UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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) July 31, 2018

Bandwidth Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-38285	56-2242657
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

900 Main Campus Drive Raleigh, NC	27606
(Address of principal executive offices)	(Zip Code)

(800) 808-5150
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 July 31, 2018, Bandwidth Inc. ("Bandwidth") issued a press release reporting its financial results for the second quarter ended June 30, 2018. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K. The information furnished with 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, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Bandwidth Inc. press release, dated July 31, 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.

	BANDWIDTH INC.	
Date: July 31, 2018	By:	/s/ Jeffrey A. Hoffman
	Name:	Jeffrey A. Hoffman
	Title:	Chief Financial Officer

Exhibit 99.1

Bandwidth Announces Second Quarter 2018 Financial Results

Total revenue of $48.3 million, up 22% year-over-year

CPaaS Revenue of $39.8 million, up 26% year-over-year

Active CPaaS Customers of 1,092, up 26% year-over-year

Dollar-based net retention rate of 119%, up from 105% in Q2 2017

Raleigh, NC - July 31, 2018 - Bandwidth Inc. (NASDAQ: BAND), a software company focused on communications for the enterprise, today announced financial results for the second quarter ended June 30, 2018.

"Our second quarter results demonstrate that we are executing against our strategic initiatives as highlighted by our dollar-based net retention rate of 119%," stated David Morken, chief executive officer of Bandwidth. "Bandwidth's financial results demonstrate the continued strength of our core business and the impact of our differentiators in the enterprise segment. This includes our highly scalable platform with our easy to use APIs, our vertically integrated nationwide IP voice network that we built and operate and our one of a kind CPaaS based 911capabilities. We are excited to be in the best position to take advantage of the growing multi-billion dollar CPaaS opportunity."

Second Quarter 2018 Financial Highlights

- **Revenue**: Total revenue for the second quarter of 2018 was $48.3 million, up 22% compared to $39.5 million for the second quarter of 2017. Within total revenue, CPaaS revenue was $39.8 million, up 26% compared to $31.5 million for the second quarter of 2017. Other revenue contributed the remaining $8.5 million for the second quarter of 2018. Other revenue was $8.0 million in the same period last year.
- **Gross Profit**: Gross profit for the second quarter of 2018 was $21.7 million, compared to $17.2 million for the second quarter of 2017. Gross margin for the second quarter of 2018 was 45%, compared to 44% for the second quarter of 2017. Non-GAAP gross profit for the second quarter of 2018 was $22.8 million, compared to $18.3 million for the second quarter of 2017. Non-GAAP gross margin was 47% for the second quarter of 2018, compared to 46% for the second quarter of 2017.
- **Net Income:** Net income for the second quarter of 2018 was $10.5 million, or $0.50 per share, based on 20.9 million weighted average diluted shares outstanding. This includes a $7.1 million income tax benefit from option exercises. During the second quarter of 2017, net income attributable to common stockholders was $1.7 million, or $0.13 per share, based on 12.9 million weighted average diluted shares outstanding for the second quarter of 2017.
- **Non-GAAP Net Income:** Non-GAAP Net Income for the second quarter of 2018 was $4.1 million, or $0.20 per share, based on 20.9 million weighted average diluted shares outstanding. Non-GAAP net income excludes the $7.1 million income tax benefit from option exercises. This compares to a Non-GAAP net income of $2.5 million, or $0.17 per share, based on 14.7 million weighted average diluted shares outstanding for the second quarter of 2017.
- **Adjusted EBITDA**: Adjusted EBITDA was $3.2 million for the second quarter of 2018, compared to $5.8 million for the second quarter of 2017.

Additional information regarding the non-GAAP financial measures discussed in this release, including an explanation of these measures and how each are calculated are included below under the heading "Non-GAAP Financial Measures." A reconciliation of GAAP to non-GAAP financial measures has also been provided in the financial tables included below.

Second Quarter 2018 Key Metrics

- The number of active CPaaS customers was 1,092 as of June 30, 2018, an increase of 26% from 865 as of June 30, 2017.
- The dollar-based net retention rate was 119% during the second quarter of 2018, compared to 105% during the second quarter of 2017.

