



SPLUNK INC. ANNUAL REPORT AND PROXY STATEMENT

APRIL 2019

DEAR FELLOW SPLUNK STOCKHOLDERS,



With increasing frequency, we hear others speak of data as a core business asset. “The new oil,” as *The Economist* put it two years ago. Data is increasingly viewed as central to reinventing legacy industries or innovating entirely new business models. But data isn’t just a lever for business. Data is becoming the primary tool by which humans will drive our future in every sense.

When we envision the future, we see tremendous value trapped in data. If we engage problems and opportunities with effective tools, what can data tell us about fighting systemic poverty? What can data tell us about effectively preparing for or mitigating the effects of climate change? How can the almost infinite troves of medical data help us deliver more effective treatments to more people?

If data could help us optimally target every dollar spent on health, education, infrastructure and social development, we fundamentally believe we could unleash trapped human potential and inhabit a better world.

Every human advancement comes with consequences that must be addressed. Wheels came way before brakes; cars before seat belts or air bags. But technological change moves much faster now. We’re already seeing significant challenges from data-driven digital transformation. In this young century, humankind has engineered digital commerce and communication, but is only beginning to work through issues of digital security and privacy. And on the near horizon, we’re facing everything from workplace automation to algorithmic decision making.

This is where the value of Splunk lies. Splunk is *the* platform for drawing actionable insights from a broad spectrum of data and turning that data into *doing*: Making breakthroughs. Making the chaos of data understandable and meaningful.

We see Splunk’s customers and partners doing this every day. They are delivering more successful business outcomes, better healthcare, more effective education, and higher-quality public services — in every case, with greater data security in the face of rising numbers of malicious actors.

Splunk’s performance last year demonstrates our leadership in this nascent data transformation. In fiscal 2019, we generated revenue of \$1.8 billion, a 38% year-over-year increase. Looking at the data (as we always do), this rate of growth places Splunk in a limited group of companies growing so quickly at increasing scale. Our team has worked together to finish the year with more than 17,500 customers in 130 countries, and over 4,400 employees.

Our Products organization continues to innovate. We delivered a host of new capabilities in our core areas of data indexing and search, while simultaneously introducing innovation in entirely new areas, including next-generation data wrangling, data stream processing, federated search, augmented reality and blockchain. These innovations cover a large area of the data landscape while tying into our three guiding design principles: faster time to an outcome, lower cost of an outcome, and higher trust in recommended outcomes.

In addition to our ongoing innovation, we introduced complementary expertise and capabilities to our portfolio with the acquisitions of Phantom Cyber, VictorOps and KryptonCloud in fiscal 2019. These companies expand our ability to provide our customers with more insight into their data, so they can make better-informed decisions.

We believe that achieving our mission includes enabling users of all backgrounds and experience to access and make use of data. Our \$100 million Splunk Pledge initiative funds grants and programs serving hundreds of nonprofits, colleges and universities. In addition, in fiscal 2019, Splunk provided free training to more than 4,000 veterans, spouses and currently serving military members from the United States, the United Kingdom and Australia. We also gave back to our communities in other ways — nearly 70% of our employees partnered with Habitat for Humanity, Rise Against Hunger, Feeding America and other innovative and change-oriented organizations. Splunk has engaged with such leading organizations as the World Economic Forum’s Center for the Fourth Industrial Revolution, helping to drive important conversations around AI and machine learning, cybersecurity, and the social impact of transformational technologies.

Our economy today increasingly depends on insights drawn from data. So do the decisions we make as a society. Going forward, the success of Splunk will continue to be driven by the principles of time, cost and trust. Splunk’s mission is inextricably tied to shaping the future of data, which ultimately helps to shape the future of our world.

Looking forward to another great year and a prosperous future ahead.

A handwritten signature in black ink that reads "Doug Merritt". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Doug Merritt
President and CEO
Splunk Inc.

The Splunk logo, featuring the word "splunk" in a bold, lowercase, sans-serif font. To the right of the word is a registered trademark symbol (®) and a stylized greater-than sign (>) that is part of the brand's identity.

270 Brannan Street
San Francisco, California 94107



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held at 3:30 p.m. Pacific Time on June 13, 2019

TO THE STOCKHOLDERS OF SPLUNK INC.:

The 2019 Annual Meeting of Stockholders (the "Annual Meeting") of Splunk Inc., a Delaware corporation ("Splunk," "we," or the "Company"), will be held on **June 13, 2019, at 3:30 p.m. Pacific Time**, at 3098 Olsen Drive, San Jose, California 95128, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect three Class I directors to serve until the 2022 annual meeting of stockholders or until their successors are duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2020;
3. To conduct an advisory vote to approve the compensation of our named executive officers;
4. To conduct an advisory vote on the frequency of future stockholder advisory votes on named executive officer compensation; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors of Splunk (the "Board") fixed the close of business on April 18, 2019 as the record date for the Annual Meeting. Only holders of our common stock as of the record date are entitled to notice of and to vote at the Annual Meeting. Further information regarding voting rights and the matters to be voted upon is presented in the accompanying proxy statement.

On or about April 30, 2019, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice"). The Notice provides instructions on how to vote online, by telephone, or by mail and includes instructions on how to receive a paper or e-mail copy of proxy materials if you choose. Instructions on how to access our proxy statement and our fiscal 2019 Annual Report may be found in the Notice or on our website at investors.splunk.com.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, we urge you to submit your vote now via the Internet, telephone, or mail.

We appreciate your continued support of Splunk.

Very truly yours,

A handwritten signature in black ink, appearing to read "Scott Morgan".

Scott Morgan

Senior Vice President, Chief Legal Officer and Secretary
San Francisco, California
April 30, 2019

HOW TO CAST YOUR VOTE



www.proxyvote.com
Vote by Internet



1-800-690-6903
Vote by Telephone



Mail your signed proxy card
Vote by Mail

Note for Street Name Holders:

If you hold your shares through a broker, bank or other nominee, you must instruct your nominee how to vote the shares held in your account. The nominee will give you a voting instruction form.

Your vote is important. Please vote your shares as soon as possible.

See "Other Matters—Questions and Answers About the Proxy Materials and Our 2019 Annual Meeting" for details on voting requirements and additional information about the Annual Meeting.







PROXY STATEMENT SUMMARY

YOUR VOTE IS IMPORTANT

This summary highlights information contained within this proxy statement. You should read the entire proxy statement carefully and consider all information before voting. Page references are supplied to help you find further information in this proxy statement.

VOTING MATTERS, VOTE RECOMMENDATIONS AND RATIONALE

Voting Matter	Board Vote Recommendation
<p>> Proposal 1: Election of Class I Directors The Board and the Nominating and Corporate Governance Committee believe that each of the nominees possesses the right skills, qualifications and experience to effectively oversee the Company's long-term business strategy.</p>	<p>FOR EACH NOMINEE  (page 13)</p>
<p>> Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm The Board and the Audit Committee believe that the retention of PricewaterhouseCoopers LLP for the fiscal year ending January 31, 2020 is in the best interests of the Company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the independent registered public accounting firm.</p>	<p>FOR  (page 35)</p>
<p>> Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation Our executive compensation program demonstrates the continuing evolution of our "pay for performance" philosophy, and reflects feedback received from stockholder engagement. We currently hold our Say-on-Pay vote annually.</p>	<p>FOR  (page 39)</p>
<p>> Proposal 4: Advisory Vote on Frequency of Advisory Votes on Named Executive Officer Compensation Since 2013, we have held an advisory vote on named executive officer compensation every year and the Board continues to believe annual votes are the most appropriate policy for us at this time.</p>	<p>EVERY 1 YEAR  (page 40)</p>

FISCAL 2019 BUSINESS HIGHLIGHTS

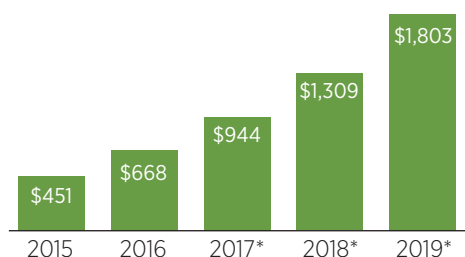
Fiscal 2019 was a year of strong growth, financial performance and execution. Our ongoing prioritization of customer success and adoption led to continued top-line revenue growth. In fiscal 2019, our executive compensation plans emphasized revenue and non-GAAP operating margin metrics to align our compensation incentives with our business strategy of delivering growth with spending discipline and operating leverage, which we believe is consistent with the investment objectives of our stockholders. These are the financial metrics on which our investors focused in fiscal 2019, and we provided robust information and discussion regarding the results of these metrics each quarter during the fiscal year. Our fiscal 2019 business highlights include achievement of the following revenue and non-GAAP operating margin results and other important metrics:

- Total revenue of \$1.803 billion, up 38% year-over-year;
- Non-GAAP operating margin of 12.7%⁽¹⁾;
- Operating cash flow of \$296.5 million with free cash flow of \$273.3 million⁽¹⁾; and
- Over 17,500 customers in more than 130 countries at the end of fiscal 2019, compared to over 15,000 customers at the end of fiscal 2018.

⁽¹⁾ To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP operating margin and free cash flow. For a full reconciliation between GAAP and non-GAAP operating margin and between net cash provided by operating activities and free cash flow, please see our Annual Report on Form 10-K for the year ended January 31, 2019.

TOTAL REVENUE

\$ in Millions • FYE January 31

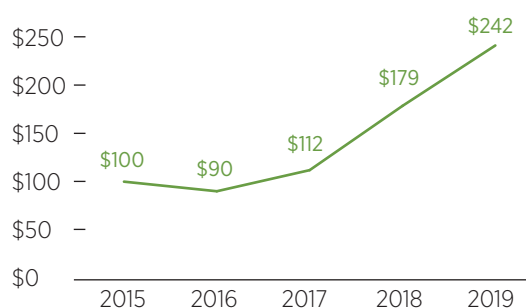


* Reflects the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

The chart below shows the total return on our common stock through the end of fiscal 2019, assuming an initial investment of \$100 at the end of fiscal 2015.

TOTAL STOCKHOLDER RETURN

FYE January 31



See also “Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Strategic Context and Fiscal 2019 Business Highlights” on page 41 of this proxy statement. Detailed information on our financial and operational performance can be found in our fiscal 2019 Annual Report on Form 10-K.

CORPORATE GOVERNANCE

We believe that good corporate governance promotes the long-term interests of our stockholders, strengthens our Board and management accountability and leads to better business performance. For these reasons, we are committed to maintaining strong corporate governance practices.

The “Corporate Governance at Splunk” section beginning on page 10 describes our governance practices, which include the following highlights:

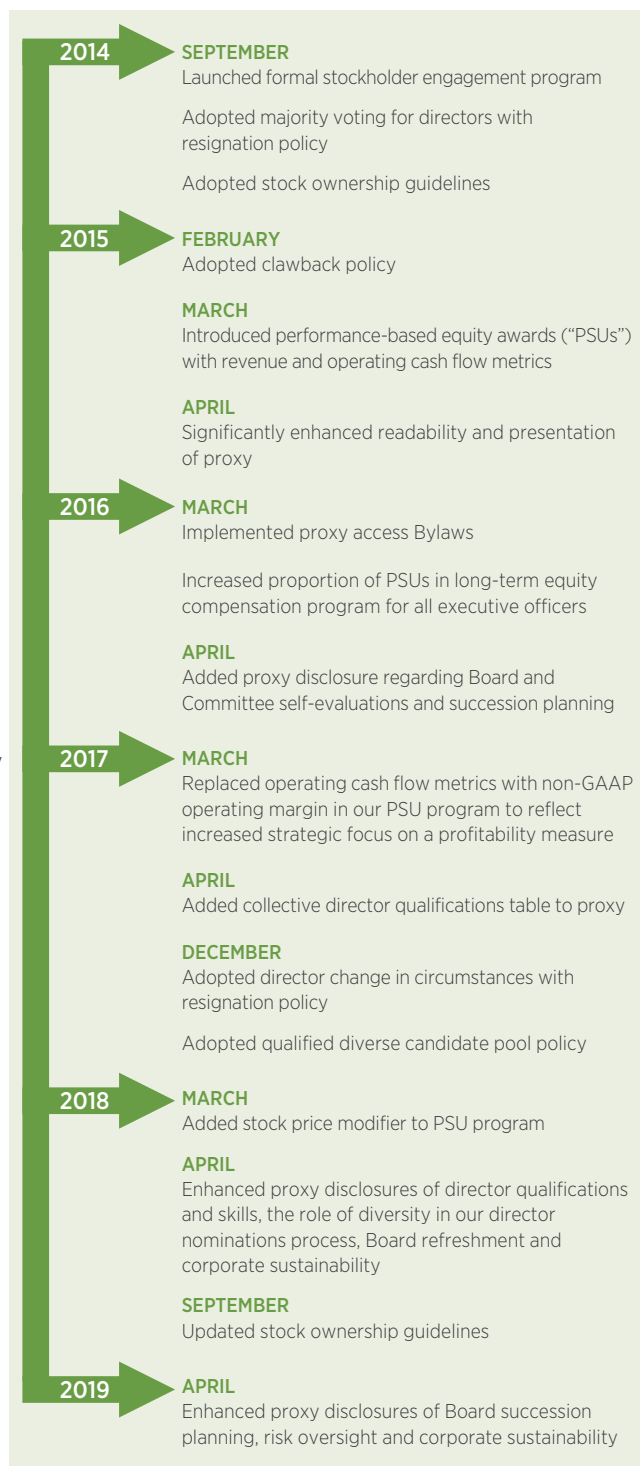
- ✓ 100% Independent Committee Members
- ✓ Independent Chairman
- ✓ Majority Voting for Directors with Resignation Policy
- ✓ Annual Board and Committee Evaluation
- ✓ Regular Meetings of Independent Directors Without Management Present
- ✓ Board Continuing Education Program
- ✓ Succession Planning Process
- ✓ Proxy Access Bylaws
- ✓ Formal CEO Evaluation Process
- ✓ Director Change in Circumstances with Resignation Policy
- ✓ Qualified Diverse Candidate Pool Policy
- ✓ Stockholder Engagement Program
- ✓ Board Risk Oversight
- ✓ Stock Ownership Guidelines for Directors and Officers
- ✓ Anti-Hedging and Pledging Policy
- ✓ Periodic Review of Committee Charters and Governance Policies
- ✓ Annual Say-on-Pay Vote
- ✓ Clawback Policy
- ✓ Code of Conduct for Directors, Officers and Employees

STOCKHOLDER ENGAGEMENT

We believe that effective corporate governance includes regular, constructive conversations with our stockholders. We are committed to maintaining an active dialogue to understand the priorities and concerns of our stockholders and believe that ongoing engagement builds mutual trust and understanding with our stockholders. Stockholder engagement and feedback are critical components of our corporate governance practices and inform our decisions and programs.

Over the past several years, in response to stockholder feedback, and as part of our ongoing evaluation of best practices, the Board has incorporated enhancements to our executive compensation program and corporate governance practices as depicted in the timeline. In fiscal 2019, we solicited the views of institutional stockholders representing approximately 54% of our shares and engaged in substantive discussions with stockholders representing approximately 19% of our shares. These discussions have helped ensure that our Board's decisions are informed by stockholder objectives.

For additional information, see “Corporate Governance at Splunk—Stockholder Engagement” on page 29 of this proxy statement and “Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Stockholder Engagement and Our 2018 Say-on-Pay Vote” on page 43 of this proxy statement.

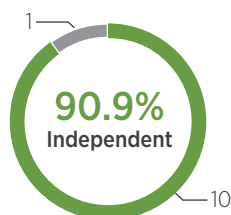


DIRECTOR NOMINEES AND OTHER DIRECTORS

Ensuring the Board is composed of directors who bring diverse viewpoints and perspectives, exhibit a variety of skills, experience, and backgrounds, and effectively represent the long-term interests of stockholders is a top priority of our Board and Nominating and Corporate Governance Committee. The Board believes periodic assessment of directors is integral to an effective governance structure and aims to strike a balance between ensuring that we retain directors with deep knowledge of the Company while adding directors who bring a fresh perspective. We have added three new directors since 2017, enhancing the Board's breadth and depth of experience and diversity, while taking into account the Company's evolving business model, the macro technology business environment and the changing governance landscape.

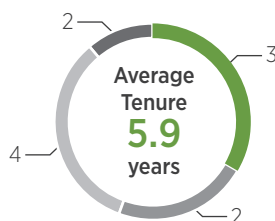
CURRENT BOARD OVERVIEW

DIRECTOR INDEPENDENCE



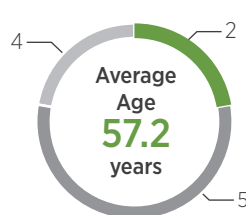
■ Independent
■ Non-independent

TENURE



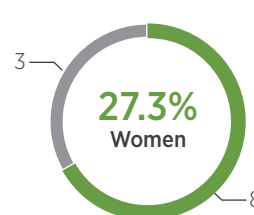
■ <3 years
■ 3-5 years
■ 6-9 years
■ 10-13 years

AGE



■ 40-49 years old
■ 50-59 years old
■ 60-69 years old

GENDER DIVERSITY



■ Men
■ Women

The following table provides summary information about each director nominee and other directors as of March 31, 2019. See pages 13 to 18 for more information.

	Class	Age	Principal Occupation	Director Since	Current Term Expires	Expiration of Term For Which Nominated	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
2019 Director Nominees									
Mark Carges*	I	57	Former CTO, eBay	2014	2019	2022			
Elisa Steele*	I	52	CEO, Namely	2017	2019	2022			
Sri Viswanath*	I	43	CTO, Atlassian	2019	2019	2022			
Continuing Directors									
John Connors*	II	60	Managing Partner, Ignition Partners	2007	2020	—			
Patricia Morrison*	II	59	Former EVP, Customer Support Services, and CIO, Cardinal Health	2013	2020	—			
Stephen Newberry*	II	65	Chairman, Lam Research	2013	2020	—			
Sara Baack*	III	47	Chief Product Officer, Equinix	2017	2021	—			
Douglas Merritt	III	55	President and CEO, Splunk	2015	2021	—			
Graham Smith*	III	59	Chairman, Splunk	2011	2021	—			
Non-Continuing Directors ⁽¹⁾									
Thomas Neustaetter*	I	67	Managing Director, JK&B Capital	2010	2019	—			
Godfrey Sullivan*	III	65	Former Chairman, Splunk	2008	2019	—			

* Independent director

Chair

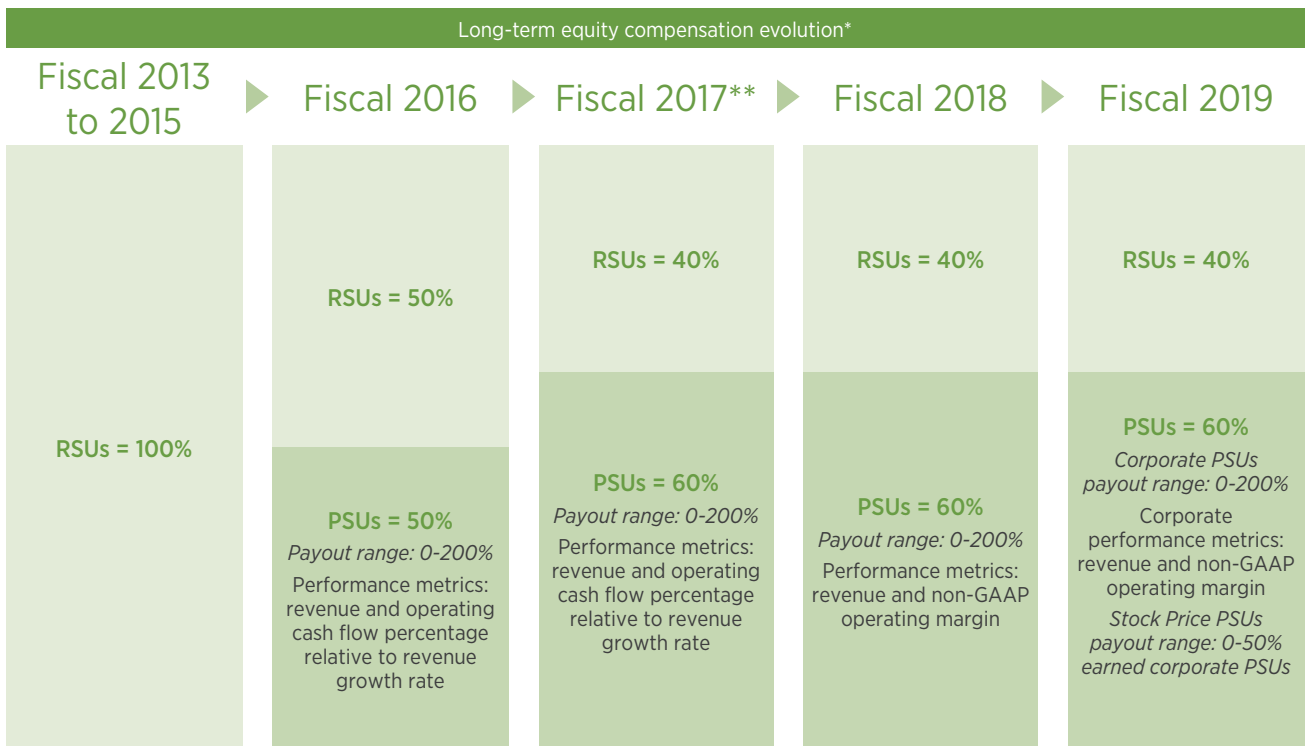
Member

Audit Committee Financial Expert

⁽¹⁾ Messrs. Neustaetter and Sullivan, who are current directors, are retiring from the Board effective immediately following the Annual Meeting.

EXECUTIVE COMPENSATION HIGHLIGHTS

Our executive compensation program is designed to attract, motivate and retain the key executives who drive our success. Pay that reflects performance and aligns with the interests of long-term stockholders is key to our compensation program design and decisions. The Compensation Committee structures our executive compensation program to include significant performance attributes that are aligned with our business strategy and long-term stockholder value creation. The fiscal 2019 executive compensation program provided short-term cash bonuses designed to drive top-line growth and long-term equity awards designed to drive revenue, non-GAAP operating margin performance and future stock price performance. We believe that both revenue growth and operating margin performance are critical to long-term stockholder value creation and that incorporating future stock price growth as part of our long-term equity award design further aligns our executives' and stockholders' interests. The following chart summarizes the evolution of our long-term equity compensation design in response to stockholder feedback and other considerations.





* Equity weightings are at the target performance level; the actual mix of equity will vary with performance unit award results.

** In fiscal 2017 only, long-term equity compensation for our CEO consisted of 25% RSUs and 75% PSUs.

OUR EXECUTIVE COMPENSATION PRACTICES

Our executive compensation policies and practices are designed to reinforce our pay for performance philosophy and align with sound governance principles. Listed below are highlights of our fiscal 2019 executive compensation policies and practices:

 What We Do	 What We Don't Do
<ul style="list-style-type: none"> ✓ Performance-based cash and equity incentives ✓ Clawback policy on cash and equity incentive compensation ✓ Stock ownership guidelines for executive officers and directors ✓ Caps on performance-based cash and equity incentive compensation ✓ 100% independent directors on the Compensation Committee ✓ Independent compensation consultant engaged by the Compensation Committee ✓ Annual review and approval of our executive compensation strategy ✓ Significant portion of executive compensation at risk based on corporate performance ✓ Four-year equity award vesting periods ✓ Limited and modest perquisites ✓ Formal CEO evaluation tied to compensation decisions 	<ul style="list-style-type: none"> ✗ No “single trigger” change of control payments or benefits ✗ No post-termination retirement or pension-type non-cash benefits or perquisites for our executive officers that are not available to our employees generally ✗ No tax gross-ups for change of control payments ✗ No short sales, hedging, or pledging of stock ownership positions and transactions involving derivatives of our common stock ✗ No strict benchmarking of compensation to a specific percentile of our peer group

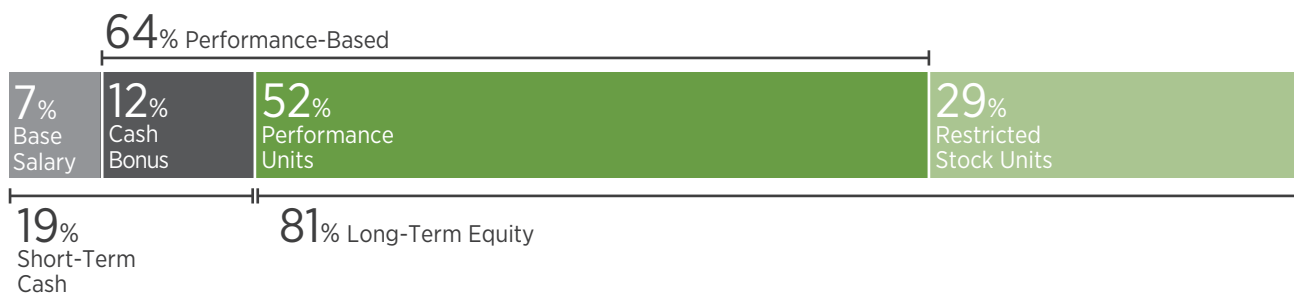
OUR FISCAL 2019 NAMED EXECUTIVE OFFICER PAY

The charts below show the pay mix of our CEO and other named executive officers (“NEOs”) and the components of their pay for fiscal 2019, specifically the base salary and cash bonus amounts earned and the grant date fair value of equity awards granted in fiscal 2019. These charts illustrate the predominance of at-risk and performance-based components in our regular executive compensation program. We believe these elements provide a compensation package that attracts and retains qualified individuals, links individual performance to Company performance, focuses the efforts of our NEOs and other executive officers on the achievement of both our short-term and long-term objectives and aligns the interests of our executive officers with those of our stockholders.

CEO



ALL OTHER NEOs



In addition, the chart below illustrates the short-term and long-term timeframe over which the various components of the NEOs' fiscal 2019 compensation are earned and paid and serve to continue to retain and incentivize our NEOs.

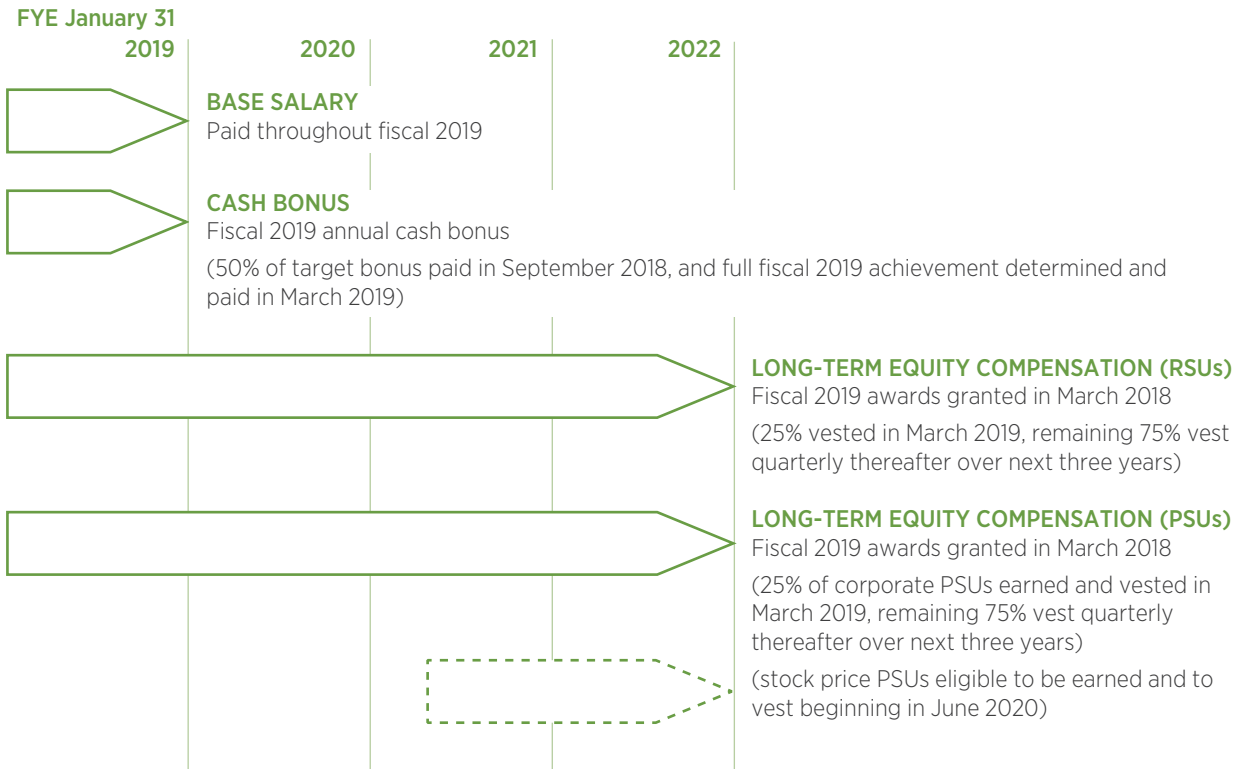


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CORPORATE GOVERNANCE AT SPLUNK

PROPOSAL

1

Election of Directors

The Board recommends a vote “FOR” each of the nominees named below.



Our business affairs are managed under the direction of our Board, which is currently composed of eleven members. Ten of our directors are independent within the meaning of the independent director rules of The Nasdaq Stock Market. Our Board is divided into three classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. Each director’s term continues until the expiration of the term for which he or she is elected and until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors.

In an uncontested election, directors are elected by a majority vote. This means that in order for a nominee to be elected in an uncontested election, the number of votes cast “For” such nominee’s election must exceed the number of votes cast “Against” that nominee’s election. Broker non-votes and abstentions will have no effect on the outcome of such election. In addition to the majority vote standard for director elections, we have a director resignation policy described in “Other Matters—Questions and Answers about the Proxy Materials and our 2019 Annual Meeting” on page 73.

In light of the individual qualifications and experiences of each of our director nominees, and the contributions that our nominees have made to our Board, our Board has recommended that each of our director nominees be elected by our stockholders. Biographies of all our directors are set forth below under “Nominees for Directors,” “Continuing Directors” and “Non-Continuing Directors.”

BOARD COMPOSITION

CONSIDERATIONS IN EVALUATING DIRECTOR NOMINEES

Our Board follows an annual director nomination process that promotes thoughtful and in-depth review of overall Board composition and director nominees throughout the year. At the beginning of the process, the Nominating and Corporate Governance Committee reviews current Board composition and any specific characteristics desired for future director candidates. See “Board Refreshment and Succession Planning” below for a discussion of the characteristics identified in the most recent director search that culminated in the appointment of Sri Viswanath to our Board. In its review of incumbent director candidates, the Nominating and Corporate Governance Committee evaluates any changes in circumstances that may impact their candidacy and considers information from the Board evaluation process. Upon a recommendation from the Nominating and Corporate Governance Committee, the Board considers and approves the nomination of director candidates for election at the annual meeting of the stockholders.

In evaluating director candidates and considering incumbent directors for nomination to the Board, the Nominating and Corporate Governance Committee expects certain minimum qualifications and takes into consideration key factors, experiences, qualifications and skills that are relevant to the Board’s work and the Company’s strategy and strengthens the current Board’s skills mix.

The Nominating and Corporate Governance Committee requires the following minimum qualifications to be satisfied by any nominee for a position on the Board:

Highest personal and professional ethics & integrity	Proven achievement in nominee’s field	Sound business judgment	Complementary skills to those of existing Board	Ability to assist management and significantly contribute to our success	Understanding of fiduciary duties	Commitment of time and energy
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Key factors the Nominating and Corporate Governance Committee considers when selecting directors and refreshing the Board (in addition to the current size and composition of the Board and the needs of the Board and its committees) include:

- **Age and Tenure** – While the Board does not have term limits, the Board seeks to establish appropriate levels of director turnover. New perspectives and new ideas are critical to a forward-looking and strategic Board, as is the ability to benefit from the valuable experience and familiarity that longer-serving directors bring.
- **Diversity** – The Board amended our Corporate Governance Guidelines in December 2017 to formalize its commitment to Board diversity, by explicitly stating its commitment to include qualified diverse candidates (including gender, race and ethnicity) in the pool from which nominees are considered. We believe that the judgment and perspective offered by a diverse board of directors improves the quality of decision making and enhances the Company's business performance. We also believe such diversity can help the Board respond more effectively to the varying needs of customers, stockholders, employees and other stakeholders.
- **Experience** – The Nominating and Corporate Governance Committee strives for a Board that spans a range of expertise and perspective in areas relevant to the Company's business, strategic vision and operating and innovation environment.
- **Full-time employment/Directorships** – The Nominating and Corporate Governance Committee takes into consideration employment status and whether the director holds a current operating role or is retired, and number of other public company boards on which the director serves to evaluate whether the nominee can commit the time and energy necessary to diligently carry out his or her fiduciary responsibilities.
- **Independence** – Having an independent Board is a core element of our governance philosophy. Our Corporate Governance Guidelines provide that a majority of our directors will be independent as defined under Nasdaq rules.

The Nominating and Corporate Governance Committee also considers and evaluates other factors it deems to be in our and our stockholders' best interests. The Nominating and Corporate Governance Committee does not pre-assign any weighting or priority to any of these factors.

The Nominating and Corporate Governance Committee reviews with the Board on an annual or more frequent basis the director skills and experience qualifications that it believes are desirable to be represented on the Board. The Nominating and Corporate Governance Committee believes that it is critical for directors to have (i) experience at a technology organization, (ii) previously held or currently hold significant leadership positions, and (iii) international operations and growth experience. The Board and the Nominating and Corporate Governance Committee believe that the collective experiences and qualifications of the directors allow the Board to best fulfill its responsibilities to the long-term interest of our stockholders.

Below is a summary of the primary experience, qualifications and skills that our directors bring to the Board:



Technology & Product (100%)

All **11** directors are experienced leaders in the technology sector focused on innovation and collaboration, which allows them to provide valuable insight on significant issues specific to the software and enterprise software industries.



Sales (55%)

6 of the directors have sales experience, which is relevant as the Company continues to expand its direct and indirect sales organization, increase customer satisfaction and renewals by offering support to ensure customer success and drive enterprise-wide adoption of its offerings.



Leadership (100%)

All **11** directors have held or hold significant leadership positions, possess strong leadership qualities and know the levers that drive change and growth, which equips them to provide constructive insight to our management team.



Marketing (55%)

6 of the directors have marketing experience and expertise in brand building in rapidly-changing industries, which contributes to the Company's ability to identify and develop new markets for its offerings and expand into adjacent products, services and technologies.



International Operations & Growth (100%)

11 of the directors have experience in the operational, financial and strategic issues facing global companies, which brings critical perspective to the Board as we continue to expand our international operations.



Financial (55%)

6 of the directors have strong financial experience, having spent a significant portion of their careers focused on finance or as a C-level executive, with **3** of them previously having served as chief financial officers.



Risk Management (82%)

9 of the directors have experience in risk management and oversight, which contributes to the Board's role in overseeing risk management and understanding the most significant risks facing the Company.



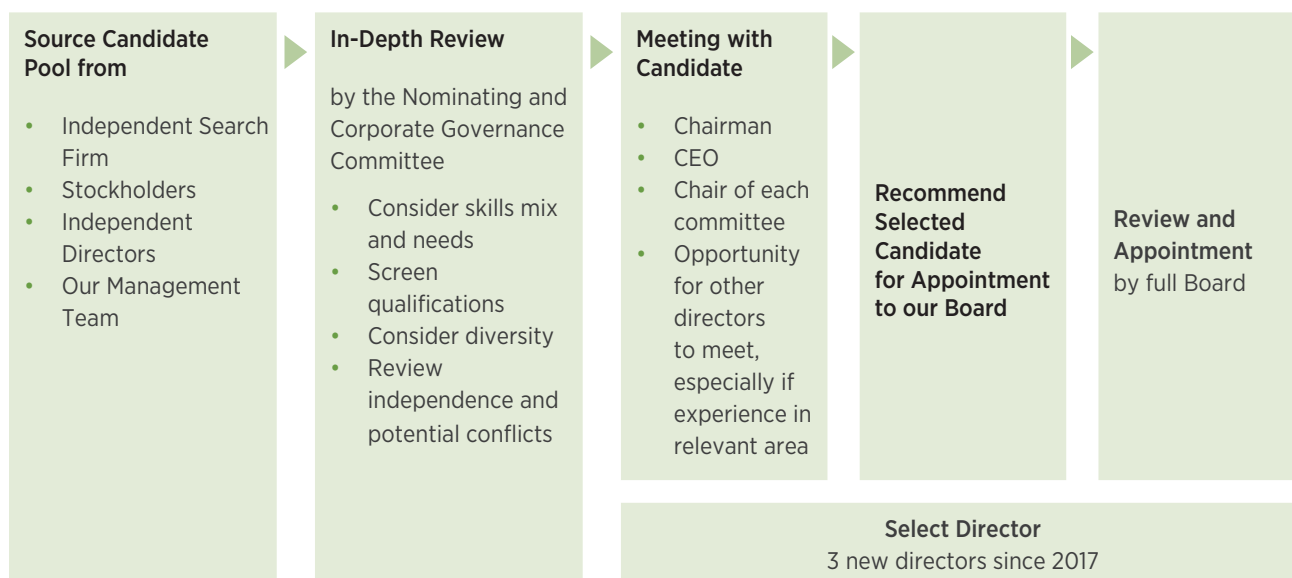
Information Security & Privacy (45%)

5 of the directors have experience in information security and privacy, which enhances the Board's oversight of cybersecurity and understanding the implications of cyber risks as they relate to the Company.

BOARD REFRESHMENT AND SUCCESSION PLANNING

The Nominating and Corporate Governance Committee, together with our Board, practices a long-term approach to Board refreshment. With the assistance of an independent search firm, the Nominating and Corporate Governance Committee focuses on identifying, considering and evaluating potential Board candidates with the goal of evolving the composition of our Board in line with the strategic needs of the Company. As the Company innovates, implements new technologies and enters new markets, its business model may require directors with new or different skill sets. Our succession planning process takes the Company’s evolution into account to ensure the Board remains a strategic asset capable of addressing the risks, trends, and opportunities that the Company will face in the future.

The following describes the Company’s selection process for new directors:



This past year, as part of the succession planning process, and in line with its multi-year view of anticipated director departures and leadership changes, the Nominating and Corporate Governance Committee, together with the Board, discussed the Board’s future composition needs. This discussion included the desired skills and attributes of successors for long-tenured directors, including Messrs. Neustaetter and Sullivan. It took into account the current and long-term needs of our business and the skills composition of our Board. This process identified an understanding of the fundamental drivers of digital transformation, cloud experience and product and engineering expertise as important to prioritize for overall Board composition. The Nominating and Corporate Governance Committee worked with a third-party search firm to identify candidates with these skills and attributes. In the fall of 2018, the Board launched a search process which culminated in March 2019 with the appointment of Sri Viswanath, Chief Technology Officer of Atlassian Corporation Plc, to our Board.

Other recent changes to our Board and committee composition include the retirement of two long-tenured directors, Messrs. Neustaetter and Sullivan effective immediately following the Annual Meeting and the appointment of Mr. Smith as Chairman of the Board. In addition, the Board appointed Mr. Connors as chair of the Audit Committee, Ms. Morrison as chair of the Nominating and Corporate Governance Committee, replacing Mr. Connors, and Mr. Viswanath as a member of the Nominating and Corporate Governance Committee.

NOMINEES FOR DIRECTOR

MARK CARGES



Independent
Former CTO of eBay
Age 57
Director Since 2014
Splunk Committee(s):
Compensation Committee

Mark Carges has served as a member of our Board since 2014. Mr. Carges previously served as the Chief Technology Officer of eBay Inc., an e-commerce company, from September 2009 to September 2014. From September 2009 to November 2013, he also served as eBay's Senior Vice President, Global Products, Marketplaces. From September 2008 to September 2009, he served as eBay's Senior Vice President, Technology. From November 2005 to May 2008, Mr. Carges served as Executive Vice President, Products and General Manager of the Business Interaction Division of BEA Systems, Inc., a software company (acquired by Oracle Corporation). Mr. Carges has served as a member of the board of directors of Veeva Systems Inc., a provider of industry cloud solutions for the global life sciences industry, since 2017. Mr. Carges previously served on the board of directors of Rally Software Development Corp., a provider of cloud-based solutions for managing software development (acquired by CA Technologies), from 2011 to 2015. Mr. Carges holds a B.A. from the University of California, Berkeley and an M.S. from New York University.

Mr. Carges possesses specific attributes that qualify him to serve as a director, including his knowledge and experience in the software industry and professional experience serving in leadership positions at various technology companies.

Mr. Carges brings the following primary experiences, qualifications and skills to the Board:

 Technology & Product

 Leadership

 International Operations & Growth

 Risk Management

 Sales

 Information Security & Privacy

ELISA STEELE



Independent
CEO of Namely
Age 52
Director Since 2017
Splunk Committee(s):
Compensation Committee

Elisa Steele has served as a member of our Board since 2017. Since 2018, Ms. Steele has served as Chief Executive Officer at Namely, Inc., a financial and human capital management software company. Ms. Steele previously served as Chief Executive Officer and President of Jive Software, Inc., a collaboration software company (acquired by Aurea), from 2015 to 2017. From 2014 to 2015, she served in various executive positions at Jive Software, including President; Executive Vice President, Strategy and Chief Marketing Officer; and Executive Vice President, Marketing and Products. Prior to joining Jive Software, Ms. Steele served as Chief Marketing Officer and Corporate Vice President, Consumer Apps & Services at Microsoft Corporation, a worldwide provider of software, services and solutions, and Chief Marketing Officer of Skype, an Internet communications company, from 2012 to 2014. Ms. Steele also has held executive leadership positions at Yahoo! Inc. and NetApp, Inc. Ms. Steele has served as a member of the board of directors of Cornerstone OnDemand, Inc., a learning and human capital management software company, since 2018. Ms. Steele holds a B.S. from the University of New Hampshire and an M.B.A. from San Francisco State University.

Ms. Steele possesses specific attributes that qualify her to serve as a director, including her knowledge and experience in the software industry and professional experience as a current and former executive of various technology companies.

Ms. Steele brings the following primary experiences, qualifications and skills to the Board:

 Technology & Product

 Leadership

 International Operations & Growth

 Risk Management

 Marketing

SRI VISWANATH



Independent
CTO of Atlassian

Age 43

Director Since 2019

Splunk Committee(s):
Nominating and Corporate
Governance Committee

Sri Viswanath has served as a member of our board of directors since 2019. Since 2016, Mr. Viswanath has served as Chief Technology Officer at Atlassian Corporation Plc, a provider of team collaboration and productivity software. Prior to joining Atlassian, Mr. Viswanath served as Senior Vice President of Engineering and Operations from April 2013 to October 2014 and Chief Technology Officer from October 2014 to January 2016 at Groupon, Inc., an e-commerce company. From 2012 to 2013, he served as Vice President of Research and Development for mobile computing at VMware, Inc., a provider of cloud and virtualization software and services. His previous experience also includes senior-level product positions at Glam Media, Inc. and Ning Inc. (acquired by Glam Media). He began his career in engineering roles at Sun Microsystems, Inc. Mr. Viswanath previously served on the board of directors of SendGrid, Inc., a provider of a cloud-based customer communication platform (acquired by Twilio Inc.), from 2017 to 2019. Mr. Viswanath holds a B.E. from Bangalore University, and a M.S. from each of Clemson University and Stanford University.

Mr. Viswanath possesses specific attributes that qualify him to serve as a director, including his product and engineering expertise, his knowledge and experience in the software industry and professional experience serving in leadership positions at other public companies.

Mr. Viswanath brings the following primary experiences, qualifications and skills to the Board:


Technology
& Product


Leadership


International
Operations
& Growth


Information
Security
& Privacy

CONTINUING DIRECTORS

JOHN CONNORS



Independent
Managing Partner at
Ignition Partners

Age 60

Director Since 2007

Splunk Committee(s):
Audit Committee

John Connors has served as a member of our Board since 2007. Since 2005, Mr. Connors has been a managing partner at Ignition Partners, LLC, a venture capital firm. Prior to joining Ignition Partners, Mr. Connors served in various management positions at Microsoft Corporation, a worldwide provider of software, services and solutions, from 1989 to 2005, including most recently as Senior Vice President and Chief Financial Officer from 1999 to 2005. Mr. Connors has served as a member of the board of directors of NIKE, Inc., a designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories, since 2005. Mr. Connors holds a B.A. from the University of Montana.

Mr. Connors possesses specific attributes that qualify him to serve as a director, including his substantial experience as an investment professional in the business software and services industry and his experience as an executive in the software industry and as a member of the board of directors and audit and finance committee of a Fortune 500 company. Mr. Connors also brings historical knowledge of our business and continuity to the Board, as well as accounting experience and financial expertise.

Mr. Connors brings the following primary experiences, qualifications and skills to the Board:



PATRICIA MORRISON



Independent
Former EVP, Customer
Support Services, and
CIO of Cardinal Health

Age 59

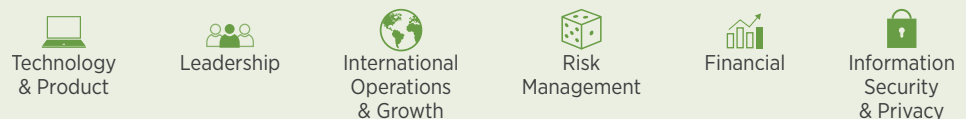
Director Since 2013

Splunk Committee(s):
Audit Committee;
Nominating and Corporate
Governance Committee

Patricia Morrison has served as a member of our Board since 2013. Ms. Morrison was Executive Vice President, Customer Support Services and Chief Information Officer at Cardinal Health, Inc., a provider of healthcare services, from 2009 to 2018. Prior to joining Cardinal Health, Ms. Morrison was Chief Executive Officer of Mainstay Partners, a technology advisory firm, from 2008 to 2009, and Executive Vice President and Chief Information Officer at Motorola, Inc., a designer, manufacturer, marketer and seller of mobility products, from 2005 to 2008. Her previous experience also includes Chief Information Officer of Office Depot, Inc. and senior-level information technology positions at PepsiCo, Inc., The Quaker Oats Company, General Electric Company and The Procter & Gamble Company. Ms. Morrison has served as a member of the board of directors of Aramark, a global provider of food, facilities and uniform services, since 2017, and Baxter International Inc., a global medical products company, since 2019. Ms. Morrison holds a B.A. and B.S. from Miami University in Oxford, Ohio.

Ms. Morrison possesses specific attributes that qualify her to serve as a director, including her information technology expertise and professional experience as an executive and as a member of the board of directors of other public companies.

Ms. Morrison brings the following primary experiences, qualifications and skills to the Board:



STEPHEN NEWBERRY



Independent
Chairman of Lam Research

Age 65

Director Since 2013

Splunk Committee(s):
Compensation Committee

Stephen Newberry has served as a member of our Board since 2013. Mr. Newberry has been a director of Lam Research Corporation, a supplier of wafer fabrication equipment and services, since 2005, and has served as the chairman of the board of Lam Research since 2012. He served as Lam Research's Chief Executive Officer from 2005 to 2011, President from 1998 to 2010, and Chief Operating Officer from 1997 to 2005. Prior to joining Lam Research, Mr. Newberry held various executive positions at Applied Materials, Inc., a provider of manufacturing solutions for the semiconductor, flat panel display and solar industries. Mr. Newberry previously served on the board of directors of Nanometrics Incorporated, a provider of process control metrology and inspection systems, from 2011 to 2015. Mr. Newberry holds a B.S. from the United States Naval Academy and is a graduate of the Program for Management Development at Harvard Business School.

Mr. Newberry possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as a former executive of global technology companies.

Mr. Newberry brings the following primary experiences, qualifications and skills to the Board:



SARA BAACK



Independent
Chief Product Officer
of Equinix

Age 47

Director Since 2017

Splunk Committee(s):
Nominating and Corporate
Governance Committee

Sara Baack has served as a member of our Board since 2017. Since April 2019, Ms. Baack has served as Chief Product Officer of Equinix, Inc., a global interconnection and data center company. Previously, she was Equinix's Chief Marketing Officer from 2012 to April 2019. Prior to joining Equinix, Ms. Baack served in various executive positions at Level 3 Communications Inc., a provider of integrated communications services, most recently as Senior Vice President, Voice Services from 2007 to 2012 and in other leadership positions in the company from 2000 to 2007. Prior to Level 3, she worked in financial services investing private equity for PaineWebber Capital (since acquired by UBS Group AG). Ms. Baack holds a B.A. from Rice University and an M.B.A. from Harvard Business School.

Ms. Baack possesses specific attributes that qualify her to serve as a director, including her knowledge and experience in the information technology services industry and professional experience serving in leadership positions at other public companies.

Ms. Baack brings the following primary experiences, qualifications and skills to the Board:



DOUGLAS MERRITT

President and CEO of Splunk

Age 55

Director Since 2015

Splunk Committee(s):
None

Douglas Merritt has served as our President, CEO and a member of our Board since 2015. Mr. Merritt served as our Senior Vice President of Field Operations from 2014 to 2015. Prior to joining us, he served as Senior Vice President of Products and Solutions Marketing at Cisco Systems, Inc., a networking company, from 2012 to 2014. From 2011 to 2012, he served as Chief Executive Officer of Baynote, Inc., a behavioral personalization and marketing technology company. Previously, Mr. Merritt served in a number of executive roles and as a member of the extended Executive Board at SAP A.G., an enterprise software company, from 2005 to 2011. From 2001 to 2004, Mr. Merritt served as Group Vice President and General Manager of the Human Capital Management Product Division at PeopleSoft Inc., a software company (acquired by Oracle Corporation). He also co-founded and served as Chief Executive Officer of Icarian, Inc., a cloud-based company (since acquired by Workstream Corp.), from 1996 to 2001. Mr. Merritt holds a B.S. from The University of the Pacific in Stockton, California.

Mr. Merritt possesses specific attributes that qualify him to serve as a director, including the knowledge and perspective he brings through his experience as our CEO and our former Senior Vice President of Field Operations, and his experience as a public company executive and as a member of the board of directors of private companies in the enterprise software industry.

Mr. Merritt brings the following primary experiences, qualifications and skills to the Board:

**GRAHAM SMITH**

Independent
Chairman of Splunk

Age 59

Director Since 2011

Splunk Committee(s):
Audit Committee

Graham Smith has served as a member of our Board since 2011 and was appointed Chairman in 2019. Mr. Smith was Executive Vice President at salesforce.com, inc., a provider of enterprise cloud computing software, in 2015. Previously he was salesforce's Executive Vice President, Finance from 2014 to 2015, Executive Vice President and Chief Financial Officer from 2008 to 2014, and Executive Vice President and Chief Financial Officer Designate from 2007 to 2008. Prior to joining salesforce, Mr. Smith served as Chief Financial Officer at Advent Software Inc., a portfolio accounting software company, from 2003 to 2007. Mr. Smith has served as a member of the board of directors of Xero Limited, an online accounting software company, and BlackLine, Inc., a provider of cloud-based solutions for finance and accounting, each since 2015. Mr. Smith previously served on the board of directors of Citrix Systems, Inc., an enterprise software company, from 2015 to 2018 and MINDBODY, Inc., a cloud-based wellness services marketplace (acquired by Vista Equity Partners), from 2015 to 2019. Mr. Smith holds a B.Sc. from Bristol University in England and qualified as a chartered accountant in England and Wales.

Mr. Smith possesses specific attributes that qualify him to serve as a director, including his financial expertise and professional experience as an executive and as a member of the board of directors of other public software companies.

