



Mimecast Announces First Quarter 2021 Financial Results

August 3, 2020

First Quarter Highlights

- Total revenue of \$115.2 million grew 16% year-over-year on a GAAP basis and 21% in constant currency
- Added 600 net new customers. Total customers 38,600 globally
- Revenue retention rate of 106%
- GAAP gross profit percentage of 75%, Non-GAAP gross profit percentage of 77%
- GAAP EPS of \$0.05 per diluted share, Non-GAAP EPS of \$0.22 per diluted share

LEXINGTON, Mass., Aug. 03, 2020 (GLOBE NEWSWIRE) -- [Mimecast Limited](#) (NASDAQ: MIME), a leading email and data security company, today announced financial results for the first quarter ended June 30, 2020.

"Email is seeing increased usage as employees work from home to combat the global COVID-19 pandemic. Mimecast Email Security 3.0 restores trust in email and enables business to safely rely on this core system while staying connected to customers and employees," stated Peter Bauer, CEO of Mimecast.

Mimecast's CFO, Rafe Brown, commented, "We exceeded the high end of our revenue guidance in the first quarter of our fiscal year and are pleased to be able to raise our revenue and cashflow outlook for full year 2021."

First Quarter 2021 Financial Highlights

- **Revenue:** Revenue for the first quarter of 2021 was \$115.2 million, an increase of 16% compared to revenue of \$99.2 million in the first quarter of 2020. Revenue on a constant currency basis increased 21% compared to the first quarter of 2020.
- **Customers:** Added 600 net new customers in the first quarter of 2021, and now serve 38,600 organizations globally.
- **Revenue Retention Rate:** Revenue retention rate was 106% in the first quarter of 2021.
- **Gross Profit Percentage:** Gross profit percentage was 75% in the first quarter of 2021, compared to 74% in the first quarter of 2020.
- **Non-GAAP Gross Profit Percentage:** Non-GAAP gross profit percentage was 77% in the first quarter of 2021, compared to 76% in the first quarter of 2020.
- **Net Income:** Net income was \$3.1 million, or \$0.05 per diluted share, based on 64.7 million diluted shares outstanding, compared to net loss of \$4.0 million, or \$(0.07) per diluted share, based on 61.4 million diluted shares outstanding in the first quarter of 2020.
- **Non-GAAP Net Income:** Non-GAAP net income was \$14.2 million, or \$0.22 per diluted share, based on 64.7 million diluted shares outstanding, compared to non-GAAP net income of \$5.0 million or \$0.08 per diluted share, based on 63.9 million diluted shares outstanding in the first quarter of 2020.
- **Adjusted EBITDA:** Adjusted EBITDA was \$25.7 million, representing an Adjusted EBITDA margin of 22.3%, up from 13.6% in the first quarter of 2020.
- **Operating Cash Flow:** Operating cash flow was \$29.3 million in the first quarter of 2021, compared to \$28.5 million in the first quarter of 2020.
- **Free Cash Flow and Cash:** Free cash flow was \$18.5 million in the first quarter of 2021, compared to \$19.4 million in the first quarter of 2020. Cash and cash equivalents as of June 30, 2020 were \$198.5 million.

Reconciliations of the non-GAAP financial measures provided in this press release to their most directly comparable GAAP financial measures are provided in the financial tables included at the end of this press release. An explanation of these measures and how they are calculated is also included under the heading “Non-GAAP Financial Measures.”