Additional information regarding our active CPaaS customers and dollar-based net retention rate and how each are calculated are included below.

Financial Outlook

As of July 31, 2018, Bandwidth is providing guidance for its third quarter and full year 2018 as follows:

- **Third Quarter 2018 Guidance**: CPaaS revenue is expected to be in the range of $40.0 million to $40.5 million. Total revenue is expected to be in the range of $47.7 million to $48.2 million. Non-GAAP earnings per share is expected to be a loss in the range of ($0.19) to ($0.21) per share, using 18.8 million weighted average basic shares outstanding.
- **Full Year 2018 Guidance**: CPaaS revenue is expected to be in the range of $160.7 million to $161.7 million. Total revenue is expected to be in the range of $198.0 million to $199.0 million. Non-GAAP earnings per share ("EPS") is expected to be in the range of approximately of $0.04 to $0.09 per share, using 20.9 million weighted average diluted shares outstanding.

Bandwidth has not reconciled its third quarter and full-year guidance related to non-GAAP net income to GAAP net income and non-GAAP EPS to GAAP EPS, because stock-based compensation cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

Quarterly Conference Call

Bandwidth will host a conference call today at 5:00 p.m. Eastern Time to review the Company's financial results for the second quarter ended June 30, 2018. To access this call, dial (877) 407-0792 for the U.S. or Canada, or (201) 689-8263 for international callers. A live webcast of the conference call will be accessible from the Investors section of Bandwidth's website at https://investors.bandwidth.com, and a recording will be archived and accessible at https://investors.bandwidth.com. An audio replay of this conference call will also be available through August 14, 2018, by dialing (844) 512-2921 for the U.S. or Canada, or (412) 317-6671 for international callers, and entering passcode 13681237.

About Bandwidth Inc.

Bandwidth (NASDAQ: BAND) is a software company focused on communications for the enterprise. Companies like Google, Microsoft, and Ring Central use Bandwidth's APIs to easily embed voice, messaging and 9-1-1 access into software and applications. Bandwidth is the first and only CPaaS provider offering a robust selection of communications APIs built around their own nationwide IP voice network- one of the largest in the nation. More information available at www.bandwidth.com.

Forward-Looking Statements

This press release includes forward-looking statements. All statements contained in this press release other than statements of historical facts, including, without limitation, statements regarding our future financial and business performance for the third quarter 2018 and full-year 2018, attractiveness of our product offerings and platform and the value proposition of our products, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "guide," "may," "will" and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, our ability to operate in compliance with applicable laws as well as other risks and uncertainties set forth in the "Risk Factors" section of our prospectus related to the initial public offering (IPO), filed with the Securities and Exchange Commission pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, on November 13, 2017 and subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no obligation to update any of these forward-looking statements after the date of this press release to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this press release.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with Generally Accepted Accounting Principles in the United States, or GAAP, we provide investors with certain non-GAAP financial measures and other business metrics, which we believe are helpful to our investors. We use these Non-GAAP financial measures and other business metrics for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these Non-GAAP financial measures and other business metrics provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

The presentation of Non-GAAP financial information and other business metrics is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. While our Non-GAAP financial measures and other business metrics are an important tool for financial and operational decision-making and for evaluating our own operating results over different periods of time, we urge investors to review the reconciliation of these financial measures to the comparable GAAP financial measures included above, and not to rely on any single financial measure to evaluate our business.

We define Non-GAAP gross profit as gross profit after adding back depreciation and amortization and stock-based compensation. We add back depreciation and amortization and stock-based compensation because they are non-cash items. We eliminate the impact of these non-cash items, because we do not consider them indicative of our core operating performance. Their exclusion facilitates comparisons of our operating performance on a period-to- period basis. Therefore, we believe that showing gross margin, as adjusted to remove the impact of these non- cash expenses, such as depreciation, amortization and stock-based compensation, is helpful to investors in assessing our gross profit and gross margin performance in a way that is similar to how management assesses our performance.

We calculate Non-GAAP gross margin by dividing adjusted gross profit by revenue, expressed as a percentage of revenue.