Mr. Smith brings the following primary experiences, qualifications and skills to the Board:



NON-CONTINUING DIRECTORS

THOMAS NEUSTAETTER



Independent
Managing Director at
JK&B Capital

Age 67

Director Since 2010

Splunk Committee(s):
Nominating and Corporate
Governance Committee

Thomas Neustaetter has served as a member of our Board since 2010. Since 1999, Mr. Neustaetter has been a Managing Director at JK&B Capital, a venture capital firm. Prior to joining JK&B Capital, Mr. Neustaetter was a partner at The Chatterjee Group, an affiliate of Soros Fund Management, from 1996 to 1999. Mr. Neustaetter holds a B.A. from the University of California, Berkeley and an M.B.A. and M.S. from the University of California, Los Angeles.

Mr. Neustaetter possesses specific attributes that qualify him to serve as a director, including his financial expertise and his substantial experience as an investment professional and as a director of software companies.

Mr. Neustaetter brings the following primary experiences, qualifications and skills to the Board:



GODFREY SULLIVAN



Independent
Former CEO of Splunk

Age 65

Director Since 2008

Splunk Committee(s):
None

Godfrey Sullivan has served as a member of our Board since 2008 and served as Chairman from 2011 to 2019. Mr. Sullivan previously served as our President and Chief Executive Officer from 2008 to 2015. Prior to joining us, he served as President from 2001 to 2007 and Chief Executive Officer from 2004 to 2007 at Hyperion Solutions Corporation, a performance management software company (acquired by Oracle Corporation). He served as Hyperion's Chief Operating Officer from 2001 to 2004, and as a member of the board of directors from 2004 to 2007. Mr. Sullivan has served as a member of the board of directors of RingCentral, Inc., a provider of cloud-based communications and collaboration solutions, since 2019. Mr. Sullivan previously served on the board of directors of Informatica Corporation, a data integration software provider, from 2008 to 2013, and Citrix Systems, Inc., an enterprise software company, from 2005 to 2018. Mr. Sullivan holds a B.B.A. from Baylor University.

Mr. Sullivan possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our former CEO and his experience as an executive and as a member of the board of directors of other companies in the enterprise software industry. Mr. Sullivan also brings historical knowledge of our business, operational expertise and continuity to the Board.

Mr. Sullivan brings the following primary experiences, qualifications and skills to the Board:



DIRECTOR INDEPENDENCE

Our common stock is listed on The NASDAQ Global Select Market. Under the rules of The Nasdaq Stock Market, independent directors must comprise a majority of a listed company's board of directors, and subject to specified limited exceptions, all members of its audit, compensation, and nominating and corporate governance committees must be independent. Under those rules, a director is independent only if a company's board of directors makes an affirmative determination that the director has no material relationship with the company that would impair his or her independence.

Our Board has undertaken a review of the independence of each director. In making this determination, our Board considered the relationships that each non-employee director has with us and all other facts and circumstances that our Board deemed relevant in determining their independence, including the beneficial ownership of our capital stock of each non-employee director, as well as relationships that our directors may have with our customers and vendors. Based on this review, our Board has determined that Mses. Baack, Morrison and Steele, and Messrs. Carges, Connors, Neustaetter, Newberry, Smith, Sullivan and Viswanath, representing ten of our eleven directors, are "independent" as that term is defined under the rules of The Nasdaq Stock Market for purposes of serving on our Board and committees of our Board. Consistent with Nasdaq rules, Mr. Sullivan was deemed independent as of November 19, 2018, which was three years after his retirement as our President and Chief Executive Officer.

STOCKHOLDER RECOMMENDATIONS

The Nominating and Corporate Governance Committee will consider candidates for directors recommended by stockholders holding at least one percent of our fully diluted capitalization continuously for at least 12 months. The Nominating and Corporate Governance Committee will evaluate such recommendations in accordance with its charter, our Bylaws, our policies and procedures for director candidates, as well as the nominee criteria described above. This process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Stockholders meeting the applicable requirements that wish to recommend a candidate for nomination should contact our Corporate Secretary in writing. Such recommendations must include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a statement of support by the recommending stockholder, evidence of the recommending stockholder's ownership of our stock and a signed letter from the candidate confirming willingness to serve on our Board. The Nominating and Corporate Governance Committee has discretion to decide which individuals to recommend for nomination as directors. We did not receive any stockholder recommendations in 2018.

STOCKHOLDER NOMINATIONS

Our Bylaws permit stockholders to nominate director candidates through proxy access for inclusion in our proxy statement.

PROXY ACCESS PROCESS

1



a single stockholder, or group of up to 20 stockholders (or 25 stockholders, if our annual revenues are greater than \$4 billion for the most recently completed fiscal year)

owning **3%** outstanding stock

for at least **3 years** consecutively

2



the individual or group may submit

up to 20%

(if there are 10 or more directors in office) or

up to 25%

(if there are nine or fewer directors in office) of the directors then in office, but in no case less than

one nominee

3



stockholders and nominees who satisfy the requirements specified by our Bylaws are included in the proxy statement

To be timely for our 2020 annual meeting of stockholders, our Corporate Secretary must receive a stockholder's notice of a proxy access nomination at our principal executive offices:

- not earlier than December 2, 2019; and
- not later than the close of business on January 1, 2020.

ADVANCE NOTICE PROCEDURE

Our Bylaws also permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our Bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our Bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time period described under "Other Matters—Stockholder Proposals" for stockholder proposals that are not intended to be included in our proxy statement.

BOARD'S ROLE AND RESPONSIBILITIES

Stockholders elect the Board to oversee our management team and to serve stockholders' long-term interests. In exercising their fiduciary duties, the Board represents and acts in the interests of our stockholders and is committed to strong corporate governance. The Board is deeply involved in the Company's strategic planning process, risk oversight, human capital management, succession planning and selecting and evaluating the performance of our CEO.

LONG-TERM STRATEGIC PLANNING

Our Board recognizes the importance of assuring that our overall business strategy is designed to create long-term, sustainable value for our stockholders. As a result, our Board maintains an active oversight role in helping our management team formulate, plan and implement the Company's strategy. The Board and our management team routinely discuss the execution of our long-term strategic plans, the status of key initiatives and the key opportunities and risks facing the Company. At least annually, the Board participates in an in-depth review of the Company's overall strategy with our management team. The Board and our management team discuss the industry and competitive landscapes, and short- and long-term plans and priorities. In addition to our business strategy, the Board reviews the Company's financial plan for the upcoming year, which is aligned to the Company's long-term strategic plans and priorities.

RISK OVERSIGHT

Our Board recognizes the importance of effective risk oversight in running a successful business and in fulfilling its fiduciary responsibilities to the Company and its stockholders. Our Board is responsible for assuring that an appropriate culture of risk management exists within the Company and for setting the right "tone at the top," overseeing our aggregate risk profile and focusing on how the Company addresses specific risks, such as strategic and competitive risks, financial risks, brand and reputation risks, legal, compliance and geo-political risks, operational risks and cybersecurity and technology risks.

Our Board exercises its risk oversight responsibility both directly and through its three standing committees, each of which is delegated specific risks and keeps our Board informed of its oversight efforts through regular reports by the committee chairs. Our management team is responsible for the day-to-day management of risks we face and members of our management team engage with the Board and its three standing committees regularly regarding such risks. Throughout the year, our Board and each committee spend a portion of their time reviewing and discussing specific risk topics.

In addition, those employees representing certain core business functions also regularly engage with the Board and its committees. For example:

- Our Chief Information Security Officer ("CISO") provides periodic updates to the Audit Committee on cybersecurity and other risks relevant to our information technology environment. The Board and the Audit Committee also receive updates about the results of periodic exercises and response readiness assessments led by our CISO and outside advisors who provide a third-party independent assessment of our cyber risk management program and our internal response preparedness.
- Reporting to the Audit Committee, our internal audit function provides objective audit, investigative, and advisory services aimed at providing assurance to our management team and the Board that the Company is anticipating, identifying, assessing, and appropriately prioritizing and mitigating risks.

- Representatives from our Legal Department update our Board regularly on material legal, compliance, governance and geo-political matters.
- Our Strategy and Corporate Development team, along with others, assists the Board in its governance of strategic acquisitions and investments and assessments of the competitive landscape.

Our Board believes that its current leadership structure, described in detail under “Board Effectiveness” on page 22, supports the risk oversight function of our Board by providing for open communication between our management team and our Board. In addition, independent directors chair the various committees involved in assisting with risk oversight, and all directors are involved in the risk oversight function.

The following are the key oversight responsibilities of our Board and its committees:



LEADERSHIP DEVELOPMENT AND MANAGEMENT SUCCESSION PLANNING

The Board and management team recognize the importance of continuously developing our executive talent. Our management team conducts periodic talent reviews that includes succession plans for our senior leadership positions. In addition, our Board periodically reviews a succession plan for the CEO position, using formal criteria to evaluate potential successors. In conducting its evaluation, the Board considers organizational needs, competitive challenges, leadership/management potential and development, and emergency situations.

In addition to executive and management succession, the Nominating and Corporate Governance Committee regularly oversees and plans for director succession and refreshment of the Board to ensure a mix of skills, experience, tenure and diversity, as described under “Board Composition—Board Refreshment and Succession Planning” beginning on page 12.

CEO EVALUATION PROCESS

Our Board conducts an annual CEO evaluation process, consisting of both a performance review and a compensation analysis. For fiscal 2019, the performance evaluation component was led by our Lead Independent Director and chair of the Compensation Committee and included an assessment of the CEO’s performance in light of set objectives, 360 feedback evaluations provided by individuals who substantively interact with the CEO, and a detailed CEO self-assessment. Separately, the Compensation Committee’s independent compensation consultant conducted a market analysis to assess alignment of CEO compensation with competitive market practices and provided its findings to the Compensation Committee. Once all the relevant performance data had been collected, our Lead Independent Director and chair of the Compensation Committee prepared and presented their evaluation on CEO performance to the Board. The Compensation Committee then met in executive session to discuss the CEO performance evaluation results and CEO compensation. After reviewing all the collected data regarding performance, the Compensation Committee made its decision regarding CEO compensation for fiscal 2019. Our CEO abstained from participating in all discussions of the Compensation Committee and Board related to the final determination of his compensation.

BOARD EFFECTIVENESS

LEADERSHIP STRUCTURE

Effective March 21, 2019, Mr. Sullivan stepped down from his position as non-executive Chairman of our Board and the Board appointed Mr. Smith, one of the Company's independent directors, as Chairman. The Chairman presides over meetings of the Board, presides over meetings of stockholders, works with our management team to prepare agendas for meetings of the Board, serves as a liaison between our management team and the directors, and performs additional duties as the Board determines. Our Board believes that its leadership structure appropriately and effectively allocates authority, responsibility, and oversight between our management team and the members of our Board. It gives primary responsibility for the operational leadership and strategic direction of the Company to our CEO, while the Chairman facilitates our Board's independent oversight of our management team, promotes communication between our management team and our Board, engages with stockholders, and leads our Board's consideration of key governance matters.

Our Corporate Governance Guidelines require an independent director to serve as Lead Independent Director if the Chairman is not an independent director. As the Chairman is currently an independent director, Mr. Connors stepped down as Lead Independent Director, effective March 21, 2019, and continues to serve as a member of our Board.

The Nominating and Corporate Governance Committee periodically reviews the Board's leadership structure and when appropriate, recommends changes to the Board's leadership structure, taking into consideration the needs of the Board and the Company at such time.

EXECUTIVE SESSIONS

The non-employee, independent members of our Board and all committees of the Board generally meet in executive session without our management team present during their regularly scheduled board and committee meetings. Historically, the Lead Independent Director presided over these Board meetings, but going forward, for as long as we have an independent Chairman, the Chairman will preside over these meetings.

BOARD EVALUATIONS

Each year, the Nominating and Corporate Governance Committee reviews the format and framework of the Board and committee evaluation process and oversees the process itself.

The evaluation process has historically taken one of two forms: an internal assessment led by the Lead Independent Director or an assessment using the services of an independent third-party consultant. In either instance, the purpose of the evaluation is to focus on areas in which the Board or the committees believe contributions can be made going forward to increase the effectiveness of the Board or the committees. While this formal evaluation is conducted on an annual basis, directors share perspectives, feedback and suggestions year-round.

For fiscal 2019, as with fiscal 2018 and fiscal 2017, the Nominating and Corporate Governance Committee used a third-party consultant, experienced in corporate governance matters, to assist with the Board and committee evaluation process. Directors were interviewed by the independent third party and gave specific feedback on individual directors, committees and the Board in general. Directors responded to questions regarding, among other things, Board and committee processes, Board composition and expertise and other matters designed to elicit information to be used in improving Board and committee effectiveness. The independent third party synthesized the results and comments received during such interviews. At subsequent meetings, the Lead Independent Director, in conjunction with the independent third-party consultant, presented the findings to the Nominating and Corporate Governance Committee and the Board, followed by review and discussion by the full Board.

Over the past few years, the evaluation process has led to a broader scope of topics covered in Board meetings and improvements in Board process. These improvements include changes relating to the preparation and distribution of Board materials, adjustments to the timing and location of Board and committee meetings, holding a directors' education day, and participating in an annual in-depth review of the Company's overall strategy with our management team. The process has also informed Board and committee composition and leadership roles, which includes evolution of the director skills and experience qualifications criteria to meet the current and anticipated needs of the business. Results of the process, including review of contributions and performance of each director, are used by the Nominating and Corporate Governance Committee when considering whether to nominate the director for re-election to the Board.

DIRECTOR ONBOARDING AND CONTINUING EDUCATION

All new directors participate in an orientation program which familiarizes them with the Company's business, operations, strategies and corporate governance practices, and assists them in developing Company and industry knowledge to optimize their service on the Board. The onboarding process includes meetings with members of our management team to accelerate their effectiveness to engage fully in deliberations of our Board.

The Company encourages directors to participate in continuing education programs focused on the Company's business and industry, committee roles and responsibilities and legal and ethical responsibilities of directors. The Company reimburses directors for their expenses associated with this participation. We provide membership in the National Association of Corporate Directors to all Board members. We also encourage our directors to attend Splunk events such as our annual users' conference and take virtual Splunk education classes. Continuing director education is also provided during Board meetings and other Board discussions as part of the formal meetings and may include internally developed materials and presentations as well as programs presented by third parties. In fiscal 2019, we held a directors' education day in connection with the September meeting of the Board and its committees, which included presentations by outside experts based on input from directors regarding topics of interest.

BOARD MEETINGS AND COMMITTEES

During our fiscal year ended January 31, 2019, the Board held seven meetings, and no director attended fewer than 75% of the total number of meetings of the Board and the committees of which such director was a member.

Although we do not have a formal policy regarding attendance by members of our Board at annual meetings of stockholders, we encourage directors to attend. All directors who were serving at the time of the 2018 annual meeting of stockholders attended the meeting.

Our Board has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, each of which has the composition and responsibilities described below. Members serve on these committees until their resignation or until otherwise determined by our Board.

AUDIT COMMITTEE



JOHN CONNORS
Chair

The current members of our Audit Committee are Messrs. Connors and Smith and Ms. Morrison. Our Board has determined that each of the members of our Audit Committee satisfies the requirements for independence and financial literacy under the rules and regulations of The Nasdaq Stock Market and the SEC applicable to Audit Committee members. Our Board has also determined that both Messrs. Connors and Smith are audit committee financial experts as contemplated by the rules of the SEC implementing Section 407 of the Sarbanes Oxley Act of 2002. The Audit Committee held ten meetings during the fiscal year ended January 31, 2019.

Our Audit Committee oversees our accounting and financial reporting processes and the audit of our financial statements and assists our Board in monitoring our financial systems and our legal and regulatory compliance. Our Audit Committee is responsible for, among other things:

- appointing, compensating and overseeing the work of our independent auditors, including resolving disagreements between our management team and the independent registered public accounting firm regarding financial reporting;
- approving engagements of the independent registered public accounting firm to render any audit or permissible non-audit services;
- reviewing the qualifications and independence of the independent registered public accounting firm;
- reviewing our financial statements and related disclosures and reviewing our critical accounting policies and practices;
- reviewing the adequacy and effectiveness of our internal control over financial reporting;
- establishing procedures for the receipt, retention and treatment of accounting and auditing related complaints and concerns;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing and discussing with our management team and the independent registered public accounting firm the results of our annual audit, our quarterly financial statements and our publicly filed reports;
- reviewing and maintaining the related person transaction policy to ensure compliance with applicable law and that any proposed related person transactions are disclosed as required;
- overseeing the internal audit function; and
- overseeing the adequacy and effectiveness of the Company's risk management framework.

Our Audit Committee operates under a written charter that was adopted by our Board and satisfies the applicable standards of the SEC and The Nasdaq Stock Market. A copy of the Audit Committee Charter is available on our investor website at <http://investors.splunk.com/corporate-governance>.

COMPENSATION COMMITTEE



**STEPHEN
NEWBERRY**
Chair

The current members of our Compensation Committee are Messrs. Carges and Newberry and Ms. Steele. Our Board has determined that each of the members of our Compensation Committee is independent within the meaning of the independence requirements of The Nasdaq Stock Market. Our Board has also determined that the composition of our Compensation Committee meets the requirements for independence under, and the functioning of our Compensation Committee complies with, any applicable requirements of The Nasdaq Stock Market and SEC rules and regulations. The Compensation Committee held seven meetings during the fiscal year ended January 31, 2019.

Our Compensation Committee oversees our compensation policies, plans and programs. Our Compensation Committee is responsible for, among other things:

- annually reviewing and approving the primary components of compensation for our CEO and other executive officers;
- reviewing and approving compensation and corporate goals and objectives relevant to the compensation for our CEO and other executive officers;
- evaluating the performance of our CEO and other executive officers in light of established goals and objectives;
- periodically evaluating the competitiveness of the compensation of our CEO and other executive officers and our overall compensation plans;
- providing oversight of our overall compensation plans and of our 401(k) plan;
- reviewing and discussing with our management team the risks arising from our compensation policies and practices for all employees to determine if there is a reasonable likelihood of a material adverse effect on us;
- evaluating and making recommendations regarding director compensation; and
- administering our equity compensation plans for our employees and directors.

Our Compensation Committee operates under a written charter that was adopted by our Board and satisfies the applicable standards of the SEC and The Nasdaq Stock Market. A copy of the Compensation Committee Charter is available on our investor website at <http://investors.splunk.com/corporate-governance>.

Our Compensation Committee has delegated certain day-to-day administrative and ministerial functions to our officers under our equity compensation plans and our 401(k) plan.

Compensation Committee Interlocks and Insider Participation. None of Messrs. Carges or Newberry or Ms. Steele, who serves or has served during the past fiscal year as a member of our Compensation Committee, is an officer or employee of our Company. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE



PATRICIA MORRISON

Chair

The current members of our Nominating and Corporate Governance Committee are Mses. Baack and Morrison and Messrs. Neustaetter and Viswanath. Mr. Neustaetter is retiring after the Annual Meeting and will no longer serve on the Nominating and Corporate Governance Committee following the Annual Meeting. Our Board has determined that each of the members of our Nominating and Corporate Governance Committee is independent within the meaning of the independence requirements of The Nasdaq Stock Market. Mr. Connors, who served on the Nominating and Corporate Governance Committee until March 2019, was independent during his service. The Nominating and Corporate Governance Committee held four meetings during the fiscal year ended January 31, 2019.

Our Nominating and Corporate Governance Committee oversees and assists our Board in reviewing and recommending corporate governance policies and nominees for election to our Board and its committees. The Nominating and Corporate Governance Committee is responsible for, among other things:

- recommending desired qualifications for Board and committee membership and conducting searches for potential members of our Board;
- evaluating and making recommendations regarding the organization and governance of our Board and its committees and changes to our Certificate of Incorporation, Bylaws, the Code and stockholder communications;
- reviewing succession planning for our CEO and other executive officers and evaluating potential successors;
- assessing the performance of board members and making recommendations regarding committee and chair assignments and composition and the size of our Board and its committees;
- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;
- reviewing and making recommendations with regard to our Corporate Governance Guidelines and compliance with laws and regulations;
- reviewing and approving conflicts of interest of our directors and corporate officers, other than related person transactions reviewed by the Audit Committee; and
- providing oversight of our stockholder engagement program.

Our Nominating and Corporate Governance Committee operates under a written charter that was adopted by our Board and satisfies the applicable standards of the SEC and The Nasdaq Stock Market. A copy of the Nominating and Corporate Governance Committee Charter is available on our investor website at <http://investors.splunk.com/corporate-governance>.

NON-EMPLOYEE DIRECTOR COMPENSATION

Our non-employee director compensation program is designed to attract, retain and reward qualified non-employee directors and align the financial interests of the non-employee directors with those of our stockholders. Pursuant to this program, each member of our Board who is not our employee receives the cash and equity compensation for Board service described below. We also reimburse our non-employee directors for expenses incurred in connection with attending Board and committee meetings, assisting with other Company business, such as meeting with potential officer and director candidates, as well as continuing director education.

This program was developed shortly following our initial public offering in consultation with our Compensation Committee's independent compensation consultant at the time, Radford, an Aon Hewitt Company ("Radford"). Radford provided director compensation program design considerations, proposed alternative program designs for consideration, and presented competitive non-employee director compensation data and analyses including compensation data from our then-current peer group. Our Compensation Committee and Board considered and discussed these program design considerations, alternatives and data and analyses. Upon our Compensation Committee's recommendation, our Board adopted our non-employee director compensation program, consistent with Radford's recommendations, which we believe provides our non-employee directors with reasonable and appropriate compensation that is commensurate with the services they provide and competitive with compensation paid by our peers to their non-employee directors.

Our Compensation Committee has the primary responsibility for reviewing the compensation paid to our non-employee directors and making recommendations for adjustments, as appropriate, to the full Board. The Compensation Committee undertakes a biennial review of the type and form of compensation paid to our non-employee directors, which includes a market assessment and analysis by its independent compensation consultant. As part of this analysis, the independent compensation consultant reviews non-employee director compensation trends and data from companies comprising the same executive compensation peer group used by the Compensation Committee in connection with its review of executive compensation. Following a market assessment and analysis in early fiscal 2020 by Compensia, Inc. ("Compensia"), the Compensation Committee's independent compensation consultant, our Board approved increases of \$10,000 per year for service as non-executive Chairman of the Board, \$5,000 per year for service as chair of the Audit Committee, and \$2,500 per year for service as chair of the Nominating and Corporate Governance Committee, in each case effective as of March 21, 2019. No changes were made to the equity compensation of our directors. The Board made these changes in order to continue to attract, retain and reward qualified directors, consistent with market practices and the demands placed on our Board.

AMONG THE HIGHLIGHTS OF OUR PROGRAM:

- Periodic market assessments and analyses by the Compensation Committee's independent compensation consultants; most recently completed assessment in 2019 indicated director total compensation was nearly at the peer median.
- Equity makes up a meaningful portion of the directors' overall compensation mix to align interests with stockholders.
- Reasonable cash retainers for leadership roles and committee membership to recognize additional time commitment.
- Stock ownership guidelines of the lesser of five times the annual Board membership cash retainer and 4,000 shares supports alignment with stockholders' interests.
- No short sales, hedging, or pledging of stock ownership positions and transactions involving derivatives of our common stock.
- No additional fees are paid for Board meeting attendance.

CASH COMPENSATION

During fiscal 2019 and through March 21, 2019, our non-employee directors were entitled to receive the following cash compensation for their services:

- \$50,000 per year for service as a Board member;
- \$20,000 per year for service as chair of the Audit Committee or the Compensation Committee;
- \$10,000 per year for service as a member of the Audit Committee or the Compensation Committee;
- \$10,000 per year for service as chair of the Nominating and Corporate Governance Committee;
- \$5,000 per year for service as a member of the Nominating and Corporate Governance Committee;
- \$30,000 per year for service as Lead Independent Director; and
- \$40,000 per year for service as non-executive Chairman of the Board.

All cash payments to our non-employee directors are paid quarterly in arrears.

EQUITY COMPENSATION

Initial Award. Each non-employee director who first joins our Board automatically will be granted an initial RSU award having an award value of \$350,000 on the date on which such person becomes a non-employee director (unless otherwise determined by the Board), whether through election by our stockholders or appointment by our Board to fill a vacancy. An employee director who ceases to be an employee but remains a director will not receive this initial RSU award. An initial RSU award will vest as to one-third of the shares subject to the award on each of the first three anniversaries of the grant date, subject to continued service as a member of our Board through each such vesting date.

Annual Award. Each then-serving non-employee director automatically will be granted an RSU award having an award value of \$250,000 on the date of each annual meeting of stockholders. If a non-employee director's commencement date is other than the date of an annual meeting of stockholders, such non-employee director may be granted, on such non-employee director's commencement date, an annual award having an award value prorated based on the number of days between such director's commencement date and the next annual meeting of stockholders. Grants of annual RSU awards will vest as to one-fourth of the shares subject to the award on September 10, December 10, March 10 and June 10 (or our next annual meeting of stockholders if earlier), subject to continued service as a member of our Board through each such vesting date.

Discretionary Award. In addition, our Board may grant a non-employee director a discretionary supplemental equity award at any time and for any reason. No such awards were granted in fiscal 2019.

Change in Control. Under the terms of our 2012 Equity Incentive Plan, if the Company experiences a change in control and our non-employee director equity awards are not assumed or substituted, those awards will accelerate and become fully vested. If those awards are assumed or substituted and the director subsequently is terminated or resigns at the request of the acquiring company, those awards will accelerate and become fully vested.

FISCAL 2019 DIRECTOR COMPENSATION

The following table sets forth information regarding total compensation, in accordance with our non-employee director compensation program, for each person who served as a non-employee director during the year ended January 31, 2019. Mr. Viswanath was appointed in fiscal 2020.

Director Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Total (\$)
Sara Baack	55,000	249,937	304,937
Mark Carges	60,000	249,937	309,937
John Connors	100,000	249,937	349,937
Patricia Morrison	60,000	249,937	309,937
Thomas Neustaetter	55,000	249,937	304,937
Stephen Newberry	70,000	249,937	319,937
Graham Smith	70,000	249,937	319,937
Elisa Steele	60,000	249,937	309,937
Godfrey Sullivan	90,000	249,937	339,937

⁽¹⁾ The amounts reported in this column reflect the aggregate grant date fair value of the RSUs granted to our non-employee directors during fiscal 2019 as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718"). These amounts do not necessarily correspond to the actual value recognized by the non-employee directors. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2019.

⁽²⁾ Each non-employee director was granted an award of 2,180 RSUs on June 7, 2018 with a grant date fair value of \$249,937. Twenty-five percent of the RSUs vest on each of September 10, 2018, December 10, 2018, March 10, 2019 and June 10, 2019 (or the next annual meeting of stockholders if earlier), subject to the director's continued service through such date.

As of January 31, 2019, each individual who served as a non-employee director during fiscal 2019 held the following aggregate number of shares subject to outstanding RSUs:

Director Name	Aggregate Number of Stock Awards Outstanding as of January 31, 2019
Sara Baack	4,553
Mark Carges	1,090
John Connors	1,090
Patricia Morrison	1,090
Thomas Neustaetter	1,090
Stephen Newberry	1,090
Graham Smith	1,090
Elisa Steele	4,553
Godfrey Sullivan	9,840 ⁽¹⁾

⁽¹⁾ Mr. Sullivan served as CEO of the Company prior to his transition from executive officer to non-executive Chairman of the Board in fiscal 2016 and received equity awards in his capacity as CEO. The above amount consists of 1,090 RSUs granted to Mr. Sullivan in his capacity as non-executive Chairman of the Board during fiscal 2019. The remaining outstanding RSUs were granted to Mr. Sullivan in connection with his prior service as our CEO.

STOCK OWNERSHIP GUIDELINES

Our Board believes that our directors and executive officers should hold a meaningful financial stake in the Company in order to further align their interests with those of our stockholders. Therefore, our Board adopted stock ownership guidelines on September 9, 2014. These guidelines were last amended on September 13, 2018. Under these guidelines, our non-employee directors are required to achieve these ownership levels within five years of the later of September 13, 2018 or such non-employee director's appointment or election date, as applicable. The current stock ownership guidelines are set forth below:

- Each non-employee director must own the lesser of (i) Company stock with a value of five times the annual cash retainer for Board service and (ii) 4,000 shares.

As of the end of fiscal 2019, all of our directors met, exceeded, or are on track to meet, these guidelines based on their current rate of stock accumulations in the time frames set out in the guidelines.

See "Executive Compensation—Compensation Discussion and Analysis—Other Compensation Policies and Information—Stock Ownership Guidelines" for information about the guidelines applicable to our executive officers.

STOCKHOLDER ENGAGEMENT

We believe that effective corporate governance includes regular, constructive conversations with our stockholders on topics including strategic and financial performance, executive compensation, corporate governance practices and corporate sustainability initiatives. Stockholders provide valuable insights into emerging issues and feedback on our related programs. We believe that ongoing engagement builds mutual trust and understanding with our stockholders and is essential to our long-term success.

In fiscal 2019, we solicited the views of institutional stockholders representing approximately 54% of our shares and engaged in substantive discussions with stockholders representing approximately 19% of our shares. Feedback was provided to relevant committees and the full Board.

In general, our stockholders have a long-term outlook and understand that we are currently in a dynamic, high-growth phase and face a talent war. We received positive feedback on our compensation and corporate governance practices. See “Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Stockholder Engagement and Our 2018 Say-on-Pay Vote” for stockholder feedback on our executive compensation program. In addition, while our stockholders reacted favorably to our proxy statement disclosures, we received additional suggestions for improvement. Based in part on this feedback, enhancements have been made to our disclosures about Board succession planning, risk oversight and our corporate sustainability priorities and initiatives to improve transparency in these areas.

ANNUAL STOCKHOLDER ENGAGEMENT CYCLE



STOCKHOLDER COMMUNICATIONS WITH THE BOARD

We have a practice of regularly engaging with stockholders to seek their feedback. Stockholders may also communicate with the Board or with an individual member of the Board by writing to the Board or to the particular member of the Board and mailing the correspondence to: c/o Chief Legal Officer, Splunk Inc., 270 Brannan Street, San Francisco, California 94107. All such stockholder communications will be reviewed initially by our Chief Legal Officer and, if appropriate, will be forwarded to the appropriate member or members of the Board, or if none is specified, to the Chairman of the Board. This process assists the Board in reviewing and responding to stockholder communications in an appropriate manner. The Chief Legal Officer reports regularly to the Nominating and Corporate Governance Committee on all correspondence received that, in his opinion, involves functions of the Board or its committees or that he otherwise determines merits Board attention.

CORPORATE SUSTAINABILITY HIGHLIGHTS

The Board believes operating sustainably benefits the Company’s many different stakeholders and drives long-term value creation. We believe in the power of data to drive positive change and the power of Splunk’s technology to make the world a better place. We work to conduct our business in ways that are principled, transparent and accountable to stockholders and other stakeholders. We focus our efforts where we can have the most positive impact on our business and society and are committed to managing the risks and opportunities that arise from sustainability issues.

WORKFORCE AND DIVERSITY



Human capital management, including our diversity and inclusion initiative, is a key driver of our success. We seek to retain our employees through competitive compensation and benefits package and our unique values-driven culture. We invest in our talent by providing our employees with training, mentoring, and career development opportunities. All of which enables us to hire and retain talented, high-performing employees.

- We believe in great leadership and learning and invest heavily in development for all our employees. Employees take advantage of live courses, leadership programs, online training, product training, sales training, technical training, mentor programs, team building events, seminars, conferences, lectures, university programs, peer-to-peer and manager-led training and other learning opportunities across the Company.
- A diverse and inclusive Splunk helps us achieve our mission of making data accessible, usable and valuable to everyone, and drives great outcomes for our Company, our communities and each other.
- In fiscal 2019, we rolled out a number of new initiatives to better support the needs of all employees and their families, including expanded U.S. paid parental leave benefits, global paid military reservist time-off, and a global family planning program.
- We launched our #MillionDataPoints video campaign, which shines a spotlight on the unique “data points” each Splunk employee brings to the team every day.
- Hired a dedicated Director of Diversity & Inclusion leader to coordinate, focus and drive our diversity and inclusion efforts.
- Our Employee Resource Groups continue to grow and provide a community for underrepresented groups and allies. Pride@Splunk, Women@ Splunk, Veterans@Splunk, LatinX@Splunk, BEAMS@Splunk (Black Employees & Mentors) and Disabled=True@Splunk help us drive change at the grassroots level and offer our employees support, mentoring and networking opportunities.
- We are focused on identifying and promoting diverse leaders through the organization at all levels. Currently, 30.8% of our management team, which is comprised of our CEO and extended e-staff, are women.
- We are committed to reporting our workforce demographics annually.
- Splunk is regularly recognized as an employer of choice in the technology industry, and within the various locations that we operate. Most recently, Splunk was named to LinkedIn’s 2019 Top Companies list, San Francisco Business Times’ Best Places to Work 2019 list and was ranked #1 on the list of Great Place to Work’s Best Workplaces in Asia 2018.

COMMUNITY



Splunk believes that data can make for better business and a better world, and we aspire to move our industry forward, create new opportunities, and drive positive change in our communities. With more than 4,400 global employees, we believe our greatest asset for driving this change is the commitment of our employees to driving positive impact in their communities. Through our employee giving and volunteering platform, Splunk provides every employee with three days of paid time per year to volunteer in their local communities – a total of more than 100,000 hours committed per year. In fiscal 2017, we committed to donate more than \$100 million over a 10-year period in software licenses, training, support and education to nonprofit, workforce training and higher education organizations making a difference to society through our Splunk Pledge program.

In fiscal 2019, we advanced these efforts in a variety of ways:

- We doubled our total contribution to nearly \$32 million in software and services through our Splunk Pledge program.
- We expanded our workforce training programs to include a total of more than 8,000 program participants. Through expanded partnerships in the United States, United Kingdom, and Australia, more than 4,000 veterans, spouses, and currently serving military members registered for free training through our SplunkWork+ community in fiscal 2019.
- Through high-value partnerships with organizations such as Per Scholas, NPower, WithYouWithMe Academy and Year Up, we have continued to expand access to diverse youth and military veterans with free access to the Company's extensive education resources, and position them for promising new career opportunities with our growing ecosystem of partners, customers, and users.
- Nearly 70% of employees participated in charitable giving and volunteer activities around the world. This extensive activity benefitted more than 1,500 nonprofit organizations globally through commitments of time and financial support.

These contributions help to power the work of nonprofit organizations of all sizes, working in areas such as disaster response and humanitarian assistance, counter-human trafficking, hunger prevention, and sustainable development around the globe. Our contributions to hundreds of universities, community colleges, and workforce training partners globally are providing thousands of students with access to emerging careers in big data and cyber security, and driving research in areas such as sustainable farming, healthcare analytics, and the industrial internet of things.

COMPLIANCE AND ETHICS



Our culture of integrity starts with our Code of Business Conduct and Ethics (the “Code”) and our compliance program, which includes risk assessment, development of policies and procedures, training, auditing and monitoring, and investigations and remediation of potential compliance matters.

- The Code applies to directors and all employees, including our executive officers. The Code is reviewed on an annual basis for any changes to law or policy and updated as appropriate. Changes to the Code are reviewed and approved by the Nominating and Corporate Governance Committee.
- New employees are required to complete training on the Code, and all employees complete supplemental Code training and a compliance certification each year. In fiscal 2019, as in previous years, course completion was 100%.
- In addition, regular in-person and online trainings address the compliance risks of specific roles and business functions, while various additional guidance helps ensure awareness of our policies and our expectations for ethical behavior and a safe work environment where we treat others with respect and do not tolerate harassment or discrimination.
- Our management team is focused on fostering a culture of trust so that employees at every level feel comfortable speaking up about concerns. All complaints and concerns regarding possible violations of, or non-compliance with, our Code, a corporate policy or a law or regulation, or retaliatory acts against anyone who makes such a complaint or assists in the investigation of such a complaint, may be made by phone or web reporting using our confidential hotline at splunk.ethicspoint.com. Reports may be made anonymously.
- To read the full text of our Code, please go to: <http://investors.splunk.com/corporate-governance>. We will post amendments to our Code or waivers of our Code for directors and executive officers on the same website.

DATA PRIVACY, SECURITY AND COMPLIANCE



We are focused on maintaining appropriate data governance and systems so we can maintain the trust of our customers and other stakeholders, which is fundamental to our business success.

- We appointed Jacob Loomis as our new Senior Vice President, Chief Digital Officer in fiscal 2019. Mr. Loomis is responsible for digitizing, transforming and scaling the Company’s operations, systems, applications and information security environment.
- We have a dedicated CISO within Mr. Loomis’ organization who is responsible for overseeing the Company’s information security practices and programs and a dedicated Data Protection Officer (“DPO”) within our Chief Legal Officer’s organization who is responsible for overseeing compliance with the legal requirements related to the collection and use of data at Splunk.
- We have a transparent website privacy policy describing the Company’s data collection, use, sharing and retention practices and internal data protection principles we abide by globally to standardize our data collection practices.
- We provide annual data protection and security training to all employees, supplemented with periodic, targeted data protection and security training as needed.
- We have self-certified to the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks with the U.S. Department of Commerce.
- We offer contractual commitments that allow our customers to meet the privacy protections in the European Union’s General Data Protection Regulation (“GDPR”).
- We maintain industry standard certifications for cloud security and are assessed annually by third party auditors to verify our compliance with our cloud security certifications.

OTHER GOVERNANCE POLICIES AND PRACTICES

RELATED PARTY AND OTHER TRANSACTIONS

POLICIES AND PROCEDURES FOR RELATED PARTY TRANSACTIONS

The Audit Committee of our Board has the primary responsibility for reviewing and approving or ratifying transactions with related parties. We have adopted a formal written policy providing that related parties, which includes our executive officers, directors, nominees for election as directors, beneficial owners of more than 5% of any class of our common stock, and any member of the immediate family of any of the foregoing persons, are not permitted to enter into a related party transaction with us, other than certain standing pre-approved transactions under the policy, without the prior consent of our Audit Committee.

In approving or rejecting any such proposal, our Audit Committee considers the relevant facts and circumstances available and deemed relevant to our Audit Committee, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the related party's interest in the transaction and their involvement in the transaction, if any.

In the event we become aware of a related party transaction that was not previously approved or ratified under the policy, our Audit Committee will evaluate all options available, including whether to ratify, amend, terminate, rescind or take other action as appropriate.

From time to time, we engage in ordinary course commercial transactions with other entities whose officers or directors are also directors of the Company, whose directors are officers of the Company, or whose officers or directors are immediate family members of an officer or director of the Company. Such transactions are conducted on an arm's-length basis and our related parties do not have a material interest in such transactions. The Audit Committee has adopted standing pre-approvals under the policy for these and certain other transactions that do not create or involve a direct or indirect material interest.

Since the beginning of our last fiscal year, there were no other related person transactions, and there are not currently any proposed related person transactions, that would require disclosure under the Securities and Exchange Commission ("SEC") rules, other than as described below:

- Hayley Sullivan, the daughter of the former Chairman of our Board and current director, Godfrey Sullivan, is an Inside Sales Representative at Splunk. Her compensation is consistent with the total compensation provided to other employees of the same level with similar responsibilities. Ms. Sullivan was not hired by, nor does she report to Mr. Sullivan. The Audit Committee reviewed and approved Ms. Sullivan's continued employment and compensation.
- Jacob Stein, the son of our Senior Vice President, Global Affairs, Leonard Stein, is an Associate Marketing Operations Manager at Splunk. His compensation is consistent with the total compensation provided to other employees of the same level with similar responsibilities. Mr. J. Stein was not hired by, nor does he report to Mr. L. Stein. The Audit Committee reviewed and approved Mr. J. Stein's employment and compensation.

EMPLOYMENT ARRANGEMENTS AND INDEMNIFICATION AGREEMENTS

We have entered into employment arrangements with certain current executive officers. See "Executive Compensation—Compensation Tables—Executive Employment Arrangements."

We have also entered into indemnification agreements with certain directors and officers. The indemnification agreements and our Certificate of Incorporation and Bylaws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

AUDIT COMMITTEE MATTERS

PROPOSAL

2

Ratification of Appointment of Independent Registered Public Accounting Firm



The Board recommends a vote “**FOR**” the Ratification of the Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the fiscal year ending January 31, 2020.

The Audit Committee of the Board has appointed PricewaterhouseCoopers LLP (“PwC”), independent registered public accountants, to audit our financial statements for the fiscal year ending January 31, 2020. During our fiscal year ended January 31, 2019, PwC served as our independent registered public accounting firm.

Notwithstanding its selection and even if our stockholders ratify the selection, our Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Splunk and its stockholders. At the Annual Meeting, the stockholders are being asked to ratify the appointment of PwC as our independent registered public accounting firm for the fiscal year ending January 31, 2020. Our Audit Committee is submitting the selection of PwC to our stockholders because we value our stockholders’ views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of PwC will be present at the Annual Meeting, and they will have an opportunity to make statements and will be available to respond to appropriate questions from stockholders.

If the stockholders do not ratify the appointment of PwC, the Board or Audit Committee may reconsider the appointment.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is a committee of the Board comprised solely of independent directors, as required by the listing standards of The Nasdaq Stock Market and rules of the SEC. The Audit Committee operates under a written charter approved by the Board, which is available on our investor website at <http://investors.splunk.com/corporate-governance>. The composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are intended to comply with applicable requirements for corporate audit committees. The Audit Committee reviews and assesses the adequacy of its charter and the Audit Committee’s performance on an annual basis.

The Audit Committee consists of three members: John Connors, Patricia Morrison and Graham Smith. Messrs. Connors and Smith are “audit committee financial experts” as defined under SEC rules and regulations. With respect to the Company’s financial reporting process, the management of the Company is responsible for (1) establishing and maintaining internal controls and (2) preparing the Company’s consolidated financial statements. PwC is responsible for auditing these financial statements. It is the responsibility of the Audit Committee to oversee these activities. It is not the responsibility of the Audit Committee to prepare or certify the Company’s financial statements or guarantee the audits or reports of PwC. These are the fundamental responsibilities of management and PwC. In the performance of its oversight function, the Audit Committee has:

- reviewed and discussed the audited financial statements with management and PwC;
- discussed with PwC the matters required to be discussed by the statement on Auditing Standards No. 1301, “Communications with Audit Committees,” issued by the Public Company Accounting Oversight Board; and
- received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding PwC’s communications with the Audit Committee concerning independence, and has discussed with PwC its independence.

Based on the Audit Committee’s review and discussions with management and PwC, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended January 31, 2019 for filing with the SEC.

Respectfully submitted by the members of the Audit Committee of the Board:

John Connors (*Chair*)

Patricia Morrison

Graham Smith

FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table presents fees for professional audit services and other services rendered to us by PwC for the fiscal years ended January 31, 2018 and 2019.

	2018	2019
Audit Fees ⁽¹⁾	\$ 4,018,730	\$ 3,456,946
Audit-Related Fees	—	—
Tax Fees ⁽²⁾	276,056	310,638
All Other Fees ⁽³⁾	2,970	3,870
Total:	\$ 4,297,756	\$ 3,771,454

⁽¹⁾ Audit fees consist of fees for professional services provided in connection with the integrated audit of our annual financial statements, management's report on internal controls, the review of our quarterly consolidated financial statements, and audit services that are normally provided by independent registered public accounting firms in connection with statutory and regulatory filings or engagements for those fiscal years, such as statutory audits. The decrease in audit fees for the fiscal year ended January 31, 2019 was primarily due to a reduction in the audit procedures associated with the adoption of ASC 606.

⁽²⁾ Tax fees consist of fees billed for tax compliance, consultation and planning services. These services include mergers and acquisitions tax compliance for the fiscal year ended January 31, 2018.

⁽³⁾ All other fees billed for the fiscal years ended January 31, 2018 and January 31, 2019 were related to fees for access to online accounting and tax research software.

AUDIT COMMITTEE POLICY ON PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Consistent with requirements of the SEC and the Public Company Accounting Oversight Board ("PCAOB"), regarding auditor independence, our Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our Audit Committee has established a policy for the pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

Before engagement of the independent registered public accounting firm for the next year's audit, the independent registered public accounting firm submits a description of services expected to be rendered during that year to the Audit Committee for approval.

The Audit Committee pre-approves particular services or categories of services on a case-by-case basis. The fees are budgeted, and the Audit Committee requires the independent registered public accounting firm and our management team to report actual fees versus budgeted fees periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the services must be pre-approved by the Audit Committee before the independent registered public accounting firm is engaged.

OUR EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of March 31, 2019. Executive officers are appointed by the Board to hold office until their successors are elected and qualified.

Name	Age	Position(s)
Douglas Merritt	55	President, CEO and Director
David Conte	53	Senior Vice President and Chief Financial Officer
Jacob Loomis	46	Senior Vice President, Chief Digital Officer
Scott Morgan	48	Senior Vice President, Chief Legal Officer and Secretary
Susan St. Ledger	54	President, Worldwide Field Operations
Timothy Tully	41	Senior Vice President, Chief Technology Officer

Douglas Merritt has served as our President, CEO and a member of our Board since 2015. Mr. Merritt served as our Senior Vice President of Field Operations from 2014 to 2015. Prior to joining us, he served as Senior Vice President of Products and Solutions Marketing at Cisco Systems, Inc., a networking company, from 2012 to 2014. From 2011 to 2012, he served as Chief Executive Officer of Baynote, Inc., a behavioral personalization and marketing technology company. Previously, Mr. Merritt served in a number of executive roles and as a member of the extended Executive Board at SAP A.G., an enterprise software company, from 2005 to 2011. From 2001 to 2004, Mr. Merritt served as Group Vice President and General Manager of the Human Capital Management Product Division at PeopleSoft Inc., a software company (acquired by Oracle Corporation). He also co-founded and served as Chief Executive Officer of Icarian, Inc., a cloud-based company (since acquired by Workstream Corp.), from 1996 to 2001. Mr. Merritt holds a B.S. from The University of the Pacific in Stockton, California.

David Conte has served as our Senior Vice President and Chief Financial Officer since 2011. Prior to joining us, Mr. Conte served as Chief Financial Officer at IronKey, Inc., an internet security and privacy company, from 2009 to 2011. From 2007 to 2009, Mr. Conte was engaged in various personal investing activities. Previously, Mr. Conte served as Chief Financial Officer of Opware, Inc., a software company, from 2006 until 2007 when Opware was acquired by Hewlett-Packard Company. He also served as Opware's Vice President of Finance from 2003 to 2006 and as Corporate Controller from 1999 to 2003. Mr. Conte began his career at Ernst & Young LLP. Mr. Conte has served as a member of the board of directors of Anaplan Inc., a business planning software company, since 2016. Mr. Conte holds a B.A. from the University of California, Santa Barbara.

Jacob Loomis has served as our Senior Vice President, Chief Digital Officer since 2018. Prior to joining us, Mr. Loomis served as Engineering Director, Internet Services Operations at Apple Inc., a designer and manufacturer of electronic devices and related software and services, from 2016 to 2018. Previously, Mr. Loomis served in senior management positions at Yahoo! Inc., a digital information discovery company, from 2002 to 2016, including most recently as Vice President, Production Engineering. Mr. Loomis holds a B.S. from Massachusetts Institute of Technology.

Scott Morgan has served as our Senior Vice President, Chief Legal Officer since 2019 and our Secretary since 2018. Prior to this role, Mr. Morgan served as our General Counsel from 2017 to 2019, as our Vice President, Associate General Counsel from 2014 to 2017 and as our Associate General Counsel from 2012 to 2014. He also served as our Assistant Secretary from 2012 to 2018. Prior to joining us, Mr. Morgan served as legal counsel at Autodesk, Inc., a design software and services company, from 2007 to 2012. From 2004 to 2007, Mr. Morgan served as legal counsel at Tellabs, Inc., a provider of access networks solutions. Mr. Morgan began his career as an associate at Morrison & Foerster LLP and at Thoits, Love, Hershberger & McClean LLP. Mr. Morgan holds a B.A. from the University of California, Berkeley and a J.D. from the University of California, Hastings College of the Law.

Susan St. Ledger has served as our President, Worldwide Field Operations since 2017. Prior to this role, Ms. St. Ledger served as our Senior Vice President, Chief Revenue Officer from 2016 to 2017. Prior to joining us, Ms. St. Ledger served as Chief Revenue Officer, Marketing Cloud at salesforce.com, inc., a provider of enterprise cloud computing software, from 2012 to 2016. In 2012, Ms. St. Ledger served as President at Buddy Media, a social media marketing platform that was acquired by salesforce. Previously, Ms. St. Ledger served in a variety of senior sales management roles at salesforce and Sun Microsystems, Inc., a provider of network computing infrastructure solutions. Ms. St. Ledger holds a B.S. degree from the University of Scranton.

Timothy Tully has served as our Senior Vice President, Chief Technology Officer since 2018. Prior to this role, Mr. Tully served as our Chief Technology Officer from 2017 to 2018. Prior to joining us, Mr. Tully served in various roles at Yahoo! Inc., a digital information discovery company, from 2003 to 2017, including most recently as Vice President, Engineering from 2014 to 2017 and before that in engineering leadership roles including Distinguished Engineer and Chief Data Architect. Mr. Tully began his career as a Member of Technical Staff on the JavaSoft team at Sun Microsystems, Inc., a provider of network computing infrastructure solutions, and also spent time at several startup companies. Mr. Tully holds an M.S. from Carnegie Mellon University and a B.S. from the University of California, Davis.

EXECUTIVE COMPENSATION

PROPOSAL

3

Advisory Vote to Approve Named Executive Officer Compensation



The Board recommends a vote “**FOR**” the Approval, on an Advisory Basis, of our Named Executive Officer Compensation.

Proxy

As required by SEC rules, we are asking our stockholders to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in the “Compensation Discussion and Analysis” section beginning on page 41, the compensation tables and the related narratives appearing in this proxy statement. This proposal, commonly known as a “Say-on-Pay” proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation as a whole. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the philosophy, policies and practices described in this proxy statement. We currently hold our Say-on-Pay vote every year.

The Say-on-Pay vote is advisory, and therefore is not binding on us, our Compensation Committee or our Board. The Say-on-Pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our Board and our Compensation Committee value the opinions of our stockholders. To the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will endeavor to engage with stockholders to better understand the concerns that influenced the vote and consider our stockholders’ concerns. The Compensation Committee will evaluate whether any actions are necessary to address those concerns.

We believe that our executive compensation program is effective in achieving the Company’s objectives of:

- Recruiting, incentivizing and retaining highly qualified executive officers who possess the skills and leadership necessary to grow our business;
- Directly linking short-term rewards for our executive officers with achieving or exceeding our strategic and financial goals, and individual performance goals;
- Providing meaningful long-term incentives to align the interests of our executive officers with those of our stockholders;
- Reflecting our long-term strategy, which includes a financial strategy of disciplined investing for our future growth;
- Promoting a healthy approach to risk and sensitivity to underperformance as well as outperformance; and
- Providing compensation packages that are competitive, reasonable and fair relative to peers, the overall market and performance.

Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

“RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the proxy statement for the 2019 Annual Meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion, and other related disclosure.”

PROPOSAL

4

Advisory Vote on Frequency of Advisory Votes on Named Executive Officer Compensation



The Board recommends a vote of “**Every 1 Year**”, on an Advisory Basis, for the Frequency of Future Advisory Votes on Named Executive Officer Compensation.

As also required by SEC rules at least once every six years, we are asking our stockholders to indicate how frequently we should seek a non-binding vote on the compensation of our named executive officers, as disclosed pursuant to the SEC’s compensation disclosure rules, such as Proposal 3 above. By voting on this Proposal 4, stockholders may indicate whether they would prefer a non-binding vote on named executive officer compensation every one, two or three years.