Business Highlights

- Mimecast acquired MessageControl, a ‘human-layer’ email and messaging security company that provides advanced impersonation protection with solutions designed to stop social engineering attacks using artificial intelligence, machine learning, and identity graph technology. MessageControl Founder, Paul Everton, and team will continue with Mimecast expanding our diverse ecosystem of engineering talents.
- Klaus Seidl joins Mimecast as Vice President of Sales for Germany, Austria and Switzerland. Formerly Klaus held senior roles at Loom Systems, Network Appliance, and Riverbed. Klaus brings over 30 years of industry experience to lead our growth in the DACH region.
- ICSA labs awarded Mimecast Targeted Threat Protection a [perfect score](#) for blocking 100% of threats in their July 2020 Email Advanced Threat Defense Test Report.
- Mimecast was named a leader in the [Info-Tech Data Archiving Data Quadrant](#) published through SoftwareReviews.
- Mimecast [Threat Report, BlackHat Editions](#) provides technical analysis of United States-based attacks launched in attempt to infiltrate the security environment of Mimecast customers.
- Mimecast Targeted Threat Protection added 800 new subscriptions in the first quarter. In total, 29,100 customers now use the service.
- Mimecast Web Security added 100 new subscriptions in the first quarter. In total 700 customers now use the service.
- On average, Mimecast customers used 3.4 services in the first quarter of 2021. This represents an increase from the average of 3.2 services used by customers in the first quarter of 2020.

Business Outlook

Mimecast is providing guidance for the second quarter and fiscal year 2021.

Second Quarter 2021 Guidance:

For the second quarter of 2021, revenue is expected to be in the range of \$120.8 million to \$121.8 million and constant currency revenue growth is expected to be in the range of 17% to 18%. Adjusted EBITDA for the second quarter is expected to be in the range of \$26.8 million to \$27.8 million. Operating cash flow for the second quarter is expected to be approximately \$20.0 million. Free Cash flow for the second quarter is expected to be approximately \$13.0 million. Our revenue guidance for the second quarter is based on exchange rates as of July 23, 2020 and includes an estimated negative impact of \$0.1 million resulting from the strengthening of the U.S. dollar compared to the prior year.

Fiscal Year 2021 Guidance:

For the full year 2021, revenue is expected to be in the range of \$488.1 million to \$493.1 million and constant currency revenue growth is expected to be in the range of 16% to 17%. Foreign exchange rate fluctuations are negatively impacting this guidance by an estimated \$6.7 million compared to the rates in effect in the prior year.

Full year 2021 Adjusted EBITDA is expected to be in the range of \$97.3 million to \$99.3 million. Operating cash flow for the full year 2021 is expected to be in the range of \$110.0 million to \$113.0 million. Free Cash Flow for the full year 2021 is expected to be in the range of \$77.0 million to \$79.0 million.

GAAP net income (loss) is the most comparable GAAP measure to Adjusted EBITDA. Adjusted EBITDA differs from GAAP net income (loss) in that it excludes depreciation, amortization, disposals and impairment of long-lived assets, acquisition-related gains and expenses, litigation-related expenses, share-based compensation expense, restructuring expense, interest income and interest expense, the provision for income taxes and foreign exchange income. Mimecast is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Mimecast has not provided guidance for GAAP net income (loss) or a reconciliation of forward-looking Adjusted EBITDA guidance to GAAP net income (loss).

The financial guidance provided above includes forward-looking statements within the meaning of U.S. securities laws. While the financial guidance considers the anticipated impact of the global COVID-19 pandemic, the societal and economic impact of the pandemic is unprecedented and the future effect of the pandemic on the global economy and Mimecast’s financial results is highly uncertain. Mimecast’s actual results may differ materially. See “Safe Harbor for Forward-Looking Statements” below.

Conference Call and Webcast Information

Mimecast will host a conference call to discuss these financial results for investors and analysts at 4:30 pm EDT (UTC-05:00) on August 3, 2020. To access the conference call, dial (844) 402-0879 for the U.S. and Canada and (478) 219-0767 for international callers and enter conference ID# **6549588**. The call will also be webcast live on the investor relations section of the Company’s website <https://investors.mimecast.com>. An audio replay of the call will be available two hours after the live call ends by dialing (855) 859-2056 for U.S. and Canada and (404) 537-3406 for international callers and entering conference ID# **6549588**. In addition, an archive of the webcast will be available on the investor relations section of the Company’s website <https://investors.mimecast.com>.