We define Non-GAAP net income as net income adjusted for certain items affecting period to period comparability. Non-GAAP net income excludes stock-based compensation, change in fair value of shareholders' antidilutive arrangement, amortization of acquired intangible assets related to the Dash acquisition, impairment charges of intangibles assets, loss (gain) on disposal of property and equipment, estimated tax impact of above adjustments, income tax benefit resulting from excess tax benefits associated with the exercise of stock options,
benefit resulting from the release of the valuation allowance on our deferred tax assets ("DTA"), and
impact on remeasurement of DTA as a result of 2017 tax reform.

We define adjusted EBITDA as net income adjusted to reflect the addition or elimination of certain income statement items including, but not limited to: income tax expense (benefit), interest expense, net, depreciation and amortization expense, stock-based compensation expense, impairment of intangible assets, and loss (gain) from disposal of property and equipment. We have presented Adjusted EBITDA because it is a key measure used by our management and board of directors to understand and evaluate our core operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business.

We define Free Cash Flow as net cash provided by or used in operating activities less net cash used in investments of property, plant and equipment activities and capitalized development costs for software for internal use. We believe free cash flow is a useful indicator of liquidity and provides information to management and investors about the amount of cash generated from our core operations that can be used for investing in our business. Free cash flow has certain limitations in that it does not represent the total increase or decrease in the cash balance for the period, it does not take into consideration investment in long-term securities, nor does it represent the residual cash flows available for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with our condensed consolidated statements of cash flows.

We believe that these Non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

While a reconciliation of Non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis as a result of the uncertainty regarding, and the potential variability of, many of these costs and expenses that we may incur in the future, we have provided a reconciliation of Non-GAAP financial measures and other business metrics to the nearest comparable GAAP measures in the accompanying financial statement tables included in this press release.

We define an active CPaaS customer account at the end of any period as an individual account, as identified by a unique account identifier, for which we have recognized at least $100 of revenue in the last month of the period. We believe that the use of our platform by active CPaaS customer accounts at or above the $100 per month threshold is a stronger indicator of potential future engagement than trial usage of our platform at levels below $100 per month. A single organization may constitute multiple unique active CPaaS customer accounts if it has multiple unique account identifiers, each of which is treated as a separate active CPaaS customer account.

Our dollar-based net retention rate compares the CPaaS revenue from customers in a quarter to the same quarter in the prior year. To calculate the dollar-based net retention rate, we first identify the cohort of customers that generate CPaaS revenue and that were customers in the same quarter of the prior year. The dollar-based net retention rate is obtained by dividing the CPaaS revenue generated from that cohort in a quarter, by the CPaaS revenue generated from that same cohort in the corresponding quarter in the prior year. When we calculate dollar-based net retention rate for periods longer than one quarter, we use the average of the quarterly dollar-based net retention rates for the quarters in such period.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In Thousands, Except Share and per Share Amounts)
(unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
Revenue	$ 39,526	$ 48,304	$ 79,151	$ 101,316
Cost of revenue	22,294	26,566	43,860	51,930
Gross profit	17,232	21,738	35,291	49,386
Operating expenses:				
Research and development	2,409	4,435	5,091	8,216
Sales and marketing	2,413	4,654	4,971	9,176
General and administrative	8,257	11,490	15,894	22,059
Total operating expenses	13,079	20,579	25,956	39,451
Operating income	4,153	1,159	9,335	9,935
Other (expense) income, net	(991)	90	(1,412)	139
Income before taxes	3,162	1,249	7,923	10,074
Income tax (provision) benefit	(1,215)	9,263	(2,987)	6,629
Net income	$ 1,947	$ 10,512	$ 4,936	$ 16,703
Other comprehensive income (loss)				
Unrealized gain (loss) on marketable securities, net of income tax benefit	$ —	$ 4	$ —	$ (2)
Total comprehensive income	$ 1,947	$ 10,516	$ 4,936	$ 16,701
Earnings per share:				
Net income	$ 1,947	$ 10,512	$ 4,936	$ 16,703
Less: net income allocated to participating securities	254	—	645	—
Net income attributable to common stockholders	$ 1,693	$ 10,512	$ 4,291	$ 16,703
Net income per share:				
Basic	$ 0.14	$ 0.58	$ 0.36	$ 0.93
Diluted	$ 0.13	$ 0.50	$ 0.33	$ 0.80
Weighted average number of common shares outstanding:				
Basic	11,814,584	18,154,964	11,806,619	17,908,159
Diluted	12,889,334	20,893,653	12,977,606	20,866,777

