER

From \$800 /yr



Unlimited databases & live applications
Hybrid protection for SQL, Exchange, Oracle, MySQL and more

APPLIANCE

From \$1,200 / yr



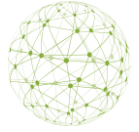
Hybrid Appliance provides local and cloud backup
Bare metal restore allows complete recovery from system image

MAILSTORE

From \$190



Creates 1:1 copies of all emails in a central archive to ensure long-term security and availability of data
Supports archiving of Microsoft Exchange, Office 365, Gmail and other leading systems



Improved GTM Capacity Driven by Operational Execution

- **Infrastructure upgrades**
 - Improved systems integration with channel partners to reduce complexity
 - Partner portal re-launch to improve usability and responsiveness, and support localization
- **Investing in relationships with major distribution and DMR partners**
 - Driving improved positioning and education about Carbonite
 - Communicating potential margin expansion opportunities
- **Business process review**
 - Projects managed and prioritized in relation to overall business needs, not in functional siloes
 - Decreased risk to project failures

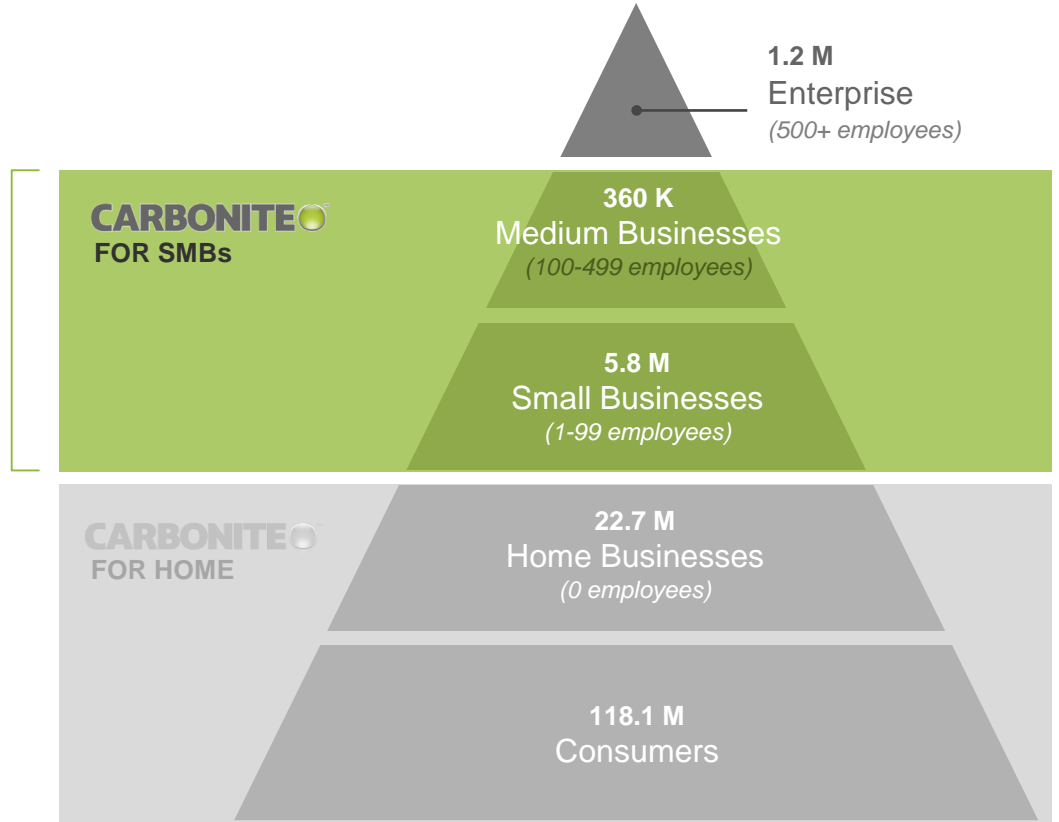
SMB Market Opportunity

U.S. SMB MARKET

6.2M Small & Medium Businesses
<500 employees

Average spending on Business
Continuity is \$2,800 / year for
small businesses

U.S. SMB Market Opportunity Alone is
\$17.4 billion

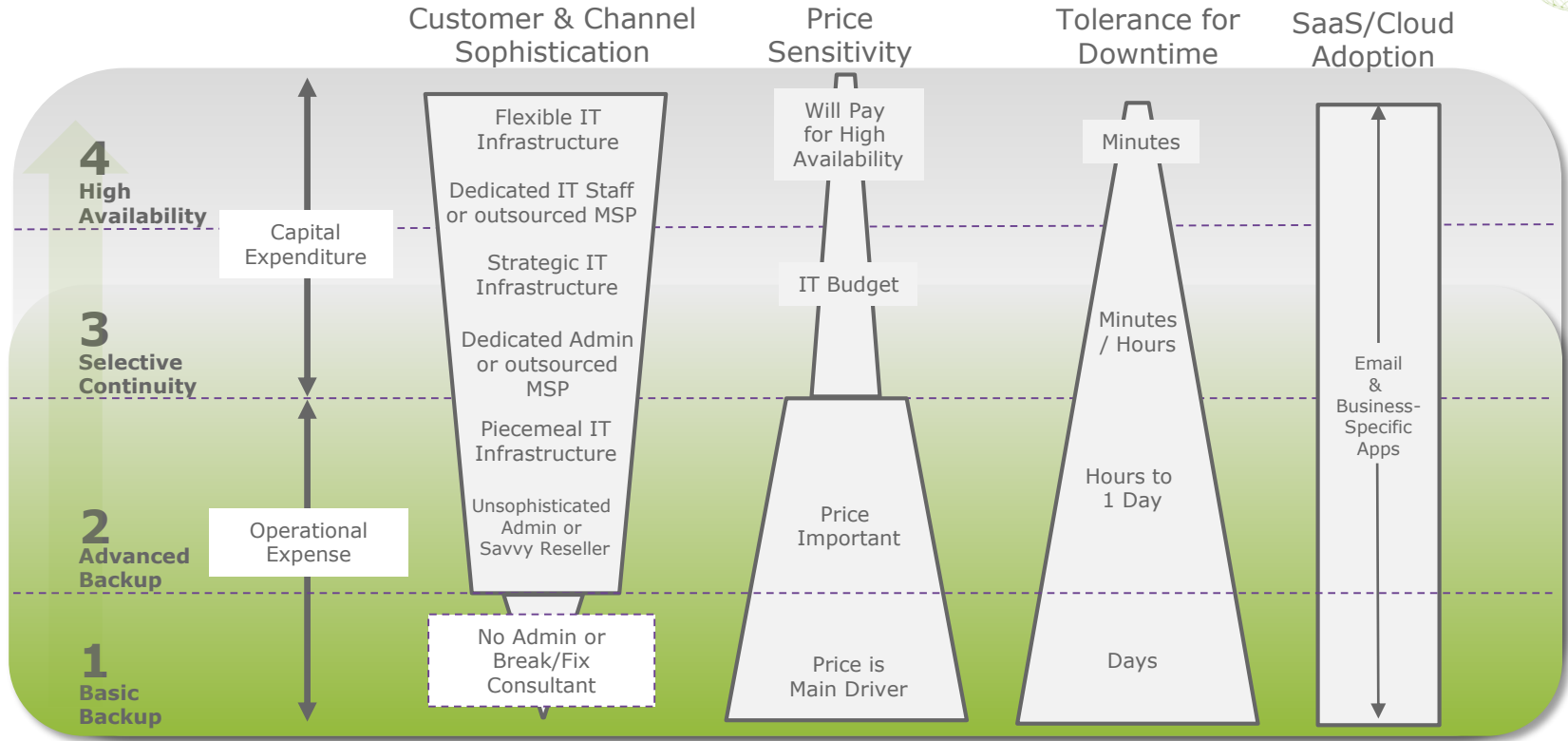


Source: US Dept of Commerce 2012, IDC 2015

SMB Customer Profile



CARBONITE



Q&A



FINANCIAL STATEMENTS



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

	Three Months Ended March 31,	
	2015	2014
Revenue	\$ 33,026	\$ 29,137
Cost of revenue	10,014	9,260
Gross profit	23,012	19,877