About Mimecast

Mimecast (NASDAQ: MIME) was born in 2003 with a focus on delivering relentless protection. Each day, we take on cyber disruption for our tens of thousands of customers around the globe; always putting them first, and never giving up on tackling their biggest security challenges together. We are the company that built an intentional and scalable design ideology that solves the number one cyberattack vector – email. We continuously invest to

thoughtfully integrate brand protection, security awareness training, web security, compliance and other essential capabilities. Mimecast is here to help protect large and small organizations from malicious activity, human error and technology failure; and to lead the movement toward building a more resilient world. www.mimecast.com

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Non-GAAP Financial Measures

We have provided in this press release financial information that has not been prepared in accordance with GAAP. We use these non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. We believe 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 our financial results with other companies in our industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures provided in the financial statement tables included below in this press release.

Revenue Constant Currency Growth Rate. We believe revenue constant currency growth rate is a key indicator of our operating results. We calculate revenue constant currency growth rate by translating revenue from entities reporting in foreign currencies into U.S. dollars using the comparable foreign currency exchange rates from the prior fiscal period. To determine projected revenue growth rates on a constant currency basis for the second quarter and full year 2021, expected revenue from entities reporting in foreign currencies is translated into U.S. dollars using the comparable prior year period's monthly average foreign currency exchange rates.

Non-GAAP gross profit and Non-GAAP gross profit percentage. We define non-GAAP gross profit as gross profit, adjusted to exclude: share-based compensation expense and amortization of acquired intangible assets. We define non-GAAP gross profit percentage as non-GAAP gross profit divided by GAAP revenue. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of non-cash charges for share-based compensation expense and amortization of acquired intangible assets so that our management and investors can compare our recurring core business net results over multiple periods. There are a number of limitations related to the use of non-GAAP gross profit and non-GAAP gross profit percentage versus gross profit and gross profit percentage calculated in accordance with GAAP. For example, as noted above, non-GAAP gross profit and gross profit percentage excludes share-based compensation expense and amortization of acquired intangible assets. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP gross profit and non-GAAP gross profit percentage and evaluates non-GAAP gross profit and non-GAAP gross profit percentage together with gross profit and gross profit percentage calculated in accordance with GAAP.

Non-GAAP operating expenses and Non-GAAP income from operations. We provide investors with certain non-GAAP financial measures, including non-GAAP research and development expense, non-GAAP sales and marketing expense, non-GAAP general and administrative expense and non-GAAP income from operations (collectively the "non-GAAP operating financial measures"). These non-GAAP operating financial measures exclude the following, as applicable (as reflected in the reconciliation tables that follow): share-based compensation expense; amortization of acquired intangible assets; impairment of long-lived assets; restructuring expense; acquisition-related gains and expenses; and litigation-related expenses. We consider these non-GAAP operating financial measures to be useful metrics for management and investors because it excludes the effect of share-based compensation expense and certain "one-time" charges so that our management and investors can compare our recurring core business net results over multiple periods. There are a number of limitations related to the use of these non-GAAP operating financial measures versus the applicable financial measures calculated in accordance with GAAP. For example, as noted above, the non-GAAP operating financial measures exclude share-based compensation expense and certain "one-time" charges. In addition, the components of the costs that we exclude in our calculation of non-GAAP operating financial measures may differ from the components that our peer companies exclude when they report their non-GAAP results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating financial measures and evaluates non-GAAP operating financial measures together with the applicable financial measures calculated in accordance with GAAP.