While our executive compensation strategies are related to both short-term and longer-term business outcomes and we provide short- and long-term compensation, compensation decisions are made annually. Since 2013, we have held an annual advisory vote on executive compensation, and the Board has determined that holding an advisory vote on named executive officer compensation every year continues to be the most appropriate policy for us at this time and recommends that stockholders vote for future advisory votes on named executive officer compensation to occur each year.

The frequency that receives the highest number of votes cast will be deemed to be the frequency selected by the stockholders. Because this vote is advisory, it will not be binding on us, our Compensation Committee or our Board. However, our Compensation Committee will consider the outcome of the stockholder vote, along with other relevant factors, in recommending a voting frequency to our Board.

Accordingly, we ask our stockholders to vote for a frequency of “EVERY 1 YEAR” for the advisory vote on executive compensation.

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Our executive compensation program is designed to attract, motivate and retain the key executives who drive our success. Pay that reflects performance and aligns with the interests of long-term stockholders is key to our compensation program design and decisions. The Compensation Committee structures our executive compensation program to include significant performance attributes that are aligned with our business strategy and long-term stockholder value creation. The fiscal 2019 executive compensation program provided short-term cash bonuses designed to drive top-line growth and long-term equity awards designed to drive revenue, non-GAAP operating margin performance and future stock price performance. We believe that both revenue growth and operating margin performance are critical to long-term stockholder value creation and that incorporating future stock price growth as part of our long-term equity award design further aligns our executives' and stockholders' interests.

STRATEGIC CONTEXT AND FISCAL 2019 BUSINESS HIGHLIGHTS

We provide innovative software solutions that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our offerings address large and diverse data sets commonly referred to as big data and are specifically tailored for machine data. Our mission is to make machine data accessible, usable and valuable to everyone in an organization. Our customers leverage our offerings for various use cases, including infrastructure and operations management, security and compliance, software development and IT operations, applications management and business analytics, and to provide insights into data generated by the IoT and industrial data, among many others.

We believe the market for products that provide operational intelligence presents a substantial opportunity as data grows in volume and diversity, creating new risks, opportunities and challenges for organizations. Since our inception, we have invested a substantial amount of resources developing our offerings to address this market, specifically with respect to machine data. Our goal is to make Splunk the standard platform for delivering operational intelligence and real-time business insights from machine data.

Achieving our goal depends on our continued discipline to drive top-line growth at larger scale and significantly invest in our business in order to build scale and increase market share. Revenue growth continues to be a key measure of our success. Our fiscal 2019 executive compensation program was designed to incentivize our executive officers to drive performance in accordance with this growth strategy.

Fiscal 2019 was a year of strong growth, financial performance and execution. Our ongoing prioritization of customer success and adoption led to continued top-line revenue growth. In fiscal 2019, our executive compensation plans emphasized revenue and non-GAAP operating margin metrics to align our compensation incentives with our business strategy of delivering growth with spending discipline and operating leverage, which we believe is consistent with the investment objectives of our stockholders. These are the financial metrics on which our investors focused in fiscal 2019, and we provided robust information and discussion regarding the results of these metrics each quarter during the fiscal year. We continue to focus on capturing our large and growing market opportunity. This requires that we continue to invest in our business. Accordingly, we are not overly focused on GAAP earnings-based financial metrics at this stage in the Company's maturity because we believe that a short-term focus on GAAP profitability would impede our long-term ability to capitalize on our market opportunity.

Our fiscal 2019 business highlights include achievement of the following revenue and non-GAAP operating margin results and other important metrics:

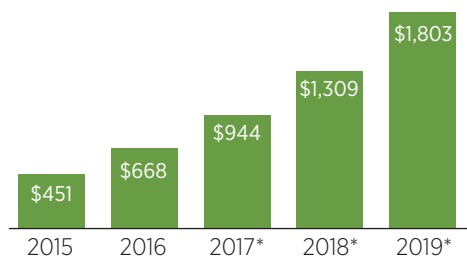
- Total revenue of \$1.803 billion, up 38% year-over-year;
- Non-GAAP operating margin of 12.7%⁽¹⁾;
- Operating cash flow of \$296.5 million with free cash flow of \$273.3 million⁽¹⁾; and
- Over 17,500 customers in more than 130 countries at the end of fiscal 2019, compared to over 15,000 customers at the end of fiscal 2018.

⁽¹⁾ To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP operating margin and free cash flow. For a full reconciliation between GAAP and non-GAAP operating margin and between net cash provided by operating activities and free cash flow, please see our Annual Report on Form 10-K for the year ended January 31, 2019.

The chart below shows our revenue achievement and growth from fiscal 2015 through fiscal 2019.

TOTAL REVENUE

\$ in Millions • FYE January 31

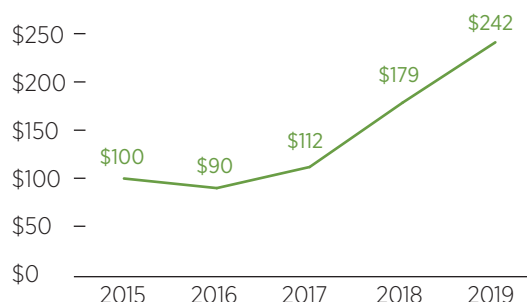


* Reflects the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

The chart below shows the total return on our common stock through the end of fiscal 2019, assuming an initial investment of \$100 at the end of fiscal 2015.

TOTAL STOCKHOLDER RETURN

FYE January 31



We believe our executive compensation program structure incentivized our NEOs to drive towards the Company’s strong growth, financial performance and execution for fiscal 2019. In addition, we believe our NEOs’ compensation for fiscal 2019 appropriately reflected and rewarded their collective contributions to our performance. As we near \$2 billion in revenue, we have attracted and retained an executive management team of seasoned and accomplished leaders in order to drive top-line growth at larger scale, focus on executing on our market opportunity and lead us through our next phase of growth.

EXECUTIVE COMPENSATION PRACTICES

Our executive compensation program is significantly weighted towards compensating our executives based on Company performance with an emphasis on continued revenue growth and investment for increased market share. To that end, our executive compensation policies and practices are designed to reinforce our pay for performance philosophy and align with sound governance principles. The following chart highlights our fiscal 2019 executive compensation policies and practices:

 What We Do	 What We Don't Do
<ul style="list-style-type: none"> ✓ Performance-based cash and equity incentives ✓ Clawback policy on cash and equity incentive compensation ✓ Stock ownership guidelines for executive officers and directors ✓ Caps on performance-based cash and equity incentive compensation ✓ 100% independent directors on the Compensation Committee ✓ Independent compensation consultant engaged by the Compensation Committee ✓ Annual review and approval of our executive compensation strategy ✓ Significant portion of executive compensation at risk based on corporate performance ✓ Four-year equity award vesting periods ✓ Limited and modest perquisites ✓ Formal CEO evaluation tied to compensation decisions 	<ul style="list-style-type: none"> ✗ No “single trigger” change of control payments and benefits ✗ No post-termination retirement or pension-type non-cash benefits or perquisites for our executive officers that are not available to our employees generally ✗ No tax gross-ups for change of control payments ✗ No short sales, hedging, or pledging of stock ownership positions and transactions involving derivatives of our common stock ✗ No strict benchmarking of compensation to a specific percentile of our peer group

STOCKHOLDER ENGAGEMENT AND OUR 2018 SAY-ON-PAY VOTE

We value our stockholders’ continued interest and feedback. We are committed to maintaining an active dialogue to understand the priorities and concerns of our stockholders and believe that ongoing engagement builds mutual trust and understanding with our stockholders.

In fiscal 2019, we solicited the views of institutional stockholders representing approximately 54% of our shares and engaged in substantive discussions with stockholders representing approximately 19% of our shares. In the course of these discussions, we received valuable feedback on our executive compensation program, policies and practices as described in the chart below. We also discussed with stockholders the reasons for their support of or opposition to of our 2018 Say-on-Pay resolution, which was approved by approximately 87% of the votes cast at our 2018 annual meeting of stockholders. Stockholders generally viewed the evolution of our executive compensation program as consistent with what the Company previously communicated in its outreach over the past several years and consistent with our strategy and pay for performance philosophy. Based on input from our stockholders, the Compensation Committee determined that the fiscal 2019 executive compensation program was consistent with our philosophy, policies and practices. The key feedback from our stockholders related to our executive compensation program and our responses are shown in the chart below. See “Corporate Governance at Splunk—Stockholder Engagement” on page 29 of this proxy statement for more information on our stockholder engagement program.

Area of Focus	What We Heard from Investors	How We Responded
Performance Metrics and Performance Period	<ul style="list-style-type: none"> • Current metrics align to industry, Company's maturity and market opportunity • Consider additional metrics in short-term bonus plan • Performance period reasonable but as Company matures and growth rates moderate, consider longer performance period for performance-based equity awards 	<ul style="list-style-type: none"> • Continued to emphasize revenue and non-GAAP operating margin metrics in fiscal 2019 PSU program to reflect ongoing strategic focus on a profitability measure with continued disciplined top-line growth • To further align the interests of our NEOs and stockholders, added a multi-year stock price performance metric in PSU program for long-term stock price performance that exceeds index performance • Evaluated current metrics and determined they continue to be appropriate at this stage in the Company's maturity and the focus on continued revenue growth and investment for increased market share • Assessed performance period and confirmed that one year continues to be appropriate in light of growth and that the component of PSU program that rewards multi-year stock price performance adds further incentive over a longer timeframe
Quantum of CEO and NEO Pay	<ul style="list-style-type: none"> • Quantum of pay generally reasonable given ongoing talent war and executive transitions • Mix of short- and long-term incentives, as well as proportion of performance- and time-based equity awards, is appropriate 	<ul style="list-style-type: none"> • Continued to assess executive compensation in the context of our business strategy and our strong performance, as well as against market practices in consultation with independent compensation consultant

FISCAL 2019 NAMED EXECUTIVE OFFICER UPDATES

During fiscal 2019, we internally promoted a high-level leader into an executive officer role, transitioned a named executive officer into a newly created role, and announced the retirement of one of our named executive officers, each as described below.

- Timothy Tully was promoted to Senior Vice President, Chief Technology Officer in March 2018 and was appointed as an executive officer in April 2018. He joined the Company in 2017 and previously served as our Chief Technology Officer. In his current role, Mr. Tully leads and is responsible for the products and engineering functions at the Company.
- Lenny Stein transitioned to a newly created role of Senior Vice President, Global Affairs in September 2018 from his previous role as Senior Vice President, Corporate Affairs and Chief Legal Officer. In his current role, Mr. Stein oversees the Company's worldwide governmental affairs and social impact initiatives, including Splunk4Good.
- In November 2018, David Conte announced his intention to retire from the Company. He will continue to serve as Senior Vice President and Chief Financial Officer until his successor is appointed by the Board. Mr. Conte and the Company entered into a transition services agreement in connection with his pending retirement, as described further under "Compensation Tables—Executive Employment Arrangements" below.

DISCUSSION OF OUR FISCAL 2019 EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program is designed to attract, motivate and retain the key executives who drive our success. This section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each component of our executive compensation program. In addition, we explain how and why the Compensation Committee arrived at the specific compensation policies and decisions involving our executive officers during fiscal 2019 and how our executive compensation program reflects our business strategy.

Our NEOs for fiscal 2019 are:

- Douglas Merritt, our President, CEO and member of the Board;
- David Conte, our Senior Vice President and Chief Financial Officer;
- Susan St. Ledger, our President, Worldwide Field Operations;
- Leonard Stein, our Senior Vice President, Global Affairs; and
- Timothy Tully, our Senior Vice President, Chief Technology Officer.

PHILOSOPHY AND OBJECTIVES

Overview. We operate in a highly competitive business environment within the rapidly evolving and extremely competitive big data market. To successfully compete and grow our business in this dynamic environment, we need to recruit, incentivize and retain talented and seasoned technology leaders. Our success critically depends on the skill, acumen and motivation of our executives and employees to rapidly execute at the highest level. To that end, our executive compensation program is shaped by our “pay for performance” philosophy and is designed to attract highly qualified executive officers, motivate them to create long-term value for our stockholders and reward them based on overall Company and individual performance and results. We strive to keep our program aligned with our business strategy and focused on what we believe to be key to our short-term and long-term success—growth, execution, innovation and disruption.

Our Compensation Program, Like Our Business, Is Dynamic. Our business continues to grow rapidly, requiring intense focus and dedication from our executives and other employees. We regularly review and, if appropriate, adjust our executive compensation program to match the maturity, size, scale and growth of our business, and we value stockholder feedback in our compensation program design decisions. We operate in an industry that is highly competitive and rapidly evolving, and in which the market for skilled and highly motivated executive management and personnel is fiercely competitive. Because our ability to compete and succeed in this dynamic environment is directly correlated to our ability to recruit, incentivize and retain talented and seasoned technology leaders, we expect to continue to adjust our approach to executive compensation to respond to our needs and market conditions as they evolve.

Our Current Objectives. The current objectives of our executive compensation program are to:

- Recruit, incentivize and retain highly qualified executive officers who possess the skills and leadership necessary to grow our business;
- Directly link short-term rewards for our executive officers with achieving or exceeding our strategic and financial goals, and individual performance goals;
- Provide meaningful long-term incentives to align the interests of our executive officers with those of our stockholders;
- Reflect our long-term strategy, which includes a financial strategy of disciplined investing for our future growth;
- Promote a healthy approach to risk and be sensitive to underperformance as well as outperformance; and
- Provide compensation packages that are competitive, reasonable and fair relative to peers, the overall market and performance.

Intense Competition For Talent; How We’ve Responded. We actively compete with many other companies in seeking to attract and retain a skilled executive management team. This is particularly prevalent in our San Francisco headquarters and the greater Bay Area and Silicon Valley technology markets, where there are a large number of rapidly expanding technology companies intensely competing for highly qualified candidates. In addition, the success and prominence of our business in the emerging big data market is increasingly attracting the attention of competitors and other companies. This has caused us to increase our focus on retaining employees, including our executives, as we are seen as a company with experienced employee talent that has successfully and rapidly scaled our technology business.

We have responded to this intense competition for talent by implementing compensation practices designed to motivate our executive officers to pursue our corporate objectives while incentivizing them to create long-term value for our stockholders. Our executive compensation program combines short-term and long-term components, including salary, cash bonuses and equity awards. While finding the proper mix of incentives that attracts, motivates and retains each executive officer is challenging, we believe that we have been able to achieve the proper mix and periodically assess our assumptions in order to continue to incentivize each executive officer in a manner consistent with our stockholders’ interests.

Role of Compensation Committee

Pursuant to its charter, the Compensation Committee is responsible for annually reviewing and approving compensation arrangements for our executive officers, including our CEO, and for reviewing and approving corporate goals and objectives relevant to these compensation arrangements, evaluating executive performance and considering factors

related to the performance of the Company, including accomplishment of the Company's long-term business and financial goals. For additional information about the Compensation Committee, see "Corporate Governance at Splunk—Board Meetings and Committees—Compensation Committee" in this proxy statement.

Compensation decisions for our executive officers are made by the Compensation Committee, with the assistance of its independent compensation consultant, as well as from our CEO and our management team (except with respect to their own compensation). The Compensation Committee reviews the cash and equity compensation of our executive officers with the goal of ensuring that our executive officers are properly incentivized and rewarded for their performance.

The Compensation Committee considers compensation data from our peer group as one of several factors that inform its judgment of appropriate parameters for compensation levels. The Compensation Committee does not strictly benchmark compensation to a specific percentile of our peer group, nor does it apply a formula or assign relative weightings to specific compensation elements. The Compensation Committee believes that over-reliance on benchmarking can result in compensation that is unrelated to the value delivered by our executive officers because compensation benchmarking does not take into account the specific performance of the executive officers, the relative size, growth, and performance of the Company, or any unique circumstances or strategic considerations of the Company.

The Compensation Committee makes compensation decisions after consideration of many factors, including:

- The performance and experience of each executive officer;
- The scope and strategic impact of the executive officer's responsibilities;
- Our past business performance and future expectations;
- Our long-term goals and strategies;
- The performance of our executive team as a whole;
- The difficulty and cost of replacing high-performing leaders with in-demand skills;
- The past compensation levels of each individual;
- The relative compensation among our executive officers; and
- The competitiveness of compensation relative to our peer group.

Role of Management

The Compensation Committee works with members of our management team, including our CEO and our human resources, finance and legal professionals (except with respect to their own compensation). Typically, our CEO and management team provide the Compensation Committee with information on corporate and individual performance and their perspective and recommendations on compensation matters. Our CEO makes recommendations to the Compensation Committee regarding compensation matters, including the compensation of our other NEOs. While the Compensation Committee solicits and reviews our CEO's recommendations and proposals with respect to compensation-related matters, it uses these recommendations and proposals as one of several factors in making compensation decisions, and those decisions do not necessarily follow the CEO's recommendations.

Role of Compensation Consultant

The Compensation Committee has the authority to retain the services and obtain the advice of external advisors, including compensation consultants, legal counsel or other advisors, to assist in the evaluation of executive officer compensation. For fiscal 2019, the Compensation Committee engaged Compensia to review our executive compensation policies and practices, to conduct an executive compensation market analysis and to review our equity practices to help ensure alignment with competitive market practices. Compensia reviewed and advised on all principal aspects of our executive compensation program for fiscal 2019, including:

- Assisting in developing a peer group of publicly traded companies to be used to help assess executive compensation;
- Assisting in assuring a competitive compensation framework and consistent executive compensation assessment practices relevant to a comparable public company at our stage;
- Meeting regularly with the Compensation Committee to review all elements of executive compensation, including the competitiveness of our executive compensation program against those of our peer companies and the design of our PSU program; and
- Assisting in the risk assessment of our compensation programs.

In addition, Compensia provided a market analysis and input to the Compensation Committee in connection with Mr. Conte's transition, as well as in connection with Mr. Tully's promotion and Mr. Stein's new role in order to promote alignment between their new roles and the competitive market for executives in similarly situated roles.

Based on the consideration of the factors specified in the rules of the SEC and the listing standards of The NASDAQ Stock Market, the Compensation Committee does not believe that its relationship with Compensia and the work of Compensia on behalf of the Compensation Committee and our management team has raised any conflict of interest. The Compensation Committee reviews these factors on an annual basis. As part of the Compensation Committee's determination of Compensia's independence, it received written confirmation from Compensia addressing these factors and supporting the independence determination.

Peer Group

The Compensation Committee reviews market data of companies that we believe are comparable to us. With Compensia's assistance, the Compensation Committee developed a peer group for use when making its fiscal 2019 compensation decisions, which consisted of publicly traded software and software services companies headquartered in the U.S. that generally had revenue between 0.33x and 3.0x Splunk's revenue, generally had experienced strong year-over-year revenue growth, and/or had a market capitalization between 0.33x and 3.0x Splunk's market capitalization. The Compensation Committee referred to compensation data from this peer group when making fiscal 2019 base salary, cash bonus and equity award decisions for our executive officers. The following is a list of the public companies that comprised our fiscal 2019 peer group:

Akamai Technologies	CoStar Group	ServiceNow	Veeva Systems
ANSYS	Fortinet	SS&C Technologies Holdings	Verisign
Arista Networks	Guidewire Software	Tableau Software	Workday
athenahealth	Palo Alto Networks	The Ultimate Software Group	Zillow Group
Autodesk	Red Hat	Twitter	

For fiscal 2019, the Compensation Committee removed Aspen Technology, FireEye and Pandora Media from the peer group used in fiscal 2018 because these companies were not deemed to be sufficiently relevant comparables, and added Autodesk, Red Hat and Verisign as additional peers based on the criteria described above. The remainder of the peer group was unchanged.

COMPONENTS OF COMPENSATION PROGRAM AND FISCAL 2019 COMPENSATION

Our executive compensation program consists of the following primary components:

- base salary;
- cash bonuses;
- long-term equity compensation; and
- severance and change in control-related payments and benefits.

We also provide our executive officers with comprehensive employee benefit programs such as medical, dental and vision insurance, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs made available to our eligible employees.

We believe these elements provide a compensation package that attracts and retains qualified individuals, links individual performance to Company performance, focuses the efforts of our NEOs and other executive officers on the achievement of both our short-term and long-term objectives and aligns the interests of our executive officers with those of our stockholders. The charts below show the pay mix of our CEO and other NEOs and the components of their pay for fiscal 2019, specifically the base salary and cash bonus amounts earned and the grant date fair value of equity awards granted in fiscal 2019.

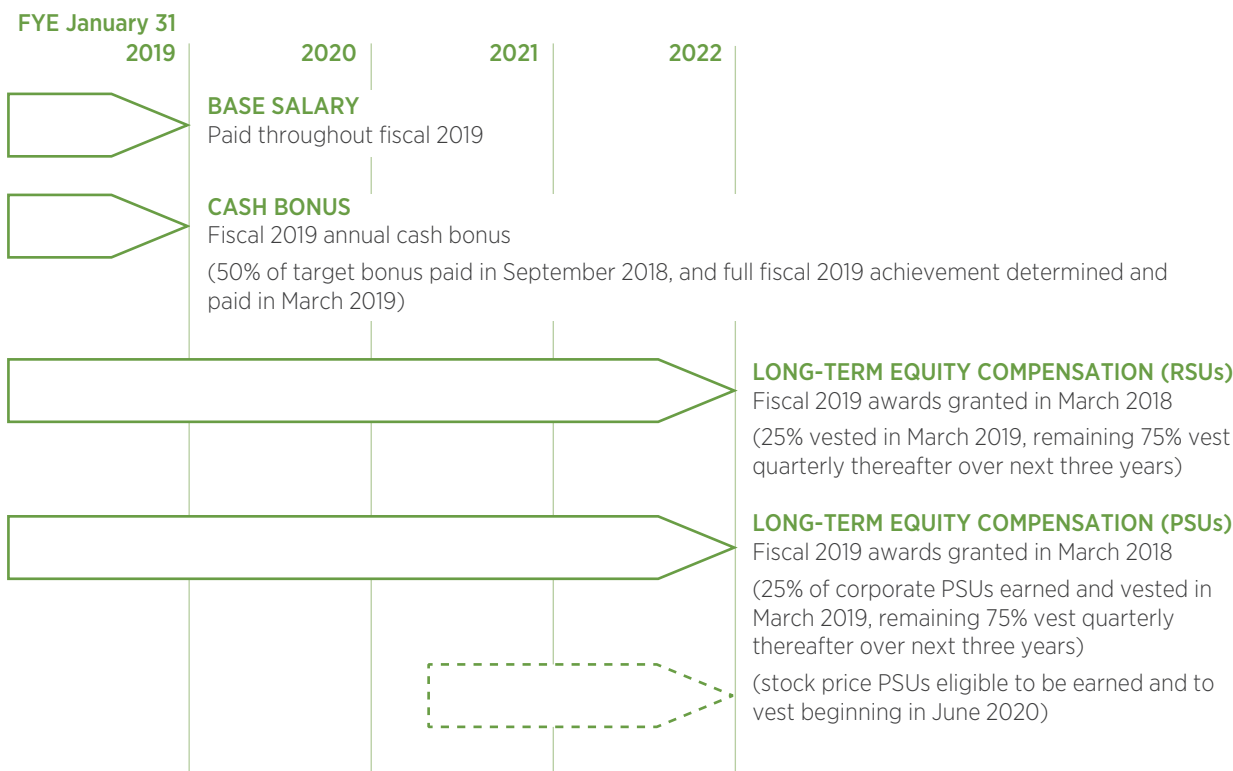
CEO



ALL OTHER NEOs



In addition, the chart below illustrates the short-term and long-term timeframe over which the various components of the NEOs' fiscal 2019 compensation are earned and paid and serve to continue to retain and incentivize our NEOs.



Base Salaries

We pay base salaries to our NEOs to compensate them for their services and provide predictable income. The salaries typically reflect each NEO's experience, skills, knowledge and responsibilities, although market data also plays a role in setting salary levels. We do not apply specific formulas to determine changes in salaries. Instead, the salaries of our NEOs are reviewed on an annual basis by the Compensation Committee based on our compensation philosophy and objectives.

Fiscal 2019 Base Salaries

The Compensation Committee determined the fiscal 2019 base salary of each of our NEOs after considering market practice survey data of our peer group provided by Compensia, the recommendations of Mr. Merritt, other than with respect to his own base salary, and other factors described in “Philosophy and Objectives—Role of Compensation Committee” above. In particular, the Compensation Committee took note of Compensia’s findings that the fiscal 2018 base salaries of our CEO and CFO were below our peer group median. Compensia specifically highlighted that even after a modest increase in his base salary during the prior fiscal year, both our CEO’s base salary and his target total cash (base salary plus target cash bonus) were in the bottom quartile of our peer group. At the beginning of fiscal 2019, the Compensation Committee adjusted the base salaries for Messrs. Merritt, Conte, Stein and Ms. St. Ledger to reflect the foregoing, the competitive market, the market data on peer group salaries, each individual’s responsibilities and to recognize each individual’s performance.

The table below sets forth the annual base salaries for our NEOs for fiscal 2019.

NEO	Base Salary	Percentage Increase from Fiscal 2018 Base Salary
Douglas Merritt	\$650,000	37%
David Conte	\$445,000	16%
Susan St. Ledger	\$460,000	5%
Leonard Stein	\$365,000	3%
Timothy Tully	\$400,000	N/A

Cash Bonuses

A key objective of our compensation philosophy is to tie a significant portion of each NEO’s compensation to Company performance. To help accomplish this objective, we provide annual performance-based cash bonus opportunities for our NEOs, which are earned based on our achievement against corporate performance objectives established at the beginning of the fiscal year.

At the beginning of fiscal 2019, our Board approved our fiscal 2019 operating plan, which included performance objectives that the Compensation Committee and Mr. Merritt used to design our NEOs’ cash bonus opportunity for fiscal 2019. For purposes of our executive bonus plan, the Compensation Committee considered a number of factors in selecting the performance objectives applicable to our NEOs’ annual cash bonus opportunities and determined that, as in prior years, revenue-related objectives continued to be of critical importance and aligned to the Company’s growth strategy.

Fiscal 2019 Target Annual Cash Bonus Opportunities

As in prior years, the target annual cash bonus opportunities for our NEOs were expressed as a percentage of their respective base salaries. At the beginning of fiscal 2019, the Compensation Committee decided to maintain the percentages for all continuing NEOs’ target bonus opportunities with the exception of the CEO whose bonus target was increased in recognition of his outstanding performance and to further align his cash bonus opportunity with the Company’s growth strategy and with stockholders’ interests. Due to the base salary increases described above, the dollar amount of the target bonus opportunities increased for each of our continuing NEOs. The table below shows the target annual cash bonus opportunity for each NEO as a percentage of his or her base salary and as a corresponding dollar amount:

NEO	Fiscal 2019 Target Bonus as a Percentage of Salary	Fiscal 2019 Target Bonus as a Dollar Amount	Change from Fiscal 2018 Target Bonus as a Percentage of Salary
Douglas Merritt	125%	\$812,500	25%
David Conte	80%	\$356,000	0%
Susan St. Ledger	100%	\$460,000	0%
Leonard Stein	60%	\$219,000	0%
Timothy Tully	70%	\$280,000	N/A

As described below, the target levels for the performance objectives were set to be aggressive, yet achievable with focused effort and execution. Fiscal 2019 bonuses were capped at 200% of target for our non-sales executive NEOs and at 300% of target for Ms. St. Ledger, our senior sales executive. Ms. St. Ledger's maximum annual cash bonus opportunity was higher than that of our other NEOs given the strong link between her job responsibilities and our sales quota achievement.

Fiscal 2019 Performance Objectives

For purposes of the executive bonus plan, the Compensation Committee selected revenue (as determined under GAAP) and, in the case of Ms. St. Ledger, bookings as represented by total contract value ("TCV"), as the performance objectives for fiscal 2019. The Compensation Committee, in an effort to continue to motivate Mr. Merritt and our other NEOs to further grow and develop our business, established target levels for the revenue and TCV performance objectives for fiscal 2019 that it considered aggressive, yet achievable with focused effort and execution by our NEOs, and that reflected a rigorous increase in top-line growth relative to our prior fiscal year revenue and TCV achievement. For example, our fiscal 2019 revenue target reflected an increase of 24% over our fiscal 2018 revenue results, and maximum achievement required an increase of 36% or more over our fiscal 2018 revenue results. These performance objectives were selected and designed to drive increased revenue and TCV, which the Compensation Committee believed would increase stockholder value consistent with our overall growth strategy.

Our Non-Sales Executive NEOs. The target annual cash bonus opportunities for Messrs. Merritt, Conte, Stein and Tully were based entirely on our revenue performance. The following chart presents the tiers of the bonus payout multiples relative to the target bonus opportunity based on revenue achievement.

	Fiscal 2019 Revenue (in millions)	Bonus Payout Multiple Relative to Target
Max	\$1,775 or more	200%
	\$1,758	180%
	\$1,742	140%
	\$1,725	105%
Target	\$1,625	100%
	\$1,576	75%
Threshold	\$1,544	50%
	Less than \$1,544	0%

Our Sales Executive NEO. The fiscal 2019 target annual cash bonus opportunity for Ms. St. Ledger was based entirely on our TCV performance. We are not disclosing the target level for this performance objective because we believe disclosure would be competitively harmful, as it would give our competitors insight into our strategic and financial planning process. The following chart presents certain tiers of the bonus payout multiples based on the percentage attainment of the TCV target.

Percentage Attainment of Target	Bonus Payout Multiple Relative to Target
114% or more	300%
112%	260%
111%	240%
108%	200%
104%	140%
102%	105%
100%	100%
97%	75%
95%	50%
Less than 95%	0%

Fiscal 2019 Cash Bonus Payments

Our Non-Sales Executive NEOs. After the mid-point of fiscal 2019, our Compensation Committee, with input from our management team, reviewed our financial performance against the revenue target applicable to the target annual cash bonus opportunities of Messrs. Merritt, Conte, Stein and Tully, and determined that we were on track to achieve our annual revenue target. Accordingly, the Compensation Committee approved semi-annual bonus payments of 50% of each of these NEO's fiscal 2019 target annual cash bonus opportunity. After the conclusion of fiscal 2019, the Compensation Committee again evaluated our performance against the revenue target for the full year. The Compensation Committee, with input from our management team, concluded that we had achieved revenue of \$1.803 billion, which represented a 38% increase from our fiscal 2018 revenue. In accordance with the payout multiples established under the executive bonus plan, the Compensation Committee approved a bonus payment to each of Messrs. Merritt, Conte, Stein and Tully in an amount that resulted in total fiscal 2019 bonus payments for each NEO equaling 200% of his respective fiscal 2019 target annual cash bonus opportunity.

Our Sales Executive NEO. After the mid-point of fiscal 2019, our Compensation Committee, with input from our management team, reviewed our financial performance and determined that we were on track to achieve our annual revenue target. Accordingly, the Compensation Committee approved a semi-annual bonus payment of 50% of Ms. St. Ledger's fiscal 2019 target annual cash bonus opportunity. After the conclusion of fiscal 2019, the Compensation Committee, with input from our management team, evaluated our performance against the TCV target for the full year and determined that we achieved approximately 113.7% of the TCV target. In accordance with the payout multiples established under the executive bonus plan, the Compensation Committee approved a bonus payment to Ms. St. Ledger in an amount that resulted in a total fiscal 2019 bonus payment equaling 295% of her target annual cash bonus opportunity.

The following chart summarizes the target and actual total cash bonus payments made to our NEOs for fiscal 2019:

NEO	Fiscal 2019 Target Cash Bonus (\$)	Fiscal 2019 Cash Bonus Paid (\$)
Douglas Merritt	812,500	1,625,000
David Conte	356,000	712,000
Susan St. Ledger	460,000	1,357,000
Leonard Stein	219,000	438,000
Timothy Tully	280,000	560,000

Long-Term Equity Compensation

Our equity compensation program focuses the efforts of our NEOs and other executive officers on the achievement of long-term objectives and aligns the interests of our executive officers with those of our stockholders through the grant of equity awards, the value of which depends on our stock performance and other performance measures, to achieve strong long-term performance.

These equity awards consist of time-based RSUs and performance-based PSUs granted to our executive officers. We believe that RSUs offer predictable value delivery and promote retention of our executive officers while aligning their interests with the long-term interests of our stockholders in a manner consistent with competitive market practices. We also believe that PSUs directly link a significant portion of our executive officers' target total direct compensation to the Company's financial and stock price performance based on the achievement of one or more pre-established financial and stock price performance metrics. Together, RSUs and PSUs are important tools to motivate and retain our highly sought after executive officers since the value of the awards is delivered to our executive officers over a four-year period subject to their continued service. Going forward, we may modify our equity award program to our executive officers, including our NEOs, to continue to maintain a strong alignment of their interests with the interests of our stockholders.

The Compensation Committee, in consultation with our CEO (other than with respect to himself) and its independent compensation consultant, determines the size, mix, material terms and, in the case of PSUs, performance metrics of the equity awards granted to our executive officers, taking into account a number of factors as described in "Philosophy and Objectives—Role of Compensation Committee" above.

Fiscal 2019 Equity Awards

Annual Equity Awards. In March 2018, the Compensation Committee granted RSUs and PSUs to each of our NEOs. The following table sets forth the number of shares of our common stock subject to the RSUs and PSUs granted to each NEO.

NEO	Nature of Equity Awards	Percentage of Award as RSUs	RSUs (number of shares)	Percentage of Award as PSUs	Target PSUs (number of shares)
Douglas Merritt	Annual	40%	37,363	60%	56,044
David Conte	Annual	40%	13,200	60%	19,800
Susan St. Ledger	Annual	40%	24,200	60%	36,300
Leonard Stein	Annual	40%	14,100	60%	21,100
Timothy Tully	Annual	40%	17,600	60%	26,400

Each of these decisions was made in consultation with Compensia and after considering the factors described above, and for Mr. Tully, his promotion. The annual RSUs granted to the NEOs in fiscal 2019 vest over four years with 25% vesting approximately one year after the grant date, and 75% vesting quarterly thereafter over the remaining three years, subject to the NEO's continued service with us on each vesting date. The annual PSUs granted to the NEOs vest over four years and may be earned based on corporate performance metrics and a stock price performance modifier. The corporate performance metrics have a one-year performance period, with 25% of earned corporate PSUs vesting shortly following the end of the performance period and 75% vesting quarterly thereafter over the remaining three years. In order to further align the interests of our NEOs and stockholders, a modifier to any earned corporate PSUs provides an opportunity to earn additional PSUs based on the Company's stock price growth rate over a multi-year performance period. Other terms and conditions are described in the "PSU Award Design" section below.

PSU Award Design. The terms and conditions of the PSUs granted to the NEOs in fiscal 2019 are substantially similar to the terms and conditions of the PSUs granted in fiscal 2018, with one notable exception. The fiscal 2019 PSU program includes an overall modifier to any earned corporate PSUs that provides for an opportunity to earn additional PSUs based on the Company's stock price growth rate over a four-year performance period, subject to a threshold performance requirement relative to an index of other software and services companies. This modifier is intended to further align the interests of our NEOs and stockholders and reward our NEOs for above-market stockholder returns. The principal terms and conditions of the fiscal 2019 PSUs, as well as the rationale for our design approach, are set forth in the following table:

PSU Feature	Our Approach	Our Rationale
Corporate PSUs		
Corporate Performance Metrics	<ul style="list-style-type: none"> Two equally weighted corporate metrics—50% based on revenue achievement and 50% based on non-GAAP operating margin achievement The revenue metric is as determined under GAAP but excluding revenue recognized during the performance period from any unanticipated acquisitions made during the performance period The non-GAAP operating margin metric is non-GAAP operating income as reported in the Company's Annual Report on Form 10-K for fiscal 2019, and as further adjusted for the financial impact of any unanticipated acquisitions made during the performance period, divided by revenue (adjusted as described above) 	<ul style="list-style-type: none"> Motivate and incentivize our executives to drive top-line growth in our business while enhancing their focus on specific financial goals considered important to the Company's long-term growth Use of revenue as both a PSU metric and an executive bonus plan metric underscores the importance of top-line growth to our overall strategy and our stockholders' expectations Use of non-GAAP operating margin as a performance metric reflects increased strategic focus on a profitability measure and bottom-line performance Belief that our strategy of investing in our business for growth is appropriate given the significant market opportunity available to us As our business matures and financial results become more predictable, we intend to consider different and longer-term metrics that continue to align with our stockholders' interests No adjustment for the acquisition of Phantom Cyber Corporation ("Phantom"), as it was anticipated and announced in early fiscal 2019 prior to the grants of the PSUs and was therefore included in the consideration of the targets

PSU Feature	Our Approach	Our Rationale
Targets for Corporate Performance Metrics	<ul style="list-style-type: none"> Target revenue and non-GAAP operating margin set based on public financial guidance at the beginning of fiscal 2019 Target revenue for fiscal 2019 reflected an increase of 24% over our fiscal 2018 revenue results, and maximum achievement required an increase of 36% or more over our fiscal 2018 revenue results 	<ul style="list-style-type: none"> Align the interests of our executives with those of our stockholders through performance targets that correlate with the steep trajectory of our top-line growth and operating performance based on growth expectations Minimum (threshold) and maximum performance levels provide accountability for underperformance and incentive for overperformance Maximum payouts only possible when the Company has exceptional performance
Corporate Performance Period	<ul style="list-style-type: none"> One-year performance period for corporate performance metrics—fiscal 2019 Earned corporate PSUs will not fully vest until approximately four years after date of grant, thus placing awards at-risk for a prolonged period 	<ul style="list-style-type: none"> Steep trajectory of our top-line growth and a shift in our business model towards renewable agreements make longer performance periods difficult Allows for adjusted priorities in a rapidly changing competitive business environment Our historical financial outperformance Risk of setting inappropriate target levels that may not align with our stockholders' interests if we were to project more than one year in advance
Corporate PSU Vesting Schedule	<ul style="list-style-type: none"> 25% of earned corporate PSUs vested shortly following the end of the performance period and upon approval of the Company's fiscal 2019 audited financial statements Remainder will vest quarterly over the next three years, so long as the executive continues to be a service provider through each vesting date 	<ul style="list-style-type: none"> Time-based vesting schedule for 75% of earned corporate PSUs provides additional long-term retention incentives
Stock Price Modifier	<ul style="list-style-type: none"> In order to further align the interests of our NEOs and stockholders, added a multi-year stock price performance metric Up to an additional 50% of the number of earned corporate PSUs can be earned based on Company stock price performance of at least a 46.41% growth rate over multiple years No stock price PSUs will be earned if the Company's stock price growth rate (a) does not outperform that of the SPDR S&P Software & Services ETF or its successor and (b) is not at least 46.41% Stock price growth rate measured over four-year performance period through March 2022, with stock price PSUs eligible to be earned quarterly beginning in June 2020 if stock price hurdles achieved on each measurement date 	<ul style="list-style-type: none"> Requiring the Company's stock price to outperform an index of other software and services companies as a threshold in order for any additional PSUs to be earned helps reward Company performance not just stock market performance Below-market stockholder returns will not be rewarded Aligns the interests of our NEOs and stockholders, and rewards, retains and incentivizes our NEOs for above-market stockholder returns Eligibility for any stock price PSUs to be earned does not begin until over two years after grant, providing additional long-term incentive and alignment

The target number of shares subject to the fiscal 2019 PSUs represents the number of shares eligible to be earned and subsequently eligible to vest based on the target level performance of both the revenue metric and the non-GAAP operating margin metric for fiscal 2019, without giving effect to the stock price modifier.

The following chart presents the tiers of the revenue metric payout multiples relative to target.

	Fiscal 2019 Revenue (in millions) ⁽¹⁾	Payout Multiple Relative to Target
Max	\$1,775 or more	200%
	\$1,758	180%
	\$1,742	140%
	\$1,725	105%
Target	\$1,625	100%
	\$1,576	75%
Threshold	\$1,544	50%
	Less than \$1,544	0%

⁽¹⁾ Excluding revenue recognized during the fiscal year from acquisitions (other than Phantom) made during the fiscal year.

The following chart presents certain tiers of the non-GAAP operating margin metric payout multiples relative to target.

	Fiscal 2019 Non-GAAP Operating Margin ⁽¹⁾	Payout Multiple Relative to Target
Max	12.5%	200%
Target	11.5%	100%
Threshold	10.4%	50%
	Less than 10.4%	0%

⁽¹⁾ As adjusted for the impact of acquisitions (other than Phantom) made during the fiscal year.

In order to align the interests of our NEOs and stockholders, we added a multi-year stock price performance metric to the fiscal 2019 PSU program. This stock price multiplier provides for up to an additional 50% of the number of earned corporate PSUs to be earned as stock price PSUs in order to reward, retain and incentivize our NEOs for above-market stockholder returns. The Company's stock price growth rate is measured over a four-year performance period through March 2022, with one-eighth of the stock price PSUs eligible to be earned and immediately vest each quarter beginning in June 2020 if stock price hurdles are achieved on each quarterly measurement date. In order for any stock price PSUs to be earned on any quarterly measurement date, the Company's stock price growth rate from the time of grant through the applicable measurement date must exceed the growth over the same period of the SPDR S&P Software & Services ETF (or its successor). At the end of the four-year performance period, any stock price PSUs that were not earned earlier will be eligible to be earned and immediately vest based on the Company's stock price growth rate in March 2022, subject to the threshold requirement to outperform the index's growth rate. A summary of the stock price modifier is shown below.

Threshold Performance	Company Stock Price Growth Rate	Stock Price Modifier Relative to Earned Corporate PSUs (with linear interpolation in between tiers)
Company stock price growth rate greater than SPDR S&P Software & Services ETF stock price growth rate	74.90% (or \$158.91)	50%
	46.41% or below (or \$133.03 or below)	0%

Earned Corporate PSU Awards. In fiscal 2019, we achieved GAAP revenue of \$1.803 billion, representing a 38% growth rate from our fiscal 2018 revenue achievement, and non-GAAP operating margin of 12.7%. The Compensation Committee considered the impact of acquisitions (other than Phantom) in fiscal 2019 both to the revenue metric and to the non-GAAP operating margin metric, and, in accordance with the terms of the fiscal 2019 PSUs, made adjustments to both metrics.

Based on our actual performance, after considering the impact of acquisitions in fiscal 2019, and in accordance with the payout multiples described above, the Compensation Committee determined that 200% of each NEO's target PSU award were earned as corporate PSUs. The number of corporate PSUs earned by each NEO was as follows:

NEO	Number of Earned Corporate PSUs
Douglas Merritt	112,088
David Conte	39,600
Susan St. Ledger	72,600
Leonard Stein	42,200
Timothy Tully	52,800

As described above, 25% of these earned corporate PSUs vested upon the Compensation Committee's certification of our adjusted revenue and non-GAAP operating margin results for fiscal 2019, and the remainder will vest quarterly over the next three years, so long as the NEO continues to be a service provider through each vesting date.

The following chart presents the number of stock price PSUs that will be eligible to be earned and vest beginning in June 2020 through March 2022, as described above:

NEO	Number of Stock Price PSUs Eligible to be Earned
Douglas Merritt	56,044
David Conte	N/A ⁽¹⁾
Susan St. Ledger	36,300
Leonard Stein	21,100
Timothy Tully	26,400

⁽¹⁾ As described in "Compensation Tables—Executive Employment Arrangements" below, Mr. Conte's retirement will occur on or before March 2020 and he therefore is not expected to be eligible to earn or vest in any stock price PSUs.

Severance and Change in Control-Related Benefits

Our executive officers, including our NEOs, are provided certain protections in the event of their termination of employment under specified circumstances, including following a change in control of the Company. We believe that these protections serve our retention objectives by helping our NEOs maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event of a transaction that could result in a change in control of the Company. In March 2019, the Compensation Committee, in consultation with Compensia, reviewed market practices and our retention goals for our executive officers, including our NEOs, and made certain amendments to their severance and change in control-related benefits. The material terms of these benefits as currently in effect are described below.

Triggering Event(s)	Benefits
Three months after signing of a definitive agreement that ultimately results in a change of control or 18 months after a change in control	<ul style="list-style-type: none"> A lump sum payment equal to 12 months of NEO's then-current base salary (24 months, in the case of our CEO), plus 100% of NEO's annual target bonus for the year of termination (24 months of annual target bonus plus a pro-rated portion of annual target bonus for the year of termination, in the case of our CEO); Payment by us for up to 12 months of COBRA premiums to continue health insurance coverage for NEO and eligible dependents (18 months, in the case of our CEO), or a lump sum payment of \$24,000 (\$36,000, in the case of our CEO) if paying for COBRA premiums would result in an excise tax to us; 100% accelerated vesting of NEO's outstanding equity awards; and Six-month post-termination exercise period for NEO's outstanding options; <p>In each case subject to NEO timely signing a release of claims that becomes effective.</p>
AND	
Employment is terminated without cause or NEO resigns for good reason	
Employment is terminated without cause (other than in connection with a change in control)	<ul style="list-style-type: none"> A lump sum payment equal to six months of NEO's then-current base salary (18 months, in the case of our CEO), plus a pro-rated portion of NEO's annual target bonus for the year of termination; Payment by us for up to six months of COBRA premiums to continue health insurance coverage for NEO and eligible dependents (12 months, in the case of our CEO), or a lump sum payment of \$12,000 (\$24,000, in the case of our CEO) if paying for COBRA premiums would result in an excise tax to us; Six months accelerated vesting of NEO's outstanding equity awards (12 months, in the case of our CEO); and Six-month post-termination exercise period for NEO's outstanding options; <p>In each case subject to NEO timely signing a release of claims that becomes effective.</p>

On November 30, 2018, we entered into a transition services agreement with Mr. Conte in connection with his announced retirement, in order to provide him with incentives to remain with us through and for a prescribed period of time following the hiring of a new chief financial officer. For a description of the transition services agreement, including the severance and change in control-related benefits applicable to Mr. Conte, see “Compensation Tables—Executive Employment Arrangements.”

OTHER COMPENSATION POLICIES AND INFORMATION

RECENT FISCAL 2020 COMPENSATION DECISIONS

In March 2019, the Compensation Committee conducted its annual executive compensation review and made fiscal 2020 compensation decisions for our continuing NEOs as set forth below. In making these decisions, the Compensation Committee considered, among other factors, pay levels of our NEOs relative to peers and the overall competitive market, performance of each continuing NEO, the continued talent war for experienced leadership in our industry and the feedback from our stockholders as discussed above.

- Increased the base salaries of continuing NEOs by 3% to 5% of their fiscal 2019 base salaries.
- Maintained the continuing NEOs’ target annual cash bonus as a percentage of base salary at the same levels.
- Maintained the mix of fiscal 2020 equity awards for all continuing NEOs, including our CEO, at 60% PSUs and 40% RSUs. This mix is consistent with that of fiscal 2019 equity awards.
- Maintained revenue and non-GAAP operating margin, subject to adjustment for the impact of future acquisitions, as the corporate performance metrics for the fiscal 2020 PSUs, as such metrics continue to be key performance drivers supporting the Company’s operating plan.
- Maintained a stock price modifier to any earned corporate PSUs that provides for an opportunity to earn additional stock price PSUs based on the Company’s stock price growth rate measured over a four-year performance period through March 2023, subject to a threshold performance requirement relative to an index of other software and services companies.
- Approved amendments to the offer letters for NEOs to update their severance and change in control-related benefits as described below.
 - The amendment for NEOs other than our CEO and CFO (1) provides that any severance payments and benefits payable upon an involuntary termination in connection with change in control will be triggered in the event that the NEO’s employment is terminated without “cause” or if the NEO resigns his or her position for “good reason” within the period commencing three months before a “change in control” and ending 18 months (an increase from 12 months under the NEO’s offer letter) after a “change in control” (each as defined in the applicable offer letter) (the “CIC Qualifying Termination”), (2) increases the bonus severance amount that otherwise is payable on the NEO’s CIC Qualifying Termination from a pro-rated portion of the annual target bonus for the time he or she is actively employed in the fiscal year of termination to 100% of the annual target bonus for the fiscal year of termination and (3) adds a Section 280G best results provision.
 - The amendment for our CEO provides that if he resigns his position for “good reason” within the period commencing three months before a “change in control” and ending 18 months (an increase from 12 months under his offer letter) after a “change in control” (each as defined in his offer letter), he will be entitled to receive: (i) a lump sum payment equal to (a) 24 months (an increase from 18 months under his offer letter) of his annual base salary, (b) 24 months (an increase from 18 months under his offer letter) of his annual target bonus and (c) a pro-rated portion of his annual target bonus based on the number of months employed during the year of termination; (ii) continued health coverage for 18 months or lump sum payment of \$36,000 in lieu of such continued health coverage; and (iii) 100% accelerated vesting of the unvested portion of outstanding equity awards that have only time-based vesting (including earned but unvested performance-based awards). If, at any time other than in connection with a “change in control” as described above, our CEO’s employment is terminated without “cause,” he will be entitled to receive: (i) a lump sum payment equal to 18 months (an increase from 12 months under his offer letter) of his annual base salary plus a pro-rated portion of his annual target bonus based on the number of months employed during the year of termination; (ii) continued health coverage for 12 months or lump sum payment of \$24,000 in lieu of such continued health coverage; and (iii) 12 months accelerated vesting of the unvested portion of outstanding equity awards that have only time-based vesting (including earned but unvested performance-based awards). The amendment also adds a Section 280G best results provision.

EMPLOYEE BENEFITS AND PERQUISITES

We provide employee benefits to all eligible employees in the United States, including our NEOs, which the Compensation Committee believes are reasonable and consistent with its overall compensation objective to better enable us to attract and retain employees. These benefits include medical, dental and vision insurance, health savings account, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs.

We have special long-term disability coverage for our executive officers, including our NEOs, who are eligible for disability coverage until approximately age 66 if they cannot return to their occupation. We pay for certain spousal travel expenses and certain tax gross-ups.

STOCK OWNERSHIP GUIDELINES

Our Board believes that our directors and executive officers should hold a meaningful financial stake in the Company in order to further align their interests with those of our stockholders. Therefore, our Board adopted stock ownership guidelines on September 9, 2014. These guidelines were last amended on September 13, 2018. Under these guidelines, our executive officers are required to achieve these ownership levels within five years of the later of September 13, 2018 or such executive officer's hire, appointment, promotion or election date, as applicable. The current stock ownership guidelines are set forth below:

- Our CEO must own the lesser of (i) Company stock with a value of five times his or her annual base salary and (ii) 50,000 shares; and
- Each other executive officer must own the lesser of (i) Company stock with a value of two times his or her annual base salary and (ii) 12,000 shares.

The salary multiples above are consistent with current market practices, and the alternative share number thresholds are intended to provide our executive officers with certainty as to whether the guidelines are met, regardless of our then-current stock price.

If an executive officer fails to meet the ownership guidelines within the applicable compliance period, he or she will be required to hold 50% of shares acquired (which will be calculated based on net shares after taxes) through the Company's equity incentive plans until such time as he or she meets the required ownership guidelines.

As of the end of fiscal 2019, all of our NEOs have met, exceeded, or are on track to meet, these guidelines based on their current rate of stock accumulations in the time frames set out in the guidelines.

See "Corporate Governance at Splunk—Non-Employee Director Compensation—Stock Ownership Guidelines" for information about the guidelines applicable to our non-employee directors.