Operating expenses:		
Research and development	6,929	5,422
General and administrative	7,576	3,520
Sales and marketing	14,381	11,873
Restructuring charges	119	4
Total operating expenses	29,005	20,819
Loss from operations	(5,993)	(942)
Interest and other income (expense), net	(33)	(30)
Loss before income taxes	(6,026)	(972)
Provision for income taxes	(204)	(10)
Net loss	\$ (6,230)	\$ (982)
Net loss per share:		
Basic and diluted	\$ (0.23)	\$ (0.04)
Weighted-average shares outstanding:		
Basic and diluted	27,239,201	26,583,158

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

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 59,039	\$ 46,084
Marketable securities	5,499	15,031
Trade accounts receivable, net	3,141	2,412
Prepaid expenses and other current assets	6,318	5,224
Restricted cash	<u>829</u>	<u>828</u>
Total current assets	74,826	69,579
Property and equipment, net	24,582	25,944
Other assets	1,923	2,181
Acquired intangible assets, net	9,037	10,322
Goodwill	<u>22,350</u>	<u>23,728</u>
Total assets	<u>\$ 132,718</u>	<u>\$ 131,754</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 6,468	\$ 7,346
Accrued expenses	10,084	10,506
Current portion of deferred revenue	<u>78,950</u>	<u>75,494</u>
Total current liabilities	95,502	93,346
Deferred revenue, net of current portion	16,057	15,930
Other long-term liabilities	<u>7,780</u>	<u>7,940</u>
Total liabilities	119,339	117,216
Stockholders' equity		
Common stock	273	272
Additional paid-in capital	156,644	152,920
Treasury stock, at cost	(22)	(22)
Accumulated deficit	(145,558)	(139,328)
Accumulated other comprehensive income	<u>2,042</u>	<u>696</u>
Total stockholders' equity	<u>13,379</u>	<u>14,538</u>
Total liabilities and stockholders' equity	<u>\$ 132,718</u>	<u>\$ 131,754</u>