Non-GAAP net income. We define non-GAAP net income as net income (loss), adjusted to exclude: share-based compensation expense; amortization of acquired intangible assets; impairment of long-lived assets; restructuring expense; acquisition-related gains and expenses; litigation-related expenses; and the income tax effect of non-GAAP adjustments. We consider this non-GAAP financial measure to be a useful metric for management and investors because it excludes the effect of share-based compensation expense, certain "one-time" charges and related income tax effects so that our management and investors can compare our recurring core business net results over multiple periods. There are a number of limitations related to the use of non-GAAP net income versus net income (loss) calculated in accordance with GAAP. For example, as noted above, non-GAAP net income excludes share-based compensation expense, certain "one-time" charges and related income tax effects. In addition, the components of the costs that we exclude in our calculation of non-GAAP net income may differ from the components that our peer companies exclude when they report their non-GAAP results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and evaluating non-GAAP net income together with net income (loss) calculated in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA margin. We believe that Adjusted EBITDA and Adjusted EBITDA margin are key indicators of our operating results. We define Adjusted EBITDA as net income (loss), adjusted to exclude: depreciation; amortization; disposals and impairment of long-lived assets; acquisition-related gains and expenses; litigation-related expenses; share-based compensation expense; restructuring expense; interest income and interest expense; the provision for income taxes; and foreign exchange income. We define Adjusted EBITDA margin as Adjusted EBITDA over GAAP revenue in the period. We use Adjusted EBITDA as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies, to communicate with our board of directors concerning our financial performance and for establishing incentive compensation metrics for executives and other senior employees.

Free cash flow. We define free cash flow as net cash provided by operating activities minus capital expenditures. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the acquisition of property, equipment and capitalized software, can be used for strategic opportunities, including investing in our business, and strengthening the balance sheet. Analysis of free cash flow facilitates management's comparisons of our operating results to competitors' operating

results. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating activities as a means for evaluating our company is that free cash flow does not represent the total increase or decrease in the cash balance from operations for the period because it excludes cash used for capital expenditures during the period. Management compensates for this limitation by providing information about our capital expenditures on the face of the cash flow statement and in the liquidity and capital resources discussion included in our annual and quarterly reports filed with the Securities and Exchange Commission.

Safe Harbor for Forward-Looking Statements

Statements in this press release regarding management's future expectations, beliefs, intentions, goals, strategies, plans or prospects, including, without limitation, the impact of the global COVID-19 pandemic on Mimecast's operations and financial performance, the impact of foreign exchange rates, the impact of the acquisition of MessageControl, the increased reliance on remote work during the global COVID-19 pandemic and the impact that Mimecast's Email Security 3.0 offerings can have on security in that context, and Mimecast's future financial performance on both a GAAP and non-GAAP basis under the heading "Business Outlook" above, may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements containing the words "predicts," "plan," "expects," "anticipates," "believes," "goal," "target," "estimate," "potential," "may," "might," "could," "see," "seek," "forecast," and similar words. Mimecast intends all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, uncertainties and risks relating to the impact of global COVID-19 pandemic on the Company's business, operations, employees and financial results, the ability to attract new customers and retain existing customers, particularly during challenging economic times, competitive conditions, data breaches, compliance with data privacy and data transfer laws and regulations, service disruptions, the effect of the withdrawal of the United Kingdom from the European Union, risks associated with failure to protect the Company's intellectual property or claims that the Company infringes the intellectual property of others, the successful integration of the Company's acquisitions, including DMARC Analyzer B.V., Segasec Labs Limited and MessageControl and other acquisitions the Company may complete, the global nature of the Company's business, including foreign currency exchange rate fluctuations and the potential disparate economic impact of the global COVID-19 pandemic on the jurisdictions in which the Company operates, and the other risks, uncertainties and factors detailed in Mimecast's filings with the Securities and Exchange Commission. As a result of such risks, uncertainties and factors, Mimecast's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. Mimecast is providing the information in this press release as of this date and assumes no obligations to update the information included in this press release or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

MIMECAST LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three months ended June 30,	
	2020	2019
Revenue	\$ 115,176	\$ 99,231
Cost of revenue	28,469	25,467
Gross profit	86,707	73,764
Operating expenses		
Research and development	22,802	19,385
Sales and marketing	44,043	43,370
General and administrative	17,168	15,447
Total operating expenses	84,013	78,202
Income (loss) from operations	2,694	(4,438)
Other income (expense)		
Interest income	177	982
Interest expense	(883)	(1,280)
Foreign exchange income and other, net	1,763	956
Total other income (expense), net	1,057	658
Income (loss) before income taxes	3,751	(3,780)
Provision for income taxes	613	230
Net income (loss)	\$ 3,138	\$ (4,010)
Net income (loss) per ordinary share		
Basic	\$ 0.05	\$ (0.07)
Diluted	\$ 0.05	\$ (0.07)
Weighted-average number of ordinary shares outstanding		
Basic	63,019	61,444
Diluted	64,676	61,444