CLAWBACK POLICY

We have a Clawback Policy pursuant to which we may seek the recovery of cash performance-based incentive compensation paid by the Company as well as performance-based equity awards, including PSUs. The Clawback Policy applies to our CEO and to all officers who report directly to the CEO, including our NEOs. The Clawback Policy provides that if (i) the Company restates its financial statements as a result of a material error; (ii) the amount of cash incentive compensation or performance-based equity compensation that was paid or is payable based on achievement of specific financial results paid to a participant would have been less if the financial statements had been correct; (iii) no more than two years have elapsed since the original filing date of the financial statements upon which the incentive compensation was determined; and (iv) the Compensation Committee unanimously concludes, in its sole discretion, that fraud or intentional misconduct by such participant caused the material error and it would be in the best interests of the Company to seek from such participant recovery of the excess compensation, then the Compensation Committee may, in its sole discretion, seek from such participant repayment to the Company.

STOCK TRADING PRACTICES; HEDGING AND PLEDGING POLICY

We maintain an Insider Trading Policy that, among other things, prohibits our officers, directors and employees from trading during quarterly and special blackout periods. We also prohibit our officers, directors and employees from engaging in short sales, hedging and similar transactions designed to decrease the risks associated with holding the Company's securities, as well as pledging the Company's securities as collateral for loans and transactions involving derivative securities relating to our common stock. Our Insider Trading Policy requires that all directors and all officers who report directly to the CEO, pre-clear with our legal department any proposed open market transactions.

Further, we have adopted Rule 10b5-1 Trading Plan Guidelines that permit our directors and certain employees, including our NEOs, to adopt Rule 10b5-1 trading plans ("10b5-1 plans"). Under our 10b5-1 Trading Plan Guidelines, 10b5-1 plans may only be adopted or modified during an open trading window under our Insider Trading Policy and only when such individual does not otherwise possess material nonpublic information about the Company. The first trade under a 10b5-1 plan may not occur until the completion of the next quarterly blackout period following the adoption or modification of the 10b5-1 plan, as applicable.

IMPACT OF ACCOUNTING AND TAX REQUIREMENTS ON COMPENSATION

Deductibility of Executive Compensation

Generally, Section 162(m) of the Internal Revenue Code of 1986, as amended, or Section 162(m), disallows a tax deduction to any publicly-held corporation for any remuneration in excess of \$1 million paid in any taxable year to its chief executive officer and certain other current and former highly compensated officers that qualify as covered employees within the meaning of Section 162(m). For tax years beginning before January 1, 2018, remuneration in excess of \$1 million could be deducted if it qualified as "performance-based compensation" within the meaning of Section 162(m).

The exemption from Section 162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017 that has not been subsequently materially modified.

We have not previously taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation for our current and former executive officers and do not currently have any immediate plans to do so. The Compensation Committee may, in its judgment, authorize compensation payments that is not fully tax deductible when it believes that such payments are appropriate to attract and retain executive talent or meet other business objectives. The Compensation Committee intends to continue to compensate our current and former executive officers in a manner consistent with the best interests of the Company and our stockholders.

Taxation of "Parachute" Payments and Deferred Compensation

We do not provide our NEOs with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code. Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and that the company, or a successor, may forfeit a deduction on the amounts subject to this additional tax. Section 409A also imposes additional significant taxes on the individual in the event that an executive officer, director or other service provider receives "deferred compensation" that does not meet certain requirements of Section 409A of the Code.

Accounting for Stock-Based Compensation

We follow ASC Topic 718 for our stock-based awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, restricted stock unit awards and performance units, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that a NEO is required to render service in exchange for the option or other award.

For performance units, stock-based compensation expense recognized may be adjusted over the performance period based on interim estimates of performance against pre-set objectives.

COMPENSATION RISK ASSESSMENT

The Compensation Committee, with the assistance of its independent compensation consultant, assesses and considers potential risks when reviewing and approving our compensation programs, policies and practices for our executive officers and our employees. We have designed our compensation programs, including our incentive compensation plans, with features to address potential risks while rewarding employees for achieving financial and strategic objectives through prudent business judgment and appropriate risk taking. Based upon its assessment, the Compensation Committee believes that any risks arising from our compensation programs do not create disproportionate incentives for our employees to take risks that could have a material adverse effect on us in the future.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Stephen Newberry *(Chair)*

Mark Carges

Elisa Steele

COMPENSATION TABLES

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation that we paid to or was earned by each of our NEOs for the fiscal years ended January 31, 2019, 2018 and 2017.

Name and Principal Position	Fiscal Year	Salary (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$)	Non-Equity	All Other	Total (\$)
					Incentive Plan Compensation (\$)	Compensation (\$)	
Douglas Merritt President, CEO and Director	2019	650,000	11,174,462	—	1,625,000	56,333 ⁽²⁾	13,505,795
	2018	475,000	8,025,313	—	652,365	9,664 ⁽³⁾	9,162,342
	2017	450,000	7,145,500	—	480,150	38,545 ⁽⁴⁾	8,114,195
David Conte, Senior Vice President and Chief Financial Officer	2019	445,000	3,947,856	—	712,000	54,352 ⁽⁵⁾	5,159,208
	2018	385,000	4,012,687	—	423,007	9,925 ⁽⁶⁾	4,830,619
	2017	360,000	4,214,700	—	268,884	5,000 ⁽⁷⁾	4,848,584
Susan St. Ledger, President, Worldwide Field Operations	2019	460,000	7,237,736	—	1,357,000	40,244 ⁽²⁾	9,094,980
	2018	426,667 ⁽⁸⁾	11,257,413	—	906,638 ⁽⁸⁾	11,734 ⁽³⁾	12,602,452
	2017	300,000 ⁽⁹⁾	10,123,500	—	378,479 ⁽⁹⁾	11,554 ⁽⁴⁾	10,813,533
Leonard Stein, Senior Vice President, Global Affairs	2019	365,000	4,210,660	—	438,000	10,055 ⁽¹⁰⁾	5,023,715
	2018	355,000	2,750,673	—	292,534	9,232 ⁽⁶⁾	3,407,439
	2017	330,000	2,575,650	—	211,266	5,000 ⁽⁷⁾	3,121,916
Timothy Tully, Senior Vice President, Chief Technology Officer	2019	400,000	5,263,808	—	560,000	25,490 ⁽²⁾	6,249,298

⁽¹⁾ The amounts reported in the Stock Awards column reflects the aggregate grant date fair value of the RSUs granted to our NEOs in fiscal 2019, 2018 and fiscal 2017 and the PSUs granted to our NEOs in fiscal 2019, 2018 and fiscal 2017, as computed in accordance with FASB ASC Topic 718. The estimated fair value of PSUs is calculated based on the probable outcome of the performance measures for the applicable performance period as of the date on which the PSUs are granted for accounting purposes. The fiscal 2019 PSUs include both corporate performance and market-related (stock price modifier) goals. Consistent with the applicable accounting standards, the grant date fair value of the stock price modifier component has been determined using a Monte Carlo simulation model. This estimated fair value for PSUs is different from (and lower than) the maximum value of PSUs set forth below. These amounts do not necessarily correspond to the actual value recognized by our NEOs. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2019.

Assuming the highest level of performance is achieved under the applicable performance measures for the fiscal 2019 PSUs, the maximum possible value of the fiscal 2019 PSUs using the grant date fair value is presented below:

Name	Maximum Value of Fiscal 2019 PSUs (as of Grant Date for Accounting Purposes) (\$)
Douglas Merritt	21,413,292
David Conte	7,565,184
Susan St. Ledger	13,869,504
Leonard Stein	8,061,888
Timothy Tully	10,086,912

⁽²⁾ For Mr. Merritt, this amount represents \$21,817 in tax gross-ups; \$25,662 in spousal expenses associated with attendance at our annual sales achievement event and a gift presented to all attendees at the event; \$4,000 in a matching contribution and \$3,000 in a discretionary contribution to Mr. Merritt's 401(k) plan account, which contributions were made to all eligible participants; and a premium payment of \$1,854 for long-term disability benefits. For Ms. St. Ledger, this amount represents \$14,405 in tax gross-ups; guest expenses associated with attendance at our annual sales achievement event and a gift presented to all attendees at the event; \$4,000 in a matching contribution and \$3,000 in a discretionary contribution to Ms. St. Ledger's 401(k) plan account, which contributions were made to all eligible participants; and a premium payment for long-term disability benefits. For Mr. Tully, this amount represents \$8,708 in tax gross-ups; a Company gift; spousal expenses associated with attendance at our annual sales achievement event and a gift presented to all attendees at the event; and \$3,538 in a matching contribution and \$3,000 in a discretionary contribution to Mr. Tully's 401(k) plan account, which contributions were made to all eligible participants.

- (3) For Mr. Merritt, this amount represents \$3,664 in tax gross-ups and a discretionary contribution of \$6,000 to Mr. Merritt's 401(k) plan account, which contribution was made to all eligible participants. For Ms. St. Ledger, this amount represents \$5,734 in tax gross-ups and a discretionary contribution of \$6,000 to Ms. St. Ledger's 401(k) plan account, which contribution was made to all eligible participants.
- (4) For Mr. Merritt, this amount represents \$24,676 in tax gross-ups and \$6,922 in spousal travel expenses, each associated with attendance at our annual sales achievement event; a discretionary contribution of \$5,000 to Mr. Merritt's 401(k) plan account, which contribution was made to all eligible participants; and a premium payment of \$1,947 for long-term disability benefits. For Ms. St. Ledger, this amount represents \$6,057 in tax gross-ups associated with attendance at our annual sales achievement event; a discretionary contribution of \$5,000 to Ms. St. Ledger's 401(k) plan account, which contribution was made to all eligible participants; and a premium payment of \$497 for long-term disability benefits.
- (5) This amount represents \$17,281 in tax gross-ups; \$29,235 in legal fees paid in connection with Mr. Conte's transition services agreement; \$3,712 in a matching contribution and \$3,000 in a discretionary contribution to Mr. Conte's 401(k) plan account, which contributions were made to all eligible participants; and a premium payment of \$1,125 for long-term disability benefits.
- (6) This amount represents \$3,925 and \$3,232 in tax gross-ups for Messrs. Conte and Stein, respectively. For fiscal 2018, we made a discretionary contribution to the 401(k) plan accounts of all eligible participants in the amount of \$6,000 each.
- (7) For fiscal 2017, we made a discretionary contribution to the 401(k) plan accounts of all eligible participants in the amount of \$5,000 each.
- (8) Ms. St. Ledger was promoted to President, Worldwide Field Operations, effective as of October 1, 2017. The salary and non-equity incentive plan compensation amounts for Ms. St. Ledger are prorated based on the number of days in fiscal 2018 she served as Senior Vice President, Chief Revenue Officer or President, Worldwide Field Operations, respectively.
- (9) Ms. St. Ledger joined the Company on May 2, 2016. The salary and non-equity incentive plan compensation amounts for Ms. St. Ledger are prorated based on the number of days in fiscal 2017 during which she was employed with us.
- (10) This amount represents \$3,055 in tax gross-ups; and \$4,000 in a matching contribution and \$3,000 in a discretionary contribution to Mr. Stein's 401(k) plan account, which contributions were made to all eligible participants.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2019

The following table presents, for each of our NEOs, information concerning grants of plan-based awards made during fiscal 2019. This information supplements the information about these awards set forth in the Summary Compensation Table.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares or Units ⁽³⁾	Grant Date Fair Value of Stock Awards ⁽⁴⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Douglas Merritt	—	406,250	812,500	1,625,000	—	—	—	—	
RSUs	3/15/2018	—	—	—	—	—	—	37,363	4,036,699
PSUs	3/15/2018	—	—	—	28,022	56,044	168,132	—	7,137,764
David Conte	—	178,000	356,000	712,000	—	—	—	—	
RSUs	3/15/2018	—	—	—	—	—	—	13,200	1,426,128
PSUs	3/15/2018	—	—	—	9,900	19,800	59,400	—	2,521,728
Susan St. Ledger	—	230,000	460,000	1,380,000	—	—	—	—	
RSUs	3/15/2018	—	—	—	—	—	—	24,200	2,614,568
PSUs	3/15/2018	—	—	—	18,150	36,300	108,900	—	4,623,168
Leonard Stein	—	109,500	219,000	438,000	—	—	—	—	
RSUs	3/15/2018	—	—	—	—	—	—	14,100	1,523,364
PSUs	3/15/2018	—	—	—	10,550	21,100	63,300	—	2,687,296
Timothy Tully	—	140,000	280,000	560,000	—	—	—	—	
RSUs	3/15/2018	—	—	—	—	—	—	17,600	1,901,504
PSUs	3/15/2018	—	—	—	13,200	26,400	79,200	—	3,362,304

- (1) Amounts in the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” columns relate to cash incentive compensation opportunities under each NEO’s individual compensation arrangement. Payments under these plans are subject to a threshold limitation based on achieving at least 95% of the target corporate performance objective. Target payment amounts assume achievement of 100% of the target corporate performance objective. Payments to Messrs. Merritt, Conte, Stein and Tully under these plans are subject to a maximum payment of 200%, based on achievement of 109% or more of the target corporate performance objective. TCV-based payments to Ms. St. Ledger were capped at a maximum of 300% for achievement of 114% or greater of the target corporate performance objective. The actual amounts paid to our NEOs are set forth in the “Summary Compensation Table” above, and the calculation of the actual amounts paid is discussed more fully in “Compensation Discussion and Analysis—Discussion of Our Fiscal 2019 Executive Compensation Program—Components of Compensation Program and Fiscal 2019 Compensation—Cash Bonuses” above.
- (2) Amounts in the “Estimated Future Payouts Under Equity Incentive Plan Awards” columns relate to estimated payouts of the fiscal 2019 PSUs. The amounts shown in the Threshold column reflect the corporate PSUs if the minimum revenue metric and operating margin metric are met, and are 50% of the amounts shown under the Target column. The amounts shown in the Target column reflect the corporate PSUs if the revenue metric and operating margin metric are at target. The amounts shown in the Maximum column reflect the corporate PSUs if the maximum revenue metric and operating margin metric are met, and are 200% of the amounts shown under the Target column, plus the maximum number of stock price PSUs eligible to be earned, which is 50% of the maximum number of corporate PSUs. The PSUs vest over four years, subject to continued service to us. On March 27, 2019, 200% of each NEO’s target fiscal 2019 PSUs were deemed earned based upon our fiscal 2019 financial results, and one-fourth of these earned corporate PSUs vested on March 27, 2019 and 1/16th vest quarterly thereafter, beginning on June 10, 2019, over the remaining three years, subject to continued service to us.
- (3) The RSUs vest over four years, with one-fourth of the RSUs vesting one year following the vesting commencement date and 1/16th vesting quarterly thereafter over the remaining three years, subject to continued service to us.
- (4) The amounts reported in this column reflect the aggregate grant date fair value of the RSUs and PSUs granted to our NEOs in fiscal 2019 as computed in accordance with ASC Topic 718. The estimated fair value of PSUs was calculated based on the probable outcome of the performance measures for the fiscal 2018 performance period as of the date on which the PSUs were granted for accounting purposes. The fiscal 2019 PSUs include both corporate performance and market-related (stock price modifier) goals. Consistent with the applicable accounting standards, the grant date fair value of the stock price modifier component has been determined using a Monte Carlo simulation model. These amounts do not necessarily correspond to the actual value recognized by NEOs. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2019.

OUTSTANDING EQUITY AWARDS AT FISCAL 2019 YEAR-END

The following table sets forth information concerning outstanding equity awards held by our NEOs as of January 31, 2019.

Name	Vesting Commencement Date	Stock Awards			
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾
Douglas Merritt	3/10/2015	2,250 ⁽³⁾	280,890	—	—
	3/10/2015	1,250 ⁽²⁾	156,050	—	—
	3/10/2016	11,303 ⁽²⁾	1,411,067	—	—
	3/10/2016	30,229 ⁽⁴⁾	3,773,788	—	—
	3/10/2017	75,906 ⁽⁵⁾	9,476,105	—	—
	3/10/2017	30,000 ⁽²⁾	3,745,200	—	—
	3/10/2018	37,363 ⁽²⁾	4,664,397	—	—
David Conte	3/10/2018	—	—	112,088 ⁽⁶⁾	13,993,066
	3/10/2015	2,813 ⁽³⁾	351,175	—	—
	3/10/2015	1,563 ⁽²⁾	195,125	—	—
	3/10/2016	11,250 ⁽²⁾	1,404,450	—	—
	3/10/2016	15,043 ⁽⁴⁾	1,877,968	—	—
	3/10/2017	37,953 ⁽⁵⁾	4,738,053	—	—
	3/10/2017	15,001 ⁽²⁾	1,872,725	—	—
Susan St. Ledger	3/10/2018	13,200 ⁽²⁾	1,647,888	—	—
	3/10/2018	—	—	39,600 ⁽⁶⁾	4,943,664
	6/10/2016	34,098 ⁽⁴⁾	4,256,794	—	—
	6/10/2016	25,500 ⁽²⁾	3,183,420	—	—
	3/10/2017	47,439 ⁽⁵⁾	5,922,285	—	—
	3/10/2017	18,750 ⁽²⁾	2,340,750	—	—
	9/10/2017	64,625 ⁽²⁾	8,067,785	—	—
Leonard Stein	3/10/2018	24,200 ⁽²⁾	3,021,128	—	—
	3/10/2018	—	—	72,600 ⁽⁶⁾	9,063,384
	3/10/2015	2,250 ⁽³⁾	280,890	—	—
	3/10/2015	1,250 ⁽²⁾	156,050	—	—
	3/10/2016	6,875 ⁽²⁾	858,275	—	—
	3/10/2016	9,195 ⁽⁴⁾	1,147,904	—	—
	3/10/2017	18,972 ⁽⁵⁾	2,368,464	—	—
Timothy Tully	3/10/2017	7,500 ⁽²⁾	936,300	—	—
	6/10/2017	7,590 ⁽⁵⁾	947,536	—	—
	6/10/2017	3,000 ⁽²⁾	374,520	—	—
	3/10/2018	14,100 ⁽²⁾	1,760,244	—	—
	3/10/2018	—	—	42,200 ⁽⁶⁾	5,268,248
	9/10/2017	52,525 ⁽²⁾	6,557,221	—	—
	3/10/2018	17,600 ⁽²⁾	2,197,184	—	—
	3/10/2018	—	—	52,800 ⁽⁶⁾	6,591,552

⁽¹⁾ Market Value is calculated based on the closing price of our common stock on The NASDAQ Global Select Market on January 31, 2019 (the last trading day of our fiscal year), which was \$124.84.

⁽²⁾ The RSUs vest over four years, with one-fourth of the RSUs vesting one year following the vesting commencement date and 1/16th vesting quarterly thereafter over the remaining three years, subject to continued service to us.

- (3) On March 30, 2016, 180% of each NEO's target fiscal 2016 PSUs were deemed earned based upon our fiscal 2016 financial results, and one-fourth of these earned PSUs vested on March 30, 2016 and 1/16th vest quarterly thereafter, beginning on June 10, 2016, over the remaining three years, subject to continued service to us.
- (4) On March 29, 2017, 89.15% of each NEO's target fiscal 2017 PSUs were deemed earned based upon our fiscal 2017 financial results. The earned PSUs vest over four years, subject to continued service to us. For Mr. Merritt, 30% of these earned PSUs vested on March 29, 2017 and 5.83% vest quarterly thereafter, beginning on June 10, 2017, over the remaining three years. For Messrs. Conte and Stein, one-fourth of these earned PSUs vested on March 29, 2017 and 1/16th vest quarterly thereafter, beginning on June 10, 2017, over the remaining three years. For Ms. St. Ledger, one-fourth of these earned PSUs vested on June 10, 2017 and 1/16th vest quarterly thereafter, beginning on September 10, 2017, over the remaining three years.
- (5) On March 30, 2018, 168.67% of each NEO's target fiscal 2018 PSUs were deemed earned based upon our fiscal 2018 financial results. The earned PSUs vest over four years, subject to continued service to us. For Messrs. Merritt, Conte and Stein and Ms. St. Ledger, one-fourth of the PSUs granted on March 9, 2017 vested on March 30, 2018 and 1/16th vest quarterly thereafter, beginning on June 10, 2018, over the remaining three years. For Mr. Stein, one-fourth of the PSUs granted on April 20, 2017 vested on June 10, 2018 and 1/16th vest quarterly thereafter, beginning on September 10, 2018, over the remaining three years.
- (6) On March 27, 2019, 200% of each NEO's target fiscal 2019 PSUs were deemed earned based upon our fiscal 2019 financial results, and one-fourth of these earned corporate PSUs vested on March 27, 2019 and 1/16th vest quarterly thereafter, beginning on June 10, 2019, over the remaining three years, subject to continued service to us. The number of corporate PSUs earned were 112,088, 39,600, 42,200, 52,800 and 72,600 shares for each of Messrs. Merritt, Conte, Stein and Tully and Ms. St. Ledger, respectively. The number of stock price PSUs that will be eligible to be earned and vest beginning in June 2020 through March 2022 are 56,044, 21,100, 26,400 and 36,300 for Messrs. Merritt, Stein and Tully and Ms. St. Ledger, respectively. Mr. Conte's retirement will occur on or before March 2020, and he therefore is not expected to be eligible to earn or vest in any stock price PSUs.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2019

The following table sets forth the number of shares acquired and the value realized upon the exercise of stock options and the vesting of RSUs during fiscal 2019 by each of our NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾
Douglas Merritt	—	—	148,341	16,375,328
David Conte	—	—	79,720	8,844,568
Susan St. Ledger	—	—	120,589	13,670,161
Leonard Stein	—	—	53,799	6,035,468
Timothy Tully	—	—	23,875	2,911,222

- (1) The value realized on vesting is calculated by multiplying the number of shares of stock by the market value of the underlying shares on each vesting date.

PENSION BENEFITS AND NONQUALIFIED DEFERRED COMPENSATION

We do not provide a pension plan for our employees, and none of our NEOs participated in a nonqualified deferred compensation plan during fiscal 2019.

EXECUTIVE EMPLOYMENT ARRANGEMENTS

The initial terms and conditions of employment for each of our NEOs are set forth in written employment offer letters. The letters for Messrs. Merritt, Conte and Stein were negotiated on our behalf by Mr. Sullivan, our then CEO. The letters for Mr. Tully and Ms. St. Ledger and the Transition Services Agreement for Mr. Conte were negotiated on our behalf by Mr. Merritt. All of the employment offer letters were negotiated with the oversight and approval of our Board or Compensation Committee. Each of the employment offer letters with our NEOs sets forth the terms and conditions of such executive's employment with us and provides for severance and change in control payments and benefits, as described above under "Compensation Discussion and Analysis—Discussion of Our Fiscal 2019 Executive Compensation Program—Components of Compensation Program and Fiscal 2019 Compensation—Severance and Change in Control-Related Benefits."

DOUGLAS MERRITT

We entered into an initial employment offer letter dated April 7, 2014 with Mr. Merritt, our former Senior Vice President, Field Operations that was superseded by a revised employment offer letter dated November 16, 2015 in connection with his appointment as our President and CEO. Changes to Mr. Merritt's severance and change in control benefits were approved in March 2019 — see "Severance and Change in Control-Related Benefits" section above. Mr. Merritt's current base salary for fiscal 2020 is \$675,000 and his annual target cash bonus is 125% of his base salary.

DAVID CONTE

We entered into an initial employment offer letter dated June 30, 2011 with Mr. Conte, our Senior Vice President and Chief Financial Officer that was superseded by a revised employment offer letter dated January 11, 2012.

In connection with Mr. Conte's pending retirement, we entered into a Transition Services Agreement. This Transition Services Agreement supersedes the terms of his revised employment offer letter. Under the Transition Services Agreement, Mr. Conte agreed to continue to serve in his current position until his successor is appointed by our board of directors (the "Transition Date"). After the Transition Date, he will serve as Senior Vice President, Finance, reporting to our Chief Executive Officer, assisting with the transition of the new chief financial officer and other project-based services reasonably requested of him until March 11, 2020, or if earlier, the date that Mr. Conte terminates his employment with us (his actual employment termination date, the "Retirement Date"). Until the Retirement Date, Mr. Conte will continue to receive his existing base salary, participate in the executive bonus plan at his existing annual cash bonus target, and remain eligible to participate in our employee benefits plans and vest in his existing equity awards in accordance with the terms of the applicable equity plan and agreements. In consideration for his assistance with a successful transition to our new chief financial officer as described in the Transition Services Agreement, Mr. Conte will be entitled to receive a \$1,000,000 cash bonus if he remains employed through the date that is 30 days after the Transition Date. On each of September 11, 2019, December 11, 2019 and March 11, 2020 (each, a "Quarterly Measurement Date"), if the Transition Date has not occurred and Mr. Conte remains employed in his current position through such Quarterly Measurement Date, Mr. Conte will be entitled to receive (a) an additional \$500,000 cash bonus and (b) acceleration of vesting of the portion of his outstanding equity awards that would have vested had he remained employed through the date that is nine months following the last such Quarterly Measurement Date prior to the Transition Date.

In addition, if prior to March 11, 2020 and not in connection with a change in control (as defined in the Transition Services Agreement), we terminate Mr. Conte's employment for any reason other than for "cause" (as defined in the Transition Services Agreement), or any time after 30 days after the Transition Date, Mr. Conte separates from the Company for any reason, then Mr. Conte will receive (i) a lump sum payment of the remaining amount of his salary through March 11, 2020, (ii) payment of 100% of his target bonus for fiscal year 2020, provided that if Mr. Conte terminates his employment after January 31, 2020, he will receive 100% of his actual bonus for fiscal year 2020, reduced by amounts of any fiscal year 2020 bonus previously paid to him, (iii) a pro-rated portion of his target fiscal year 2021 bonus through March 11, 2020, (iv) acceleration of vesting of the portion of his outstanding equity awards that would have vested had

he remained employed through March 11, 2020 (or, if Mr. Conte is still employed in his current position as of the first Quarterly Measurement Date, then the vesting acceleration shall be calculated through the date that is nine months following the last Quarterly Measurement Date occurring before the Transition Date), and (v) reimbursement of COBRA premium payments for the number of months he would have been covered under our health care plans had he remained employed through March 11, 2020, or taxable monthly payments for the equivalent period in the event payment for COBRA premiums would violate applicable law (collectively, the “Standard Severance Benefits”). In the event Mr. Conte is involuntarily terminated either without cause or for good reason (as defined in the Transition Services Agreement), during the change in control period (as defined in the Transition Services Agreement), Mr. Conte will receive (i) a lump sum payment equal to twelve months salary, (ii) payment of a pro-rated portion of his target bonus for the fiscal year in which the termination occurs, (iii) acceleration of vesting of all then unvested equity awards, and (iv) reimbursement of COBRA premium payments for 12 months, or taxable monthly payments for the equivalent period in the event payment for COBRA premiums would violate applicable law (the “Change in Control Severance Benefits”). In the event that Mr. Conte’s employment is terminated by us without cause prior to a change in control period, and a change in control period begins after his termination date and on or before March 11, 2020, then Mr. Conte will be eligible for an additional benefit with respect to each aspect of the Standard Severance Benefits, such that the total received with respect to each such aspect is not less than the amount (in terms of dollars of severance, shares of accelerated vesting and months of COBRA reimbursements) that would have been provided under the Change in Control Severance Benefits, if any, if Mr. Conte had remained employed through March 11, 2020. All of the compensatory benefits are subject to the satisfaction of the conditions set forth in the Transition Services Agreement.

SUSAN ST. LEDGER

We entered into an employment offer letter dated March 3, 2016 with Ms. St. Ledger, our former Senior Vice President, Chief Revenue Officer. We subsequently entered into a letter agreement dated October 3, 2017 with Ms. St. Ledger in connection with her promotion to President, Worldwide Field Operations. Changes to Ms. St. Ledger’s severance and change in control benefits were approved in March 2019 — see “Severance and Change in Control-Related Benefits” section above. Ms. St. Ledger’s current base salary for fiscal 2020 is \$475,000 and her annual target cash bonus is 100% of her base salary.

LEONARD STEIN

We entered into an initial employment offer letter dated March 28, 2011 with Mr. Stein, Senior Vice President, Global Affairs and our former Senior Vice President, Corporate Affairs and Chief Legal Officer that was superseded by a revised employment offer letter dated January 11, 2012. Changes to Mr. Stein’s severance and change in control benefits were approved in March 2019 — see “Severance and Change in Control-Related Benefits” section above. Mr. Stein’s current base salary for fiscal 2020 is \$365,000 and his annual target cash bonus is 60% of his base salary.

TIMOTHY TULLY

We entered into an employment offer letter dated July 22, 2017 with Mr. Tully, our former Chief Technology Officer that was superseded by a revised employment offer letter dated April 25, 2018 in connection with his promotion to Senior Vice President, Chief Technology Officer. Changes to Mr. Tully’s severance and change in control benefits were approved in March 2019 — see “Severance and Change in Control-Related Benefits” section above. Mr. Tully’s current base salary for fiscal 2020 is \$420,000 and his annual target cash bonus is 70% of his base salary.

POTENTIAL PAYMENTS UPON TERMINATION OR UPON TERMINATION IN CONNECTION WITH A CHANGE IN CONTROL

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described below, assuming that the triggering event took place on January 31, 2019. The material terms of these benefits as of January 31, 2019 are described below.

Triggering Event(s)	Benefits
<p>Three months after signing of a definitive agreement that ultimately results in a change of control or 12 months after a change in control</p> <p>AND</p> <p>Employment is terminated without cause or NEO resigns for good reason</p>	<ul style="list-style-type: none"> • A lump sum payment equal to 12 months of NEO's then-current base salary (18 months, in the case of our CEO), plus a pro-rated portion of NEO's annual target bonus for the year of termination (18 months of annual target bonus plus a pro-rated portion of annual target bonus for the year of termination, in the case of our CEO); • Payment by us for up to 12 months of COBRA premiums to continue health insurance coverage for NEO and eligible dependents (18 months, in the case of our CEO), or a lump sum payment of \$24,000 (\$36,000, in the case of our CEO) if paying for COBRA premiums would result in an excise tax to us; • 100% accelerated vesting of NEO's outstanding equity awards; and • Six-month post-termination exercise period for NEO's outstanding options; <p>In each case subject to NEO timely signing a release of claims that becomes effective.</p>
<p>Employment is terminated without cause (other than in connection with a change in control)</p>	<ul style="list-style-type: none"> • A lump sum payment equal to six months of NEO's then-current base salary (12 months, in the case of our CEO), plus a pro-rated portion of NEO's annual target bonus for the year of termination; • Payment by us for up to six months of COBRA premiums to continue health insurance coverage for NEO and eligible dependents (12 months, in the case of our CEO), or a lump sum payment of \$12,000 (\$24,000, in the case of our CEO) if paying for COBRA premiums would result in an excise tax to us; • Six months accelerated vesting of NEO's outstanding equity awards (12 months, in the case of our CEO); and • Six-month post-termination exercise period for NEO's outstanding options; <p>In each case subject to NEO timely signing a release of claims that becomes effective.</p>

In March 2019, the Compensation Committee, in consultation with Compensia, reviewed market practices and our retention goals for our executive officers, including our NEOs, and made certain amendments to their severance and change in control-related benefits. See "Severance and Change in Control-Related Benefits" section above for a description of the material terms of these benefits as currently in effect.

NEO	Termination Without Cause (\$)	Termination Without Cause or Resignation for Good Reason in Connection with a Change in Control (\$) ⁽¹⁾
Douglas Merritt		
Severance payment ⁽²⁾	1,462,500	2,193,750
Continued health coverage	29,218	43,826
Accelerated vesting ⁽³⁾	18,623,382	37,500,563
Total:	20,115,099	39,738,139
David Conte		
Severance payment ⁽²⁾	1,205,767	801,000
Continued health coverage	34,373	29,463
Accelerated vesting ⁽⁴⁾	10,797,162 ⁽⁵⁾	17,031,047 ⁽⁶⁾
Total:	12,037,302 ⁽⁷⁾	17,861,510 ⁽⁸⁾
Susan St. Ledger		
Severance payment ⁽²⁾	690,000	920,000
Continued health coverage	4,708	9,416
Accelerated vesting ⁽³⁾	9,559,248 ⁽⁵⁾	35,855,546 ⁽⁶⁾
Total:	10,253,956	36,784,962
Leonard Stein		
Severance payment ⁽²⁾	401,500	584,000
Continued health coverage	9,644	19,288
Accelerated vesting ⁽³⁾	4,434,317 ⁽⁵⁾	14,098,431 ⁽⁶⁾
Total:	4,845,461	14,701,719
Timothy Tully		
Severance payment ⁽²⁾	480,000	680,000
Continued health coverage	9,066	18,131
Accelerated vesting ⁽³⁾	3,938,702 ⁽⁵⁾	15,345,957 ⁽⁶⁾
Total:	4,427,768	16,044,088

- ⁽¹⁾ A qualifying termination of employment is considered “in connection with a change in control” if such termination occurs within the period commencing three months before and ending 12 months after a “change in control.”
- ⁽²⁾ Each NEO’s base salary plus target bonus amounts, in each case, as was in effect as of January 31, 2019, are used in calculating severance payment amounts.
- ⁽³⁾ For purposes of valuing accelerated vesting, the values indicated in the table are calculated as follows: (i) with respect to RSUs, as the fair market value of a share of our common stock on January 31, 2019, which was \$124.84, multiplied by the number of unvested RSUs accelerated in accordance with the change in control and severance provisions of such NEO’s offer letter, and (ii) with respect to corporate PSUs, as the fair market value of a share of our common stock on January 31, 2019 multiplied by the earned amounts of the fiscal 2019 PSUs (200% of each NEO’s target fiscal 2019 PSUs) in accordance with such NEO’s PSU award agreement.
- ⁽⁴⁾ For purposes of valuing accelerated vesting, the values indicated in the table are calculated as follows: (i) with respect to RSUs, as the fair market value of a share of our common stock on January 31, 2019, which was \$124.84, multiplied by the number of unvested RSUs accelerated in accordance with the Transition Services Agreement (ii) with respect to corporate PSUs, as the fair market value of a share of our common stock on January 31, 2019 multiplied by the earned amounts of the fiscal 2019 PSUs (200% of Mr. Conte’s target fiscal 2019 PSUs) in accordance with Mr. Conte’s PSU award agreement.
- ⁽⁵⁾ For purposes of valuing accelerated vesting with respect to stock price PSUs, unearned stock price PSUs are deemed forfeited in accordance with the terms of such NEO’s PSU award agreement.
- ⁽⁶⁾ For purposes of valuing accelerated vesting with respect to stock price PSUs before a determination date, any unearned stock price PSUs are deemed earned based on the price per share paid in the change in control transaction. Using the closing price of our common stock on The NASDAQ Global Select Market on January 31, 2019 (the last trading day of our fiscal year), which was \$124.84, as the assumed per share price paid in the change in control transaction, results in no earned stock price PSUs because such price was below the stock price multiplier thresholds.

- (7) Pursuant to the Transition Services Agreement, Mr. Conte would receive (i) a lump sum payment equal to the base salary he would have earned through March 11, 2020 plus his annual fiscal 2019 bonus based on actual achievement of the applicable performance metrics for fiscal 2019; (ii) payment by us of COBRA premiums to continue health insurance coverage through March 11, 2020, or a lump sum payment of \$34,373 if paying for COBRA premiums would result in an excise tax to us; and (iii) 100% accelerated vesting of equity awards that would have vested had Mr. Conte remained employed through March 11, 2020. Pursuant to the Transition Services Agreement Mr. Conte could receive greater payment and benefits depending on the timing of the employment of a new CFO. See “Executive Employment Arrangements” section above.
- (8) Pursuant to the Transition Services Agreement, Mr. Conte would receive (i) a lump sum payment equal to twelve months of his base salary, as was in effect as of January 31, 2019, plus Mr. Conte’s fiscal 2019 target bonus; (ii) payment by us of 12 months COBRA premiums to continue health insurance coverage, or a lump sum payment of \$24,000 if paying for COBRA premiums would result in an excise tax to us; and (iii) 100% accelerated vesting of Mr. Conte’s outstanding equity awards. Pursuant to the Transition Services Agreement Mr. Conte could receive greater payment and benefits depending on the timing of the employment of a new CFO. See “Executive Employment Arrangements” section above.

CEO PAY RATIO

Under SEC rules, we are required to provide information regarding the relationship between the annual total compensation of Mr. Merritt, our President and CEO, and the annual total compensation of our median employee. For our last completed fiscal year, which ended January 31, 2019:

- The median of the annual total compensation of all of our employees (other than Mr. Merritt), including our consolidated subsidiaries, was approximately \$261,231. This annual total compensation is calculated in accordance with Item 402(c)(2)(x) of Regulation S-K, and reflects, among other things, salary and bonus earned and aggregate “grant date fair value” of RSU awards granted during the 12-month period ended January 31, 2019.
- Mr. Merritt’s annual total compensation, as reported in the Summary Compensation Table included in this Proxy Statement, was \$13,505,795.
- Based on the above, for fiscal 2019, the ratio of Mr. Merritt’s annual total compensation to the median of the annual total compensation of all employees was approximately 52 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Act of 1933, as amended and based upon our reasonable judgment and assumptions. The SEC rules do not specify a single methodology for identification of the median employee or calculation of the pay ratio, and other companies may use assumptions and methodologies that are different from those used by us in calculating their pay ratio. Accordingly, the pay ratio disclosed by other companies may not be comparable to our pay ratio as disclosed above.

The methodology we used to calculate the pay ratio is described below. Due to increased hiring, our population increased by approximately 37% in fiscal 2019, and last year’s median employee earned a promotion. Given these circumstances, we selected a new median employee. We identified the new median employee this fiscal year using the same methodology we used to identify last year’s median employee.

- We determined the median of the annual total compensation of our employees as of January 31, 2019 at which time we (including our consolidated subsidiaries) had approximately 4,322 full-time and part-time employees, including interns, approximately 3,061 who are U.S. employees, and approximately 1,261 (or approximately 29% of our total employee population as of January 31, 2019) who are located outside of the United States. In accordance with the SEC’s permitted methodology for determining the “median employee,” we excluded from our calculations 171 employees (or approximately 4% of our total employee population as of January 31, 2019) who were hired in connection with mergers and acquisitions that we completed in fiscal 2019.

- We then compared the sum of (i) the annual base salary of each of these employees for fiscal 2019, plus (ii) the total annual cash incentive bonus or commission, as applicable, earned by each of these employees for fiscal 2019 as reflected in our payroll records, plus (iii) the aggregate grant date fair value of equity awards (as determined in accordance with footnote 1 of the 2019 Summary Compensation Table) granted to these employees in fiscal 2019, to determine the median employee. Compensation paid in foreign currency was converted to U.S. dollars using a spot exchange rate on February 28, 2019. In determining the median total compensation of all employees, we did not make any cost of living adjustments to the compensation paid to any employee outside of the U.S.

Our determination of the median employee yielded two median employees because we had an even number of employees. After identifying the two median employees, we estimated each median employee's annual total compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K and, in order to utilize a more conservative approach which yields a higher pay ratio, we selected the employee with the lower annual total compensation disclosed above. With respect to Mr. Merritt's annual total compensation, we used the amount reported in the "Total" column of our 2019 Summary Compensation Table.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of January 31, 2019 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (\$) ⁽²⁾	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders ⁽¹⁾	13,507,646	10.69	30,425,757
Equity compensation plans not approved by stockholders	—	—	—
Total	13,507,646	10.69	30,425,757

⁽¹⁾ Includes the following plans: 2012 Equity Incentive Plan ("2012 Plan"), 2003 Equity Incentive Plan and 2012 Employee Stock Purchase Plan ("2012 ESPP"). Our 2012 Plan provides that on the first day of each fiscal year, the number of shares authorized for issuance under the 2012 Plan is automatically increased by a number equal to the least of (i) ten million (10,000,000) shares of common stock, (ii) five percent (5%) of the aggregate number of shares of common stock outstanding on the last day of the immediately preceding fiscal year, or (iii) such number of shares of common stock that may be determined by our Board. Our 2012 ESPP provides that on the first day of each fiscal year, the number of shares authorized for issuance under the 2012 ESPP is automatically increased by a number equal to the least of (i) four million (4,000,000) shares of common stock, (ii) two percent (2%) of the aggregate number of outstanding shares of common stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by our Board or any committee designated by the Board to administer the 2012 ESPP.

⁽²⁾ Does not include shares issuable upon vesting of outstanding RSU awards, which have no exercise price.

STOCK OWNERSHIP INFORMATION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock at March 31, 2019 for:

- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our common stock;
- each of our NEOs;
- each of our directors; and
- all of our executive officers and directors as a group.

The information provided in the table is based on our records, information filed with the SEC, and information provided to us. For our 5% stockholders, to the extent we did not have more recent information, we relied upon such stockholders' most recent filing with the SEC pursuant to Section 13(g) of the Exchange Act as noted below. We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

Applicable percentage ownership is based on 150,154,462 shares of common stock outstanding at March 31, 2019. In computing the number of shares of common stock beneficially owned by a person or entity and the percentage ownership of such person or entity, we deemed to be outstanding all shares of common stock subject to shares held by the person that are currently exercisable or exercisable (or issuable upon vesting of RSUs) within 60 days of March 31, 2019. However, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated in their respective footnote, the address of each beneficial owner listed in the table below is c/o Splunk Inc., 270 Brannan Street, San Francisco, California 94107.

	Number of Shares	Percent of Shares Outstanding
5% Stockholders:		
T. Rowe Price Associates, Inc. ⁽¹⁾	19,744,922	13.1%
The Vanguard Group, Inc. ⁽²⁾	12,956,894	8.6%
BlackRock, Inc. ⁽³⁾	8,085,692	5.4%
NEOs and Directors:		
Douglas Merritt	47,257	*
David Conte	16,804	*
Susan St. Ledger	10,337	*
Leonard Stein	20,071	*
Tim Tully	6,870	*
Sara Baack	6,148	*
Mark Carges	12,623	*
John Connors	70,175	*
Patricia Morrison	25,814	*
Thomas Neustaetter	10,436	*
Stephen Newberry	36,112	*
Graham Smith	52,681	*
Elisa Steele	6,148	*
Godfrey Sullivan ⁽⁴⁾	198,670	*
Sri Viswanath	—	*
All executive officers and directors as a group (16 persons)	512,662	*

* Represents beneficial ownership of less than one percent (1%).

⁽¹⁾ As of December 31, 2018, the reporting date of T. Rowe Price Associates, Inc.'s most recent filing with the SEC pursuant to Section 13(g) of the Exchange Act filed on February 14, 2019, T. Rowe Price Associates, Inc. ("Price Associates"), in its capacity as an investment adviser, has sole voting power with respect to 7,822,165 shares and sole dispositive power with respect to 19,744,922 shares reported as beneficially owned. Securities are beneficially owned by clients of Price Associates. The address for Price Associates is 100 E. Pratt Street, Baltimore, MD 21202.

⁽²⁾ As of December 31, 2018, the reporting date of The Vanguard Group, Inc.'s most recent filing with the SEC pursuant to Section 13(g) of the Exchange Act filed on February 11, 2019, The Vanguard Group, Inc. ("Vanguard"), in its capacity as an investment adviser, has sole voting power with respect to 110,255 shares, shared voting power with respect to 36,316 shares, sole dispositive power with respect to 12,811,971 shares, and shared dispositive power with respect to 144,923 shares reported as beneficially owned. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 66,405 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard is the beneficial owner of 120,533 shares as a result of its serving as investment manager of Australian investment offerings. The address for Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

⁽³⁾ As of December 31, 2018, the reporting date of BlackRock, Inc.'s most recent filing with the SEC pursuant to Section 13(g) of the Exchange Act filed on February 11, 2019, BlackRock, Inc. ("BlackRock"), which is a parent holding company or control person, has sole voting power with respect to 7,077,808 shares and sole dispositive power with respect to 8,085,692 shares reported as beneficially owned. The address for BlackRock is 55 East 52nd Street, New York, NY 10055.

⁽⁴⁾ Consists of (i) 178,760 shares held of record by Mr. Sullivan; and (ii) 20,000 shares held of record by Mr. Sullivan's spouse.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during fiscal 2019, all Section 16(a) filing requirements were satisfied on a timely basis, except that we inadvertently omitted shares on a Form 3 for Timothy Tully that was timely filed on April 20, 2018, which report was corrected on a Form 4 filed on September 12, 2018.

OTHER MATTERS

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND OUR 2019 ANNUAL MEETING

The information provided in the “question and answer” format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

WHAT MATTERS AM I VOTING ON?

You will be voting on:

- the election of three Class I directors to hold office until the 2022 annual meeting of stockholders or until their successors are duly elected and qualified;
- a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2020;
- an advisory vote to approve the compensation of our named executive officers, as described in this proxy statement;
- an advisory vote on the frequency of advisory votes on named executive officer compensation, as described in this proxy statement; and
- any other business that may properly come before the meeting.

HOW DOES THE BOARD RECOMMEND I VOTE ON THESE PROPOSALS?

The Board recommends a vote:

- FOR each of the nominees for election as Class I directors;
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2020;
- FOR approval, on an advisory basis, of our named executive officer compensation; and
- EVERY 1 YEAR for the frequency of future advisory votes on named executive officer compensation.

WHO IS ENTITLED TO VOTE?

Holders of our common stock as of the close of business on April 18, 2019 (the “Record Date”), may vote at the Annual Meeting. As of the Record Date, we had 150,161,707 shares of common stock outstanding. In deciding all matters at the Annual Meeting, each stockholder will be entitled to one vote for each share of common stock held on the Record Date. We do not have cumulative voting rights for the election of directors.

Registered Stockholders. If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

Street Name Stockholders. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, or a street name stockholder, and the Notice was forwarded to you by your broker, bank or other nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since beneficial owners are not the stockholders of record, you may not vote your shares in person at the Annual Meeting unless you follow your broker’s, bank’s or other nominee’s procedures for obtaining a legal proxy. If you request a printed copy of the proxy materials by mail, your broker, bank or other nominee will provide a voting instruction card for you to use to direct your broker, bank or other nominee how to vote your shares.

HOW DO I VOTE?

If you are a registered stockholder, you may:

- instruct the proxy holder or holders on how to vote your shares by using the Internet voting site or the toll-free telephone number listed on the Notice, 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on June 12, 2019 (have the Notice or proxy card in hand when you call or visit the website);
- instruct the proxy holder or holders on how to vote your shares by completing and mailing your proxy card to the address indicated on your proxy card (if you received printed proxy materials), which must be received by the time of the Annual Meeting; or
- vote by written ballot in person at the Annual Meeting.

If you are a street name stockholder, you will receive instructions from your broker, bank or other nominee. The instructions from your broker, bank or other nominee will indicate if the various methods by which you may vote, including whether Internet or telephone voting, are available.

CAN I CHANGE OR REVOKE MY VOTE?

Yes. Subject to any rules your broker, bank or other nominee may have, you can change your vote or revoke your proxy before the Annual Meeting.

If you are a registered stockholder, you may change your vote by:

- entering a new vote via Internet or by telephone by 11:59 p.m. Eastern Time on June 12, 2019;
- returning a later-dated proxy card which must be received by the time of the Annual Meeting; or
- completing a written ballot in person at the Annual Meeting.

If you are a registered stockholder, you may also revoke your proxy by providing our Corporate Secretary with a written notice of revocation prior to your shares being voted at the Annual Meeting. Such written notice of revocation should be hand delivered to Splunk's Corporate Secretary or mailed to and received by Splunk Inc. prior to the Annual Meeting at 270 Brannan Street, San Francisco, California 94107, Attention: Corporate Secretary.

If you are a street name stockholder, you may change your vote by:

- submitting new voting instructions to your broker, bank or other nominee pursuant to instructions provided by such broker, bank or other nominee; or
- completing a written ballot at the Annual Meeting; provided you have obtained a legal proxy from your broker, bank or other nominee giving you the right to vote the shares.

If you are a street name stockholder, you must contact your broker, bank or other nominee that holds your shares to find out how to revoke your proxy.

WHAT IS THE EFFECT OF GIVING A PROXY?

Proxies are solicited by and on behalf of our Board. The persons named in the proxy have been designated as proxy holders. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If the proxy is properly dated, executed and returned, but no specific instructions are given, the shares will be voted in accordance with the recommendations of our Board as described above. If any matter not described in the proxy statement is properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxy holders can vote your shares on the new meeting date as well, unless you have properly revoked your proxy, as described above.

WHY DID I RECEIVE A NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS ON THE INTERNET INSTEAD OF A FULL SET OF PROXY MATERIALS?

In accordance with the rules of the SEC, we have elected to furnish our proxy materials, including this proxy statement and our annual report to our stockholders, primarily via the Internet. On or about April 30, 2019, we mailed to our stockholders the Notice that contains instructions on how to access our proxy materials on the Internet, how to vote at the Annual Meeting, and how to request printed copies of the proxy materials and annual report. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual meetings and keep our Annual Meeting process efficient.

WHAT IS A QUORUM?

A quorum is the minimum number of shares required to be present at the Annual Meeting for the meeting to be properly held under our Bylaws and Delaware law. The presence, in person or by proxy, of a majority of all issued and outstanding shares of common stock entitled to vote at the meeting will constitute a quorum at the meeting. A proxy submitted by a stockholder may indicate that all or a portion of the shares represented by the proxy are not being voted (“stockholder withholding”) with respect to a particular matter. Similarly, a broker may not be permitted to vote stock (“broker non-vote”) held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock. See “How may my broker, bank or other nominee vote my shares if I fail to provide timely directions?” below. The shares subject to a proxy that are not being voted on a particular matter because of either stockholder withholding or broker non-vote will count for purposes of determining the presence of a quorum. Abstentions are also counted in the determination of a quorum.

HOW MANY VOTES ARE NEEDED FOR APPROVAL OF EACH MATTER?

- *Proposal 1:* Each director nominee will be elected by a vote of the majority of the votes cast. A majority of the votes cast means the number of votes cast “For” such nominee’s election exceeds the number of votes cast “Against” that nominee. You may vote “For,” “Against,” or “Abstain” with respect to each director nominee. Broker non-votes and abstentions, if any, will have no effect on the outcome of the election.
- *Proposal 2:* The ratification of the appointment of PricewaterhouseCoopers LLP must receive the affirmative vote of at least a majority of the shares present in person or by proxy at the meeting and entitled to vote thereon to be approved. You may vote “For,” “Against,” or “Abstain” with respect to this proposal. Abstentions are considered votes cast and thus will have the same effect as a vote “Against” the proposal. Broker non-votes, if any, will have no effect on the outcome of this proposal.
- *Proposal 3:* The advisory vote to approve the compensation of our named executive officers must receive the affirmative vote of at least a majority of the shares present in person or by proxy at the meeting and entitled to vote thereon to be approved. You may vote “For,” “Against,” or “Abstain” with respect to this proposal. Abstentions are considered votes cast and thus will have the same effect as votes “Against” the proposal. Broker non-votes, if any, will have no effect on the outcome of the vote. Because this vote is advisory only, it will not be binding on us, our Compensation Committee or our Board. However, we value our stockholders’ input and will take the vote into consideration when evaluating executive compensation decisions.
- *Proposal 4:* The frequency of future advisory votes on named executive officer compensation selected by stockholders will be the frequency that receives the highest number of votes cast. Abstentions and broker non-votes will have no effect on the outcome of the vote. Because this vote is advisory only in accordance with applicable laws, it will not be binding on us, our Compensation Committee or our Board. However, we value our stockholders’ input and will take the vote into consideration when determining the frequency of the advisory vote.

WHAT HAPPENS IF A DIRECTOR NOMINEE WHO IS DULY NOMINATED DOES NOT RECEIVE A MAJORITY VOTE?