The Company recognized total stock-based compensation expense in continuing operations as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
Cost of revenue	$ 21	$ 32	$ 41	$ 49
Research and development	30	129	62	203
Sales and marketing	43	140	70	218
General and administrative	150	461	317	785
Total	$ 244	$ 762	$ 490	$ 1,255

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)
(unaudited)

	December 31, 2017	June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 37,627	$ 45,806
Marketable securities	—	10,992
Accounts receivable, net of allowance for doubtful accounts	21,225	23,001
Prepaid expenses and other current assets	6,400	7,395
Total current assets	65,252	87,194
Property and equipment, net	14,946	19,331
Intangible assets, net	7,643	7,348
Deferred costs, non-current	2,068	1,811
Other long-term assets	1,192	798
Goodwill	6,867	6,867
Deferred tax asset	6,526	13,204
Total assets	$ 104,494	$ 136,553
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,025	$ 1,786
Accrued expenses and other current liabilities	15,725	18,531
Current portion of deferred revenue and advanced billings	5,768	5,607
Total current liabilities	24,518	25,924
Other liabilities	716	2,392
Deferred revenue, net of current portion	2,549	6,851
Total liabilities	27,783	35,167
Stockholders' equity:		
Class A and Class B common stock	17	19
Additional paid-in capital	102,465	110,437
Accumulated deficit	(25,771)	(9,068)
Accumulated other comprehensive loss	—	(2)
Total stockholders' equity	76,711	101,386
Total liabilities and stockholders' equity	$ 104,494	$ 136,553

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(unaudited)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Operating activities		
Net income	$ 4,936	$ 16,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,821	2,683
Accretion of bond discount	—	(26)
Amortization of debt issuance costs	64	32
Stock-based compensation	490	1,255
Change in fair value of shareholders' anti-dilutive arrangement	553	—
Deferred taxes	2,456	(6,677)
Loss on disposal of property and equipment	9	10
Changes in operating assets and liabilities:		
Accounts receivable	(130)	(1,776)
Prepaid expenses and other assets	(1,180)	(620)
Deferred costs	(598)	225
Accounts payable	(2,997)	(2,375)
Accrued expenses and other liabilities	(2,229)	3,542
Deferred revenue and advanced billings	811	4,141
Net cash provided by operating activities	5,006	17,117
Investing activities		
Purchase of property and equipment	(1,123)	(3,113)
Capitalized software development costs	(1,598)	(1,547)
Proceeds from sale of property and equipment	3	3
Purchase of marketable securities	—	(13,995)
Maturities of marketable securities	—	3,000
Net cash used in investing activities	(2,718)	(15,652)
Financing activities		
Borrowings on line of credit	4,000	—
Repayments on line of credit	(6,500)	—
Payments on capital leases	(23)	(50)
Repayments on term loan	(1,000)	—
Payment of costs related to the initial public offering	—	(285)
Proceeds from issuances of common stock	109	7,004
Net cash (used in) provided by financing activities	(3,414)	6,669
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,126)	8,134
Cash, cash equivalents, and restricted cash, beginning of period	7,028	37,870
Cash, cash equivalents, and restricted cash, end of period	$ 5,902	$ 46,004
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 965	$ 45
Cash paid for taxes	$ 484	$ 155
Supplemental disclosure of noncash investing and financing activities		
Purchase of property and equipment, accrued but not paid	$ 74	$ 2,126

Reconciliation of Non-GAAP Financial Measures

(In Thousands, Except Share and per Share Amounts)
(Unaudited)

Non-GAAP Gross Profit and Non-GAAP Gross Margin

Consolidated

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
	(In thousands)			
Consolidated Gross Profit	$ 17,232	$ 21,738	$ 35,291	$ 49,386
Depreciation	1,036	1,015	2,083	2,078
Stock-based compensation	21	32	41	49
Non-GAAP Gross Profit	**$ 18,289**	**$ 22,785**	**$ 37,415**	**$ 51,513**
Non-GAAP Gross Margin %	**46 %**	**47 %**	**47 %**	**51 %**