MIMECAST LIMITED
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	As of June 30, 2020	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 198,541	\$ 173,958
Accounts receivable, net	86,128	97,659
Deferred contract costs, net	12,002	11,133
Prepaid expenses and other current assets	16,658	16,145
Total current assets	313,329	298,895
Property and equipment, net	85,980	85,178
Operating lease right-of-use assets	111,176	116,564
Intangible assets, net	39,852	38,394
Goodwill	154,201	150,525
Deferred contract costs, net of current portion	38,624	36,664
Other assets	3,437	3,614
Total assets	\$ 746,599	\$ 729,834
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 12,113	\$ 14,907
Accrued expenses and other current liabilities	44,217	41,607
Deferred revenue	190,519	194,151
Current portion of finance lease obligations	984	1,058
Current portion of operating lease liabilities	30,318	30,379
Current portion of long-term debt	7,202	6,573
Total current liabilities	285,353	288,675
Deferred revenue, net of current portion	12,472	12,816
Long-term finance lease obligations	50	323
Operating lease liabilities	98,926	105,321
Long-term debt	84,456	86,258
Other non-current liabilities	7,023	4,386
Total liabilities	488,280	497,779
Commitments and contingencies		
Shareholders' equity		
Ordinary shares, \$0.012 par value, 300,000,000 shares authorized; 63,269,191 and 62,791,691 shares issued and outstanding as of June 30, 2020 and March 31, 2020, respectively	759	754
Additional paid-in capital	345,029	325,808
Accumulated deficit	(80,522)	(83,660)
Accumulated other comprehensive loss	(6,947)	(10,847)
Total shareholders' equity	258,319	232,055
Total liabilities and shareholders' equity	\$ 746,599	\$ 729,834

MIMECAST LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three months ended June 30, 2020	2019
Operating activities		

Net income (loss)	\$ 3,138		\$ (4,010)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	8,852		7,442	
Share-based compensation expense	13,653		10,034	
Amortization of deferred contract costs	2,869		2,116	
Amortization of debt issuance costs	114		157	
Amortization of operating lease right-of-use assets	7,111		7,677	
Other non-cash items	—		(42)
Unrealized currency gains on foreign denominated transactions	(2,733	)	(856)
Changes in assets and liabilities:				
Accounts receivable	12,405		11,927	
Prepaid expenses and other current assets	(497	)	8,856	
Deferred contract costs	(5,203	)	(4,806)
Other assets	156		(638)
Accounts payable	(2,037	)	(808)
Deferred revenue	(5,645	)	1,295	
Operating lease liabilities	(8,221	)	(5,145)
Accrued expenses and other liabilities	5,343		(4,675)
Net cash provided by operating activities	29,305		28,524	
Investing activities				
Purchases of property, equipment and capitalized software	(10,771	)	(9,161)
Purchases of strategic investments	—		(3,025)
Maturities of investments	—		14,000	
Net cash (used in) provided by investing activities	(10,771	)	1,814	
Financing activities				
Proceeds from issuance of ordinary shares	8,135		9,164	
Withholding taxes related to net share settlement of ESPP purchases and vesting of RSUs	(2,575	)	(1,431)
Payments on debt	(1,250	)	(625)
Payments on finance lease obligations	(347	)	(166)
Net cash provided by financing activities	3,963		6,942	
Effect of foreign exchange rates on cash	2,086		(44)
Net increase in cash and cash equivalents	24,583		37,236	
Cash and cash equivalents at beginning of period	173,958		137,576	
Cash and cash equivalents at end of period	\$ 198,541		\$ 174,812	