The Board nominates for election or re-election as director only candidates who have tendered, in advance of such nomination, an irrevocable, conditional resignation that will be effective only upon both (i) the failure to receive the required vote at the next annual meeting of stockholders at which they face re-election and (ii) the Board's acceptance of such resignation. In an uncontested election, the Board, after taking into consideration the recommendation of the Nominating and Corporate Governance Committee, will determine whether or not to accept the pre-tendered resignation of any nominee for director who receives a greater number of votes "Against" such nominee's election than votes "For" such nominee's election. In the event of a contested election, the director nominees equal to the number of seats available who receive the largest number of votes cast "For" their election will be elected as directors.

HOW ARE PROXIES SOLICITED FOR THE ANNUAL MEETING?

The Board is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers, banks or other nominees for reasonable expenses that they incur in sending these proxy materials to you, if a broker, bank or other nominee holds your shares.

HOW MAY MY BROKER, BANK OR OTHER NOMINEE VOTE MY SHARES IF I FAIL TO PROVIDE TIMELY DIRECTIONS?

Brokers, banks and other nominees holding shares in street name for their customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker, bank or other nominee will have discretion to vote your shares on our sole "routine" matter—the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm. Your broker, bank or other nominee will not have discretion to vote on the other matters submitted for a vote absent direction from you as they are "non-routine" matters.

IS MY VOTE CONFIDENTIAL?

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Splunk or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, to facilitate a successful proxy solicitation, or when you request or consent to disclosure.

IS PROOF OF OWNERSHIP REQUIRED TO ATTEND THE MEETING IN PERSON?

Only stockholders and authorized guests of the Company may attend the Annual Meeting. In order to be admitted to the Annual Meeting, you must present proof of ownership of our common stock on the Record Date. This can be any of the following:

- A brokerage statement or letter from a bank or broker indicating ownership on April 18, 2019
- The Notice
- A printout of the proxy distribution email (if you received your materials electronically)
- A proxy card
- A voting instruction form
- A legal proxy provided by your broker, bank, or nominee

Stockholders and proxy holders must also present a form of photo identification such as a driver's license. We will be unable to admit anyone who does not present identification or refuses to comply with our security procedures.

WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?

We will disclose voting results on a Current Report on Form 8-K to be filed with the SEC within four business days after the Annual Meeting. If final voting results are not available to us in time to include them in such Current Report on Form 8-K, we will file a Current Report on Form 8-K to publish preliminary results and will provide the final results in an amendment to the Current Report on Form 8-K as soon as final results become available.

I SHARE AN ADDRESS WITH ANOTHER STOCKHOLDER, AND WE RECEIVED MULTIPLE COPIES OF THE PROXY MATERIALS. HOW MAY WE OBTAIN A SINGLE COPY OF THE PROXY MATERIALS?

Stockholders who share an address and receive multiple copies of our proxy materials can request to receive a single copy in the future. To receive a single copy of the Notice and, if applicable, the proxy materials, stockholders may contact us as follows:

Splunk Inc.
Attention: Investor Relations
3098 Olsen Drive
San Jose, California 95128
(415) 848-8400

Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

STOCKHOLDER PROPOSALS

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for our 2020 annual meeting of stockholders, our Corporate Secretary must receive the written proposal at our principal executive offices not later than January 1, 2020. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Splunk Inc.
Attention: Corporate Secretary
270 Brannan Street
San Francisco, California 94107

Our Bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our Bylaws provide that the only business that may be conducted at an annual meeting is business that is (i) specified in our proxy materials with respect to such meeting, (ii) otherwise properly brought before the meeting by or at the direction of our Board, or (iii) properly brought before the meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our Bylaws. To be timely for our 2020 annual meeting of stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

- not earlier than February 15, 2020; and
- not later than the close of business on March 16, 2020.

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we are not required to present the proposal for a vote at such meeting.

Please see “Corporate Governance at Splunk—Board Composition—Stockholder Recommendations” and “Corporate Governance at Splunk—Board Composition—Stockholder Nominations” on page 19 for further information about recommendations and nominations of director candidates.

AVAILABILITY OF BYLAWS

A copy of our Bylaws may be obtained by accessing our filings on the SEC’s website at www.sec.gov or on our investor website at <http://investors.splunk.com/corporate-governance>. You may also contact our Corporate Secretary at our principal executive offices for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

FISCAL 2019 ANNUAL REPORT AND SEC FILINGS

Our financial statements for the fiscal year ended January 31, 2019 are included in our Annual Report on Form 10-K, which was filed with the SEC and which we will make available to stockholders at the same time as this proxy statement. Our annual report and this proxy statement are posted on our website at www.splunk.com and are available from the SEC at its website at www.sec.gov. You may also obtain a copy of our annual report without charge by sending a written request to Investor Relations, Splunk Inc., 3098 Olsen Drive, San Jose, California 95128.

* * *

The Board does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote shares they represent in accordance with their own judgment on such matters.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

THE BOARD OF DIRECTORS

San Francisco, California

April 30, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Fiscal Year Ended: January 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 001-35498



Splunk Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

86-1106510

(I.R.S. Employer
Identification No.)

270 Brannan Street

San Francisco, California 94107

(Address of principal executive offices)
(Zip Code)

(415) 848-8400

(Registrant's telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, \$0.001 par value per share

Name of each exchange on which registered

The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of shares of common stock held by non-affiliates of the registrant was \$10,152,428,666, based on the number of shares held by non-affiliates and the last reported sale price of the registrant's common stock on July 31, 2018 (the last business day of the registrant's most recently completed second fiscal quarter).

The number of shares outstanding of the Registrant's Common Stock as of March 18, 2019 was 150,074,503 shares.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2019 Annual Stockholders' Meeting are incorporated by reference into Part III of this Annual Report on Form 10-K.

Splunk Inc.

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PART I

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including but not limited to the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

- our future financial and operating results; including trends in and expectations regarding revenues, deferred revenue, billings, gross margins, operating income and the proportion of transactions that will be recognized ratably;
- market opportunity;
- expected benefits to customers and potential customers of our offerings, as well as our user-driven ecosystem;
- investment strategy, business strategy and growth strategy, including our business model transition and the use of acquisitions to expand our business;
- sales and marketing strategy, including our international sales and channel partner strategy;
- management’s plans, beliefs and objectives for future operations;
- our ability to provide compelling, uninterrupted and secure cloud services to our customers;
- expectations about competition;
- economic and industry trends or trend analysis;
- expectations about the benefits of acquisitions;
- expectations about seasonality;
- revenue mix;
- expected impact of changes in accounting rules or standards;
- use of non-GAAP financial measures;
- operating expenses, including changes in research and development, sales and marketing, facilities and general and administrative expenses;
- sufficiency of cash to meet cash needs for at least the next 12 months;
- exposure to interest rate changes;
- inflation;
- anticipated income tax rates, tax estimates and tax standards; and
- capital expenditures, cash flows and liquidity.

These statements represent the beliefs and assumptions of our management based on information currently available to us. 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, those identified below, and those discussed in the section titled “Risk Factors” included under Part I, Item 1A. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Item 1. Business

Overview

Splunk provides innovative software solutions that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our offerings enable users to investigate, monitor, analyze and act on machine data regardless of format or source. Our offerings address large and diverse data sets commonly referred to as big data and are specifically tailored for machine data. Machine data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as transactions, customer and user behavior, and security threats. Beyond an organization's traditional information technology (“IT”) and security infrastructure, data from the Industrial Internet, including industrial control systems, sensors, supervisory control and data acquisition (“SCADA”) systems, networks, manufacturing systems, smart meters and the Internet of Things (“IoT”), which includes consumer-oriented systems, such as electronic wearables, mobile devices, automobiles and medical devices are also continuously generating machine data. Our offerings help organizations gain the value contained in machine data by delivering real-time information to enable operational decision making.

Our mission is to make machine data accessible, usable and valuable to everyone in an organization. Our customers leverage our offerings for various use cases, including infrastructure and operations management, security and compliance, software development and IT operations, applications management and business analytics, and to provide insights into data generated by the IoT and industrial data, among many others. Our offerings are intended to help users in various roles, including IT, security, manufacturing and business professionals, quickly analyze their machine data and achieve real-time visibility into and intelligence about their organization’s operations. We believe this operational intelligence enables organizations to improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance, and drive better business decisions. The result is an improved level of operational visibility enabling more informed business decisions that can provide greater efficiency, security and competitive advantage for our customers.

Our flagship product is Splunk Enterprise, a machine data platform, comprised of collection, indexing, search, reporting, analysis, alerting, monitoring and data management capabilities. Splunk Enterprise can collect and index petabytes of machine data daily, irrespective of format or source. Our machine data platform uses our patented data processing architecture that performs dynamic schema creation at read time, rather than write time, enabling users to run queries on data without having to define or understand the structure of the data prior to collection and indexing. This is in contrast to traditional IT systems that require users to establish the format of their data prior to collection in order to answer a pre-set list of questions. Splunk Enterprise also enables customers to interactively explore, analyze and visualize data stored in data sources such as Hadoop and Amazon S3. Our technology delivers speed, scalability and advanced analytics including machine learning when processing massive amounts of machine data for anomaly detection, event grouping, prediction and other methods. Our software leverages improvements in the cost and performance of commodity computing and can be deployed in a wide variety of computing environments, from a single laptop to large globally distributed data centers as well as public, private and hybrid cloud environments.

Splunk Cloud delivers the benefits of Splunk Enterprise deployed and managed reliably and scalably as a service. Splunk Cloud is available globally and eliminates the need to purchase, deploy and manage infrastructure. Splunk Cloud can be used to collect, analyze and store data in a public cloud environment or via a hybrid approach that spans cloud and on-premises environments. A single Splunk interface can search data stored in both on-premises Splunk Enterprise instances as well as Splunk Cloud instances, providing a single point of visibility and analysis across the customer’s entire enterprise.

Splunk Light provides log search and analysis that is designed, priced and packaged for small IT environments, where a single-server log analytics solution is sufficient, and can be purchased through our online store or via our channel partners.

Our premium solutions are purpose-built to address key customer needs. Splunk premium solutions are sold separately and include:

- Splunk Enterprise Security (“ES”) - Addresses emerging security threats and security information and event management (“SIEM”) use cases through monitoring, alerting, reporting, investigation and forensic analysis.
- Splunk IT Service Intelligence (“ITSI”) - Monitors the health and key performance indicators of critical IT and business services with machine learning.

- Splunk User Behavior Analytics (“UBA”) - Detects cyber-attacks and insider threats using data science, machine learning and advanced correlation.
- Splunk Phantom - Automates and orchestrates incident response workflows to take immediate action the moment an incident is detected.

We also complement the capabilities of Splunk Enterprise, Splunk Cloud and our premium solutions with additional content (“apps” and “add-ons”). These apps and add-ons, which are generally available for download from within our offerings, via our Splunkbase website or in our Splunk Cloud environment, provide functionality in the form of pre-built data inputs, workflows, searches, reports, alerts and dashboards that make it easier and faster for our customers to address specific use cases. Splunk, along with a number of third-party developers and customers, has developed hundreds of apps and add-ons for common data sources and valuable use cases in our core and adjacent markets. Many of these apps and add-ons are available as free downloads. Examples of apps that we and our partners have developed include:

- Splunk Machine Learning Toolkit (“MLTK”) - Includes custom visualizations and guided workflows, as well as application programming interfaces (“APIs”) for open source and proprietary algorithms. It also contains a data prep module to help customers prepare and clean their data before they create machine learning models.
- Splunk App for Amazon Web Services (“AWS”) - Collects and analyzes data from AWS data sources to deliver security, operational and cost management insights via pre-built dashboards, reports and alerts.
- Splunk DB Connect - Enables customers to get business and enterprise context such as customer, product and HR data from traditional relational databases using real-time integration
- Cisco Firepower App for Splunk - Delivers critical high value contextual security and network event information when combined with the Cisco eStreamer eNcore Add-on. Incorporates advanced visualizations and investigative capabilities for Cisco Firepower and Firepower Management Console. Built, supported, and maintained by Cisco Systems, Inc.

Splunk Apps and add-ons enable us to deliver greater customer value, target new markets, accelerate user adoption and address markets traditionally served by point solutions. Often, customers start with one app before expanding into other apps and use cases, driving incremental usage, licensing and revenues for Splunk Enterprise and Splunk Cloud.

As part of our strategy to offer an open platform, we provide APIs, software development kits (“SDKs”) in major programming languages, and extensions for popular integrated development environments (“IDEs”) like Eclipse and Microsoft Visual Studio. These enable developers to build software that leverages Splunk Enterprise or Splunk Cloud as well as integrate with other parts of an organizations’ IT infrastructure.

Our online user community websites, Splunkbase and Splunk Answers, provide our customers with an environment to share apps, collaborate on the use of our software and provide community-based support and education. Additionally, our Splunk Dev portal allows developers to download SDKs, access API documentation and see sample code for building applications using our developer environment and tools. We believe this user-driven ecosystem results in greater use of our offerings and provides cost-effective marketing, increased brand awareness and affinity, as well as viral adoption of our offerings.

Our offerings are designed to deliver rapid return-on-investment for our customers. They generally do not require customization, long deployment cycles or extensive professional services commonly associated with traditional enterprise software applications. Prospective users can get started with our free online sandboxes that enable our customers to immediately try and experience Splunk offerings. Users that prefer to deploy the software on-premises can take advantage of our free 60-day trial of Splunk Enterprise, which converts into a limited free perpetual license of up to 500 megabytes of data per day. A 15-day free trial is available to users that prefer the core functionalities of Splunk Enterprise delivered as a cloud service. These users can sign up for Splunk Cloud and avoid the need to provision, deploy and manage internal infrastructure. Alternatively, they can simply download and install the software, typically in a matter of hours, to connect to their relevant machine data sources. Customers can also provision a compute instance on AWS via a pre-built Amazon Machine Image, which delivers a pre-configured virtual machine instance with our Splunk Enterprise software. We offer free development-test licenses for certain commercial customers, allowing users to explore new data and use cases in a non-production environment without incurring additional fees. We also offer support, training and professional services to our customers to assist in the deployment of our software.

Splunk pricing offers scalable solutions tailored to ensure that our customers can realize value for their investment. Our Splunk Enterprise customers pay license fees generally based on their estimated peak daily indexing capacity needs. Our pricing model builds in volume discounts as daily ingestion rates increase. From time to time, our customers enter into transactions that are designed to enable broad adoption of our software across their entire organization, referred to as enterprise adoption agreements (“EAAs”). EAAs provide these customers with a flexible licensing model that can provide the freedom to use our software beyond their original daily indexing capacity estimates and more predictable costs that can be budgeted over a multi-year period. Our Splunk Cloud customers pay an annual subscription fee based on the combination of the volume of data indexed per day and the amount of data stored.

Our Growth Strategy

Our goal is to make Splunk the standard platform for delivering operational intelligence and real-time business insights from machine data. The key elements of our strategy are to:

Extend our technological capabilities. We intend to continue to invest heavily in product development to deliver additional features and performance enhancements, deployment models and solutions that can address new end markets and support Splunk software usage across multiple use cases. In particular, we intend to invest in our suite of cloud services to both deliver new capabilities as well as provide a cloud-first experience to our customers. We will continue to expand into adjacent products, services and technologies that enable organizations to further realize the value of their machine data across cloud and on-premises environments. Our investments may involve hiring and associated development, acquisitions and licensing of third-party technology.

Continue to expand our direct and indirect sales organization, including our channel relationships, to increase our sales capacity and enable greater market presence. We will continue to increase investments in our sales and marketing organizations to enable the acquisition of new customers as well as expansion within our current customer base. Our investments will be spread across geographies, customer tiers and industries. We will continue to invest in and foster the growth of our channel relationships, both inside and outside the United States, to enable greater leverage in our go-to-market investments. We will also expand go-to-market channels that enable new ways to consume our offerings.

Further penetrate our existing customer base and drive enterprise-wide adoption. We will continue to drive customer satisfaction and renewals by offering community, standard, enterprise and global support to ensure our customers’ success with our offerings. We will continue to cultivate incremental sales from our existing customers through increased use of our offerings within organizations as well as consultative services that broaden the customer’s awareness of our product and service capabilities. In particular, we will continue to seek to upsell increased indexing capacity to our existing customers for additional deployments and new use cases. We believe our existing customer base serves as a strong source of incremental revenues given the horizontal applicability of our offerings and the growing machine data volumes our customers experience. Our sales teams are responsible for securing new customers, obtaining renewals of existing contracts and increasing adoption of our software by existing customers.

Enhance our value proposition through a focus on solutions which address core and expanded use cases. We will continue to organize our go-to-market and product strategy around our customer use cases. We have invested in market groups in the Security, IT, Business Analytics and IoT areas. This approach includes offering capabilities, either in the form of platform features or premium solutions, which target both our core use cases as well as new use cases, as driven by our corporate strategy and customer demand. We believe premium solutions in particular will enable us to increase our market penetration, expand our addressable market opportunity and make our products a more targeted solution for specific challenges that our customers face across their organizations.

Grow our user communities and partner ecosystem to increase awareness of our brand, target new use cases, drive operational leverage and deliver more targeted, higher value solutions. We believe our user community has the potential to provide significant operating leverage by delivering apps that extend the Splunk platform into new use cases. We will continue to invest in business development initiatives in order to add additional OEM and strategic relationships to enable new sales channels for our offerings as well as extend our product integrations with third-party products. In addition, once these relationships have been established, we expect that OEM vendors and managed service providers will continue to invest in and create customized application functionality based on our platform.

Continue to deliver a rich developer environment to enable rapid development of enterprise applications that leverage machine data and the Splunk platform. We intend to continue our investments in SDKs and APIs that help software

developers leverage the Splunk platform. Our SDKs enable developers to build solutions that deeply integrate the analytics functionality of our offerings across the enterprise. Through our investments in SDKs and APIs, we intend to promote and extend the capabilities of our offerings to customers who wish to build sophisticated applications and interfaces that leverage our software and services.

Pricing

We price our offerings primarily on the amount of data indexed, namely the maximum aggregate volume of uncompressed data indexed on a daily basis, expressed in gigabytes, terabytes or petabytes per day. Once a data ingestion license is purchased, there is no limit or additional costs based on other product usage elements nor the customer's preferred deployment size or model. Our Splunk Cloud customers generally pay an annual subscription fee based on the combination of the volume of data indexed per day and the amount of data stored.

For organizations that choose to standardize on Splunk software as their enterprise-wide platform for machine data, we offer EAAs, which provide our customers with a flexible licensing model and can provide the freedom to use our software beyond their original daily indexing capacity estimates. EAAs are designed to benefit organizations of any size, from small and midsize businesses to Fortune 100 companies and provide customers with more predictable costs that can be budgeted over a multi-year period as well as enable expansion to new use cases without penalty or cost.

Some of our offerings address markets where other pricing models may be prevalent. For example, the pricing of Splunk User Behavior Analytics, which helps detect cyber-attacks and insider threats using data science, machine learning and advanced correlation, is based on the number of monitored user and system accounts.

Splunk Technology

Key Technologies

We believe our investments in our products and key technologies provide significant competitive differentiation. Our key technologies are architected to support large volumes of machine data at a massive scale with minimal overhead. Our platform is highly flexible and is able to collect and index large amounts of heterogeneous data formats, from physical, virtual and/or cloud environments.

Schema-on-the-fly. Our products collect and index data irrespective of source and format. Rather than requiring that data be input in a pre-defined structure, our schema-on-the-fly technology creates structure as data is being searched, allowing users to ask new and different questions at any time without having to re-architect a schema as would be required in a relational database. Our technology builds a schema at read time, rather than write time, and does not require pre-defined knowledge about the data it is processing. Using our technology, different users can run a variety of queries, regardless of changes in format of the data being input into the system.

Machine data platform. Our products enable users to process machine data no matter the infrastructure topology, from a single machine to a globally distributed, virtualized IT infrastructure. This machine data platform allows customers to address the complexities of handling massive amounts of real-time, dynamic, heterogeneous machine data. Our APIs enable users to forward data from our software to other parts of their IT network, creating a machine data platform across the organization irrespective of whether the data is used by our products for analysis and reporting or as a conduit to other systems.

Search processing language. Our proprietary search processing language is specifically designed for working with large volumes of machine data. Our search language supports arithmetic operations to refine searches and conduct calculations with the results of a query in real time. Statistical and reporting commands native to our search language, including machine learning algorithm support, let users perform more robust calculations and analytics. Our software can also learn about the structure of the machine data through the searches users conduct, allowing users to utilize the machine data structure and knowledge garnered by previous Splunk searches. Our software includes acceleration technology that delivers high performance for analytical operations across terabytes or petabytes of data, such as identifying rare terms and performing aggregation operations.

Machine Learning. The Splunk platform allows our customers to apply machine learning analytics to better predict and help prevent IT, security and IoT incidents, and can also be used to forecast key business indicators. Machine learning embedded in our software offers customers advanced analytics as an integrated, turnkey part of IT and security use cases.

Splunk Enterprise and Splunk Cloud

Features and Functionality

Our Splunk Enterprise platform contains the following features and functionalities and Splunk Cloud delivers the benefits of Splunk Enterprise as a cloud service.

Universally collect, index, store and archive any machine data, from any source. Splunk Enterprise processes machine data in real time from any source, format or location. This includes streaming data generated by websites, applications, servers, networks, sensors and mobile devices.

Search and investigate. Splunk Enterprise allows users to search real-time and historical machine data simultaneously.

User-friendly interface. Splunk Enterprise uses a customizable interface that enables users to understand and adopt the product. The user interface also provides productivity features, such as type-ahead and contextual help to accelerate adoption and usage.

Knowledge store. Users can store knowledge about events, fields, transactions, patterns, statistics and key-value pairs so others who utilize the Splunk instance can leverage this information.

Monitor and alert. Users can save searches so they can be run automatically to raise real-time alerts that trigger actions such as sending emails, running scripts, or posting to an RSS feed.

Report and analyze. Users can create ad hoc reports on real-time and historical data to analyze business and IT data trends.

Custom dashboards and views. Splunk Enterprise enables users to create custom dashboards that integrate multiple charts and views of real-time and historical data for different users and roles.

Data models and pivot. Splunk Enterprise enables users to build data models that describe relationships in the underlying machine data, making it more meaningful and usable. Non-technical users can generate charts, visuals and dashboards using the pivot interface, without the need to master the Splunk Search Processing Language.

Developer platform. Splunk Enterprise includes a rich developer environment. The Splunk Web Framework enables developers to use the tools and languages they know, such as JavaScript, to build Splunk apps with custom dashboards, a flexible UI and custom data visualizations. SDKs for Java, JavaScript, C# and Python enable rapid integration between Splunk Enterprise to other applications and systems to maximize the value of our customers' data.

Role-based access controls. Splunk Enterprise incorporates role-based access controls and authentication, integrated with existing enterprise-wide security policies, to help secure the data stored within our indexes as well as control users' activities in our software.

Technology Architecture

The technology architecture of our Splunk platform contains a number of important components:

Collection. Our Splunk platform collects machine data from many disparate sources across a distributed environment deployed on-premises, or in public and private clouds. This includes servers, network devices, message buses, API endpoints, desktop and laptop computers, mobile devices and various other systems that organizations have deployed to support their operations. Our products act as a recording mechanism, collecting, storing and making available all of the machine data that they index and store. Splunk offers a Universal Forwarder and other data ingestion tools that can be deployed on various data sources to facilitate the reliable collection of machine data. Splunk Enterprise features native support for metrics, which are sets of numbers describing a particular process or activity, measured over time. Our Splunk platform uses a custom index type that is optimized for metric storage and retrieval for system metrics such as CPU, memory, disk or information from IoT devices.

Indexing. Our proprietary universal indexing technology enables real-time indexing of any machine data collected regardless of its source or format and without the use of any specific parsers or data connectors. Our Splunk platform indexes the data and stores the data in a scalable storage format, which can reside on commodity servers and storage devices. In the case of Splunk Cloud, data is stored securely in our cloud service, which we host on Amazon Web Services.

Search. Our Splunk platform enables users to search massive amounts of machine data that have been indexed and stored. At its most basic level, the search engine at the core of our Splunk platform allows users to type and search for keywords or data fields that are of interest. This foundational capability forms the basis for deriving business insights from our dashboards and customized views. Users can leverage our search language and functionality to filter through indexed data and refine search results to obtain more precise information. The Splunk platform also provides event pattern detection to allow users to detect meaningful patterns in their machine data, regardless of data source or type.

Core functions. Our Splunk platform's core functionality includes alerts, access control, statistics, correlation and predictive capabilities. With our software's granular, role-based access control, an administrator can manage various aspects of a given user's search including the data to which the user has access, as well as what portions of the data may be visible in results. Search results and reports can be defined according to a particular user's business function and level of access. Different users can see completely different views on the same data, depending on what is important to them.

Archive to Hadoop and Amazon S3. Splunk Enterprise customers can archive historical data to Hadoop or Amazon S3 for low-cost storage as a standard feature. Customers can gain new insights with distributed search queries that correlate real-time data from Splunk Enterprise with historical data stored in Hadoop or Amazon S3.

SDKs and APIs. Our SDKs allow third-party software developers to build enterprise applications on top of our software using popular programming languages such as Java, JavaScript, C# and Python. Our APIs allow users to access the machine data stored within the Splunk platform instance as well as access our machine data engine functionality from third-party software.

App Development Environment. We provide the ability for users and third-party developers to create apps with custom dashboards, flexible UI components and custom data visualizations using freely available components and templates, as well as common development languages and frameworks, such as JavaScript and Python.

Splunk Product Deployments

Splunk Enterprise can be deployed on-premises and in public or private clouds. Splunk Cloud delivers the benefits of Splunk Enterprise as a cloud service. Taking Splunk Enterprise and Splunk Cloud together, customers utilizing a hybrid deployment model can have a single centralized view and location-independent use across cloud and on-premises environments.

For Splunk Enterprise deployments, our software can be deployed in a variety of environments ranging from a single server to globally distributed enterprise IT environments handling petabytes of data per day. Our customers can deploy Splunk Enterprise on-premises, in the cloud, in virtualized server and storage environments or in hybrid IT environments. Our customers can use Splunk forwarders, indexers, and search heads to create a machine data platform that allows for the efficient, secure and real-time collection and indexing of machine data regardless of network, data center or IT infrastructure topology.

This distributed machine data processing architecture provides near-linear scalability, resulting in the ability to index and search across massive data volumes. Our Splunk platform can operate in a single data center or across multiple data centers both inside and outside an organization, and all from a single user interface. This architecture also allows for flexible deployment of hardware, as commodity hardware can be added as needed.

Services

While users can easily download, install and deploy Splunk software on their own, certain enterprise customers that have large, highly complex IT environments or deployment requirements may choose to leverage our customer support and professional services organization. Many users leverage the community-based support of Splunk Apps and Add-ons and Splunk Answers before engaging with our customer support or services organizations. Some of our certified partners also provide limited, first level support and professional services before a customer reaches out to our internal Splunk customer support and professional services teams.

Maintenance and Customer Support

Our customers typically purchase one year of software maintenance and support as part of their initial purchase of our perpetual licenses, with an option to renew their maintenance agreements. Term license purchases include software maintenance and support for the term of the license. These maintenance agreements provide customers the right to receive unspecified software updates, maintenance releases and patches, and access to our technical support services during the term of the agreement.

We maintain a customer support organization that offers multiple service levels for our customers based on their needs. Standard or Premium support customers receive 24x7x365 access to subject matter experts for critical issues, direct telephone support, access to online support and software upgrades. Additionally, Premium support provides our best response and targeted fix Service Level Objectives (SLO's) for all case priorities and a designated resource to manage the account holistically, providing proactive support and quarterly reviews of the customer's deployments. Our customer support organization has global capabilities, delivering support with deep expertise in our software, complex IT environments and associated third-party infrastructure.

Training Services

We offer training services to our customers and channel partners through our education and training organization. We have also implemented a comprehensive training certification program to ensure an understanding of our offerings.

Professional Services

We provide consulting and implementation services to customers through our professional services team. They are typically utilized by large enterprises looking to deploy our software across their large, disparate and complex IT infrastructure. We generally provide these services at the time of initial installation to help the customer with configuration and implementation. Given our software's ease-of-use, our professional services engagements are typically short in duration and last from a few days to up to several weeks.

Partner and Developer Ecosystem

We have established relationships with several leading technology companies to build Splunk apps that allow users to capture data and gain insights into those parties' respective products. Many technology providers offer apps for free via the Splunkbase website. These apps typically consist of collections of reports, dashboards and data extractions which put our software in context for users of those specific technologies and allow them to easily and quickly understand the performance of their IT systems or correlate this data with other data sources.

We offer a developer license that allows third-party developers to build software using our existing developer framework and we have published information about our APIs to enable developers to build new user interfaces on top of our platform. We are creating additional SDKs based on various programming languages to make our software more extensible and allow developers to build applications and services that extend its functionality.

We have OEM relationships with a select group of third parties who integrate our software into their product offerings to provide additional reporting, monitoring and analytic capabilities within their own products. With respect to our OEM relationships, we provide a limited use license to expose certain data and analytics functionalities in their products, for which they generally pay us a royalty based on units shipped.

We engage with managed service providers, who offer services based on our software, such as for security and log management. These services are typically offered on a subscription basis, for which we are paid license fees typically based on daily indexing volume.

Splunk Communities

Our online communities provide us with a growing network of active users who promote the usage of our software and provide technical support to each other.

Our online communities include Splunkbase, our apps repository; Splunk Answers, our community collaboration site; and Splunk Dev, where developers can download SDKs, access API documentation and see sample code for building applications using our developer environment and tools. We also maintain active communities on leading social internet platforms, including Facebook, Twitter, LinkedIn and Slack.

Splunkbase. Users and partners contribute and share custom apps and add-ons that run on our software. Generally, these apps provide pre-built functionality that addresses specific use cases. Currently, we have hundreds of apps available for download on the Splunkbase website. We do not receive any revenues from the sale of apps by third-party application providers, and most apps posted to Splunkbase are free. Partner apps listed on Splunkbase that are not free are licensed directly by the third-party to the end user.

Splunk Answers. Users ask questions in an online community forum and share best practices about how to build searches, create data visualizations and configure and deploy our software. While our product, support, engineering and professional services teams participate in the Splunk Answers forum, the majority of questions appearing on Splunk Answers are answered by non-Splunk personnel, largely the result of a growing, active user community.

Splunk Dev. In addition to documentation about the Splunk APIs and SDKs, our developer portal contains documentation about best practices for building machine data output into third-party software.

We also promote and support offline meetings for our community, including regional user group meetings and an annual user conference.

Sales and Marketing

Our sales and marketing organizations work together closely to drive market awareness, build a sales pipeline, and cultivate customer relationships to drive revenue growth.

Sales

We sell our offerings directly through field sales and inside sales and indirectly through channel partners. We gather prospects through a broad range of marketing programs and events, and through users who either download our trial software from our website or sign up for our online sandboxes or cloud services. Our sales development teams handle lead qualifications. Large or complex transactions are handled by our globally distributed direct field sales teams. Our sales engineers help define customer use cases and pre-sales qualification and evaluation.

We maintain an extensive partner ecosystem, of which many types of partners contribute to sourcing, co-selling and fulfilling Splunk sales. These partner types include distributors, resellers and managed service providers. Our channel assists us by sourcing new prospects through leveraging their deep customer relationships, providing professional services and support to existing customers, upselling for additional use cases and maintenance renewals. Our Splunk Partner+ Program is based on providing a simple and predictable business model for our partners and Splunk. Our channel expands our geographic sales reach worldwide, across all our sales theaters. The Splunk Partner+ Program includes over 1,700 active partners that span our global system integrators, distributors, value-added resellers, technology alliance partners, OEMs, professional services and managed services providers. Of that number, nearly 1,000 partners contribute to sales. Historically, the majority of Europe, Middle East and Africa (“EMEA”), Asia Pacific (“APAC”) and U.S. Public Sector sales have been fulfilled through channel partners and we expect this trend to continue.

In addition to acquiring new customers, our sales teams are responsible for securing renewals of existing contracts as well as increased adoption of our offerings by existing customers. To accomplish this, our field and inside sales teams work closely with our customers to drive expanded licenses through higher capacity or upgrades and additional use cases within existing customers. Our field sales teams are organized geographically across the Americas, EMEA and APAC. We intend to invest in our sales organization and channel to drive greater market penetration in these regions. We also have a dedicated sales team focused on government customers, which includes United States federal, state and local government entities.

Marketing

We focus our marketing efforts on generating demand to drive pipeline for our sales force and partners, increasing Splunk’s brand and awareness, driving viral adoption, and communicating product advantages and business benefits. We market

our offerings as a targeted solution for specific use cases and as an enterprise solution for machine data. We engage with existing and potential customers to provide community-based education and awareness and to promote expanded use of our software within these customers. We host a number of events, including the SplunkLive! event series, across our sales regions to engage with both existing customers and new prospects as well as deliver product training. We host an annual worldwide user conference (“.conf”) and multiple partner conferences as other ways to support the Splunk community to foster collaboration and help our customers drive further business results from our software.

Research and Development

We invest substantial resources in research and development to enhance our offerings, develop new end market specific solutions and apps, conduct software and quality assurance testing and improve our core technology. Our technical staff monitors and tests our software on a regular basis, and we maintain a regular release process to refine, update, and enhance our existing offerings.

Intellectual Property

We rely on patent, trademark, copyright and trade secret laws, confidentiality procedures and contractual provisions to protect our technology and intellectual property rights. The nature and extent of legal protection of our intellectual property rights depends on, among other things, its type and the jurisdiction in which it arises. We believe that our intellectual property rights are valuable and important to our business.

We retain ownership of software we develop. All software is licensed to users and primarily provided in object code or as a cloud service pursuant to either shrink-wrap, embedded or on-line licenses, or signed license agreements. These agreements generally contain restrictions on duplication, disclosure and transfer. We are currently unable to measure the full extent of unauthorized use of our software. We believe, however, that such unauthorized use is and can be expected to be a persistent problem that negatively impacts our revenue and financial results.

Customers

Our customer base has grown from approximately 450 customers at the end of fiscal 2008 to over 17,500 customers in more than 130 countries, including 90 of the Fortune 100 companies, as of January 31, 2019. We exclude users of our trial software and users of VictorOps from our customer count. We provide offerings to customers of varying sizes, including enterprises, educational institutions and government agencies. No individual customer represented more than 10% of our total revenues for any of the periods presented. Our current customer base spans numerous industry verticals, including cloud and online services; education; financial services; government; healthcare/pharmaceuticals; industrials/manufacturing; media/entertainment; retail/ecommerce; technology and telecommunications.

Backlog and Seasonality

Our backlog represents non-cancelable orders that have not been recognized as revenue and have not yet been invoiced. We had backlog of approximately \$379.8 million as of January 31, 2019. We had backlog of approximately \$132.7 million as of January 31, 2018, which reflects the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

For information regarding the seasonality in the sale of our offerings, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Seasonality, Cyclicity and Quarterly Trends” of this Annual Report on Form 10-K.

Competition

We compete against a variety of large cloud service providers and software vendors, as well as smaller specialized companies, open source projects and custom development efforts, which provide solutions in the specific markets we address. Our principal competitors include:

- large cloud service providers, as well as small, specialized vendors, that provide complementary or competitive solutions in enterprise data analytics, security offerings, log aggregation and management, data warehousing and big data technologies that may compete with our offerings.
- IT departments of potential customers which have undertaken custom software development efforts to analyze and manage their machine data;
- companies targeting the big data market by commercializing open source software, such as the various Hadoop distributions and NoSQL data stores, including Elastic;
- security, systems management and other IT vendors, including BMC Software, Micro Focus, IBM, Intel, Microsoft, and VMware;
- business intelligence vendors, analytics and visualization vendors, including IBM and Oracle; and

The principal competitive factors in our markets are product features, performance and support, product scalability and flexibility, ease of deployment and use, total cost of ownership and time to value. We believe that we generally compete favorably on the basis of these factors. For example, Splunk Enterprise, Splunk Cloud, and our premium solutions all contain rich feature sets that reduce costly deployment cycles typically associated with enterprise software.

Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger intellectual property portfolios, broader global distribution and presence, and competitive pricing. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on operational intelligence and could directly compete with us. Companies may develop open source-based alternatives that, customers may conclude, offer equivalent or superior functionality to our Splunk offerings. Smaller companies could also launch new offerings that we do not offer and that could gain market acceptance quickly.

Employees

As of January 31, 2019, we had over 4,400 employees. None of our United States employees is represented by a labor union with respect to his or her employment with us. Employees in certain European countries have the benefits of collective bargaining arrangements at the national level. We have not experienced any work stoppages.

Corporate Information

Our principal executive offices are located at 270 Brannan Street, San Francisco, California 94107, and our telephone number is (415) 848-8400. We were incorporated in California in October 2003 and were reincorporated in Delaware in May 2006.

Our website is located at www.splunk.com and our investor relations website is located at <http://investors.splunk.com>. The information posted on our website is not incorporated into this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our investor relations website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, as part of our investor relations website. The contents of these websites are not intended to be incorporated by reference into this report or in any other report or document we file.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are

unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline.

Our future operating results may fluctuate significantly, we are transitioning our business model, and our recent operating results may not be a good indication of our future performance.

Our revenues, operating margins, cash flows and other operating results could vary significantly from period to period as a result of various factors, many of which are outside of our control. For example, we have historically generated a majority of our revenues from perpetual license agreements, whereby we generally recognize the license fee portion of the arrangement upfront, assuming all revenue recognition criteria are satisfied. Our customers also have the choice of entering into agreements for term licenses and agreements for our cloud services. We are currently transitioning our business model to shift from sales of perpetual licenses in favor of sales of term licenses and subscription agreements for our cloud services. This transition may give rise to a number of risks, and if we do not successfully execute this transition, our business and future operating results could be adversely affected.

Under accounting standards update No. 2014-09 (Topic 606), Revenue from Contracts with Customers, which we adopted as of February 1, 2018, we generally recognize term license revenues, in addition to perpetual license revenues, upfront and continue to recognize revenues associated with our cloud services ratably over the term of the agreement. At the beginning of each period, we cannot predict the ratio of orders with revenues that will be recognized upfront and those with revenues that will be recognized ratably that we will enter into during the quarter. Our operating margins, cash flows and other operating results and our business model could also be significantly impacted by shifts over time in the percentage of term licenses and agreements for our cloud services we receive for our offerings and the duration of these types of agreements for our offerings. Term licenses and cloud services agreements have shorter contract duration than perpetual licenses, and the shift away from perpetual license sales could cause fluctuations in our operating results. In addition, the size of our licenses and orders varies greatly. A single, large perpetual or term license in a given period could distort our operating results, and a decline in larger orders in any given period could adversely affect our revenues and operating results. The timing and size of large orders are often hard to predict in any particular period. Further, a portion of revenue recognized in any given quarter is a result of ratably recognized agreements entered into during previous quarters, including agreements for our cloud services and maintenance and support agreements. Consequently, a decline in business from such ratably recognized agreements in any quarter may not be reflected in our revenue results for that quarter. Any such decline, however, will negatively affect our revenues in future quarters. Accordingly, the effect of downturns in sales and market acceptance of our offerings may not be fully reflected in our results of operations until future periods. Comparing our revenues and operating results on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance.

We may not be able to accurately predict our future revenues or results of operations. In particular, approximately half or more than half of the revenues we currently recognize each quarter is attributable to sales made in that same quarter with the balance of the revenues being attributable to sales made in prior quarters in which the related revenues were not recognized upfront. As a result, our ability to forecast revenues on a quarterly or longer-term basis is limited. We base our current and future expense levels on our operating plans and sales forecasts, and our operating costs are expected to be relatively fixed in the short-term. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect our financial results for that quarter.

In addition to other risk factors described elsewhere in this “Risk Factors” section, factors that may cause our financial results to fluctuate from quarter to quarter include:

- the timing of our sales during the quarter, particularly because a large portion of our sales occur toward the end of the quarter, or the loss or delay of a few large transactions;
- the mix of revenues attributable to larger transactions as opposed to smaller transactions and the impact that a few large transactions or a change in mix may have on our overall financial results as well as the overall average selling price (“ASP”) of our offerings;
- the mix of revenues attributable to perpetual and term licenses, agreements for our cloud services, enterprise adoption agreements, maintenance and professional services and training, which may impact our revenue, deferred revenue, billings, remaining performance obligations, gross margins and operating income;

- the renewal and usage rates of our customers;
- changes in the competitive dynamics of our market;
- changes in customers' budgets and in the timing of their purchasing decisions;
- changes in our pricing policies or those of our competitors;
- customers delaying purchasing decisions in anticipation of new offerings or software enhancements by us or our competitors;
- customer acceptance of and willingness to pay for new versions of our offerings or new solutions for specific product and end markets;
- our ability to successfully introduce and monetize new offerings and licensing and service models for our new offerings;
- network outages or actual or perceived security breaches;
- the availability and performance of our cloud services, including Splunk Cloud;
- our ability to control costs, including our operating expenses;
- the amount and timing of our stock-based compensation expenses;
- changes in accounting standards, particularly those related to revenue recognition and sales commissions;
- use of estimates, judgments and assumptions under current accounting standards;
- the timing of satisfying revenue recognition criteria;
- our ability to qualify and successfully compete for government contracts;
- the collectability of receivables from customers and resellers, which may be hindered or delayed;
- the removal of metered license enforcement via our software, which could lead to customers delaying renewal or purchasing decisions;
- changes in laws and regulations that impact our business; and
- general economic and political conditions and uncertainty, both domestically and internationally, as well as economic and political conditions and uncertainty specifically affecting industries in which our customers participate.

Many of these factors are outside our control, and the variability and unpredictability of such factors could result in our failing to meet or exceed our financial expectations for a given period. We believe that quarter-to-quarter comparisons of our revenues, operating results and cash flows may not necessarily be indicative of our future performance.

If we fail to effectively manage our growth, our business and operating results could be adversely affected.

Although our business has experienced significant growth, we cannot provide any assurance that our business will continue to grow at the same rate or at all. We have experienced and may continue to experience rapid growth in our headcount and operations, which has placed and will continue to place significant demands on our management and our operational and financial infrastructure. As of January 31, 2019, approximately 36% of our workforce had been employed by us for less than one year. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the effectiveness of our business execution and the beneficial aspects of our corporate culture. In particular, we intend to continue to make directed and substantial investments to expand our research and development, sales and marketing, and general and administrative organizations, as well as our international operations.

To effectively manage growth, we must continue to improve our operational, financial and management controls, and our reporting systems and procedures by, among other things:

- improving our key business applications, processes and IT infrastructure to support our business needs;
- enhancing information and communication systems to ensure that our employees and offices around the world are well-coordinated and can effectively communicate with each other and our growing base of customers and channel partners;
- enhancing our internal controls to ensure timely and accurate reporting of all of our operations and financial results; and
- appropriately documenting our IT systems and our business processes.

These systems enhancements and improvements will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to implement these improvements effectively, our ability to manage our expected growth, ensure uninterrupted operation of key business systems and comply with the rules and regulations that are applicable to public reporting companies will be impaired. Additionally, if we do not effectively manage the growth of our business and operations, the quality of our offerings could suffer, which could negatively affect our brand, financial results and overall business.

We face intense competition in our markets, and we may be unable to compete effectively against our current and future competitors.

Although our offerings target the new and emerging market for software and cloud services that provide operational intelligence, we compete against a variety of large cloud service providers and software vendors, as well as smaller specialized companies, open source projects and custom development efforts, which provide solutions in the specific markets we address. Our principal competitors include:

- large cloud service providers, as well as small, specialized vendors, that provide complementary and competitive solutions in enterprise data analytics, security offerings, log aggregation and management, data warehousing and big data technologies that may compete with our offerings;
- IT departments of potential customers which have undertaken custom software development efforts to analyze and manage their machine data;
- companies targeting the big data market by commercializing open source software, such as the various Hadoop distributions and NoSQL data stores, including Elastic;
- security, systems management and other IT vendors, including BMC Software, Micro Focus, IBM, Intel, Microsoft and VMware; and
- business intelligence vendors, analytics and visualization vendors, including IBM and Oracle.

The principal competitive factors in our markets include features, performance and support, scalability and flexibility, ease of deployment and use, total cost of ownership and time to value. Some of our current and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger intellectual property portfolios, broader global distribution and presence and more developed ecosystems of partners and skilled users. Further, competitors may be able to offer products or functionality similar to ours at a more attractive price than we can, such as by integrating or bundling their software products with their other product offerings. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on operational intelligence and could directly compete with us. For example, companies may commercialize open source software, such as Hadoop or Elasticsearch, in a manner that competes with our offerings or causes potential customers to believe that such product and our offerings perform the same function. If companies move a greater proportion of their data and computational needs to the cloud, new competitors may emerge that offer services comparable to ours or that are better suited for cloud-based data, and the demand for our offerings may decrease. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly.

In recent years, there have been significant acquisitions and consolidation by and among our competitors. We anticipate this trend of consolidation will continue, which will present heightened competitive challenges to our business. In particular, consolidation in our industry increases the likelihood of our competitors offering bundled or integrated products, and we believe that it may increase the competitive pressures we face with respect to our offerings. If we are unable to differentiate our offerings from the integrated or bundled products of our competitors, such as by offering enhanced functionality, performance or value, we may see decreased demand for those offerings, which would adversely affect our business operations, financial results and growth prospects. Further, it is possible that continued industry consolidation may impact customers' perceptions of the viability of smaller or even medium-sized software firms and consequently their willingness to use software solutions from such firms. Similarly, if customers seek to concentrate their software license purchases in the product portfolios of a few large providers, we may be at a competitive disadvantage regardless of the performance and features of our offerings. We believe that in order to remain competitive at the large enterprise level, we will need to develop and expand relationships with resellers and large system integrators that provide a broad range of products and services. If we are unable to compete effectively, our business operations and financial results could be materially and adversely affected.

Because our business substantially depends on sales of licenses, maintenance and services related to one software product, failure of this offering to satisfy customer demands or to achieve increased market acceptance would adversely affect our results of operations, financial condition and growth prospects.

Although we have several software and services offerings, our business substantially depends on, and we expect our business to continue to substantially depend on, sales of licenses, maintenance and services related to Splunk Enterprise. As such, the market acceptance of Splunk Enterprise is critical to our continued success. Demand for Splunk Enterprise is affected by a number of factors beyond our control, including continued market acceptance of Splunk Enterprise by referenceable accounts for existing and new use cases, the timing of development and release of new products by our competitors, technological change, and growth or contraction in our market. We expect the proliferation of machine data to lead to an increase in the data analysis demands of our customers, and our offerings may not be able to scale and perform to meet those demands or may not be chosen by users for those needs. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of Splunk Enterprise, our business operations, financial results and growth prospects will be materially and adversely affected.

If customers do not expand their use of our offerings beyond the current predominant use cases, our ability to grow our business and operating results may be adversely affected.

Most of our customers currently use our offerings to support application management, IT operations, security and compliance functions. Our ability to grow our business depends in part on our ability to help enable current and future customers to increase their use of our offerings for their existing use cases and expand their use of our offerings to additional use cases, such as facilities management, supply chain management, business analytics, IoT and customer analytics. If we fail to achieve market acceptance of our offerings for these applications, if we fail to predict demand for product functionality or respond to such demand in a timely fashion, if our customers are not satisfied with our offerings, or if a competitor establishes a more widely adopted solution for these applications, our ability to grow our business and financial results will be adversely affected.

We employ multiple, unique and evolving pricing models, which subject us to various pricing and licensing challenges that could make it difficult for us to derive value from our customers and may adversely affect our operating results.

We employ multiple, unique and evolving pricing models for our offerings. For example, we generally charge our customers for their use of Splunk Enterprise and Splunk Light based on their estimated peak daily indexing capacity. In addition, Splunk Cloud is generally priced based on peak daily indexing capacity and data storage, while Splunk User Behavior Analytics is priced by the number of monitored user and system accounts. We offer both perpetual and term licensing options for on-premises offerings, as well as a subscription model for cloud services, which each have different payment schedules, and depending on the mix of such licenses and cloud subscriptions, our revenues or deferred revenues could be adversely affected. Our pricing models may ultimately result in a higher total cost to our customers generally as data volumes increase over time, or may cause our customers to limit or decrease usage in order to stay within the limits of their existing licenses or lower their costs, making it more difficult for us to compete in our markets or negatively impacting our financial results. As the amount of machine data within our customers' organizations grows, we face downward pressure from our customers regarding our pricing, which could adversely affect our revenues and operating margins. In addition, our unique pricing models may allow competitors with different pricing models to attract customers unfamiliar or uncomfortable with our pricing models, which

would cause us to lose business or modify our pricing models, both of which could adversely affect our revenues and operating margins. While we introduced enterprise adoption agreements to provide pricing predictability to our customers, our customers may not find this type of license attractive. We have also introduced variations to our pricing models, including but not limited to, pricing programs that provide broader usage and cost predictability as well as tiered pricing based on deployment models, data source types, compute and storage units and customer environments. Although we believe that these pricing models will drive net new customers and customer adoption, it is possible that they will not and may potentially cause confusion with our customers, which could negatively impact our financial results.

Furthermore, while our offerings can measure and limit customer usage, we removed metered license enforcement via our software under certain circumstances, and in other circumstances, such limitations may be improperly circumvented or otherwise bypassed by users. Similarly, we provide our customers with an encrypted license key for enabling their use of our offerings. There is no guarantee that users of our offerings will abide by the terms of these license limitations or encrypted license keys, and if they do not, we may not be able to capture the full value for the use of our offerings. For example, our enterprise license is generally meant for our customers' internal use only. If our internal use customers improperly make our offerings available to their customers or other third parties, for example, through a cloud or managed service offering not authorized by us, it may displace our end user sales. Additionally, if an internal use customer that has received a volume discount from us improperly makes available our offerings to its end customers, we may experience price erosion and be unable to capture the appropriate value from those end customers.

Our license agreements generally provide that we can audit our customers' use of our offerings or require them to certify their actual usage to ensure compliance with the terms of our license agreement at our request. However, a customer may resist or refuse to allow us to audit their usage, in which case we may have to pursue legal recourse to enforce our rights under the license agreement, which would require us to spend money, distract management and potentially adversely affect our relationship with our customers and users.

The market for our offerings may not grow.

We believe our future success will depend in large part on the growth, if any, in the market for offerings that provide operational intelligence, particularly from machine data. We market our offerings as targeted solutions for specific use cases and as an enterprise solution for machine data. In order to grow our business, we intend to expand the functionality of our offerings to increase their acceptance and use by the broader market as well as develop new offerings. It is difficult to predict customer adoption and renewal rates, customer demand for our offerings, the size and growth rate of this market, the entry of competitive products or the success of existing competitive products. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our offerings. If our offerings do not achieve widespread adoption or there is a reduction in demand for products in our market caused by a lack of customer acceptance or expansion, technological challenges, security concerns, decreases in accessible machine data, competing technologies and products, pricing pressure, decreases in corporate or information technology spending, weakening economic conditions, or otherwise, it could result in reduced customer orders, early terminations, reduced renewal rates or decreased revenues, any of which would adversely affect our business operations and financial results. We believe that these are inherent risks and difficulties in this new and unproven market.