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

	Three Months Ended March 31,	
	2015	2014
Operating activities		
Net loss	\$ (6,230)	\$ (982)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,354	3,155
Gain on disposal of equipment	(33)	-
Accretion of discount on marketable securities	(9)	(5)
Stock-based compensation expense	2,468	1,257
(Recoveries of) provision for reserves on accounts receivable	(20)	30
Other non-cash items, net	107	-
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(795)	(299)
Prepaid expenses and other current assets	(1,065)	(32)
Other assets	218	(2)
Accounts payable	1,172	(779)
Accrued expenses	(611)	1,677
Other long-term liabilities	184	(45)
Deferred revenue	3,831	3,349
Net cash provided by operating activities	2,571	7,324
Investing activities		
Purchases of property and equipment	(3,289)	(3,145)
Proceeds from sale of property and equipment	33	-
Proceeds from maturities of marketable securities	12,712	2,750
Purchases of marketable securities	-	(2,500)
(Increase) decrease in restricted cash	(136)	-
Net cash provided by (used in) investing activities	9,320	(2,895)
Financing activities		
Proceeds from exercise of stock options	1,276	490
Net cash provided by financing activities	1,276	490
Effect of currency exchange rate changes on cash	(212)	(19)
Net increase in cash and cash equivalents	12,955	4,900
Cash and cash equivalents, beginning of period	46,084	50,392
Cash and cash equivalents, end of period	\$ 59,039	\$ 55,292

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

Calculation of Bookings

	Three Months Ended March 31,	
	2015	2014
Revenue	\$ 33,026	\$ 29,137
Add :		
Deferred revenue ending balance	95,007	87,348
Impact of foreign exchange	241	
Less :		
Deferred revenue beginning balance	91,424	84,000
Change in deferred revenue balance	3,824	3,348
Bookings	<u>\$ 36,850</u>	<u>\$ 32,485</u>

Calculation of Non-GAAP Net (Loss) Income and Non-GAAP Net (Loss) Income per Share

	Three Months Ended March 31,	
	2015	2014
Net loss	\$ (6,230)	\$ (982)
Add:		
Amortization of intangibles	479	233
Stock-based compensation expense	2,468	1,257
Patent litigation expense	88	17
Restructuring-related expense	115	-
Acquisition-related expense	356	-
Tender offer-related expense	1,297	-
CEO transition expense	54	-
Non-GAAP net (loss) income	<u>\$ (1,373)</u>	<u>\$ 525</u>
Weighted-average shares outstanding:		
Basic and diluted	27,239,201	26,583,158
Net (loss) income per share:		
Basic and diluted	\$ (0.05)	\$ 0.02

Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit

	Three Months Ended March 31,	
	2015	2014
Gross profit	\$ 23,012	\$ 19,877
Add:		
Amortization of intangibles	316	110
Stock-based compensation expense	167	117
Non-GAAP gross profit	<u>\$ 23,495</u>	<u>\$ 20,104</u>
Non-GAAP gross margin	71.1%	69.0%

Reconciliation of GAAP Operating Expense to Non-GAAP Operating Expense
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	Three Months Ended March 31,	
	2015	2014
Research and development	\$ 6,929	\$ 5,422
Less:		
Stock-based compensation expense	325	260
Non-GAAP research and development	\$ 6,604	\$ 5,162
General and administrative	\$ 7,576	\$ 3,520
Less:		
Amortization of intangibles	54	40
Stock-based compensation expense	1,733	652
Patent litigation expense	88	17
Acquisition-related expense	61	-
Tender offer-related expense	1,297	-
CEO transition expense	54	-
Non-GAAP general and administrative	\$ 4,289	\$ 2,811
Sales and marketing	\$ 14,381	\$ 11,873
Less:		
Amortization of intangibles	109	83
Stock-based compensation expense	243	228
Acquisition-related expense	295	-
Non-GAAP sales and marketing	\$ 13,734	\$ 11,562
Restructuring charges	\$ 119	\$ 4
Less:		
Restructuring-related expense	115	-
Non-GAAP restructuring charges	\$ 4	\$ 4

Calculation of Free Cash Flow

	Three Months Ended March 31,	
	2015	2014
Net cash provided by operating activities	\$ 2,571	\$ 7,324
Subtract:		
Purchases of property and equipment	3,289	3,145
Add:		
Payments related to corporate headquarter relocation	1,309	64
Acquisition-related payments	75	-
Tender offer-related payments	1,262	-
CEO transition payments	29	-
Cash portion of lease exit charge	622	-
Free cash flow	\$ 2,579	\$ 4,243