Key Performance Indicators

In addition to traditional financial metrics, such as revenue and revenue growth trends, we monitor several other non-GAAP financial measures and non-financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key performance indicators that we monitor are as follows:

	Three months ended June 30,			
	2020		2019	
	(dollars in thousands)			
Revenue constant currency growth rate (1)	21	%	32	%
Revenue retention rate (2)	106	%	111	%
Total customers (3)	38,600		35,300	
Gross profit percentage	75	%	74	%
Adjusted EBITDA (1)	\$ 25,665		\$ 13,503	

(1) Adjusted EBITDA and revenue constant currency growth rates are non-GAAP measures. For a reconciliation of Adjusted EBITDA and revenue constant currency growth rates to the nearest comparable GAAP measures, see "Reconciliation of Non-GAAP Financial Measures" below.

(2) We calculate our revenue retention rate by annualizing constant currency revenue recorded on the last day of the measurement period for only those customers in place throughout the entire measurement period. This revenue includes renewed revenue contracts as well as additional revenue derived from the sale of additional seat licenses as well as additional services sold to these existing customers. We divide the result by revenue on a constant currency basis on the first day of the measurement period for all customers in place at the beginning of the measurement period. The measurement period is the trailing twelve months. The revenue on a constant currency basis is based on the

average exchange rates in effect during the respective period.

(3) Reflects the customer count on the last day of the period rounded to the nearest hundred customers. We define a customer as an entity with an active subscription contract as of the measurement date. A customer is typically a parent company or, in a few cases, a significant subsidiary that works with us directly. In determining the number of customers, we do not include customers we acquired from DMARC Analyzer that transact with us on a credit card basis.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of revenue growth rate, as reported, to revenue constant currency growth rate:

	Three months ended June 30,			
	2020	2019		
	(dollars in thousands)			
Reconciliation of Revenue Constant Currency Growth Rate:				
Revenue, as reported	\$ 115,176	\$ 99,231		
Revenue year-over-year growth rate, as reported	16	% 27		%
Estimated impact of foreign currency fluctuations	5	% 5		%
Revenue constant currency growth rate	21	% 32		%
<i>Exchange rate for period</i>				
USD	1.000	1.000		
ZAR	0.056	0.070		
GBP	1.241	1.286		
AUD	0.656	0.700		

The following tables present a reconciliation of selected GAAP results to Non-GAAP results (dollars in thousands):

	Three months ended June 30,			
	2020	2019		
Reconciliation of Non-GAAP Gross Profit:				
GAAP gross profit	\$ 86,707	\$ 73,764		
GAAP gross profit percentage	75	% 74		%
Plus:				
Share-based compensation expense	1,125	787		
Amortization of acquired intangible assets	940	625		
Non-GAAP gross profit	\$ 88,772	\$ 75,176		
Non-GAAP gross profit percentage	77	% 76		%

	Three months ended June 30,	
	2020	2019
GAAP research and development	\$ 22,802	\$ 19,385
Less:		
Share-based compensation expense	3,884	2,549
Amortization of acquired intangible assets	—	—
Acquisition-related expenses	—	—
Litigation-related expenses	—	—
Non-GAAP research and development	\$ 18,918	\$ 16,836

	Three months ended June 30,	
	2020	2019
GAAP sales and marketing	\$ 44,043	\$ 43,370
Less:		
Share-based compensation expense	4,437	3,782
Amortization of acquired intangible assets	27	30
Acquisition-related expenses	—	—
Litigation-related expenses	—	—
Non-GAAP sales and marketing	\$ 39,579	\$ 39,558

	Three months ended June 30,	
	2020	2019
GAAP general and administrative	\$ 17,168	\$ 15,447
Less:		
Share-based compensation expense	4,207	2,916
Amortization of acquired intangible assets	—	—
Acquisition-related expenses	365	—
Litigation-related expenses	—	350
Non-GAAP general and administrative	\$ 12,596	\$ 12,181