We are a growing company in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

As a growing company in an evolving industry, we have encountered and will continue to encounter risks and uncertainties, including our ability to plan for and model future growth. If our assumptions regarding these uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer. Moreover, although we have experienced rapid growth historically, we may not continue to grow as rapidly in the future. Any success that we may experience in the future will depend in large part on our ability to, among other things:

- improve the performance and capabilities of our offerings and technology and architecture through research and development;
- continue to develop, enhance, expand adoption of and globally deliver our cloud services, including Splunk Cloud, and comply with applicable laws in each jurisdiction in which we offer such services;
- successfully develop, introduce and expand adoption of new offerings;

- continue to acquire new customers and increase the number of new customers we acquire;
- increase revenues from existing customers through increased or broader use of our offerings within their organizations;
- successfully and continuously expand our business domestically and internationally;
- maintain and expand our customer base and the ways in which our customers use our offerings;
- successfully compete with other companies, open source projects and custom development efforts that are currently in, or may in the future enter, the markets for our offerings;
- successfully provide our customers a compelling business case to purchase our offerings in a time frame that matches our and our customers' sales and purchase cycles and at a compelling price point;
- respond timely and effectively to competitor offerings and pricing models;
- appropriately price our offerings;
- manage the costs of providing our cloud services;
- generate leads and convert users of the trial versions of our offerings to paying customers;
- prevent users from circumventing the terms of their licenses and cloud subscriptions;
- continue to invest in our platform to deliver additional enhancements and content for our offerings and to foster an ecosystem of developers and users to expand the use cases of our offerings;
- maintain and enhance our website and cloud services infrastructure to minimize interruptions when accessing our offerings;
- process, store and use our employees, customers' and other third parties' data in compliance with applicable governmental regulations and other legal obligations related to data privacy, data protection, data transfer, data residency, encryption and security;
- hire, integrate and retain world-class professional and technical talent; and
- successfully integrate acquired businesses and technologies.

If we fail to address the risks and difficulties we face, including those described elsewhere in this "Risk Factors" section, our business will be adversely affected and our business operations and financial results will suffer.

Our business and growth depend substantially on customers entering into, renewing, upgrading and expanding their term licenses, agreements for cloud services and maintenance and support agreements with us. Any decline in our customer renewals, upgrades or expansions could adversely affect our future operating results.

While we offer software under perpetual license agreements, all of our maintenance and support agreements are sold on a term basis. In addition, we also enter into renewable term license agreements for our on-premises offerings and agreements for our cloud services. In order for us to improve our operating results, it is important that customers enter into renewable agreements, and our existing customers renew, upgrade and expand their term licenses, agreements for cloud services and maintenance and support agreements when the contract term expires. Our customers have no obligation to renew, upgrade or expand their term licenses, agreements for cloud services or maintenance and support agreements with us after the terms have expired. Our customers' renewal, upgrade and expansion rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our offerings, our pricing, the effects of economic conditions, competitive offerings or alterations or reductions in our customers' spending levels. If our customers do not renew, upgrade or expand their agreements with us or renew on terms less favorable to us, our revenues may decline.

We have a history of losses, and we may not be profitable in the future.

We have incurred net losses in each year since our inception. As a result, we had an accumulated deficit of \$1.23 billion at January 31, 2019. Because the market for our offerings continues to evolve and has not yet reached widespread adoption, it is difficult for us to predict our future operating results. We expect our operating expenses to increase over the next several years as we hire additional personnel, expand and improve the effectiveness of our distribution channels, improve the performance and scalability of our technology architecture, and continue to develop features and functionality for our offerings. In addition, as a public company, we have incurred and will continue to incur significant legal, accounting and other operating expenses. If our revenues do not increase to offset these increases in our operating expenses, we may not be profitable in future periods. Our historical revenue growth has been inconsistent and should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow, or our revenues could decline for a number of reasons, including slowing demand for our offerings, increasing competition, a decrease in the growth of our overall market, or our failure, for any reason, to continue to capitalize on growth opportunities. Any failure by us to achieve, sustain or increase profitability on a consistent basis could cause the value of our common stock to decline.

If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers' data, our data, or our cloud services, our offerings may be perceived as not being secure, our reputation may be harmed, demand for our offerings may be reduced, and we may incur significant liabilities.

Our offerings involve the storage and transmission of data, and security breaches could result in the loss of this information, litigation, indemnity obligations, fines, penalties and other liability. We may become the target of cyber-attacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. While we have taken steps to protect the confidential information that we have access to, including confidential information we may obtain through our customer support services or customer usage of our cloud services, our security measures or those of our third-party service providers could be breached or we could suffer data loss. Computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry, particularly against cloud services. In the first quarter of fiscal 2019, we took corrective action against an attacker who utilized compromised credentials to create and delete compute infrastructure in the Splunk Cloud environment. In addition, we do not directly control content that customers store in our offerings. If customers use our offerings for the transmission or storage of personally identifiable information and our security measures are or are believed to have been breached as a result of third-party action, employee error, malfeasance or otherwise, our reputation could be damaged, our business may suffer, and we could incur significant liability.

We also process, store and transmit our own data as part of our business and operations. This data may include personally identifiable, confidential or proprietary information. There can be no assurance that any security measures that we or our third-party service providers have implemented will be effective against current or future security threats. While we have developed systems and processes to protect the integrity, confidentiality and security of our data, our security measures or those of our third-party service providers could fail and result in unauthorized access to or disclosure, modification, misuse, loss or destruction of such data.

Because there are many different security breach techniques and such techniques continue to evolve, we may be unable to anticipate attempted security breaches and implement adequate preventative measures. Third parties may also conduct attacks designed to temporarily deny customers access to our cloud services. Any security breach or other security incident, or the perception that one has occurred, could result in a loss of customer confidence in the security of our offerings and damage to our brand, reduce the demand for our offerings, disrupt normal business operations, require us to spend material resources to investigate or correct the breach and to prevent future security breaches and incidents, expose us to legal liabilities, including litigation, regulatory enforcement, and indemnity obligations, and adversely affect our revenues and operating results. These risks may increase as we continue to grow the number and scale of our cloud services, and process, store, and transmit increasingly large amounts of data.

We use third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, credit card processing and other functions. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security.

Additionally, we cannot be certain that our insurance coverage will be adequate for data security liabilities actually incurred, will cover any indemnification claims against us relating to any incident, that insurance will continue to be available

to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Interruptions or performance problems associated with our technology and infrastructure, and our reliance on Software-as-a-Service (“SaaS”) technologies from third parties, may adversely affect our business operations and financial results.

Our continued growth depends in part on the ability of our existing and potential customers to use and access our cloud services or our website in order to download our on-premises software or encrypted access keys for our software within an acceptable amount of time. We have experienced, and may in the future experience, website and cloud service disruptions, storage failures, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our website and services simultaneously, unauthorized access, denial of service, security or ransomware attacks. In some instances, we may not be able to identify the cause or causes of these website or service performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website and service performance, especially during peak usage times and as our offerings become more complex and our user traffic increases. If our website or cloud services are unavailable or if our users are unable to download our software or encrypted access keys within a reasonable amount of time or at all, our business would be negatively affected. We expect to continue to make significant investments to maintain and improve website and service performance and to enable rapid releases of new features and apps for our offerings. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

In addition, we rely heavily on hosted SaaS technologies from third parties in order to operate critical functions of our business, including enterprise resource planning services and customer relationship management services. Further, our cloud services, such as Splunk Cloud, are hosted exclusively by third parties. We currently offer a 100% uptime service level agreement (“SLA”) for Splunk Cloud. If any of these services fail or become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms or prices, or if we are unable to deliver 100% uptime under our SLAs, our revenues could be reduced, our reputation could be damaged, we could be exposed to legal liability, expenses could increase, our ability to manage our finances could be interrupted and our processes for managing sales of our offerings and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business.

Our systems and third-party systems upon which we rely are also vulnerable to damage or interruption from catastrophic occurrences such as earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, criminal acts, sabotage, other intentional acts of vandalism and misconduct, geopolitical events and similar events. Our United States corporate offices and certain of the facilities we lease to house our computer and telecommunications equipment are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our and our third parties’ hosting facilities could result in interruptions, performance problems or failure of our infrastructure.

Splunk Cloud, as well as cloud services for other products, require costly and continual infrastructure investments, and market adoption of these cloud services could adversely affect our business.

A cloud-based model of software deployment is one in which a software provider typically licenses an application to customers for use as a service on demand through web browser technologies. Delivering software under a cloud-based model results in higher costs and expenses when compared to sales of on-premises licenses for similar functionality. In recent years, companies have begun to expect that key software, such as customer relationship management and enterprise resource planning systems, be provided through a cloud-based model. Many of our offerings are now made available in the cloud as well as on-premises. Customers can sign up for Splunk Cloud and other services and avoid the need to provision, deploy and manage internal infrastructure. In order to provide Splunk Cloud and other services via a cloud-based deployment, we have made and will continue to make capital investments and incur substantial costs to implement and maintain this alternative business model, which could negatively affect our financial results. In addition, as we look to deliver more cloud services, we are making significant technology investments to deliver new capabilities and advance our software to deliver cloud-native customer experiences. If we are not successful with returns from these investments, our financial results, business model and competitive

position could suffer. We expect that over time the percentage of our revenue attributable to our cloud services will increase. If our cloud services, in particular Splunk Cloud, do not garner widespread market adoption, or there is a reduction in demand for cloud-based services caused by a lack of customer acceptance, technological challenges, weakening economic or political conditions, security or privacy concerns, inability to properly manage such services, competing technologies and products, decreases in corporate spending or otherwise, our financial results, business model and competitive position could suffer. If we are unable to decrease the cost of providing our cloud services, our gross margins may decrease and negatively impact our overall financial results. Transitioning to a cloud-based model also impacts the way we recognize revenues, which may affect our operating results and could have an adverse effect on our business operations and financial results.

Even with these investments and costs, the cloud-based business model for Splunk Cloud and other services may not be successful, as some customers may desire only on-premises licenses to our offerings. Our cloud services may raise concerns among customers, including concerns regarding changes to pricing models, service availability, scalability, ability to use customer-developed apps, information security of a cloud-based service and hosted data and access to data while offline or once a subscription has expired. Market acceptance of our cloud services can be affected by a variety of factors, including but not limited to: security, reliability, performance, terms of service, support terms, customer preference, community engagement, customer concerns with entrusting a third-party to store and manage their data, public concerns regarding data privacy or data protection, and the enactment of restrictive laws or regulations in the affected jurisdictions. If we or other providers of cloud-based services experience security incidents or breaches, loss of customer data, disruptions in delivery of services, network outages, disruptions in availability of the internet, unauthorized access or other problems, the market for cloud-based services as a whole, including Splunk Cloud, may be negatively affected. Moreover, sales of Splunk Cloud and other services could displace sales of our on-premises software licenses. Alternatively, subscriptions to Splunk Cloud and other services that exceed our expectations may unexpectedly increase our costs, lower our margins, lower our profits or increase our losses and otherwise negatively affect our projected financial results.

If we do not effectively expand, train, manage changes to, and retain our sales force, we may be unable to add new customers or increase sales to our existing customers, and our revenue growth and business could be adversely affected.

We continue to be substantially dependent on our sales force to effectively execute our sales strategies to obtain new customers and to drive additional use cases and adoption among our existing customers. We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take a significant amount of time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, as we continue to grow rapidly, a large percentage of our sales force is new to the company and our offerings. As our sales strategies evolve, additional training for new hires and our existing team may be required for our sales force to successfully execute on those strategies. We periodically adjust our sales organization as part of our efforts to optimize our sales operations to grow revenue. If we have not structured our sales organization or compensation for our sales organization properly, if we fail to make changes in a timely fashion or do not effectively manage changes, our revenue growth could be adversely affected. Our growth creates additional challenges and risks with respect to attracting, integrating and retaining qualified employees, particularly sales personnel. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be adversely affected.

Our sales cycle is long and unpredictable, particularly with respect to large customers, and our sales efforts require considerable time and expense.

Our operating results may fluctuate, in part, because of the resource intensive nature of our sales efforts, the length and variability of the sales cycle of our offerings and the short-term difficulty in adjusting our operating expenses. Our operating results depend in part on sales to large customers. The length of our sales cycle, from initial evaluation to delivery of and payment for the software license, varies substantially from customer to customer. In addition, the introduction of Splunk Cloud has generated interest from our customers who are also considering purchasing and deploying Splunk Enterprise on-premises. In some cases, our customers may wish to consider a combination of these offerings, potentially further slowing our sales cycle. Our sales cycle can extend to more than a year for certain customers, particularly large customers. It is difficult to predict exactly when, or even if, we will make a sale with a potential customer or if a user of a trial version of one of our offerings will upgrade to the paid version of that offering. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large transactions in a quarter

could impact our operating results for that quarter and any future quarters for which revenues from that transaction is delayed. As a result of these factors, it is difficult for us to forecast our revenues accurately in any quarter. Because a substantial portion of our expenses are relatively fixed in the short-term, our operating results will suffer if revenues fall below our expectations in a particular quarter, which could cause the price of our common stock to decline.

Our international sales and operations subject us to additional risks and challenges that can adversely affect our business operations and financial results.

During the fiscal year ended January 31, 2019, we derived approximately 29% of our total revenues from customers outside the United States, and we are continuing to expand our international operations as part of our growth strategy. We currently have sales personnel and sales and support operations in the United States and certain countries around the world. To the extent that we experience difficulties in recruiting, training, managing, or retaining non-U.S. staff, and specifically sales management and sales personnel staff, we may experience difficulties in sales productivity in, or market penetration of, non-U.S. markets. Additionally, our sales organization outside the United States is substantially smaller than our sales organization in the United States, and we rely heavily on our indirect sales channel for non-U.S. sales. Our ability to convince customers to expand their use of our offerings or renew their maintenance and support agreements with us is directly correlated to our direct engagement with the customer. To the extent we are unable to engage with non-U.S. customers effectively with our limited sales force, professional services and support capacity or our indirect sales model, we may be unable to grow sales to existing customers to the same degree we have experienced in the United States.

Our international operations subject us to a variety of risks and challenges, including:

- increased management, travel, infrastructure and legal compliance costs associated with having multiple international operations;
- reliance on channel partners, which may have different incentives or may sell competing products, as well as different approaches with respect to compliance with laws and regulations, business practices and other day-to-day activities;
- longer payment cycles and difficulties in collecting accounts receivable or satisfying revenue recognition criteria, especially in emerging markets;
- increased financial accounting and reporting burdens and complexities;
- general economic conditions in each country or region;
- economic and political uncertainty around the world;
- compliance with multiple and changing foreign laws and regulations, including those governing employment, tax, privacy and data protection, data transfer and the risks and costs of non-compliance with such laws and regulations;
- compliance with laws and regulations for foreign operations, including the United States Foreign Corrupt Practices Act, the United Kingdom Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our offerings in certain foreign markets, and the risks and costs of non-compliance, including as a result of any changes in trade relations, sanctioned parties or other restrictions;
- heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of financial statements and irregularities in financial statements;
- fluctuations in currency exchange rates and the related effect on our financial results;
- difficulties in repatriating or transferring funds from or converting currencies in certain countries;
- the need for localized software and licensing programs;
- reduced protection for intellectual property rights in some countries and practical difficulties of enforcing intellectual property and contract rights abroad; and

- compliance with the laws of numerous foreign taxing jurisdictions and overlapping of different tax regimes.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU (often referred to as “Brexit”). Brexit has led to economic and legal uncertainty in the region and could adversely affect the tax, operational, legal and regulatory regimes to which our business is subject. Brexit may subject us to new regulatory costs and challenges, in addition to other adverse effects that we are unable effectively to anticipate.

Any of these risks could adversely affect our international operations, reduce our international revenues or increase our operating costs, adversely affecting our business operations, financial results and growth prospects.

In addition, compliance with laws and regulations applicable to our international operations increases our cost of doing business in foreign jurisdictions. We may be unable to keep current with changes in foreign government requirements and laws as they change from time to time. Failure to comply with these regulations could have adverse effects on our business. In many foreign countries, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. In addition, although we have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, channel partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the importation or exportation of our offerings and could have a material adverse effect on our business operations and financial results.

If we are unable to maintain successful relationships with our channel partners, and to help our channel partners enhance their ability to independently sell and deploy our offerings, our business operations, financial results and growth prospects could be adversely affected.

In addition to our direct sales force, we use indirect channel partners, such as distributors and resellers, to license, provide professional services and support our offerings. We derive a portion of our revenues from sales of our offerings through our channel partners, particularly in the Europe, Middle East and Africa, or EMEA, and Asia Pacific, or APAC, regions and for sales to government agencies. We expect that sales through channel partners in all regions will continue to grow as a portion of our revenues for the foreseeable future. As changes in our channel strategy are implemented, including potentially emphasizing partner-sourced transactions, results from sales through our channel partners may be adversely affected.

Our agreements with our channel partners are generally non-exclusive, meaning our channel partners may offer customers the products of several different companies, including products that compete with ours. If our channel partners do not effectively market and sell our offerings, choose to use greater efforts to market and sell their own products or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our offerings may be adversely affected. Our channel partners may cease marketing our offerings with limited or no notice and with little or no penalty. The loss of a substantial number of our channel partners, our possible inability to replace them, or the failure to recruit additional channel partners could materially and adversely affect our results of operations. In addition, sales by channel partners are more likely than direct sales to involve collectability concerns, in particular sales by our channel partners in developing markets, and accordingly, variations in the mix between revenues attributable to sales by channel partners and revenues attributable to direct sales may result in fluctuations in our operating results.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our channel partners, and to help our channel partners enhance their ability to independently sell and deploy our offerings. In order to achieve these objectives, we may be required to adjust our incentives, pricing or discount programs for our channel partners, which could adversely affect our operating results. If we are unable to maintain our relationships with these channel partners, or otherwise develop and expand our indirect distribution channel, our business, results of operations, financial condition or cash flows could be adversely affected.

Incorrect or improper implementation or use of our software could result in customer dissatisfaction, customer data loss or corruption and negatively affect our business, operations, financial results and growth prospects.

Our software is deployed in a wide variety of technology environments. Increasingly, our software has been deployed in large scale, complex technology environments, and we believe our future success will depend on our ability to increase sales of our software licenses for use in such deployments. We often must assist our customers in achieving successful

implementations for large, complex deployments. If we or our customers are unable to implement our software successfully, are unable to do so in a timely manner or if an improper implementation or change in system configuration results in errors or loss of data, customer perceptions of our company may be impaired, our reputation and brand may suffer, and customers may choose not to increase their use of our offerings. In addition, our software imposes server load and index storage requirements for implementation. If our customers do not have the server load capacity or the storage capacity required, they may not be able to effectively implement and use our software and, therefore, may not choose to increase their use of our offerings.

Our customers and third-party partners may need training in the proper use of and the variety of benefits that can be derived from our software to maximize its potential. If our software is not implemented or used correctly or as intended, inadequate performance, errors, data loss or corruption may result. Because our customers rely on our software and maintenance and support services to manage a wide range of operations, the incorrect or improper implementation or use of our software, our failure to train customers on how to efficiently and effectively use our software, or our failure to provide maintenance services to our customers, may result in negative publicity or legal claims against us. Also, as we continue to expand our customer base, any failure by us to properly provide these services will likely result in lost opportunities for follow-on sales of our offerings.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our offerings are subject to United States export controls, and we incorporate encryption technology into certain of our offerings. These encryption offerings and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license.

Furthermore, our activities are subject to the U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by U.S. sanctions. While we take precautions to prevent our offerings from being exported in violation of these laws, including obtaining authorizations for our encryption offerings, implementing IP address blocking and screenings against U.S. Government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. For example, downloads of our free software may have in the past been made in potential violation of the export control and economic sanctions laws.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements in our channel partner agreements. Complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Violations of U.S. sanctions or export control laws can result in fines or penalties, including civil penalties of up to \$300,000 or twice the value of the transaction, whichever is greater, per violation. In the event of criminal knowing and willful violations of these laws, fines of up to \$1 million per violation and possible incarceration for responsible employees and managers could be imposed.

During the pendency of our acquisition of VictorOps, we discovered a small number of instances where the software as a service platform was accessed (or attempted to be accessed) from IP addresses potentially located in embargoed countries. VictorOps filed an initial voluntary disclosure with the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") in June 2018 to alert the agency to these potential violations. After completion of the acquisition, we conducted an internal investigation into these potential violations and filed a Final Voluntary Disclosure with OFAC with respect to these matters in November 2018. In March 2019, OFAC notified us that it had completed its review of this matter and closed its review with the issuance of a Cautionary Letter. No monetary penalties or other sanctions were imposed by the agency in connection with its investigation.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our offerings or could limit our customers' ability to implement our offerings in those countries. Changes in our offerings or future changes in export and import regulations may create delays in the introduction of our offerings in international markets, prevent our customers with international operations from deploying our offerings globally or, in some cases, prevent the export or import of our offerings to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons or

technologies targeted by such regulations, could result in decreased use of our offerings by, or in our decreased ability to export or sell our offerings to, existing or potential customers with international operations. Any decreased use of our offerings or limitation on our ability to export or sell our offerings would likely adversely affect our business operations and financial results.

If our new offerings and product enhancements do not achieve sufficient market acceptance, our financial results and competitive position will suffer.

We spend substantial amounts of time and money to research and develop new offerings and enhanced versions of our existing offerings to incorporate additional features, improve functionality or other enhancements in order to meet our customers' rapidly evolving demands. In addition, we continue to invest in solutions that can be deployed on top of our platform to target specific use cases and to cultivate our community of application developers and users. When we develop a new or enhanced version of an existing offering, we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop and introduce new or enhanced offerings, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. For example, if our cloud services such as Splunk Cloud do not garner widespread market adoption and implementation, our financial results and competitive position could suffer.

Further, we may make changes to our offerings that our customers do not like, find useful or agree with. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any of our features or usage of our offerings.

Our new offerings or product enhancements and changes to our existing offerings could fail to attain sufficient market acceptance for many reasons, including:

- our failure to predict market demand accurately in terms of product functionality and to supply offerings that meet this demand in a timely fashion;
- defects, errors or failures;
- negative publicity about their performance or effectiveness;
- delays in releasing to the market our new offerings or enhancements to our existing offerings to the market;
- introduction or anticipated introduction of competing products by our competitors;
- poor business conditions for our end-customers, causing them to delay IT purchases; and
- reluctance of customers to purchase products incorporating open source software.

If our new offerings or enhancements and changes do not achieve adequate acceptance in the market, our competitive position will be impaired, and our revenues will be diminished. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new offerings or enhancements.

Our business depends, in part, on sales to the public sector, and significant changes in the contracting or fiscal policies of the public sector could have a material adverse effect on our business.

We derive a portion of our revenues from contracts with federal, state, local and foreign governments, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. Factors that could impede our ability to maintain or increase the amount of revenues derived from government contracts, include:

- changes in fiscal or contracting policies;
- decreases in available government funding;
- changes in government programs or applicable requirements;

- changes in government sanctions programs and related policies;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- noncompliance with contract provisions or government procurement or other applicable regulations;
- ability to obtain or maintain any required facility clearances or security clearances for our employees;
- an extended government shutdown or other potential delays or changes in the government appropriations or other funding authorization processes; and
- delays in the payment of our invoices by government payment offices.

The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing licenses of our offerings in the future or otherwise have an adverse effect on our business operations and financial results.

Failure to comply with laws or regulations applicable to our business could cause us to lose customers in the public sector, subject us to fines and penalties, or negatively impact our ability to contract with the public sector.

We must comply with laws and regulations relating to the formation, administration and performance of contracts with the public sector, including United States federal, state and local governmental bodies and foreign governmental bodies, which affect how our channel partners and how we do business with governmental agencies. These laws and regulations provide public sector customers rights, many of which are not typically found in commercial contracts. These may include rights with respect to price protection, the accuracy of information provided to the government, compliance with supply chain requirements and supplier diversity policies, and other terms that are particular to public sector customers. These laws and regulations may impose added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages or other relief, penalties, termination of contracts, loss of exclusive rights in our intellectual property, and temporary suspension or permanent debarment from government contracting. Any such damages, penalties, disruptions or limitations in our ability to do business with the public sector could have a material adverse effect on our business operations and financial results.

Real or perceived errors, failures or bugs in our offerings could adversely affect our financial results and growth prospects.

Because our offerings are complex, undetected errors, failures or bugs may occur, especially when new offerings, versions or updates are released. Our on-premises software is often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures of our software or other aspects of the computing environment into which it is deployed. In addition, deployment of our software into complicated, large-scale computing environments may expose undetected errors, failures or bugs in our software. Despite testing by us, errors, failures or bugs may not be found in our offerings until they are released to our customers. In the past, we have discovered errors, failures and bugs in some of our offerings after their introduction. Real or perceived errors, failures or bugs in our offerings could result in negative publicity, loss of or delay in market acceptance of our offerings, loss of competitive position or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem.

In addition, if an actual or perceived failure of our software occurs in a customer's deployment or in our cloud services, regardless of whether the failure is attributable to our software, the market perception of the effectiveness of our offerings could be adversely affected. Alleviating any of these problems could require significant expenditures of our capital and other resources and could cause interruptions, delays or cessation of our licensing, which could cause us to lose existing or potential customers and could adversely affect our financial results and growth prospects.

Failure to protect our intellectual property rights could adversely affect our business and our brand.

Our success and ability to compete depends, in part, on our ability to protect our trade secrets, trademarks, copyrights, patents, proprietary methods and technologies and other intellectual property that we develop under intellectual property laws

of the United States and other jurisdictions outside of the United States so that we can prevent others from using our inventions and proprietary information and property. We generally rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, consultants, vendors, customers, partners and others and generally limit access to and distribution of our proprietary information in order to protect our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology or use of our brand, and our business might be adversely affected. However, defending our intellectual property rights might entail significant expenses. Any of our patent rights, copyrights, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Our issued patents and any patents issued in the future may not provide us with any competitive advantages, and our patent applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications, or we may not be able to do so at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the infringement, validity, enforceability and scope of protection of patent and other intellectual property rights are complex and often uncertain.

Any patents that are issued may subsequently be invalidated or otherwise limited, allowing other companies to develop offerings that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention. Patent applications in the United States are typically not published until 18 months after filing or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that we were the first to use the inventions claimed in our issued patents or pending patent applications or otherwise used in our offerings, that we were the first to file patent applications, or that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our offerings or technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our offerings are available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from recent and future changes to intellectual property legislation in the United States (including the “America Invents Act”) and other countries and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we endeavor to enter into non-disclosure agreements with our employees, licensees and others who may have access to this information, we cannot assure that these agreements or other steps we have taken will prevent unauthorized use, disclosure or reverse engineering of our technology. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. Moreover, third parties may independently develop technologies or products that compete with ours, and we may be unable to prevent this competition.

We might be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation also puts our patents at risk of being invalidated or interpreted narrowly. Additionally, we may provoke third parties to assert counterclaims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be adequate to compensate us for the harm suffered. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may adversely affect our business operations or financial results.

We have been, and may in the future be, subject to intellectual property rights claims by third parties, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenues and against which our patents may therefore provide little or no deterrence. From time-to-time, third parties, including certain of these leading companies, have asserted and may assert patent, copyright, trademark or other intellectual property

rights against us, our channel partners, our technology partners or our customers. We have received, and may in the future receive, notices that claim we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to the enterprise software market.

There may be third-party intellectual property rights, including issued or pending patents, that cover significant aspects of our technologies or business methods. We may be exposed to increased risk of being the subject of intellectual property infringement claims as a result of acquisitions, as, among other things, we have a lower level of visibility into the development process with respect to such technology or the care taken to safeguard against infringement risks. Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third-party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our offerings and may be unable to compete effectively. Any of these results would adversely affect our business operations and financial results.

We offer free trials, trial-to-buy and other next-generation go-to-market strategies, and we may not be able to realize the benefits of these strategies.

We offer trial version licenses, including online sandboxes, of certain of our offerings to users free of charge as part of our overall strategy of developing the market for offerings that provides operational intelligence and promoting additional penetration of our offerings in the markets in which we compete. Some users never convert from the trial version to the paid version. In fiscal 2017, we introduced free development-test licenses for certain commercial customers as part of our strategy to help enable such customers to expand their use of our offerings to additional use cases. In fiscal 2018, we began offering our cloud services through a cloud vendor marketplace. To the extent that users of our trial version do not become paying customers, our current customers do not expand their use of our offerings beyond the current predominant use cases, or we are unsuccessful in building effective go-to-market strategies for our offerings, we will not realize the intended benefits of these marketing strategies and our ability to grow our revenues will be adversely affected.

If we are not able to maintain and enhance our brand, our business and operating results may be adversely affected.

We believe that maintaining and enhancing the "Splunk" brand identity is critical to our relationships with our customers and channel partners and to our ability to attract new customers and channel partners. The successful promotion of our brand will depend largely upon our marketing efforts, our ability to continue to offer high-quality offerings and our ability to successfully differentiate our offerings from those of our competitors. Our brand promotion activities may not be successful or yield increased revenues. In addition, independent industry analysts often provide reviews of our offerings, as well as those of our competitors, and perception of our offerings in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products and services, our brand may be adversely affected.

Moreover, it may be difficult to maintain and enhance our brand in connection with sales through channel or strategic partners. The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated through our channel partners. To the extent that these activities yield increased revenues, these revenues may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors with stronger brands, and we could lose customers and channel partners, all of which would adversely affect our business operations and financial results.

Our future performance depends in part on proper use of our community website, Splunkbase, expansion of our developer ecosystem, and support from third-party software developers.

Our offerings enable third-party software developers to build apps on top of our platform. We operate a community website, Splunkbase, for sharing these third-party apps, including add-ons and extensions. While we expect Splunkbase to support our sales and marketing efforts, it also presents certain risks to our business, including:

- third-party developers may not continue developing or supporting the software apps that they share on Splunkbase;
- we cannot guarantee that if and as we change the architecture of our products and services, third-party developers will evolve their existing software apps to be compatible or that they will participate in the creation of new apps utilizing the new architecture;
- we cannot provide any assurance that these apps meet the same quality and security standards that we apply to our own development efforts, and, to the extent they contain bugs, defects or security vulnerabilities, they may create disruptions in our customers' use of our offerings or negatively affect our brand;
- we do not currently provide support for software apps developed by third-party software developers, and users may be left without support and potentially disappointed by their experience of using our offerings if the third-party software developers do not provide support for these apps;
- these third-party software developers may not possess the appropriate intellectual property rights to develop and share their apps or otherwise may not have assessed legal and compliance risks related to distributing their apps; and
- some of these developers may use the insight they gain using our offerings and from documentation publicly available on our website to develop competing products.

Many of these risks are not within our control to prevent, and our brand may be damaged if these apps, add-ons and extensions do not perform to our customers' satisfaction and that dissatisfaction is attributed to us.

Our use of “open source” software could negatively affect our ability to sell our offerings and subject us to possible litigation, and our participation in open source projects may impose unanticipated burdens or restrictions.

We use open source software in our offerings and expect to continue to use open source software in the future. We may face claims from others alleging breach of license requirements or infringement of intellectual property rights in what we believe to be licensed open source software, or seeking to enforce the terms of an open source license, including by demanding release of our proprietary source code that was developed using, incorporating or linked with such open source software or by requiring that we apply open source licenses to our proprietary applications. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our offerings, any of which would have a negative effect on our business and operating results. In addition, if the license terms for the open source code change, we may be forced to re-engineer our offerings or incur additional costs to find alternative tools. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties, support, indemnity or assurance of title or controls on origin of the software. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities and are provided on an “as-is” basis. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we may be unable to prevent our competitors or others from using such contributed software source code. Many of these risks associated with usage of open source software, such as the lack of warranties, support or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect the performance of our offerings and our business. While we have established processes to help alleviate these risks, we cannot assure that these measures will reduce or completely shield us from these risks.

We are subject to a number of legal requirements, contractual obligations and industry standards regarding security, data protection, and privacy and any failure to comply with these requirements, obligations or standards could have an adverse effect on our reputation, business, financial condition and operating results.

Data privacy and information security have become significant issues in the United States and in many other countries where we have employees and operations and where we offer licenses or cloud subscriptions to our offerings. The regulatory framework for privacy and information security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. The U.S. federal and various state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations limiting, or laws and regulations regarding the collection, distribution, use, disclosure, storage, and security of personal information. For example, in June 2018, California enacted the California Consumer Privacy Act, or CCPA, that will, among other things, require covered companies to provide new disclosures to

California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information, when it goes into effect on January 1, 2020. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. The CCPA was amended in September 2018, and it is possible that it will be amended again before it goes into effect. We cannot yet predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy or data protection legal framework with which we or our customers must comply. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of data that identifies or may be used to identify or locate an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol (“IP”) addresses. These laws and regulations often are more restrictive than those in the United States and are rapidly evolving. For example, a new EU data protection regime, the General Data Protection Regulation (“GDPR”) became effective on May 25, 2018, and, in addition to imposing stringent obligations relating to data protection and information security, authorizes fines up to 4% of global annual revenue or €20 million, whichever is greater, for some types of violations. We have self-certified to the EU-U.S. and the Swiss-U.S. Privacy Shield Frameworks developed by the U.S. Department of Commerce and the European Commission to provide U.S. companies with a valid data transfer mechanism under EU and Swiss law to permit them to transfer personal data from the European Union or Switzerland to the United States. The EU-U.S. and Swiss-U.S. Privacy Shield Frameworks are subject to annual review. The EU-U.S. Privacy Shield Framework and model contractual clauses approved by the European Commission, which we also use in our business to address certain cross-border data transfers, each have faced challenges in European courts, and may be challenged, suspended or invalidated. Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU (“Brexit”). The United Kingdom enacted a Data Protection Act in May 2018 that substantially implements the GDPR, but Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, it is unclear how data transfers to and from the United Kingdom will be regulated post-Brexit. Our EMEA headquarters is in London, causing this uncertainty to be particularly significant to our operations. Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our services. Complying with the GDPR or other laws, regulations, or other obligations relating to privacy, data protection, data localization or information security may cause us to incur substantial operational costs or require us to modify our data handling practices. Non-compliance could result in proceedings against us by governmental entities or others, could result in substantial fines or other liability, and may otherwise adversely impact our business, financial condition and operating results.

Some statutory requirements, both in the United States and abroad, such as the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and numerous state statutes, include obligations of companies to notify individuals of security breaches involving particular personal information, which could result from breaches experienced by us or our service providers. Even though we may have contractual protections with our service providers, any actual or perceived security breach could impact our reputation, harm our customer confidence, hurt our sales and expansion into new markets or cause us to lose existing customers, and could expose us to potential liability or require us to expend significant resources on data security and in responding to any such actual or perceived breach.

In addition to government regulation, privacy advocates and industry groups may propose self-regulatory standards from time to time. These and other industry standards may legally or contractually apply to us, or we may elect to comply with such standards or to facilitate our customers’ compliance with such standards. Because privacy, data protection and data security are critical competitive factors in our industry, we may make statements on our website, in marketing materials, or in other settings about our data security measures and our compliance with, or our ability to facilitate our customers’ compliance with, these standards. We also expect that there will continue to be new proposed laws and regulations concerning privacy, data protection and information security, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may require us to incur additional costs and restrict our business operations. Because the interpretation and application of laws, standards, contractual obligations and other obligations relating to privacy and data protection are still uncertain, it is possible that these laws, standards, contractual obligations and other obligations may be interpreted and applied in a manner that is inconsistent with our data management practices, our privacy, data protection, or data security policies or procedures, or the features of our offerings. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our offerings, which could have an adverse effect on our business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new offerings and features could be limited. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our

customers may limit the use and adoption of, and reduce the overall demand for, our offerings. Any inability to adequately address privacy, data protection or information security-related concerns, even if unfounded, or to successfully negotiate privacy, data protection or information security-related contractual terms with customers, or to comply with applicable laws, regulations and policies relating to privacy, data protection, and information security, could result in additional cost and liability to us, damage our reputation, inhibit sales, slow our sales cycles, and adversely affect our business. Privacy and personal information security concerns, whether valid or not valid, may inhibit market adoption of our offerings particularly in certain industries and foreign countries.

If we are unable to attract and retain leadership and key personnel, our business could be adversely affected.

We depend on the continued contributions of our leadership, senior management and other key personnel, the loss of whom could adversely affect our business. On November 29, 2018, we announced that David Conte, our current Chief Financial Officer, intends to retire from the company. Our future success depends in part on our ability to appoint and successfully transition a qualified new chief financial officer. With any change in leadership, there is a risk to organizational effectiveness and employee retention as well as the potential for disruption to our business. All of our executive officers and key employees are at-will employees, which means they may terminate their employment relationship with us at any time. We do not maintain a key-person life insurance policy on any of our officers or other employees.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance and other personnel, particularly in our sales and marketing, research and development, general and administrative, and professional service departments. We face intense competition for qualified individuals from numerous software and other technology companies.

In addition, competition for qualified personnel, particularly software engineers, is particularly intense in the San Francisco Bay Area, where our headquarters are located. We may incur significant costs to attract and retain them, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. As we move into new geographies, we will need to attract and recruit skilled personnel in those areas. If we are unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements, on a timely basis or at all, our business will be adversely affected.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Many of our senior management personnel and other key employees have become, or will soon become, vested in a substantial amount of stock, restricted stock units or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested restricted stock units or options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, or if we need to increase our compensation expenses to retain our employees, our business, results of operations, financial condition and cash flows would be adversely affected.

We have in the past made and may in the future make acquisitions that could prove difficult to integrate and/or adversely affect our business operations and financial results.

From time to time, we may choose to expand by making acquisitions that could be material to our business, results of operations, financial condition and cash flows. Our ability as an organization to successfully acquire and integrate technologies or businesses is unproven. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- potential goodwill impairment charges related to acquisitions;
- costs and potential difficulties associated with the requirement to test and assimilate the internal control processes of the acquired business;

- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us or if we are unable to retain key personnel;
- we may not realize the expected benefits of the acquisition;
- an acquisition may disrupt our ongoing business, divert resources, increase our expenses and distract our management;
- an acquisition may result in a delay or reduction of customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- the potential impact on relationships with existing customers, vendors and distributors as business partners as a result of acquiring another company or business that competes with or otherwise is incompatible with those existing relationships;
- the potential that our due diligence of the acquired company or business does not identify significant problems or liabilities, or that we underestimate the costs and effects of identified liabilities;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to claims from former employees, customers or other third parties, which may differ from or be more significant than the risks our business faces;
- we may encounter difficulties in, or may be unable to, successfully sell any acquired products;
- an acquisition may involve the entry into geographic or business markets in which we have little or no prior experience or where competitors have stronger market positions;
- an acquisition may require us to comply with additional laws and regulations or result in liabilities resulting from the acquired company's pre-acquisition failure to comply with applicable laws;
- our use of cash to pay for an acquisition would limit other potential uses for our cash;
- if we incur debt to fund such acquisition, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants; and
- to the extent that we issue a significant amount of equity securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease.

The occurrence of any of these risks could have a material adverse effect on our business operations and financial results.

If poor advice or misinformation is spread through our community website, Splunk Answers, users of our offerings may experience unsatisfactory results from using our offerings, which could adversely affect our reputation and our ability to grow our business.

We host Splunk Answers for sharing knowledge about how to perform certain functions with our offerings. Our users are increasingly turning to Splunk Answers for support in connection with their use of our offerings. We do not review or test the information that non-Splunk employees post on Splunk Answers to ensure its accuracy or efficacy in resolving technical issues. Therefore, we cannot ensure that all the information listed on Splunk Answers is accurate or that it will not adversely affect the performance of our offerings. Furthermore, users who post such information on Splunk Answers may not have adequate rights to the information to share it publicly, and we could be the subject of intellectual property claims based on our hosting of such information. If poor advice or misinformation is spread among users of Splunk Answers, our customers or other users of our offerings may experience unsatisfactory results from using our offerings, which could adversely affect our reputation and our ability to grow our business.

Prolonged economic uncertainties or downturns could materially adversely affect our business.

Prolonged economic uncertainties or downturns could adversely affect our business operations or financial results. Negative conditions in the general economy in either the United States or abroad, including conditions resulting from financial and credit market fluctuations, changes in economic policy, trade uncertainty, including changes in tariffs, sanctions, international treaties, and other trade restrictions, the occurrence of a natural disaster, armed conflicts and an act of terrorism on the United States, Europe, Asia Pacific or elsewhere, could cause a decrease in corporate spending on enterprise software in general and negatively affect the rate of growth of our business.

These conditions could make it extremely difficult for our customers and us to forecast and plan future business activities accurately, and they could cause our customers to reevaluate their decision to purchase our offerings, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Furthermore, during challenging economic times our customers may face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts, which would adversely affect our financial results.

We have a significant number of customers in the business services, energy, financial services, healthcare and pharmaceuticals, technology, manufacturing, media and entertainment, online services, retail, telecommunications and travel and transportation industries. A substantial downturn in any of these industries may cause firms to react to worsening conditions by reducing their capital expenditures in general or by specifically reducing their spending on information technology. Customers in these industries may delay or cancel information technology projects or seek to lower their costs by renegotiating vendor contracts. To the extent purchases of our offerings are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our offerings. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings.

We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry or geography. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our business operations and financial results could be adversely affected.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our offerings, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we have engaged in, and may need to engage in the future, in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we elect to settle our conversion obligation under the Notes (as defined below) in shares of our common stock or a combination of cash and shares of our common stock, the issuance of such common stock may dilute the ownership interests of our stockholders and sales in the public market could adversely affect prevailing market prices. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions, or otherwise reduce operational flexibility. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

If currency exchange rates fluctuate substantially in the future, our financial results, which are reported in U.S. dollars, could be adversely affected.

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Although our sales contracts are denominated in U.S. dollars, and therefore our revenues are not subject to foreign currency risk, a strengthening of the U.S. dollar could increase the real cost of our offerings to our customers outside of the United States, adversely affecting our business operations and financial results. We incur expenses for employee

compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of such expenses being higher. This could have a negative impact on our reported operating results. Although we engage in limited hedging strategies, any such strategies, such as forward contracts, options and foreign exchange swaps, related to transaction exposures that we may implement to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations.

Changes in U.S. tax laws could materially impact our business, cash flow, results of operations or financial conditions.

Legislation commonly referred to as the 2017 Tax Cuts and Jobs Act, or the Act, was enacted on December 22, 2017, and significantly changes how the U.S. imposes income tax on multinational corporations. The U.S. Treasury Department has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and affect our results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the United States Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. If our existing NOLs are subject to limitations arising from previous ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that either under prior regulations or other unforeseen reasons, our prior year NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to utilize a portion of these NOLs reflected on our balance sheet, even if we attain profitability.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our financial results.

We do not collect sales and use, value added and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our financial results.

Our international operations subject us to potentially adverse tax consequences.

We generally conduct our international operations through wholly owned subsidiaries, branches and representative offices and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. We are in the process of organizing our corporate structure to more closely align with the international nature of our business activities. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Many countries and organizations such as the Organization for Economic Cooperation and Development are actively considering changes to existing tax laws or proposed or enacted new tax laws that could increase our tax liabilities in countries where we do business. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

We could be subject to additional tax liabilities.

We are subject to federal, state and local taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. We previously discovered that we have not complied with various tax rules and regulations in certain foreign jurisdictions. We are working to resolve these matters. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the

relevant tax, accounting and other laws, regulations, principles and interpretations, including those relating to income tax nexus, by our earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period or periods for which a determination is made.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

Generally accepted accounting principles in the United States (“U.S. GAAP”) are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. For example, in May 2014, the FASB issued accounting standards update No. 2014-09 (Topic 606), Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. We adopted this new revenue standard as of February 1, 2018. Under Topic 606, more estimates, judgments and assumptions are required within the revenue recognition process than were previously required. Our reported financial position and financial results may be adversely affected if our estimates or judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions. We presently anticipate that this standard could create volatility in our reported revenue and operating results, which could negatively impact our stock price. The most significant impacts of the standard related to the timing of revenue recognition for arrangements involving term licenses, deferred revenue and sales commissions. Additionally, some deferred revenue, primarily from arrangements involving term licenses, was never recognized as revenue and instead is now part of the cumulative effect adjustment within accumulated deficit. See Part I, Item 1. Financial Information - Note 1 for information regarding the effect of new accounting pronouncements in our consolidated financial statements. These or other changes in accounting principles could adversely affect our financial results. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the \$2.13 billion aggregate principal amount of convertible senior notes that we issued in September 2018, which includes \$1.27 billion aggregate principal amount of 0.50% Convertible Senior Notes due 2023 and \$862.5 million aggregate principal amount of 1.125% Convertible Senior Notes due 2025 (collectively, the “Notes”), depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Conversion of the Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the Notes may dilute the ownership interests of our stockholders. Upon conversion of the Notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of a series of Notes is triggered, holders of such Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in

lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the relevant series of Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20.

Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity in our consolidated balance sheet at issuance, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their respective face amounts over their respective terms. We will report larger net losses or lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's non-convertible coupon interest rate, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of a series of Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of such series of Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then the "if converted" method of accounting would be applied and accordingly, the full number of shares that could be issued would be included in the calculation of diluted earnings per share, which would adversely affect our diluted earnings per share.

The Capped Calls may affect the value of our common stock.

In connection with the pricing of the Notes, we entered into privately negotiated capped call transactions with certain counterparties (the "Capped Calls"). The Capped Calls relating to the 2023 Notes cover, subject to customary adjustments, the number of shares of our common stock that will initially underlie the 2023 Notes, and the Capped Calls relating to the 2025 Notes cover, subject to customary adjustments, the number of shares of our common stock that will initially underlie the 2025 Notes. The Capped Calls are expected generally to offset the potential dilution to our common stock as a result of any conversion of the relevant series of Notes. If the initial purchasers exercise their option to purchase additional Notes, we expect to enter into additional Capped Calls with the option counterparties with respect to the relevant series of Notes as to which the option was exercised.

In connection with establishing their initial hedges of the Capped Calls, the option counterparties or their respective affiliates may purchase shares of our common stock and/or enter into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Notes, including with certain investors in the Notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock at that time.

In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the Notes and prior to the maturity of the Notes (and are likely to do so on each exercise date for the Capped Calls, which are expected to occur during each 30 trading day period beginning on the 31st scheduled trading day prior to the maturity date of each series of Notes, or following any termination of

any portion of the Capped Calls in connection with any repurchase, redemption or early conversion of the Notes). This activity could also cause or prevent an increase or a decrease in the market price of our common stock.

In addition, if any such Capped Calls fail to become effective, the option counterparties or their respective affiliates may unwind their hedge positions with respect to our common stock, which could adversely affect the price of our common stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the shares of our common stock. In addition, we do not make any representation that the counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We are subject to counterparty risk with respect to the Capped Calls.

The option counterparties to the Capped Calls we have entered into are financial institutions, and we will be subject to the risk that one or more of the option counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral.

If an option counterparty to one or more Capped Calls becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by an option counterparty, we may suffer more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

Our stock price has been volatile, may continue to be volatile and may decline regardless of our financial performance.

The trading prices of the securities of technology companies have been highly volatile. The market price of our common stock has fluctuated significantly and may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial results;
- the financial projections we provide to the public, any changes in these projections or our failure to meet or exceed these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in certain categories of companies or the overall stock market, including as a result of trends in the global economy;
- any major change in our board of directors or management;
- lawsuits threatened or filed against us;
- cybersecurity attacks or incidents; and

- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock markets, and in particular the market on which our common stock is listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the financial performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, results of operations, financial condition and cash flows.

If securities or industry analysts publish negative reports about our business, or cease coverage of our company, our share price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

The requirements of being a public company and a growing and increasingly complex organization may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of The NASDAQ Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations has increased our legal and financial compliance costs, made some activities more difficult, time-consuming or costly and increased and will continue to increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our costs and expenses.

In addition, changing laws, regulations, standards and practices relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations, standards and practices are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as regulatory and governing bodies provide new guidance or as market practices develop. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards and keeping abreast of current practices, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance and corporate governance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Our business has become more visible and complex as we grow as an organization, which we believe may result in threatened or actual litigation, including by competitors and other third parties. We are also from time to time involved in various litigation matters and claims, including regulatory proceedings, administrative proceedings, governmental investigations, and contract disputes, as they relate to our products, services, business and operations. We may also face employment-related litigation, including claims under local, state, federal and foreign labor laws. If such claims are successful, our business operations and financial results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business operations and financial results. From time to time, public companies are subject to campaigns by investors seeking to increase short-term stockholder value through actions such as financial restructuring,

increased debt, special dividends, stock repurchases, management changes or sales of assets or the entire company. If stockholders attempt to effect such changes or acquire control over us, responding to such actions would be costly, time-consuming and disruptive, which could adversely affect our results of operations, financial results and the value of our common stock. These factors could also make it more difficult for us to attract and retain qualified employees, executive officers and members of our board of directors.

We are obligated to develop and maintain proper and effective internal control over financial reporting. These internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. We are also required to have our independent registered public accounting firm issue an opinion on the effectiveness of our internal control over financial reporting on an annual basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, price appreciation of our common stock, which may never occur, may be the only way our stockholders realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed only for cause;

- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters at 270 Brannan Street occupy approximately 182,000 square feet under a lease that expires in February 2024. Additionally, we have an office lease for approximately 235,000 square feet located at 3098 Olsen Drive, San Jose, California that expires in August 2027 for our business operations, sales, support and product development. We lease smaller regional offices for our business operations, sales, support and some product development in various locations throughout the United States. Our foreign subsidiaries lease office space for their operations including local sales, support and some product development. While we believe our facilities are sufficient and suitable for the operations of our business today, we are in the process of adding new facilities and expanding our existing facilities as we add employees and expand into additional markets.

During the fiscal year ended January 31, 2019, we entered into an office lease for approximately 300,000 square feet located at 3060 Olsen Drive, San Jose, California. We expect to occupy the premises at 3060 Olsen Drive starting in fiscal 2020.

Item 3. Legal Proceedings

The information set forth under Legal Proceedings in Note 3 contained in the “Notes to Consolidated Financial Statements” is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

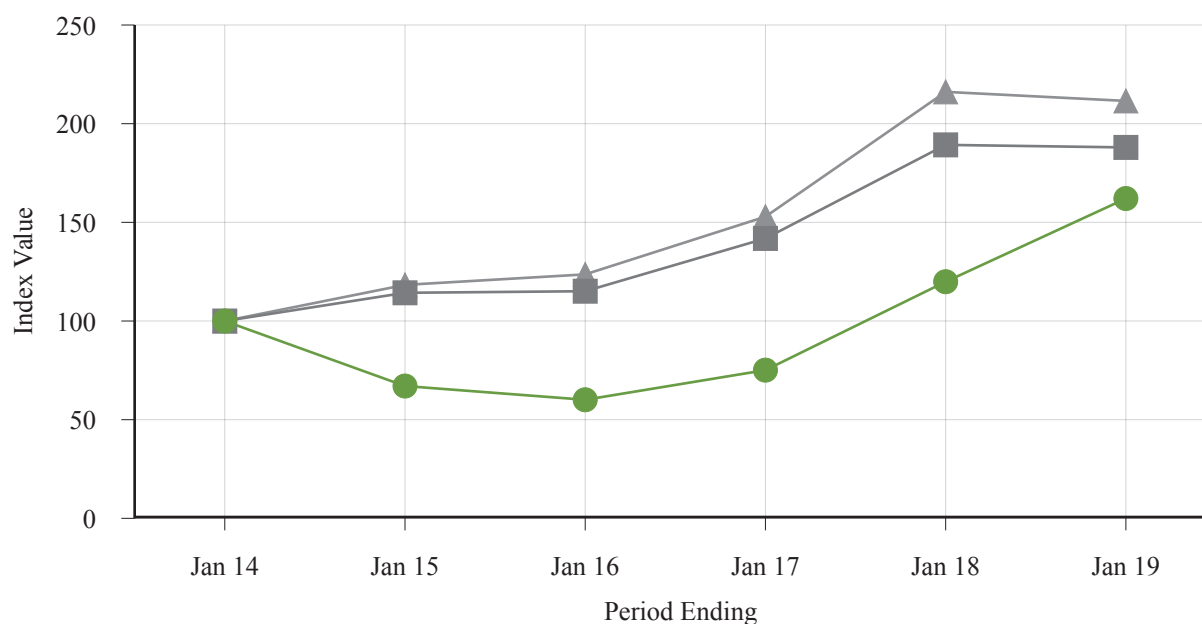
Common Stock

Our common stock, \$0.001 par value, began trading on the NASDAQ Global Select Market on April 19, 2012, where its prices are quoted under the symbol “SPLK.” As of January 31, 2019, there were 21 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial holders represented by these record holders, but it is well in excess of the number of record holders.