By Segment

CPaaS

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
	(In thousands)			
CPaaS Gross Profit	$ 12,628	$ 16,696	$ 26,047	$ 33,688
Depreciation	1,036	1,015	2,083	2,078
Stock-based compensation	21	32	41	49
Non-GAAP Gross Profit	**$ 13,685**	**$ 17,743**	**$ 28,171**	**$ 35,815**
Non-GAAP CPaaS Gross Margin %	**43 %**	**45 %**	**45 %**	**45 %**

Other

There are no non-GAAP adjustments to gross profit for the Other segment.

Adjusted EBITDA

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
	(In thousands)			
Net income	$ 1,947	$ 10,512	$ 4,936	$ 16,703
Income tax provision (benefit) (2)	1,215	(9,263)	2,987	(6,629)
Interest expense (income), net	438	(90)	859	(139)
Depreciation	1,235	1,166	2,401	2,388
Amortization	210	130	420	295
Stock-based compensation	244	762	490	1,255
Loss on disposal of property and equipment	—	1	9	10
Change in fair value of shareholders' anti-dilutive arrangement (1)	553	—	553	—
Adjusted EBITDA	**$ 5,842**	**$ 3,218**	**$ 12,655**	**$ 13,883**

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(1) Relates to an anti-dilutive agreement which allows certain principal non-founder shareholders the ability to purchase additional common shares. See Note 4, Fair Value of Financial Instruments, in the Annual Report on Form 10-K for further explanation.

(2) Includes the tax benefit of $7,052 associated with the exercise of stock options

Reconciliation of Non-GAAP Financial Measures

(In Thousands, Except Share and per Share Amounts)
(Unaudited)

Non-GAAP Net Income

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
	(In thousands)			
Net income	$ 1,947	$ 10,512	$ 4,936	$ 16,703
Stock-based compensation	244	762	490	1,255
Change in fair value of shareholders' anti-dilutive arrangement (1)	553	—	553	—
Amortization related to acquisitions	130	130	260	260
Loss on disposal of property and equipment	—	1	9	10
Estimated tax effects of adjustments	(355)	(229)	(501)	(391)
Income tax benefit of option exercises	—	(7,052)	—	(7,052)
Non-GAAP net income	**$ 2,519**	**$ 4,124**	**$ 5,747**	**$ 10,785**
Non-GAAP net income per Non-GAAP share				
Basic	$ 0.19	$ 0.23	$ 0.42	$ 0.60
Diluted	$ 0.17	$ 0.20	$ 0.39	$ 0.52
Non-GAAP Weighted Average Number of Shares outstanding				
Basic	11,814,584	18,154,964	11,806,619	17,908,159
Series A redeemable convertible preferred stock outstanding	1,775,000	—	1,775,000	—
Non-GAAP Basic Shares	**13,589,584**	**18,154,964**	**13,581,619**	**17,908,159**
Diluted	12,889,334	20,893,653	12,977,606	20,866,777
Series A redeemable convertible preferred stock outstanding	1,775,000	—	1,775,000	—
Non-GAAP Diluted Shares	**14,664,334**	**20,893,653**	**14,752,606**	**20,866,777**

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(1) Relates to an anti-dilutive agreement which allows certain principal non-founder shareholders the ability to purchase additional common shares. See Note 4, Fair Value of Financial Instruments, in the Annual Report on Form 10-K for further explanation.

Free Cash Flow

	Three months ended June 30, 2017	Three months ended June 30, 2018	Six months ended June 30, 2017	Six months ended June 30, 2018
	(In thousands)			
Net cash provided by operating activities	$ 5,975	$ 5,874	$ 5,006	$ 17,117
Net cash used in investing in capital assets (1)	(1,914)	(3,258)	(2,721)	(4,660)
Free cash flow	**$ 4,061**	**$ 2,616**	**$ 2,285**	**$ 12,457**

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(1) Represents the acquisition cost of property, equipment and capitalized development costs for software for internal use.

Investor Contact
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