	Three months ended June 30,	
	2020	2019
GAAP income (loss) from operations	\$ 2,694	\$ (4,438)
Plus:		
Share-based compensation expense	13,653	10,034
Amortization of acquired intangible assets	967	655
Acquisition-related expenses	365	—
Litigation-related expenses	—	350
Non-GAAP income from operations	\$ 17,679	\$ 6,601

The following table presents a reconciliation of Net income (loss) to Non-GAAP net income (in thousands, except per share amounts):

	Three months ended June 30,	
	2020	2019
Reconciliation of Non-GAAP Net Income (Loss):		
Net income (loss)	\$ 3,138	\$ (4,010)
Share-based compensation expense	13,653	10,034
Amortization of acquired intangible assets	967	655
Acquisition-related expenses (1)	365	—
Litigation-related expenses (2)	—	350
Income tax effect of Non-GAAP adjustments	(3,969)	(2,066)
Non-GAAP net income	\$ 14,154	\$ 4,963
Non-GAAP net income per ordinary share - basic	\$ 0.22	\$ 0.08
Non-GAAP net income per ordinary share - diluted	\$ 0.22	\$ 0.08
Weighted-average number of ordinary shares used in computing Non-GAAP net income per ordinary share:		
Basic	63,019	61,444
Diluted	64,676	63,871

(1) Acquisition-related expenses relate to costs incurred for acquisition activity. See Note 10 and Note 16 of the notes to our unaudited condensed consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

(2) Litigation-related expenses relate to amounts incurred for litigation settlement. See Note 13 of the notes to our unaudited condensed consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

The following table presents a reconciliation of Net income (loss) to Adjusted EBITDA (in thousands):

	Three months ended June 30,	
	2020	2019
Reconciliation of Adjusted EBITDA:		
Net income (loss)	\$ 3,138	\$ (4,010)
Depreciation, amortization and disposals of long-lived assets	8,852	7,455
Interest expense, net	706	298
Provision for income taxes	613	230
Share-based compensation expense	13,653	10,034
Foreign exchange income	(1,662)	(854)

Acquisition-related expenses (1)	365	—
Litigation-related expenses (2)	—	350
Adjusted EBITDA	\$ 25,665	\$ 13,503

- (1) Acquisition-related expenses relate to costs incurred for acquisition activity. See Note 10 and Note 16 of the notes to our unaudited condensed consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.
- (2) Litigation-related expenses relate to amounts incurred for litigation settlement. See Note 13 of the notes to our unaudited condensed consolidated financial statements, included in the Company's Quarterly Report on Form 10-Q for further information.

The following table presents a reconciliation of Net cash provided by operating activities to Free Cash Flow (in thousands):

	Three months ended June 30,	
	2020	2019
Reconciliation of Free Cash Flow:		
Net cash provided by operating activities	\$ 29,305	\$ 28,524
Purchases of property, equipment and capitalized software	(10,771)	(9,161)
Free Cash Flow	\$ 18,534	\$ 19,363

Share-based compensation expense for the three months ended June 30, 2020 and 2019 (in thousands):

	Three months ended June 30,	
	2020	2019
Cost of revenue	\$ 1,125	\$ 787
Research and development	3,884	2,549
Sales and marketing	4,437	3,782
General and administrative	4,207	2,916
Total share-based compensation expense	\$ 13,653	\$ 10,034

Amortization of acquired intangible assets for the three months ended June 30, 2020 and 2019 (in thousands):

	Three months ended June 30,	
	2020	2019
Cost of revenue	\$ 940	\$ 625
Sales and marketing	27	30
Total amortization of acquired intangible assets	\$ 967	\$ 655

The following table presents a reconciliation of Net cash provided by operating activities to guided Free Cash Flow (in millions):

	Three months ending September 30, 2020	Year ending March 31, 2021
Reconciliation of Free Cash Flow:		
Net cash provided by operating activities	\$ 20	\$ 110 - 113
Purchases of property, equipment and capitalized software	(7)	(33 - 34)
Free Cash Flow	\$ 13	\$ 77-79

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