Stock Performance Graph

This chart compares the cumulative total return on our common stock with that of the NASDAQ Composite index and the NASDAQ Computer index for each of the last five fiscal years ended January 31, 2019, assuming an initial investment of \$100. The peer group indices utilize the same methods of presentation and assumptions for the total return calculation as does Splunk and the NASDAQ Composite index. All companies in the peer group index are weighted in accordance with their market capitalizations.

Splunk Inc. Comparison of Total Return Performance



● Splunk Inc. ■ NASDAQ Composite ▲ NASDAQ Computer

Company/Index	1/31/14	1/31/15	1/31/16	1/31/17	1/31/18	1/31/19
Splunk Inc.	\$ 100.00	\$ 67.05	\$ 60.09	\$ 75.11	\$ 119.91	\$ 162.07
NASDAQ Composite	\$ 100.00	\$ 114.30	\$ 115.10	\$ 141.84	\$ 189.26	\$ 187.97
NASDAQ Computer	\$ 100.00	\$ 118.31	\$ 123.63	\$ 152.88	\$ 216.12	\$ 211.53

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Form 10-K. The consolidated statements of operations data for fiscal 2019, 2018 and 2017, and the selected consolidated balance sheets data as of January 31, 2019 and 2018 are derived from, and are qualified by reference to, the audited consolidated financial statements, adjusted for the adoption of accounting standards update No. 2014-09 (Topic 606), which are included in this Form 10-K. The consolidated balance sheet data as of January 31, 2017 has been adjusted for the adoption of Topic 606. The consolidated statements of operations data for fiscal 2016 and 2015 and the consolidated balance sheets data as of January 31, 2016 and 2015 are derived from audited consolidated financial statements, which are not included in this Form 10-K.

Consolidated Statements of Operations Data

(In thousands, except per share amounts)	Fiscal Year Ended January 31,				
	2019	2018	2017	2016	2015
		* As Adjusted	* As Adjusted		
Revenues					
License	\$ 1,030,277	\$ 741,302	\$ 543,510	\$ 405,399	\$ 283,191
Maintenance and services	772,733	567,830	400,054	263,036	167,684
Total revenues	1,803,010	1,309,132	943,564	668,435	450,875
Cost of revenues ⁽¹⁾					
License	22,527	13,398	11,965	9,080	1,859
Maintenance and services	322,149	243,011	179,088	105,042	66,519
Total cost of revenues	344,676	256,409	191,053	114,122	68,378
Gross profit	1,458,334	1,052,723	752,511	554,313	382,497
Operating expenses ⁽¹⁾					
Research and development	441,969	301,114	295,850	215,309	150,790
Sales and marketing	1,029,950	777,876	639,404	505,348	344,471
General and administrative	237,588	159,143	153,359	121,579	103,046
Total operating expenses	1,709,507	1,238,133	1,088,613	842,236	598,307
Operating loss	(251,173)	(185,410)	(336,102)	(287,923)	(215,810)
Interest and other income (expense), net					
Interest income	31,458	8,943	5,720	3,166	1,586
Interest expense	(41,963)	(8,794)	(8,549)	(1,368)	(832)
Other income (expense), net	(1,513)	(3,600)	(3,022)	(519)	216
Total interest and other income (expense), net	(12,018)	(3,451)	(5,851)	1,279	970
Loss before income taxes	(263,191)	(188,861)	(341,953)	(286,644)	(214,840)
Provision for income taxes (benefit)	12,386	1,357	5,507	(7,872)	2,276
Net loss	\$ (275,577)	\$ (190,218)	\$ (347,460)	\$ (278,772)	\$ (217,116)
Net loss per share:					
Basic and diluted	\$ (1.89)	\$ (1.36)	\$ (2.59)	\$ (2.20)	\$ (1.81)
Weighted-average shares outstanding:					
Basic and diluted	145,707	139,866	133,910	126,746	119,775

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

(1) Amounts include stock-based compensation expense as follows:

(In thousands)	Fiscal Year Ended January 31,				
	2019	2018	2017	2016	2015
Cost of revenues	\$ 37,501	\$ 33,605	\$ 30,971	\$ 26,057	\$ 17,189
Research and development	137,171	106,690	129,388	89,197	60,777
Sales and marketing	190,422	159,240	161,164	130,054	90,064
General and administrative	76,836	58,928	56,518	46,949	46,149

Consolidated Balance Sheets Data

(In thousands)	January 31,				
	2019	2018	2017	2016	2015
		* As Adjusted	* As Adjusted		
Cash, cash equivalents and short-term investments	\$ 2,757,385	\$ 1,165,150	\$ 1,083,442	\$ 1,009,039	\$ 850,164
Working capital	2,333,325	953,086	874,405	719,503	653,185
Total assets	4,500,243	2,139,445	1,785,993	1,536,839	1,247,791
Deferred revenue, current and long-term	877,947	668,705	436,426	449,503	304,085
Total stockholders' equity	1,520,457	1,131,321	1,060,292	859,414	813,321

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" included in Part I, Item 1A or in other parts of this report.

Overview

Splunk provides innovative software solutions that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our offerings enable users to investigate, monitor, analyze and act on machine data regardless of format or source. Our offerings address large and diverse data sets commonly referred to as big data and are specifically tailored for machine data. Machine data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as transactions, customer and user behavior, and security threats. Beyond an organization's traditional information technology ("IT") and security infrastructure, data from the Industrial Internet, including industrial control systems, sensors, supervisory control and data acquisition ("SCADA") systems, networks, manufacturing systems, smart meters and the Internet of Things ("IoT"), which includes consumer-oriented systems, such as electronic wearables, mobile devices, automobiles and medical devices are also continuously generating machine data. Our offerings help organizations gain the value contained in machine data by delivering real-time information to enable operational decision making.

We believe the market for products that provide operational intelligence presents a substantial opportunity as data grows in volume and diversity, creating new risks, opportunities and challenges for organizations. Since our inception, we have invested a substantial amount of resources developing our offerings to address this market, specifically with respect to machine data.

Our offerings are designed to deliver rapid return-on-investment for our customers. They generally do not require customization, long deployment cycles or extensive professional services commonly associated with traditional enterprise

software applications. Prospective users can get started with our free online sandboxes that enable our customers to immediately try and experience Splunk offerings. Users that prefer to deploy the software on-premises can take advantage of our free 60-day trial of Splunk Enterprise, which converts into a limited free perpetual license of up to 500 megabytes of data per day. A 15-day free trial is available to users that prefer the core functionalities of Splunk Enterprise delivered as a cloud service. These users can sign up for Splunk Cloud and avoid the need to provision, deploy and manage internal infrastructure. Alternatively, they can simply download and install the software, typically in a matter of hours, to connect to their relevant machine data sources. Customers can also provision a compute instance on AWS via a pre-built Amazon Machine Image, which delivers a pre-configured virtual machine instance with our Splunk Enterprise software. We offer free development-test licenses for certain commercial customers, allowing users to explore new data and use cases in a non-production environment without incurring additional fees. We also offer support, training and professional services to our customers to assist in the deployment of our software.

For Splunk Enterprise, we base our license fees on the estimated daily data indexing capacity our customers require. A substantial portion of our license revenues consist of revenues from perpetual and term licenses, whereby we generally recognize the license fee portion of these arrangements upfront. As a result, the timing of when we enter into large perpetual and term licenses may lead to fluctuations in our revenues and operating results because our expenses are largely fixed in the short-term. From time to time, we also enter into transactions that are designed to enable broad adoption of our software within an enterprise, referred to as enterprise adoption agreements. These agreements often include provisions that require revenue deferral and recognition over time.

Splunk Cloud delivers the core capabilities of Splunk Enterprise as a scalable, reliable cloud service. Splunk Cloud customers pay an annual subscription fee based on the combination of the volume of data indexed per day and the amount of data stored. Splunk Light provides log search and analysis that is designed, priced and packaged for small information technology (“IT”) environments, where a single-server log analytics solution is sufficient. Splunk Enterprise Security (“ES”) addresses emerging security threats and security information and event management (“SIEM”) use cases through monitoring, alerts and analytics. Splunk IT Service Intelligence (“ITSI”) monitors the health and key performance indicators of critical IT and business services. Splunk User Behavior Analytics (“UBA”) detects cyber-attacks and insider threats using data science, machine learning and advanced correlation.

We intend to continue investing for long-term growth. We have invested and intend to continue to invest heavily in product development to deliver additional features and performance enhancements, deployment models and solutions that can address new end markets. For example, we released new versions of existing offerings such as Splunk Enterprise, Splunk ES and Splunk ITSI and introduced new offerings for the IT market during fiscal 2019. We expect to continue to aggressively expand our sales and marketing organizations to market and sell our software both in the United States and internationally.

We have utilized and expect to continue to utilize acquisitions to contribute to our long-term growth objectives. During fiscal 2019, we completed a number of acquisitions, including Phantom, which develops solutions for security orchestration, automation and response, and VictorOps, which develops incident management solutions for the IT and DevOps markets.

Our goal is to make our software the platform for delivering operational intelligence and real-time business insights from machine data. The key elements of our growth strategy are to:

- Extend our technological capabilities.
- Continue to expand our direct and indirect sales organization, including our channel relationships, to increase our sales capacity and enable greater market presence.
- Further penetrate our existing customer base and drive enterprise-wide adoption.
- Enhance our value proposition through a focus on solutions which address core and expanded use cases.
- Grow our user communities and partner ecosystem to increase awareness of our brand, target new use cases, drive operational leverage and deliver more targeted, higher value solutions.
- Continue to deliver a rich developer environment to enable rapid development of enterprise applications that leverage machine data and the Splunk platform.

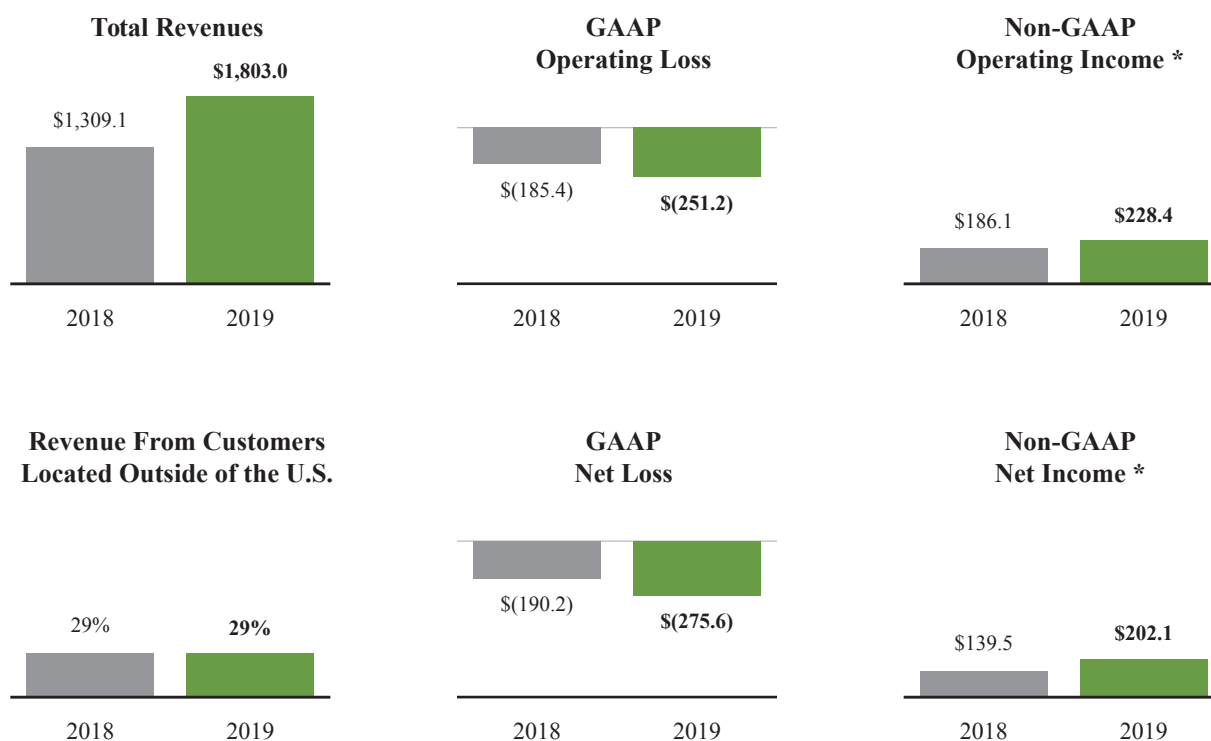
We believe the factors that will influence our ability to achieve our goals include, among other things, our ability to deliver new offerings as well as additional product functionality; acquire new customers across geographies and industries; cultivate incremental sales from our existing customers by driving increased use of our software within organizations; provide additional solutions that leverage our core machine data platform to help organizations understand and realize the value of their machine data in specific end markets and use cases; add additional original equipment manufacturer (“OEM”) and strategic relationships to enable new sales channels for our software as well as extend our integration with third-party products; help software developers leverage the functionality of our machine data platform through software development kits (“SDKs”) and application programming interfaces (“APIs”); and successfully integrate acquired businesses and technologies.

New Accounting Standard

Prior period information presented in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and comparative references to prior periods have been adjusted to reflect the impact of the full retrospective adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Refer to Note 1 of our accompanying Notes to Consolidated Financial Statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K for further information.

Financial Summary

(Dollars in millions)



* Refer to Non-GAAP Financial Results below for further information regarding our GAAP to non-GAAP Financial Measures and related reconciliations.

Our customers and end-users represent the public sector and a wide variety of industries, including financial services, manufacturing, retail and technology, among others. As of January 31, 2019, we had over 17,500 customers, including 90 of the Fortune 100 companies.

Non-GAAP Financial Results

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP cost of revenues, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP sales and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP income tax provision (benefit), non-GAAP net income (loss) and non-GAAP net income (loss) per share (collectively the “non-GAAP financial measures”). These non-GAAP financial measures exclude all or a combination of the following (as reflected in the following reconciliation tables): expenses related to stock-based compensation and related employer payroll tax, amortization of acquired intangible assets, adjustments related to a financing lease obligation, adjustments related to facility exits, acquisition-related adjustments, including the partial release of the valuation allowance due to acquisitions and non-cash interest expense related to our convertible senior notes. The adjustments for the financing lease obligation are to reflect the expense we would have recorded if our build-to-suit lease arrangement had been deemed an operating lease instead of a financing lease and is calculated as the net of actual ground lease expense, depreciation and interest expense over estimated straight-line rent expense. We issued convertible senior notes in the third quarter of fiscal 2019, and therefore exclude non-cash interest expense related to our convertible senior notes beginning with the third quarter of fiscal 2019. The non-GAAP financial measures are also adjusted for our estimated tax rate on non-GAAP income (loss). To determine the annual non-GAAP tax rate, we evaluate a financial projection based on our non-GAAP results. The annual non-GAAP tax rate takes into account other factors including our current operating structure, our existing tax positions in various jurisdictions and key legislation in major jurisdictions where we operate. The non-GAAP tax rate applied to the fiscal year ended January 31, 2019 was 20%. We provide updates to this rate on an annual basis, or more frequently if material changes occur. In addition, our non-GAAP financial measures include free cash flow, which represents cash from operations less purchases of property and equipment. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures 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 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 key metrics used by management in our financial and operational decision making. In addition, these non-GAAP financial measures facilitate comparisons to competitors’ operating results.

We exclude stock-based compensation expense because it is non-cash in nature and excluding this expense provides meaningful supplemental information regarding our operational performance and allows investors the ability to make more meaningful comparisons between our operating results and those of other companies. We exclude employer payroll tax expense related to employee stock plans in order for investors to see the full effect that excluding that stock-based compensation expense had on our operating results. These expenses are tied to the exercise or vesting of underlying equity awards and the price of our common stock at the time of vesting or exercise, which may vary from period to period independent of the operating performance of our business. We also exclude amortization of acquired intangible assets, adjustments related to a financing lease obligation, adjustments related to facility exits, acquisition-related adjustments, including the partial release of the valuation allowance due to our acquisitions, and non-cash interest expense related to our convertible senior notes from our non-GAAP financial measures because these are considered by management to be outside of our core operating results. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry. 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 can be used for strategic opportunities, including investing in our business, making strategic acquisitions and strengthening our balance sheet.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by our competitors and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees. The non-GAAP financial measures are meant to supplement and be viewed in conjunction with GAAP financial measures.

The following table reconciles our net cash provided by operating activities to free cash flow:

	Fiscal Year Ended January 31,	
	2019	2018
Net cash provided by operating activities	\$ 296,454	\$ 262,904
Less purchases of property and equipment	(23,160)	(20,503)
Free cash flow (non-GAAP)	\$ 273,294	\$ 242,401
Net cash used in investing activities	\$ (779,278)	\$ (38,505)
Net cash provided by (used in) financing activities	\$ 1,813,425	\$ (101,419)

The following table reconciles our GAAP to non-GAAP Financial Measures for the fiscal year ended January 31, 2019:

(Dollars in thousands, except per share amounts)	GAAP	Stock-based	Amortization of	Adjustments	Acquisition-	Non-cash	Income tax effects	Non-GAAP
		compensation and related employer payroll tax	acquired intangible assets	related to financing lease obligation	related adjustments	interest expense related to convertible senior notes	related to non-GAAP adjustments ⁽⁴⁾	
Cost of revenues	\$ 344,676	\$ (39,429)	\$ (21,444)	\$ 1,218	\$ —	\$ —	\$ —	\$ 285,021
<i>Gross margin</i>	80.9 %	2.2%	1.2%	(0.1)%	—%	—%	—%	84.2%
Research and development	441,969	(141,315)	(1,041)	2,029	—	—	—	301,642
Sales and marketing	1,029,950	(197,384)	(2,740)	4,573	—	—	—	834,399
General and administrative	237,588	(79,045)	—	1,002	(6,034)	—	—	153,511
Operating income (loss)	(251,173)	457,173	25,225	(8,822)	6,034	—	—	228,437
<i>Operating margin</i>	(13.9)%	25.4%	1.4%	(0.5)%	0.3%	—%	—%	12.7%
Income tax provision	12,386	—	—	—	3,313 ⁽³⁾	—	34,826	50,525
Net income (loss)	\$ (275,577)	\$ 457,173	\$ 25,225	\$ (636) ⁽²⁾	\$ 2,721	\$ 28,019	\$ (34,826)	\$ 202,099
Net income (loss) per share ⁽¹⁾	\$ (1.89)							\$ 1.33

⁽¹⁾ GAAP net loss per share calculated based on 145,707 weighted-average shares of common stock. Non-GAAP net income per share calculated based on 152,126 diluted weighted-average shares of common stock, which includes 6,419 potentially dilutive shares related to employee stock awards. GAAP to non-GAAP net income (loss) per share is not reconciled due to the difference in the number of shares used to calculate basic and diluted weighted-average shares of common stock.

⁽²⁾ Includes \$8.2 million of interest expense related to the financing lease obligation.

⁽³⁾ Represents the partial release of the valuation allowance.

⁽⁴⁾ Represents the tax effect of the non-GAAP adjustments based on the estimated annual effective tax rate of 20%.

The following table reconciles our GAAP to non-GAAP Financial Measures for the fiscal year ended January 31, 2018:

(Dollars in thousands, except per share amounts)	Stock-based compensation and related employer payroll tax		Amortization of acquired intangible assets	Adjustments related to financing lease obligation	Adjustments related to facility exits	Acquisition-related adjustments	Income tax effects related to non-GAAP adjustments ⁽⁴⁾	Non-GAAP
	GAAP							
Cost of revenues	\$ 256,409	\$ (34,814)	\$ (12,387)	\$ 1,259	\$ —	\$ —	\$ —	\$ 210,467
<i>Gross margin</i>	80.4 %	2.7%	0.9%	(0.1)%	— %	— %	— %	83.9%
Research and development	301,114	(109,743)	(492)	1,990	—	—	—	192,869
Sales and marketing	777,876	(164,363)	(1,909)	4,684	—	—	—	616,288
General and administrative	159,143	(61,192)	—	927	5,191	(643)	—	103,426
Operating income (loss)	(185,410)	370,112	14,788	(8,860)	(5,191)	643	—	186,082
<i>Operating margin</i>	(14.2)%	28.4%	1.1%	(0.7)%	(0.4)%	— %	— %	14.2%
Income tax provision	1,357	—	—	—	—	2,540 ⁽³⁾	47,681	51,578
Net income (loss)	\$ (190,218)	\$ 370,112	\$ 14,788	\$ (463) ⁽²⁾	\$ (5,191)	\$ (1,897)	\$ (47,681)	\$ 139,450
Net income (loss) per share ⁽¹⁾	\$ (1.36)							\$ 0.96

⁽¹⁾ GAAP net loss per share calculated based on 139,866 weighted-average shares of common stock. Non-GAAP net income per share calculated based on 144,862 diluted weighted-average shares of common stock, which includes 4,996 potentially dilutive shares related to employee stock awards. GAAP to non-GAAP net income (loss) per share is not reconciled due to the difference in the number of shares used to calculate basic and diluted weighted-average shares of common stock.

⁽²⁾ Includes \$8.4 million of interest expense related to the financing lease obligation.

⁽³⁾ Represents the partial release of the valuation allowance.

⁽⁴⁾ Represents the tax effect of the non-GAAP adjustments based on the estimated annual effective tax rate of 27%.

Components of Operating Results

Revenues

License revenues. License revenues reflect the revenues recognized from sales of licenses to new customers and additional licenses to existing customers, including sales from the renewal of term licenses. We are focused on acquiring new customers and increasing revenues from our existing customers as they realize the value of our software by indexing higher volumes of machine data and expanding the use of our software through additional use cases and broader deployment within their organizations. Our license revenues consist of revenues from perpetual licenses and term licenses, under which we generally recognize the license fee portion of the arrangement upfront, assuming all revenue recognition criteria are satisfied. In addition, seasonal trends that contribute to increased sales activity in the fourth fiscal quarter often result in lower sequential revenues in the first fiscal quarter, and we expect this trend to continue. We also expect our license revenue mix to continue to shift in favor of term licenses as we continue our transition to a predominately renewable model. Comparing our revenues on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance. Our historical methods of revenue recognition have been materially affected by the adoption of Topic 606. Refer to Note 1 of our accompanying Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information.

Maintenance and services revenues. Maintenance and services revenues consist of revenues from maintenance agreements, cloud services and professional services and training.

- **Maintenance revenues.** Typically, when purchasing a perpetual license, a customer also purchases one year of maintenance for which we charge a percentage of the license fee. When a term license is purchased, maintenance is bundled with the license for the term of the license period. Customers with maintenance agreements are entitled to receive support and unspecified upgrades and enhancements when and if they become available during the maintenance period. We recognize the revenues associated with maintenance agreements ratably, on a straight-line basis, over the associated maintenance period.
- **Cloud services revenues.** Cloud services allow customers to use hosted software over the contract period without taking possession of the software. We generally recognize the revenues associated with our cloud services ratably, on a straight-line basis, over the associated subscription term. We expect revenues from cloud services to continue to increase as a percentage of total revenue as we continue our transition to a predominately renewable model.
- **Professional services and training revenues.** We have a professional services organization focused on helping our customers deploy our software in highly complex operational environments and train their personnel. Training and professional services have stated billing rates per service hour or are provided on a subscription basis, accordingly, revenues are recognized as services are delivered or ratably over the subscription period. Professional services and training revenues as a percentage of total revenues were 8% for the fiscal years ended January 31, 2019 and 2018. We have experienced continued growth in our professional services revenues primarily due to the deployment of our software with some customers that have large, highly complex IT environments.

Cost of Revenues

Cost of license revenues. Cost of license revenues includes all direct costs to deliver our products, including salaries, benefits, stock-based compensation and related expenses such as employer taxes, allocated overhead for facilities and IT and amortization of acquired intangible assets. We recognize these expenses as they are incurred.

Cost of maintenance and services revenues. Cost of maintenance and services revenues includes salaries, benefits, stock-based compensation and related expenses such as employer taxes for our maintenance and services organizations, third-party consulting services, allocated overhead for depreciation of equipment, facilities and IT, amortization of acquired intangible assets and third-party hosting fees related to our cloud services. We recognize expenses related to our maintenance and services organizations as they are incurred.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing and general and administrative. For each category, the largest component is personnel costs, which include salaries, employee benefit costs,

bonuses, commissions as applicable, stock-based compensation and related expenses such as employer taxes. Operating expenses also include allocated overhead costs for depreciation of equipment, facilities and IT. Allocated costs for facilities include costs for compensation of our facilities personnel, leasehold improvements and rent. Our allocated costs for IT include costs for compensation of our IT personnel and costs associated with our IT infrastructure. Operating expenses are generally recognized as incurred.

Research and development. Research and development expenses primarily consist of personnel and facility-related costs attributable to our research and development personnel. We have devoted our product development efforts primarily to enhancing the functionality and expanding the capabilities of our software and services. We expect that our research and development expenses will continue to increase, in absolute dollars, as we increase our research and development headcount to further strengthen and enhance our software and services and invest in the development of our solutions and apps.

Sales and marketing. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing and business development personnel, commissions earned by our sales personnel, and the cost of marketing and business development programs. We expect that sales and marketing expenses will continue to increase, in absolute dollars, as we continue to hire additional personnel and invest in marketing programs.

General and administrative. General and administrative expenses primarily consist of personnel and facility-related costs for our executive, finance, legal, human resources and administrative personnel; our legal, accounting and other professional services fees; and other corporate expenses. We anticipate continuing to incur additional expenses due to growing our operations, including higher legal, corporate insurance and accounting expenses.

Interest and Other Income (Expense), Net

Interest and other income (expense), net consists primarily of interest expense related to our convertible senior notes, foreign exchange gains and losses, interest income on our investments and cash and cash equivalents balances and changes in the fair value of forward exchange contracts.

Income Tax Provision (Benefit)

The income tax provision (benefit) consists of federal, state and foreign income taxes. We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse. We record a valuation allowance to reduce the deferred tax assets to the amount that we are more-likely-than-not to realize. Because of our history of U.S. net operating losses, we have established, in prior years, a full valuation allowance against potential future benefits for U.S. deferred tax assets including loss carry-forwards and research and development and other tax credits. We regularly assess the likelihood that our deferred income tax assets will be realized based on the realization guidance available. To the extent that we believe any amounts are not more-likely-than-not to be realized, we record a valuation allowance to reduce the deferred income tax assets. We regularly assess the need for the valuation allowance on our deferred tax assets, and to the extent that we determine that an adjustment is needed, such adjustment will be recorded in the period that the determination is made.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the assumptions and estimates associated with revenue recognition, deferred sales commissions and business combinations have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. Accordingly, we believe these are the most critical to fully understand and evaluate our financial condition and results of operations.

Revenue Recognition

Our contracts with customers often contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price (“SSP”) basis. We determine the SSP based on an observable standalone selling price when it is available, as well as other factors, including the price charged to customers, our discounting practices, and our overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable or uncertain, we estimate the SSP using a residual approach.

Deferred Sales Commissions

Sales commissions paid to our sales force and the related payroll taxes are considered incremental and recoverable costs of obtaining a contract with a customer. We generally amortize these costs over the remaining contractual term of our customer contracts, consistent with the pattern of revenue recognition of each performance obligation, for contracts in which the commissions paid on the initial and renewal contracts are commensurate. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, we amortize the commissions paid on the initial contract over an expected period of benefit, which we have determined to be approximately five years. We have determined the period of benefit by taking into consideration our customer contracts, the duration of our relationships with our customers and our technology. In capitalizing and amortizing deferred commissions, we have elected to apply a portfolio approach.

Business Combinations

We use our best estimates and assumptions to allocate the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to our preliminary estimates to goodwill provided that we are within the measurement period. Upon the conclusion of the final determination of the fair value of assets acquired or liabilities assumed during the measurement period, any subsequent adjustments are recorded to our consolidated statements of operations.

For further information on all of our significant accounting policies, refer to Note 1 of our accompanying Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Results of Operations

The following table sets forth our results of operations for the periods presented and as a percentage of our total revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

Consolidated Statements of Operations Data

(In thousands and as % of revenues)	Fiscal Year Ended January 31,					
	2019		2018		2017	
			*As Adjusted		*As Adjusted	
Revenues						
License	\$ 1,030,277	57.1 %	\$ 741,302	56.6 %	\$ 543,510	57.6 %
Maintenance and services	772,733	42.9	567,830	43.4	400,054	42.4
Total revenues	1,803,010	100.0	1,309,132	100.0	943,564	100.0
Cost of revenues						
License ⁽¹⁾	22,527	2.2	13,398	1.8	11,965	2.2
Maintenance and services ⁽¹⁾	322,149	41.7	243,011	42.8	179,088	44.8
Total cost of revenues	344,676	19.1	256,409	19.6	191,053	20.2
Gross profit	1,458,334	80.9	1,052,723	80.4	752,511	79.8
Operating expenses						
Research and development	441,969	24.5	301,114	23.0	295,850	31.4
Sales and marketing	1,029,950	57.1	777,876	59.4	639,404	67.7
General and administrative	237,588	13.2	159,143	12.2	153,359	16.3
Total operating expenses	1,709,507	94.8	1,238,133	94.6	1,088,613	115.4
Operating loss	(251,173)	(13.9)	(185,410)	(14.2)	(336,102)	(35.6)
Other income (expense), net						
Interest income	31,458	1.7	8,943	0.7	5,720	0.6
Interest expense	(41,963)	(2.3)	(8,794)	(0.7)	(8,549)	(0.9)
Other income (expense), net	(1,513)	(0.1)	(3,600)	(0.2)	(3,022)	(0.3)
Total other income (expense), net	(12,018)	(0.7)	(3,451)	(0.2)	(5,851)	(0.6)
Loss before income taxes	(263,191)	(14.6)	(188,861)	(14.4)	(341,953)	(36.2)
Provision for income taxes	12,386	0.7	1,357	0.1	5,507	0.6
Net loss	\$ (275,577)	(15.3)%	\$ (190,218)	(14.5)%	\$ (347,460)	(36.8)%

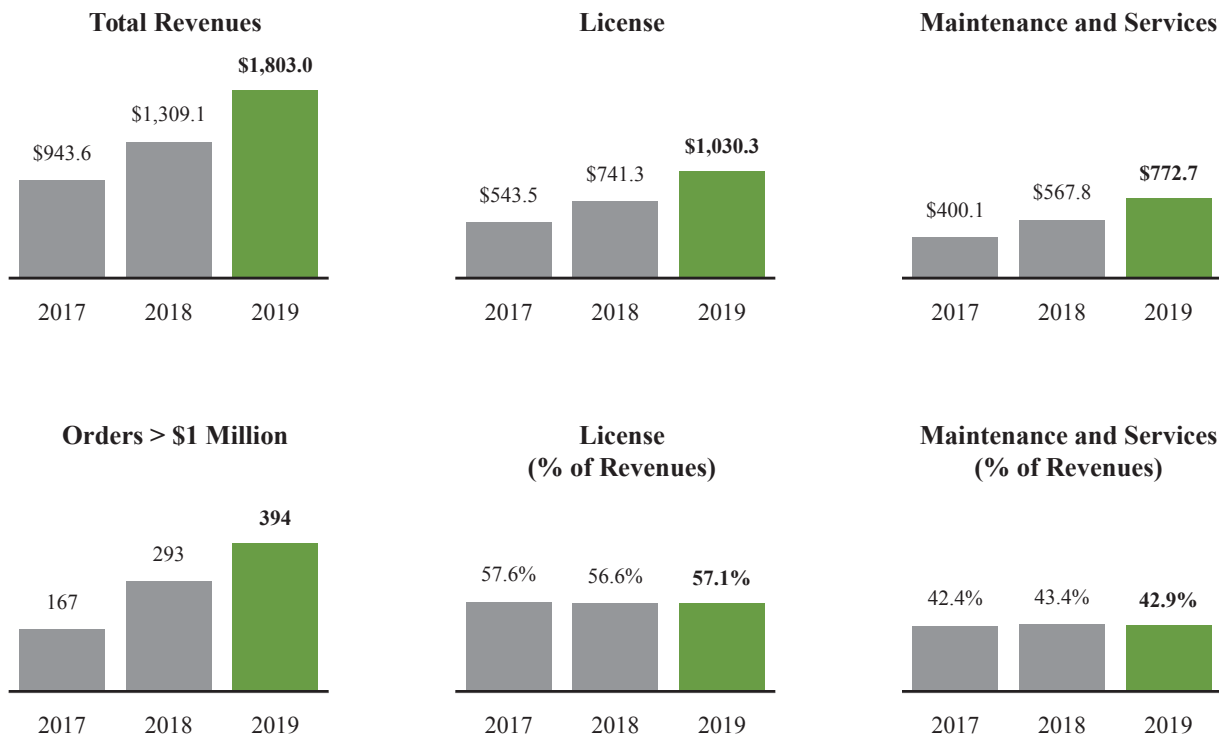
* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

⁽¹⁾ Calculated as a percentage of the associated revenues.

Fiscal 2019, 2018 and 2017

Revenues

(Dollars in millions)



The increase in license revenues was primarily driven by our total number of customers, sales to existing customers and the number of large orders. Maintenance and services revenues are primarily driven by sales of our maintenance agreements, sales of our cloud services, as well as sales of our professional services resulting from the growth of our installed customer base.

Fiscal 2019 - 2018

Total revenues increased \$493.9 million, or 37.7%, primarily due to the following:

- + increase of \$289.0 million, or 39.0%, in license revenues
- + increase of \$204.9 million, or 36.1%, in maintenance and services revenues
- + increase in the total number of orders greater than \$1.0 million from 293 to 394
- + increase in the total number of customers from 15,000 to over 17,500

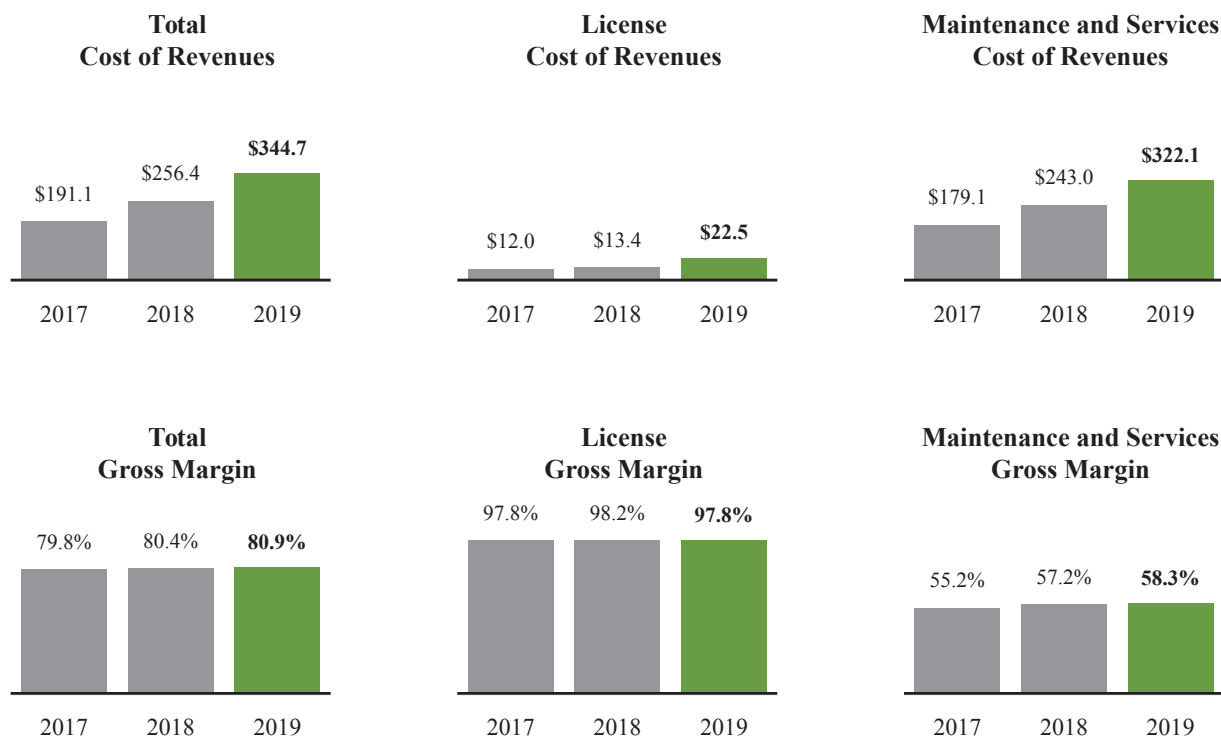
Fiscal 2018 - 2017

Total revenues increased \$365.6 million, or 38.7%, primarily due to the following:

- + increase of \$197.8 million, or 36.4%, in license revenues
- + increase of \$167.8 million, or 41.9%, in maintenance and services revenues
- + increase in the total number of orders greater than \$1.0 million from 167 to 293
- + increase in the total number of customers from 13,000 to over 15,000

Cost of Revenues and Gross Margin

(Dollars in millions)



Fiscal 2019 - 2018

Total cost of revenues increased \$88.3 million or 34.4%. License cost of revenues increased \$9.1 million, or 68.1%, due to an increase in amortization expense related to acquired intangible assets. Maintenance and services cost of revenues increased \$79.1 million, or 32.6%, primarily due to the following:

- + increase of \$37.0 million in salaries and benefits, which includes a \$3.9 million increase in stock-based compensation expense due to increased headcount
- + increase of \$20.8 million in third-party hosting fees to support our cloud services
- + increase of \$18.6 million related to third-party consulting services

Maintenance and services gross margin increased primarily due to the growth and improved margins of our cloud business during fiscal 2019. License gross margin and total gross margin remained relatively flat.

Fiscal 2018 - 2017

Total cost of revenues increased \$65.4 million or 34.2%. License cost of revenues increased \$1.4 million, or 12.0%, due to an increase in amortization expense related to acquired intangible assets. Maintenance and services cost of revenues increased \$63.9 million, or 35.7%, primarily due to the following:

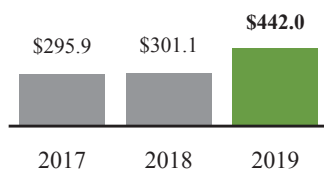
- + increase of \$30.0 million in salaries and benefits, which includes a \$2.6 million increase in stock-based compensation expense due to increased headcount
- + increase of \$17.4 million in third-party hosting fees to support our cloud services
- + increase of \$13.9 million related to third-party consulting services

Maintenance and services gross margin increased primarily due to the growth and improved margins of our cloud business during fiscal 2018. Total gross margin remained relatively flat.

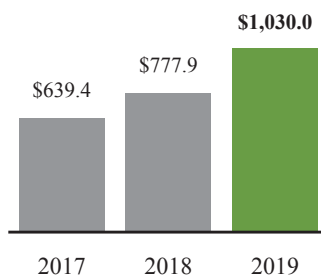
Operating Expenses

(Dollars in millions)

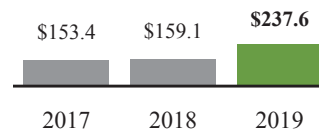
Research and Development



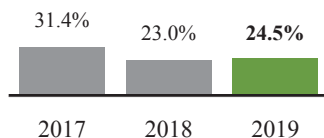
Sales and Marketing



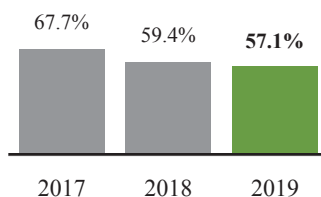
General and Administrative



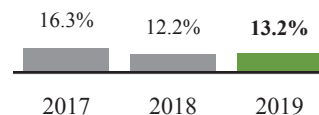
Research & Development (as % of Revenues)



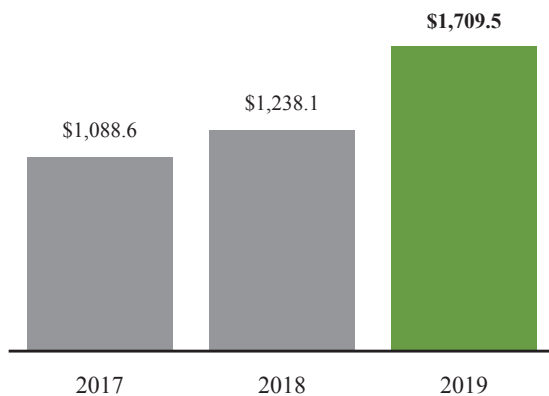
Sales and Marketing (as % of Revenues)



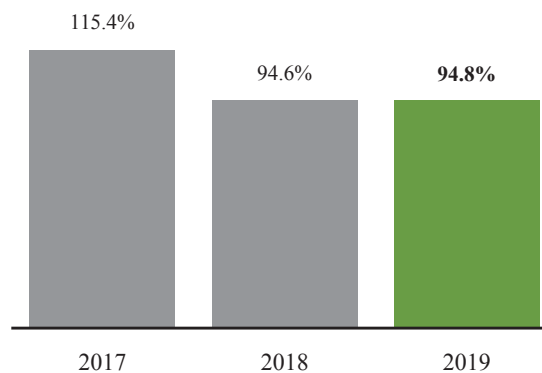
General and Administrative (as % of Revenues)



Total Operating Expenses



Total Operating Expenses (as % of Revenues)



Research and Development Expense

Fiscal 2019 - 2018

Research and development expense increased \$140.9 million, or 46.8%, primarily due to the following:

- + increase of \$105.7 million in salaries and benefits, which includes a \$30.5 million increase in stock-based compensation expense as we increased headcount as part of our focus on further developing and enhancing our products and services
- + increase of \$13.8 million in hosting fees to support our product development efforts
- + increase of \$7.2 million related to facilities and overhead
- + increase of \$4.9 million related to third-party consulting services

Fiscal 2018 - 2017

Research and development expense increased \$5.3 million, or 1.8%, primarily due to the following:

- + increase of \$4.3 million in hosting fees to support our product development efforts
- net decrease of \$1.2 million in salaries and benefits, which reflects a decrease of \$22.7 million in stock-based compensation, partially offset by an increase of \$21.5 million in salaries. The decrease in stock-based compensation was primarily due to the absence of accelerated vesting of certain restricted shares of common stock, which occurred during fiscal 2017.

Sales and Marketing Expense

Fiscal 2019 - 2018

Sales and marketing expense increased \$252.1 million, or 32.4%, primarily due to the following:

- + increase of \$207.5 million in salaries and benefits, which includes a \$31.2 million increase in stock-based compensation expense as we increased headcount and experienced higher commission expense as a result of increased customer orders
- + increase of \$12.0 million in travel-related expenses due to increased travel from our growing field sales organization
- + increase of \$9.9 million related to facilities and overhead
- + increase of \$8.3 million in marketing expenses
- + increase of \$7.3 million related to third-party consulting services

Fiscal 2018 - 2017

Sales and marketing expense increased \$138.5 million, 21.7%, primarily due to the following:

- + increase of \$92.4 million in salaries and benefits, which includes a \$1.9 million decrease in stock-based compensation expense
- + increase of \$14.7 million in marketing expenses
- + increase of \$11.1 million related to facilities and overhead
- + increase of \$9.9 million related to third-party consulting services
- + increase of \$4.3 million in travel-related expenses due to increased travel from our growing field sales organization

General and Administrative Expense

Fiscal 2019 - 2018

General and administrative expense increased \$78.4 million, or 49.3%, primarily due to the following:

- + increase of \$44.0 million in salaries and benefits, which includes a \$17.9 million increase in stock-based compensation expense
- + increase of \$12.6 million related to third-party consulting services
- + increase of \$7.0 million related to facilities and overhead
- + increase of \$5.9 million in general office expenses
- + increase of \$5.5 million in accounting and legal expenses

Fiscal 2018 - 2017

General and administrative expense increased \$5.8 million, or 3.8%, primarily due to the following:

- + increase of \$11.9 million in salaries and benefits, which includes a \$2.4 million increase in stock-based compensation expense
- + increase of \$2.8 million in accounting and legal fees
- + increase of \$2.8 million related to third-party consulting services
- net decrease of \$16.6 million in rent and depreciation expense related to adjustments made to our facility exit liability during fiscal 2017 and fiscal 2018

Interest and Other Income (Expense), net

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Interest and other income (expense), net			
Interest income	\$ 31,458	\$ 8,943	\$ 5,720
Interest expense	(41,963)	(8,794)	(8,549)
Other income (expense), net	(1,513)	(3,600)	(3,022)
Total interest and other income (expense), net	<u>\$ (12,018)</u>	<u>\$ (3,451)</u>	<u>\$ (5,851)</u>

Fiscal 2019 - 2018

Interest and other income (expense), net reflects a net increase in expense of \$8.6 million, or 248.2%, primarily due to an increase in interest expense related to the issuance of our convertible senior notes in the third quarter of fiscal 2019, partially offset by an increase in interest income from our investments. We expect interest expense will increase in 2020 due to a full year of interest related to the Notes (as defined below).

Fiscal 2018 - 2017

Interest and other income (expense), net reflects a net decrease in expense of \$2.4 million, or 41.0%, primarily due to an increase in interest income from our investments.

Provision for Income Taxes

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Provision for income taxes	\$ 12,386	\$ 1,357	\$ 5,507

Fiscal 2019 - 2018

Provision for income taxes increased \$11.0 million, primarily due to an increase in federal tax expense as a result of the Base Erosion Anti-Abuse Tax and an increase in foreign taxes as we experienced an increase in taxable income in our foreign operations.

Fiscal 2018 - 2017

Provision for income taxes decreased \$4.2 million, primarily due to the partial release of the valuation allowance as a result of our acquisitions during fiscal 2018.

Quarterly Results of Operations

The following tables set forth our unaudited quarterly statements of operations data for the last eight fiscal quarters. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements included elsewhere in this annual report and, in the opinion of management, includes all adjustments, which includes only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this annual report. These quarterly operating results are not necessarily indicative of our operating results for any future period.

Consolidated Statements of Operations Data

(In thousands, except per share amounts)	Three Months Ended							
	Jan 31, 2019	Oct 31, 2018	July 31, 2018	Apr 30, 2018	Jan 31, 2018	Oct 31, 2017	July 31, 2017	Apr 30, 2017
					*As Adjusted	*As Adjusted	*As Adjusted	*As Adjusted
Revenues								
License	\$ 411,031	\$ 279,603	\$ 200,668	\$ 138,975	\$ 297,699	\$ 193,810	\$ 147,231	\$ 102,562
Maintenance and services	211,054	201,380	187,635	172,664	161,952	148,679	132,993	124,206
Total revenues	622,085	480,983	388,303	311,639	459,651	342,489	280,224	226,768
Cost of revenues ⁽¹⁾								
License	5,810	5,922	5,671	5,124	4,298	3,013	3,159	2,928
Maintenance and services	87,923	83,303	78,077	72,846	69,905	61,154	56,717	55,235
Total cost of revenues	93,733	89,225	83,748	77,970	74,203	64,167	59,876	58,163
Gross profit	528,352	391,758	304,555	233,669	385,448	278,322	220,348	168,605
Operating expenses ⁽¹⁾								
Research and development	131,151	117,722	106,739	86,357	83,962	74,080	71,774	71,298
Sales and marketing	303,861	264,223	243,830	218,036	219,512	198,266	186,637	173,461
General and administrative	69,183	59,819	57,844	50,742	47,651	35,857	39,139	36,496
Total operating expenses	504,195	441,764	408,413	355,135	351,125	308,203	297,550	281,255
Operating income (loss)	24,157	(50,006)	(103,858)	(121,466)	34,323	(29,881)	(77,202)	(112,650)
Interest and other income (expense), net								
Interest income	16,136	8,571	3,564	3,187	2,670	2,403	2,068	1,802
Interest expense	(25,562)	(12,270)	(2,058)	(2,073)	(2,099)	(2,133)	(2,232)	(2,330)
Other income (expense), net	(856)	(186)	(336)	(135)	(1,829)	(289)	(874)	(608)
Total interest and other income (expense), net	(10,282)	(3,885)	1,170	979	(1,258)	(19)	(1,038)	(1,136)
Income (loss) before income taxes	13,875	(53,891)	(102,688)	(120,487)	33,065	(29,900)	(78,240)	(113,786)
Income tax provision (benefit)	11,749	1,814	811	(1,988)	(102)	(232)	353	1,338
Net income (loss)	\$ 2,126	\$ (55,705)	\$ (103,499)	\$ (118,499)	\$ 33,167	\$ (29,668)	\$ (78,593)	\$ (115,124)
Net income (loss) per share								
Basic	\$ 0.01	\$ (0.38)	\$ (0.71)	\$ (0.83)	\$ 0.23	\$ (0.21)	\$ (0.57)	\$ (0.84)
Diluted	\$ 0.01	\$ (0.38)	\$ (0.71)	\$ (0.83)	\$ 0.23	\$ (0.21)	\$ (0.57)	\$ (0.84)

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

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

(In thousands)	Three Months Ended							
	Jan 31, 2019	Oct 31, 2018	July 31, 2018	Apr 30, 2018	Jan 31, 2018	Oct 31, 2017	July 31, 2017	Apr 30, 2017
Cost of revenues	\$ 10,883	\$ 8,867	\$ 8,497	\$ 8,804	\$ 9,082	\$ 7,921	\$ 8,410	\$ 8,192
Research and development	42,072	35,088	33,597	26,416	28,864	25,038	25,991	26,797
Sales and marketing	56,550	45,280	45,546	43,047	39,217	36,728	42,652	40,643
General and administrative	25,080	18,449	16,953	16,354	14,767	14,424	15,314	14,423

Consolidated Statements of Operations Data

(As % of revenues)	Three Months Ended							
	Jan 31, 2019	Oct 31, 2018	July 31, 2018	Apr 30, 2018	Jan 31, 2018 *As Adjusted	Oct 31, 2017 *As Adjusted	July 31, 2017 *As Adjusted	Apr 30, 2017 *As Adjusted
Revenues								
License	66.1%	58.1 %	51.7 %	44.6 %	64.8%	56.6 %	52.5 %	45.2 %
Maintenance and services	33.9	41.9	48.3	55.4	35.2	43.4	47.5	54.8
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues								
License ⁽¹⁾	1.4	2.1	2.8	3.7	1.4	1.6	2.1	2.9
Maintenance and services ⁽¹⁾	41.7	41.4	41.6	42.2	43.2	41.1	42.6	44.5
Total cost of revenues	15.1	18.6	21.6	25.0	16.1	18.7	21.4	25.6
Gross profit	84.9	81.4	78.4	75.0	83.9	81.3	78.6	74.4
Operating expenses								
Research and development	21.1	24.5	27.5	27.7	18.3	21.6	25.6	31.4
Sales and marketing	48.8	54.9	62.7	70.0	47.7	57.9	66.6	76.6
General and administrative	11.1	12.4	14.9	16.3	10.4	10.5	14.0	16.1
Total operating expenses	81.0	91.8	105.1	114.0	76.4	90.0	106.2	124.1
Operating income (loss)	3.9	(10.4)	(26.7)	(39.0)	7.5	(8.7)	(27.6)	(49.7)
Interest and other income (expense), net								
Interest income	2.6	1.8	0.9	1.0	0.6	0.6	0.7	0.8
Interest expense	(4.1)	(2.6)	(0.5)	(0.6)	(0.5)	(0.6)	(0.8)	(1.0)
Other income (expense), net	(0.2)	—	(0.1)	—	(0.4)	(0.1)	(0.3)	(0.3)
Total interest and other income (expense), net	(1.7)	(0.8)	0.3	0.4	(0.3)	(0.1)	(0.4)	(0.5)
Income (loss) before income taxes	2.2	(11.2)	(26.4)	(38.6)	7.2	(8.8)	(27.9)	(50.2)
Income tax provision (benefit)	1.9	0.4	0.2	(0.6)	—	(0.1)	0.1	0.6
Net income (loss)	0.3%	(11.6)%	(26.6)%	(38.0)%	7.2%	(8.7)%	(28.0)%	(50.8)%

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

⁽¹⁾ This percentage is calculated as a percentage of the associated revenues.

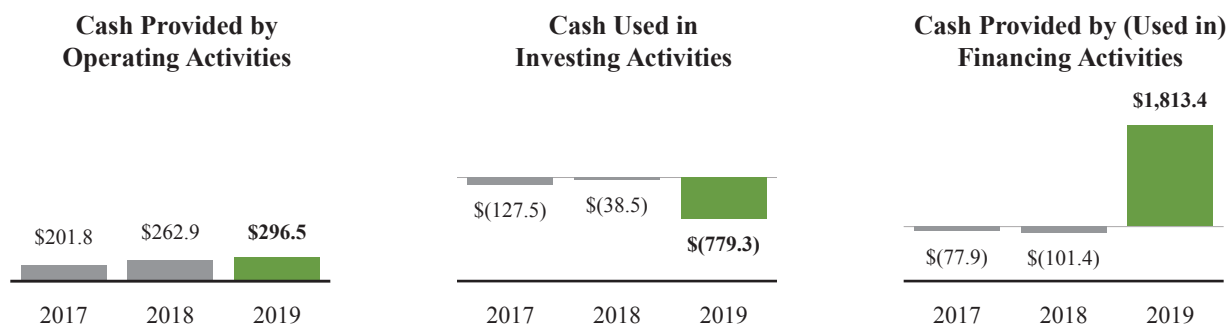
Seasonality, Cyclicity and Quarterly Trends

Our quarterly results reflect seasonality in the sale of our offerings. Historically, a pattern of increased license sales in the fourth fiscal quarter as a result of industry buying patterns has positively impacted sales activity in that period, which can result in lower sequential revenue in the first fiscal quarter. We expect this seasonality to continue in fiscal 2020 and beyond. Our gross margins and operating losses have been affected by these historical trends because the majority of our expenses are relatively fixed in the short term. The timing of revenues in relation to our expenses, much of which does not vary directly with revenues, has an impact on the cost of revenues, research and development expense, sales and marketing expense and general and administrative expense as a percentage of revenues in each fiscal quarter during the year. The majority of our expenses are personnel-related and include salaries, stock-based compensation, benefits and incentive-based compensation plan expenses. As a result, we have not experienced significant seasonal fluctuations in the timing of expenses from period to period. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

Liquidity and Capital Resources

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Cash and cash equivalents	\$ 1,876,165	\$ 545,947	\$ 421,346
Investments, current portion	881,220	619,203	662,096
Investments, non-current	110,588	5,375	5,000

(Dollars in millions)



Our principal sources of liquidity are our cash and cash equivalents, investments and cash generated from operations. As of January 31, 2019, we had \$2.87 billion of cash, cash equivalents and investments, of which \$91.3 million was held by foreign subsidiaries. We believe that these funds, in addition to cash provided by operating activities, will be sufficient to meet our anticipated cash needs for at least the next 12 months. We intend to continue to focus our capital expenditures in fiscal 2020 to support the growth in our operations, including acquisition-related activities.

In September 2018, we issued \$2.13 billion aggregate principal amount of convertible senior notes, which includes \$1.27 billion aggregate principal amount of 0.50% Convertible Senior Notes due 2023 and \$862.5 million aggregate principal amount of 1.125% Convertible Senior Notes due 2025 (collectively, the “Notes”). In connection with the issuance of the Notes, we entered into privately negotiated capped call transactions with certain counterparties (the “Capped Calls”). The premiums paid for the purchase of the Capped Calls were \$274.3 million. Refer to Note 7 of our accompanying Notes to Consolidated Financial Statements included elsewhere in this Annual Report on 10-K.

Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced software and services offerings, the continuing market acceptance of our offerings and our planned investments, particularly in our product development efforts or acquisitions of complementary businesses, applications or technologies.

In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, if at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition could be adversely affected.

Operating Activities

Operating activities consist of our net loss adjusted for certain non-cash items and changes in operating assets and liabilities during the year.

Fiscal 2019 - 2018

Net cash provided by operating activities was \$296.5 million for the year ended January 31, 2019 compared to \$262.9 million from the prior year. The increase in net cash provided by operating activities was primarily due to the following:

- + increase in accounts receivable collections
- + reduction in payments for accrued compensation
- + reduction in payments for accrued expenses and other liabilities

The increase in cash provided by operating activities was partially offset by an increase in payments for prepaid expenses and other assets.

Fiscal 2018 - 2017

Net cash provided by operating activities was \$262.9 million for the year ended January 31, 2018 compared to \$201.8 million from the prior year. The increase in net cash provided by operating activities was primarily due to the following:

- + increase in deferred revenue
- + reduction in payments for accrued compensation

The increase in cash provided by operating activities was partially offset by a reduction in accounts receivable collections and an increase in payments for accrued expenses and other liabilities.

Investing Activities

Fiscal 2019 - 2018

Net cash used in investing activities was \$779.3 million for the year ended January 31, 2019 compared to \$38.5 million from the prior year. The increase in cash used in investing activities was primarily due to the following:

- increase of \$397.4 million in purchases of investments, net of maturities
- increase of \$335.6 million in cash purchase price paid, net of cash acquired, from our acquisitions of Phantom and VictorOps

Fiscal 2018 - 2017

Net cash used in investing activities was \$38.5 million for the year ended January 31, 2018 compared to \$127.5 million from the prior year. The decrease in cash used in investing activities was primarily due to the following:

- + reduction of \$120.3 million in purchases of investments, net of maturities
- + reduction of \$24.8 million in purchases of property and equipment

The decrease in cash used in investing activities was partially offset by an increase of \$59.4 million in cash purchase price paid, net of cash acquired, for acquisitions.

Financing Activities

Fiscal 2019 - 2018

Net cash provided by financing activities was \$1.81 billion for the year ended January 31, 2019 compared to net cash used in financing activities of \$101.4 million from the prior year. The increase in cash provided by financing activities was primarily due to the following:

- + increase of \$2.11 billion related to the issuance of the Notes, net of initial purchaser discounts and issuance costs
- + reduction of \$74.5 million in taxes paid related to net share settlement of equity awards

The increase in cash provided by financing activities was partially offset by \$274.3 million in cash used to purchase capped calls in connection with the issuance of our convertible senior notes.

Fiscal 2018 - 2017

Net cash used in financing activities was \$101.4 million for the year ended January 31, 2018 compared to \$77.9 million from the prior year. The increase in cash used in financing activities was primarily due to the following:

- increase of \$24.1 million in taxes paid related to net share settlement of equity awards

Loan Agreement

On May 9, 2013 we entered into a Loan Agreement with Silicon Valley Bank, which provided us a revolving line of credit facility. Under the agreement, we could borrow up to \$25.0 million with interest accrued either at the prime rate or the LIBOR rate plus 2.75%. We never borrowed under the credit facility, and during fiscal 2019, we terminated our Loan Agreement with Silicon Valley Bank.

Contractual Payment Obligations

Operating Lease Commitments and Contractual Obligations

We lease our office spaces under non-cancelable leases. Rent expense, net of sublease income, for our operating leases was \$26.2 million, \$16.8 million and \$28.1 million during fiscal 2019, 2018 and 2017, respectively. Rent expense includes a decrease of \$5.2 million of expense for fiscal 2018, and an increase of \$8.6 million of expense for fiscal 2017, in connection with facility exit charge adjustments. Refer to “Facility Exit Costs” below for details.

On August 15, 2018, we entered into an office lease at 3060 Olsen Drive for approximately 300,000 square feet located in San Jose, California. This lease is expected to commence in fiscal 2020 for a term of 130 months, subject to the completion of certain pre-occupancy improvements by our landlord. Our total obligation for the base rent will be approximately \$162.6 million.

On June 18, 2018, we renewed our office lease at 250 Brannan Street for approximately 100,000 square feet located in San Francisco, California. This lease is expected to commence in the first quarter of fiscal 2020 for a term of 147 months. Our total obligation for the base rent will be approximately \$137.6 million.

Purchase obligations are contractual obligations for purchase of goods or services and are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

The following summarizes our convertible senior notes, operating lease commitments and significant purchase obligations as of January 31, 2019:

(In thousands)	Payments Due by Period				
	Total	Less Than 1 year	1-3 years	3-5 years	More Than 5 years
0.5% Convertible Senior Notes due 2023 ⁽¹⁾	\$ 1,296,520	\$ 6,220	\$ 12,650	\$ 1,277,650	\$ —
1.125% Convertible Senior Notes due 2025 ⁽¹⁾	930,260	9,542	19,406	19,406	881,906
Operating lease commitments ⁽²⁾	465,807	30,976	96,321	84,654	253,856
Purchase obligations ⁽³⁾	92,333	19,171	56,893	13,099	3,170
Total	\$ 2,784,920	\$ 65,909	\$ 185,270	\$ 1,394,809	\$ 1,138,932

⁽¹⁾ Total future payments related to our Convertible Senior Notes due 2023 includes \$1.27 billion principal amount and future interest payments of \$31.5 million. Total future payments related to our Convertible Senior Notes due 2025 includes \$862.5 million principal amount and future interest payments of \$67.8 million. For more information on our convertible senior notes, refer to Note 7 of our accompanying Notes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

⁽²⁾ We have entered into sublease agreements for portions of our office space and the future rental income of \$2.3 million from these agreements has been included as an offset to our future minimum rental payments.

⁽³⁾ Purchase obligations relate primarily to IT and product infrastructure costs, enterprise subscription agreements, and sales and marketing costs.

Facility Exit Costs

In fiscal 2017, we relocated certain corporate offices in the San Francisco Bay Area and as a result, some of our leased office spaces are no longer in use. Accordingly, we calculated and recorded a liability at the "cease-use" date. We recorded a facility exit charge of approximately \$8.6 million to "General and administrative" expenses associated with the recognition of the liability.

Cease-use liability balances are presented below:

(In thousands)	Carrying amount
Balance as of January 31, 2018	\$ 320
Cash payments, net of deferred rent	(204)
Balance as of January 31, 2019	<u>\$ 116</u>

Financing Lease Obligation

On April 29, 2014, we entered into an office lease (the "Lease") for approximately 182,000 square feet located at 270 Brannan Street, San Francisco, California (the "Premises"). The Premises is allocated between the "Initial Premises" and "Additional Premises," which are each approximately 91,000 square feet of rentable space. The term of the Additional Premises began one year after the term of the Initial Premises, which began in August 2015, and each have a term of 84 months. Our total obligation for the base rent is approximately \$92.0 million. On May 13, 2014, we entered into an irrevocable, standby letter of credit with Silicon Valley Bank for \$6.0 million to serve as a security deposit for the Lease.

As a result of our involvement during the construction period, whereby we had certain indemnification obligations related to the construction, we were considered, for accounting purposes only, the owner of the construction project under build-to-suit lease accounting. We have recorded project construction costs incurred by the landlord as an asset and a corresponding long-term liability in "Property and equipment, net" and "Other liabilities, non-current," respectively, in our consolidated balance sheets. We moved into the Premises in February 2016. We have determined that the lease does not meet the criteria for "sale-leaseback" treatment, due to our continuing involvement in the construction project resulting from our standby letter of credit. Accordingly, the Lease will continue to be accounted for as a financing obligation.

As of January 31, 2019, future payments on the financing lease obligation are as follows:

Fiscal Period (In thousands)	Future Payments
Fiscal 2020	\$ 12,928
Fiscal 2021	13,316
Fiscal 2022	13,715
Fiscal 2023	14,127
Fiscal 2024	7,667
Thereafter	475
Total future minimum lease payments	<u>\$ 62,228</u>

Capital Commitment

We have made a \$5.0 million capital commitment to a venture capital fund that requires us to contribute capital upon notice. As of January 31, 2019, we have contributed \$1.1 million towards our capital commitment.

Off-Balance Sheet Arrangements

During fiscal 2019, 2018 and 2017, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Indemnification Arrangements

During the ordinary course of business, we may indemnify, hold harmless and agree to reimburse for losses suffered or incurred, our customers, vendors and their affiliates for certain intellectual property infringement and other claims by third parties with respect to our offerings, in connection with our commercial end-user license arrangements or related to general business dealings with those parties.

As permitted under Delaware law, we have entered into indemnification agreements with our officers and directors, indemnifying them for certain events or occurrences while they serve as officers or directors of the company.

To date, there have not been any costs incurred in connection with such indemnification obligations; therefore, there is no accrual of such amounts at January 31, 2019. We are unable to estimate the maximum potential impact of these indemnifications on our future results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We had cash and cash equivalents of \$1.88 billion as of January 31, 2019. We hold our cash and cash equivalents for working capital purposes. Our cash and cash equivalents are held in cash deposits and money market funds. The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished by making diversified investments, consisting only of investment grade securities. During the fiscal years ended January 31, 2019 and 2018, the effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income.

In September 2018, we issued \$2.13 billion aggregate principal amount of convertible senior notes in a private placement, which includes \$1.27 billion aggregate principal amount of 0.50% Convertible Senior Notes due 2023 and \$862.5 million aggregate principal amount of 1.125% Convertible Senior Notes due 2025 (together, the “Notes”). As these instruments have a fixed annual interest rate, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally, the fair value of either series of Notes can be affected when the market price of our common stock fluctuates. We carry the Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. All of our revenues are generated in U.S. dollars. Our expenses are generally denominated in the currencies in which our operations are located, which is primarily in the United States and to a lesser extent in Europe and Asia. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. We seek to minimize the impact of certain foreign currency fluctuations by hedging certain balance sheet exposures with foreign currency forward contracts. Any gain or loss from settling these contracts is offset by the loss or gain derived from the underlying balance sheet exposures. We do not enter into any hedging contracts for trading or speculative purposes. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Inflation

We do not believe that inflation had a material effect on our business, financial condition or results of operations in the last three fiscal years. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 1 of our accompanying Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data

Splunk Inc.

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The supplementary financial information required by this Item 8, is included in Part II, Item 7 under the caption "Quarterly Results of Operations," which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Splunk Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Splunk Inc. and its subsidiaries (the “Company”) as of January 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive loss, of stockholders’ equity and of cash flows for each of the three years in the period ended January 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of January 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2019.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 27, 2019

We have served as the Company's auditor since 2010.

Splunk Inc.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)	January 31, 2019	January 31, 2018 *As Adjusted
Assets		
Current assets		
Cash and cash equivalents	\$ 1,876,165	\$ 545,947
Investments, current	881,220	619,203
Accounts receivable, net	469,658	396,413
Prepaid expenses and other current assets	73,197	70,021
Deferred commissions, current	78,223	52,451
Total current assets	3,378,463	1,684,035
Investments, non-current	110,588	5,375
Property and equipment, net	158,276	160,880
Intangible assets, net	91,622	48,142
Goodwill	503,388	161,382
Deferred commissions, non-current	64,766	37,920
Other assets	193,140	41,711
Total assets	\$ 4,500,243	\$ 2,139,445
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 20,418	\$ 11,040
Accrued compensation	226,061	145,365
Accrued expenses and other liabilities	125,641	84,631
Deferred revenue, current	673,018	489,913
Total current liabilities	1,045,138	730,949
Convertible senior notes, net	1,634,474	—
Deferred revenue, non-current	204,929	178,792
Other liabilities, non-current	95,245	98,383
Total non-current liabilities	1,934,648	277,175
Total liabilities	2,979,786	1,008,124
Commitments and contingencies (Note 3)		
Stockholders' equity		
Preferred stock: \$0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding at January 31, 2019 and January 31, 2018	—	—
Common stock: \$0.001 par value; 1,000,000,000 shares authorized; 149,167,298 shares issued and outstanding at January 31, 2019, and 142,835,123 shares issued and outstanding at January 31, 2018	149	143
Accumulated other comprehensive income (loss)	(2,506)	156
Additional paid-in capital	2,754,858	2,086,893
Accumulated deficit	(1,232,044)	(955,871)
Total stockholders' equity	1,520,457	1,131,321
Total liabilities and stockholders' equity	\$ 4,500,243	\$ 2,139,445

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Year Ended January 31,

(In thousands, except per share amounts)	2019	2018	2017
		*As Adjusted	*As Adjusted
Revenues			
License	\$ 1,030,277	\$ 741,302	\$ 543,510
Maintenance and services	772,733	567,830	400,054
Total revenues	<u>1,803,010</u>	<u>1,309,132</u>	<u>943,564</u>
Cost of revenues ⁽¹⁾			
License	22,527	13,398	11,965
Maintenance and services	322,149	243,011	179,088
Total cost of revenues	<u>344,676</u>	<u>256,409</u>	<u>191,053</u>
Gross profit	<u>1,458,334</u>	<u>1,052,723</u>	<u>752,511</u>
Operating expenses ⁽¹⁾			
Research and development	441,969	301,114	295,850
Sales and marketing	1,029,950	777,876	639,404
General and administrative	237,588	159,143	153,359
Total operating expenses	<u>1,709,507</u>	<u>1,238,133</u>	<u>1,088,613</u>
Operating loss	<u>(251,173)</u>	<u>(185,410)</u>	<u>(336,102)</u>
Interest and other income (expense), net			
Interest income	31,458	8,943	5,720
Interest expense	(41,963)	(8,794)	(8,549)
Other income (expense), net	(1,513)	(3,600)	(3,022)
Total interest and other income (expense), net	<u>(12,018)</u>	<u>(3,451)</u>	<u>(5,851)</u>
Loss before income taxes	<u>(263,191)</u>	<u>(188,861)</u>	<u>(341,953)</u>
Provision for income taxes	12,386	1,357	5,507
Net loss	<u>\$ (275,577)</u>	<u>\$ (190,218)</u>	<u>\$ (347,460)</u>
Basic and diluted net loss per share	<u>\$ (1.89)</u>	<u>\$ (1.36)</u>	<u>\$ (2.59)</u>
Weighted-average shares used in computing basic and diluted net loss per share	<u>145,707</u>	<u>139,866</u>	<u>133,910</u>

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

⁽¹⁾ Amounts include stock-based compensation expense, as follows:

Cost of revenues	\$ 37,501	\$ 33,605	\$ 30,971
Research and development	137,171	106,690	129,388
Sales and marketing	190,422	159,240	161,164
General and administrative	76,836	58,928	56,518

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Fiscal Year Ended January 31,

(In thousands)	2019	2018	2017
		*As Adjusted	*As Adjusted
Net loss	\$ (275,577)	\$ (190,218)	\$ (347,460)
Other comprehensive income (loss):			
Net unrealized gain (loss) on investments (net of tax)	1,279	(911)	(174)
Foreign currency translation adjustments	(3,941)	4,080	931
Total other comprehensive income (loss)	(2,662)	3,169	757
Comprehensive loss	<u>\$ (278,239)</u>	<u>\$ (187,049)</u>	<u>\$ (346,703)</u>

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at January 31, 2016	131,543,467	\$ 132	\$ 1,528,647	\$ (3,770)	\$ (665,595)	\$ 859,414
Cumulative-effect adjustment from adoption of ASU 2014-09	—	—	—	—	247,402	247,402
Stock-based compensation	—	—	378,041	—	—	378,041
Issuance of common stock upon exercise of options	1,642,599	2	7,746	—	—	7,748
Vesting of restricted stock units	3,571,873	3	—	—	—	3
Taxes paid related to net share settlement of equity awards	—	—	(113,707)	—	—	(113,707)
Issuance of common stock upon ESPP purchase	597,545	—	27,412	—	—	27,412
Forfeited restricted stock awards	(186,003)	—	—	—	—	—
Excess tax benefits from employee stock plans	—	—	682	—	—	682
Unrealized loss from investments	—	—	—	(174)	—	(174)
Net change in cumulative translation adjustments	—	—	—	931	—	931
Net loss	—	—	—	—	(347,460)	(347,460)
Balances at January 31, 2017*	137,169,481	137	1,828,821	(3,013)	(765,653)	1,060,292
Stock-based compensation	—	—	358,463	—	—	358,463
Issuance of common stock upon exercise of options	1,428,602	1	4,170	—	—	4,171
Vesting of restricted stock units	3,515,384	4	—	—	—	4
Taxes paid related to net share settlement of equity awards	—	—	(138,604)	—	—	(138,604)
Issuance of common stock upon ESPP purchase	721,656	1	34,043	—	—	34,044
Unrealized loss from investments	—	—	—	(911)	—	(911)
Net change in cumulative translation adjustments	—	—	—	4,080	—	4,080
Net loss	—	—	—	—	(190,218)	(190,218)
Balances at January 31, 2018*	142,835,123	143	2,086,893	156	(955,871)	1,131,321
Cumulative-effect adjustment from adoption of ASU 2016-16	—	—	(7)	—	(596)	(603)
Stock-based compensation	—	—	441,930	—	—	441,930
Issuance of common stock upon exercise of options	267,226	—	1,951	—	—	1,951
Vesting of restricted stock units	4,583,333	4	—	—	—	4
Issuance of restricted stock awards	824,605	1	—	—	—	1
Fair value of replacement equity awards attributable to pre-acquisition service	—	—	15,776	—	—	15,776
Taxes paid related to net share settlement of equity awards	—	—	(62,590)	—	—	(62,590)
Issuance of common stock upon ESPP purchase	657,011	1	46,339	—	—	46,340
Equity component of convertible senior notes, net	—	—	498,841	—	—	498,841
Purchase of capped calls	—	—	(274,275)	—	—	(274,275)
Unrealized gain from investments	—	—	—	1,279	—	1,279
Net change in cumulative translation adjustments	—	—	—	(3,941)	—	(3,941)
Net loss	—	—	—	—	(275,577)	(275,577)
Balances at January 31, 2019	149,167,298	\$ 149	\$ 2,754,858	\$ (2,506)	\$ (1,232,044)	\$ 1,520,457

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year Ended January 31,

(In thousands)	2019	2018	2017
		*As Adjusted	*As Adjusted
Cash flows from operating activities			
Net loss	\$ (275,577)	\$ (190,218)	\$ (347,460)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	52,430	40,941	32,113
Amortization of deferred commissions	77,867	46,653	34,079
Amortization of investment premiums (accretion of discounts)	(4,743)	259	840
Amortization of debt discount and issuance costs	28,019	—	—
Stock-based compensation	441,930	358,463	378,041
Deferred income taxes	(4,064)	(4,822)	(326)
Excess tax benefits from employee stock plans	—	—	(682)
Non-cash facility exit adjustment	—	(5,191)	8,625
Accelerated depreciation of property and equipment	—	—	2,739
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	(65,469)	(150,953)	(48,650)
Prepaid expenses and other assets	(148,501)	(45,611)	(25,726)
Deferred commissions	(130,485)	(76,756)	(49,492)
Accounts payable	9,240	3,409	2,720
Accrued compensation	81,213	44,484	4,194
Accrued expenses and other liabilities	30,751	9,967	36,552
Deferred revenue	203,843	232,279	174,267
Net cash provided by operating activities	<u>296,454</u>	<u>262,904</u>	<u>201,834</u>
Cash flows from investing activities			
Purchases of investments	(1,109,852)	(645,762)	(683,787)
Maturities of investments	754,138	687,485	605,175
Acquisitions, net of cash acquired	(394,910)	(59,350)	—
Purchases of property and equipment	(23,160)	(20,503)	(45,349)
Other investment activities	(5,494)	(375)	(3,500)
Net cash used in investing activities	<u>(779,278)</u>	<u>(38,505)</u>	<u>(127,461)</u>
Cash flows from financing activities			
Proceeds from the exercise of stock options	1,953	4,175	7,751
Proceeds from employee stock purchase plan	46,342	34,044	27,412
Proceeds from the issuance of convertible senior notes, net of issuance costs	2,105,296	—	—
Purchase of capped calls	(274,275)	—	—
Taxes paid related to net share settlement of equity awards	(63,369)	(137,830)	(113,707)
Repayment of financing lease obligation	(2,522)	(1,808)	—
Excess tax benefits from employee stock plans	—	—	682
Net cash provided by (used in) financing activities	<u>1,813,425</u>	<u>(101,419)</u>	<u>(77,862)</u>
Effect of exchange rate changes on cash and cash equivalents	(383)	1,621	294
Net increase (decrease) in cash and cash equivalents	1,330,218	124,601	(3,195)
Cash and cash equivalents at beginning of period	545,947	421,346	424,541
Cash and cash equivalents at end of period	<u>\$ 1,876,165</u>	<u>\$ 545,947</u>	<u>\$ 421,346</u>

Supplemental disclosures

Splunk Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash paid for income taxes	\$	6,639	\$	6,480	\$	3,021
Cash paid for interest expense related to financing lease obligation		8,183		8,150		4,132
Non-cash investing and financing activities						
Increase (decrease) in accrued purchases of property and equipment		666		132		(1,121)
Increase in capitalized construction costs related to build-to-suit lease		—		—		10,065

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

The accompanying notes are an integral part of these consolidated financial statements.

(1) Description of the Business and Significant Accounting Policies

Business

Splunk Inc. (“we,” “us,” “our”) provides innovative software solutions that enable organizations to gain real-time operational intelligence by harnessing the value of their data. Our offerings enable users to investigate, monitor, analyze and act on machine data regardless of format or source. Our offerings address large and diverse data sets commonly referred to as big data and are specifically tailored for machine data. Machine data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as transactions, customer and user behavior, and security threats. Our offerings help users derive new insights from machine data that can be used to, among other things, improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance, and drive better business decisions. We were incorporated in California in October 2003 and reincorporated in Delaware in May 2006.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2019, for example, refer to the fiscal year ended January 31, 2019.

Basis of Presentation

Effective February 1, 2018, we adopted the Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” as discussed in “Recently Adopted Accounting Standards” below. Disclosures in this Annual Report on Form 10-K have been updated to comply with the new standard, including previously reported amounts, which are captioned “As Adjusted” in these consolidated financial statements and related notes.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current period presentation. “Interest income” and “Interest expense” have been reclassified from “Interest income (expense), net” on the condensed consolidated statements of operations. These reclassifications had no impact on the previously reported net loss or accumulated deficit.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods covered by the financial statements and accompanying notes. In particular, we make estimates with respect to the stand-alone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations, uncollectible accounts receivable, the assessment of the useful life and recoverability of long-lived assets (property and equipment, goodwill and identified intangibles), the period of benefit for deferred commissions, stock-based compensation expense, the fair value of assets acquired and liabilities assumed for business combinations, income taxes, leases and contingencies. Actual results could differ from those estimates.

Segments

We operate our business as one operating segment: the development and marketing of software solutions that enable our customers to gain real-time operational intelligence by harnessing the value of their data. Our chief operating decision maker is our Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Splunk Inc. and its direct and indirect wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Foreign Currency

The functional currency of our foreign subsidiaries is their respective local currency. Translation adjustments arising from the use of differing exchange rates from period to period are included in "Accumulated other comprehensive income (loss)" within the consolidated statements of stockholders' equity. Foreign currency transaction gains and losses are included in "Other income (expense), net" and were not material for the three years ended January 31, 2019. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

Foreign Currency Contracts

We use foreign currency forward contracts as a part of our strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These contracts typically have maturities of one month. They are not designated as cash flow or fair value hedges under ASC Topic 815, Derivatives and Hedging. These contracts hedge assets and liabilities that are denominated in foreign currencies and are carried at fair value as either assets or liabilities on the consolidated balance sheets with changes in the fair value recorded to "Other income (expense), net" in the consolidated statements of operations.

Business Combinations

We use our best estimates and assumptions to allocate the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to our preliminary estimates to goodwill provided that we are within the measurement period. Upon the conclusion of the final determination of the fair value of assets acquired or liabilities assumed during the measurement period, any subsequent adjustments are recorded to our consolidated statements of operations.

Equity Investments

Equity investments without readily determinable fair values are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from transactions for identical or similar investments issued by the same issuer. Changes in the basis of the equity investment will be recognized in "Other income (expense), net."

Investments in entities where we have the ability to exercise significant influence, but not control, over the investee are accounted for using the equity method of accounting. Our results of operations will include, as a component of "Other income (expense), net," our share of the net income or loss of the equity investments accounted for under the equity method of accounting.

Revenue Recognition

We generate revenues primarily in the form of software license and related maintenance fees, cloud services and other services fees. Licenses for on-premises software are either perpetual or term licenses and provide the customer with a right to use the software. Typically, when purchasing a perpetual license, a customer also purchases one year of maintenance for which we charge a percentage of the license fee. When a term license is purchased, maintenance is bundled with the license for the term of the license period. Cloud services are provided on a subscription basis and give our customers access to our cloud solutions, which include related customer support. Other services include training and professional services that are not integral to the functionality of the licenses or cloud services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue from on-premises licenses is generally recognized upfront upon transfer of control of the software, which occurs at delivery, or when the license term commences, if later. We recognize revenue from maintenance contracts ratably over the service period. Cloud services revenue is recognized ratably over the cloud service term. Training and professional services are provided either on a time and material basis, in which revenues are recognized as services are delivered, or over a contractual term, in which revenues are recognized ratably. With respect to contracts that include customer acceptance provisions, we recognize revenue upon customer acceptance. Our policy is to record revenues net of any applicable sales, use or excise taxes.

Our contracts with customers often contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price (“SSP”) basis. We determine the SSP based on an observable standalone selling price when it is available, as well as other factors, including the price charged to customers, our discounting practices, and our overall pricing objectives, while maximizing observable inputs. In situations where pricing is highly variable or uncertain, we estimate the SSP using a residual approach.

A receivable is recorded in the period we deliver products or provide services, or when we have an unconditional right to payment. Some of our multi-year on-premises license contracts are invoiced annually and we generally recognize the total amount of the license revenues upfront and record a corresponding receivable, if we have an unconditional right to receive payment. Current and non-current accounts receivable, net of allowance for doubtful accounts, was \$625.1 million and \$396.4 million as of January 31, 2019 and 2018, respectively.

Payment terms and conditions vary by contract type, although our terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of payment, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing.

Deferred revenue is recorded when we invoice a contract or deliver a license prior to recognizing revenue. It is comprised of balances related to maintenance, cloud services, training and professional services invoiced at the beginning of each service period, as well as for licenses that we delivered prior to the license term commencing.

Deferred Sales Commissions

Sales commissions paid to our sales force and the related payroll taxes are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are capitalized and recorded in “Deferred commissions, current and non-current” in our consolidated balance sheets. We generally amortize these costs over the remaining contractual term of our customer contracts, consistent with the pattern of revenue recognition of each performance obligation, for contracts in which the commissions paid on the initial and renewal contracts are commensurate. For certain contracts in which the commissions paid on the initial and renewal contracts are not commensurate, we amortize the commissions paid on the initial contract over an expected period of benefit, which we have determined to be approximately five years. We have determined the period of benefit by taking into consideration our customer contracts, the duration of our relationships with our customers and our technology. In capitalizing and amortizing deferred commissions, we have elected to apply a portfolio approach. We include amortization of deferred commissions in “Sales and marketing expense” in our consolidated statements of operations. There were no impairments to deferred commissions for all periods presented. Commission expense was \$174.0 million, \$116.3 million and \$93.7 million for fiscal 2019, 2018 and 2017, respectively.

Cash and Cash Equivalents

We consider all highly liquid instruments with original maturities of 90 days or less at the date of purchase to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. We do not hold or issue financial instruments for trading purposes.

Investments

We determine the appropriate classification of our investments at the time of purchase and reevaluate such determination at each balance sheet date. Securities are classified as available-for-sale and are carried at fair value, with the change in unrealized gains and losses, net of tax, reported as a separate component on the consolidated statements of comprehensive income (loss). Fair value is determined based on quoted market rates when observable or utilizing data points

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

that are observable, such as quoted prices, interest rates and yield curves. Declines in fair value judged to be other-than-temporary on securities available for sale are included as a component of investment income. In order to determine whether a decline in value is other-than-temporary, we evaluate, among other factors, the duration and extent to which the fair value has been less than the carrying value and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities sold is based on the specific-identification method. Interest on securities classified as available-for-sale is included in "Interest income" in our consolidated statements of operations.

Concentration of Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. We maintain the majority of our cash balance at two financial institutions that management believes are high-credit, quality financial institutions and invest our cash equivalents in highly rated money market funds.

As of January 31, 2019, one channel partner represented 29% and a second channel partner represented 10% of total current and non-current accounts receivable. As of January 31, 2018, one channel partner represented 39% and a second channel partner represented 10% of total current and non-current accounts receivable.

Our accounts receivable is subject to collection risk. Our gross accounts receivable is reduced for this risk by an allowance for doubtful accounts. This allowance is for estimated losses resulting from the inability of our customers to make required payments. It is an estimate and is regularly evaluated for adequacy by taking into consideration a combination of factors. We look at factors such as past collection experience, credit quality of the customer, age of the receivable balance, and current economic conditions. These factors are reviewed to determine whether an allowance for bad debts should be recorded to reduce the receivable balance to the amount believed to be collectible.

The following table presents the changes in the allowance for doubtful accounts:

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Balance at beginning of period	\$ 467	\$ 475	\$ 531
Add: bad debt expense	—	—	—
Less: write-offs, net of recoveries	(22)	(8)	(56)
Balance at end of period	\$ 445	\$ 467	\$ 475

Goodwill, Intangible Assets, Long-Lived Assets and Impairment Assessments

Goodwill and indefinite-lived intangible assets are carried at cost and are evaluated annually for impairment, or more frequently if circumstances exist that indicate that impairment may exist. When conducting our annual goodwill impairment assessment, we perform a quantitative evaluation of whether goodwill is impaired by comparing the fair value of our reporting unit to its carrying value. We consider the enterprise to be the reporting unit for this analysis. If the carrying amount of our reporting unit exceeds its fair value, we recognize an impairment loss in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In-process research and development is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When in-process research and development projects are completed, the corresponding amount is reclassified as an amortizable intangible asset and is amortized over the asset's estimated useful life.

Finite-lived intangible assets are amortized over their useful lives. Each period we evaluate the estimated remaining useful life of our finite-lived intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. In addition, we evaluate the recoverability of our long-lived assets including intangible and tangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, then the carrying amount of such assets is reduced to fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining lease term. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in the consolidated statements of operations. Maintenance and repairs that do not improve or extend the lives of the respective assets are charged to expense in the period incurred.

The following table presents the estimated useful lives of our property and equipment:

Property and Equipment	Useful Life
Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the useful life of the asset or the lease term

Capitalized Software Development Costs

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. We did not capitalize any software development costs for fiscal 2019 and 2018 because the cost incurred and the time between technological feasibility and product release was insignificant. We had no amortization expense from capitalized purchased technology during fiscal 2019, 2018 or 2017.

Costs related to software acquired, developed or modified solely to meet our internal requirements, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during post implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. We define the design, configuration, and coding process as the application development stage. Costs related to computer software developed for internal use in fiscal 2019 or 2018 were not material.

Leases

We primarily lease our facilities under operating leases. For leases that contain rent escalation or rent concession provisions, we record the total rent expense during the lease term on a straight-line basis over the term of the lease. We record the difference between the rent paid and the straight-line rent expense as a current and non-current deferred rent liability in "Accrued expenses and other liabilities" and "Other liabilities, non-current," respectively, on the consolidated balance sheets. Rent expense for our operating leases was \$26.2 million, \$16.8 million and \$28.1 million during fiscal 2019, 2018 and 2017, respectively.

Facility Exit Costs

Certain of our operating facility leases include office space that is not occupied or used by us. We calculate and record a liability at the "cease-use" date related to those operating leases based on the difference between the present value of estimated future sublease rental income and the present value of our remaining lease obligations, adjusted for the effects of any prepaid or deferred items. The short-term portion of the liability is recorded in "Accrued expenses and other liabilities" and the long-term portion of the liability is recorded in "Other liabilities, non-current," on the consolidated balance sheets. Associated with the recognition of the liability, we also record a corresponding charge to "General and administrative" expenses in the consolidated statements of operations.

Advertising Expense

We expense advertising costs as incurred. We incurred \$17.3 million, \$10.1 million and \$10.0 million in advertising expenses for fiscal 2019, 2018 and 2017, respectively. Advertising costs are recorded in "Sales and marketing" expenses in the consolidated statements of operations.

Stock-Based Compensation

We recognize compensation expense for all share-based payment awards, including stock options, restricted stock units (“RSUs”), performance units (“PSUs”) and restricted stock awards (“RSAs”), based on the estimated fair value of the award on the grant date over the related vesting periods. The expense recorded is based on awards ultimately expected to vest and therefore is reduced by estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We calculate the fair value of options using the Black-Scholes method and expense using the straight-line attribution approach.

We account for equity awards issued to non-employees, such as consultants, in accordance with the guidance relating to equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services, using the Black-Scholes method to determine the fair value of such instruments.

The fair value of each option grant and stock purchase right granted under the Employee Stock Purchase Plan (“ESPP”) is estimated on the date of grant using the Black-Scholes option pricing model. We recognize stock-based compensation expense related to our ESPP on a straight-line basis over the offering period, which is twelve months. Stock-based compensation expense is recognized net of estimated forfeiture activity.

The determination of the grant date fair value of options using an option-pricing model is affected by assumptions regarding a number of other complex and subjective variables, which include our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates and expected dividends.

The number of PSUs earned and eligible to vest are determined based on achievement of certain performance conditions and/or market conditions and the recipients’ continued service with us. For awards subject to service and performance conditions, the number of shares of our stock issued pursuant to the award can range from 0% to 200% of the target amount. For awards subject to service and performance conditions that also include market conditions, the number of shares of our stock issued pursuant to the award can range from 0% to 300% of the target amount. Compensation expense for PSUs with performance conditions is measured using the fair value at the date of grant and recorded over the vesting period under the graded-vesting attribution method, and may be adjusted over the vesting period based on interim estimates of performance against the pre-set objectives. We use a Monte Carlo option-pricing model to determine the fair value of PSUs with market conditions.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with authoritative guidance for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The guidance on accounting for uncertainty in income taxes requires us to identify, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of these positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities. Although we believe that our estimates and judgments were reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Adopted Accounting Standards

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
ASU No. 2018-07 (Topic 718), Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting	Under the new standard, entities will no longer be required to value non-employee share-based payment awards differently from employee awards. Upon transition, entities are required to measure non-employee awards at their grant-date fair value as of the adoption date.	We early adopted this new standard as of August 1, 2018.	The adoption of this new standard did not have a material impact on our consolidated financial statements.
ASU No. 2017-09 (Topic 718), Scope of Modification Accounting	The new standard clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications.	We adopted this new standard as of February 1, 2018.	The adoption of this new standard did not have an impact on our consolidated financial statements.
ASU No. 2017-01 (Topic 805), Business Combinations - Clarifying the Definition of a Business	The new standard narrows the application of when an integrated set of assets and activities is considered a business and provides a framework to assist entities in evaluating whether both an input and a substantive process are present to be considered a business.	We adopted this new standard as of February 1, 2018.	We anticipate that the adoption of the new guidance will result in more transactions being accounted for as asset acquisitions rather than business combinations and that the new standard will impact our consideration of strategic investments. The adoption of this new standard did not have an impact on our consolidated financial statements.
ASU No. 2016-16 (Topic 740), Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory	The standard includes a revision of the accounting for the income tax consequences of intra-entity transfers of assets other than inventory to reduce the complexity in accounting standards.	We adopted this new standard as of February 1, 2018.	An immaterial cumulative effect adjustment was recorded in accumulated deficit as of February 1, 2018.
ASU No. 2016-01 (Subtopic 825-10), Financial Instruments - Overall	The amendments in this update, and recent clarifications issued by the FASB through ASU No. 2018-03 and ASU No. 2018-04, address certain aspects of recognition, measurement, presentation and disclosure of financial instruments, and require equity securities to be measured at fair value with changes in fair value recognized through net income.	We adopted this new standard as of February 1, 2018 on a prospective basis.	As part of the adoption, we elected to apply the measurement alternative for our non-marketable equity investments that do not have readily determinable fair values, measuring them at cost, less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The adoption of these standards did not result in an adjustment for our non-marketable equity investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASU No. 2014-09 (Topic 606), Revenue from Contracts with Customers

The new standard supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition and establishes a new revenue standard. This new standard is based on the principle that revenue is recognized to depict the transfer of control of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The FASB has also issued several amendments to the new standard which were designed to clarify and simplify the adoption process.

We adopted Topic 606 as of February 1, 2018 using the full retrospective method, which required us to adjust our historical financial information for fiscal years 2017 and 2018 to be consistent with the new standard.

In preparation for adoption of the new standard, we updated our accounting policies, systems, internal controls and processes. The most significant impacts of the standard relate to the timing of revenue recognition for arrangements involving term licenses, deferred revenue and sales commissions. Under the new revenue standard, we are required to recognize term license revenues upon the transfer of the license and the associated maintenance revenues over the contract period. Additionally, some deferred revenue, primarily from arrangements involving term licenses, was never recognized as revenue and instead is now a part of the cumulative effect adjustment within accumulated deficit. Finally, we are required to capitalize and amortize incremental costs of obtaining a contract, such as certain sales commission costs, over the remaining contractual term or over an expected period of benefit, which we have determined to be approximately five years.

We applied the following practical expedients permitted under Topic 606. For all reporting periods presented before the date of initial adoption, we have elected not to disclose the amount of the transaction price allocated to the remaining performance obligations or provide an explanation of when we expect to recognize that amount as revenue. Additionally, we have also elected not to separately evaluate each contract modification that occurred before the initial adoption date. We have elected not to assess whether a contract has a significant financing component if we expect at contract inception that the period between payment and the transfer of products or services will be one year or less.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the impact of the new standard (Topic 606) to the reported results on our selected consolidated balance sheet data and selected consolidated statements of operations data:

Selected Consolidated Statements of Operations Data

(In thousands, except per share amounts)	Fiscal Year Ended January 31, 2018		
	As Reported	Impact of Adoption	As Adjusted
Revenues			
License	\$ 693,704	\$ 47,598	\$ 741,302
Maintenance and services	577,084	(9,254)	567,830
Total revenues	1,270,788	38,344	1,309,132
Gross profit	1,014,379	38,344	1,052,723
Operating expenses			
Sales and marketing	808,417	(30,541)	777,876
Operating loss	(254,295)	68,885	(185,410)
Net loss	\$ (259,103)	\$ 68,885	\$ (190,218)
Basic and diluted net loss per share	\$ (1.85)	\$ 0.49	\$ (1.36)

(In thousands, except per share amounts)	Fiscal Year Ended January 31, 2017		
	As Reported	Impact of Adoption	As Adjusted
Revenues			
License	\$ 546,925	\$ (3,415)	\$ 543,510
Maintenance and services	403,030	(2,976)	400,054
Total revenues	949,955	(6,391)	943,564
Gross profit	758,902	(6,391)	752,511
Operating expenses			
Sales and marketing	653,524	(14,120)	639,404
Operating loss	(343,831)	7,729	(336,102)
Net loss	\$ (355,189)	\$ 7,729	\$ (347,460)
Basic and diluted net loss per share	\$ (2.65)	\$ 0.06	\$ (2.59)

Selected Consolidated Balance Sheet Data

(In thousands)	January 31, 2018		
	As previously reported	Impact of Adoption	As Adjusted
Assets			
Accounts receivable, net	\$ 391,799	\$ 4,614	\$ 396,413
Deferred commissions, current	—	52,451	52,451
Deferred commissions, non-current	—	37,920	37,920
Liabilities and Stockholders' Equity			
Accrued expenses and other liabilities	77,160	7,471	84,631
Deferred revenue, current	635,253	(145,340)	489,913
Deferred revenue, non-current	269,954	(91,162)	178,792
Accumulated deficit	(1,279,887)	324,016	(955,871)

The adoption of Topic 606 had no impact to cash provided by or used in operating, financing, or investing activities in our consolidated statements of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Pronouncements

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
ASU No. 2018-15 (Subtopic 350-40), Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The standard aligns the requirements for capitalizing implementation costs in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred for an internal-use software license.	First quarter of fiscal 2021, although early adoption is permitted.	We are currently evaluating whether the adoption of this standard will have a material impact on our consolidated financial statements.
ASU No. 2018-13 (Topic 820), Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The new standard no longer requires disclosure of the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted-average used to develop significant unobservable inputs for Level 3 fair value measurements.	First quarter of fiscal 2020, and although early adoption is permitted, we did not early adopt.	We do not expect a material impact on our consolidated financial statements upon adoption.
ASU No. 2016-13 (Topic 326), Financial Instruments - Credit Losses	The amendments in this update require a financial asset (or a group of financial assets) measured at an amortized cost basis to be presented at the net amount expected to be collected. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans and held-to-maturity debt securities. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, which clarifies codification and corrects unintended application of the guidance.	First quarter of fiscal 2021, although early adoption is permitted.	We are currently evaluating whether the adoption of this standard will have a material impact on our consolidated financial statements.
ASU No. 2016-02 (Topic 842), Leases	The new standard supersedes the lease recognition requirements in ASC Topic 840, Leases. The standard requires an entity to recognize right-of-use assets and lease liabilities arising from a lease for operating leases, initially measured at the present value of the lease payments on the consolidated balance sheets. The impact of such leases on the consolidated statements of operations and cash flows will continue to be treated in a similar manner under current GAAP. The standard also requires additional qualitative and quantitative disclosures. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, which clarifies the codification or corrects unintended application of the guidance.	First quarter of fiscal 2020, and may be applied retrospectively to each prior period presented or, as amended by ASU No. 2018-11, with the cumulative-effect recognized as of the date of initial application.	<p>We adopted Topic 842 as of February 1, 2019 using the cumulative effect transition method. As is allowed by the new standard, we have elected to account for lease and non-lease components as a single lease component. We have also elected to exclude leases that, at the lease commencement date, have a lease term of 12 months or less from the balance sheet.</p> <p>In preparation for adoption of the new standard we have updated our accounting policies, systems, processes and internal controls, and have allocated internal and external resources to assist in our implementation efforts. We have substantially completed the review of our existing population of lease contracts and we expect that the adoption of Topic 842 will result in the recognition of right of use assets and a net increase in liabilities of approximately \$190 million to \$210 million at February 1, 2019. We also expect an impact to our opening accumulated deficit of approximately \$7.9 million related to the derecognition of build-to-suit lease assets and liabilities.</p>

(2) Investments and Fair Value Measurements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of certain of our financial instruments including cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term maturities.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels that are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

The following table sets forth the fair value of our financial assets that were measured on a recurring basis:

(In thousands)	January 31,							
	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds	\$ 46,311	\$ —	\$ —	\$ 46,311	\$341,687	\$ —	\$ —	\$ 341,687
U.S. treasury securities	—	980,940	—	980,940	—	619,203	—	619,203
Other	—	—	4,744	4,744	—	—	—	—
Reported as:								
Assets:								
Cash and cash equivalents				\$ 46,311				\$ 341,687
Investments, current portion				881,220				619,203
Investments, non-current				104,463				—
Total				<u>\$ 1,031,994</u>				<u>\$ 960,890</u>

Our investments in money market funds are measured at fair value on a recurring basis. These money market funds are actively traded and reported daily through a variety of sources. The fair value of the money market fund investments is classified as Level 1.

We invested in U.S. treasury securities during the fiscal years ended January 31, 2019 and 2018, which we have classified as available-for-sale securities. The following table presents our available-for-sale investments as of January 31, 2019:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investments, current:				
U.S. treasury securities	\$ 881,206	\$ 131	\$ (117)	\$ 881,220
Investments, non-current:				
U.S. treasury securities	99,597	134	(11)	99,720
Total available-for-sale investments in U.S. treasury securities	<u>\$ 980,803</u>	<u>\$ 265</u>	<u>\$ (128)</u>	<u>\$ 980,940</u>

The following table presents our available-for-sale investments as of January 31, 2018:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Investments, current:				
U.S. treasury securities	\$ 620,345	\$ —	\$ (1,142)	\$ 619,203
Total available-for-sale investments in U.S. treasury securities	<u>\$ 620,345</u>	<u>\$ —</u>	<u>\$ (1,142)</u>	<u>\$ 619,203</u>

The following table represents the fair values and unrealized losses of our available-for-sale investments classified by length of time that the securities have been in a continuous unrealized loss position:

(In thousands)	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
January 31, 2019:						
U.S. treasury securities	\$ 582,761	\$ (128)	\$ —	\$ —	\$ 582,761	\$ (128)
January 31, 2018:						
U.S. treasury securities	\$ 619,203	\$ (1,142)	\$ —	\$ —	\$ 619,203	\$ (1,142)

As of January 31, 2019 and 2018, we did not consider any of our investments to be other-than-temporarily impaired.

The contractual maturities of our investments are as follows:

(In thousands)	January 31, 2019
Due within one year	\$ 881,220
Due within one to two years	99,720
Total	<u>\$ 980,940</u>

Investments with maturities of less than 12 months from the balance sheet date are classified as current assets, which are available for use to fund current operations. Investments with maturities greater than 12 months from the balance sheet date are classified as long-term assets.

Convertible Senior Notes

Refer to Note 7 “Convertible Senior Notes” for details regarding the fair value of our convertible senior notes.

Equity Investments

Our equity investments are reported in “Investments, non-current” in our consolidated balance sheets. The following table provides a summary of our equity investments:

(In thousands)	January 31,	
	2019	2018
Equity investments without readily determinable fair values	\$ 5,000	\$ 5,000
Equity investments under the equity method of accounting	1,125	375
Total	<u>\$ 6,125</u>	<u>\$ 5,375</u>

(3) Commitments and Contingencies

Operating Lease Commitments

We lease our office spaces under non-cancelable leases. Rent expense, net of sublease income, for our operating leases was \$26.2 million, \$16.8 million and \$28.1 million during fiscal 2019, 2018 and 2017, respectively. Rent expense includes a decrease of \$5.2 million of expense for fiscal 2018, and an increase of \$8.6 million of expense for fiscal 2017, in connection with facility exit charge adjustments. Refer to “Facility Exit Costs” below for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On August 15, 2018, we entered into an office lease at 3060 Olsen Drive for approximately 300,000 square feet located in San Jose, California. This lease is expected to commence in fiscal 2020 for a term of 130 months, subject to the completion of certain pre-occupancy improvements by our landlord. Our total obligation for the base rent will be approximately \$162.6 million.

On June 18, 2018, we renewed our office lease at 250 Brannan Street for approximately 100,000 square feet located in San Francisco, California. This lease is expected to commence in the first quarter of fiscal 2020 for a term of 147 months. Our total obligation for the base rent will be approximately \$137.6 million.

The following summarizes our operating lease commitments as of January 31, 2019:

(In thousands)	Payments Due by Period				
	Total	Less Than 1 year	1-3 years	3-5 years	More Than 5 years
Operating lease commitments ⁽¹⁾	\$ 465,807	\$ 30,976	\$ 96,321	\$ 84,654	\$ 253,856

⁽¹⁾ We have entered into sublease agreements for portions of our office space and the future rental income of \$2.3 million from these agreements has been included as an offset to our future minimum rental payments.

Facility Exit Costs

In fiscal 2017, we relocated certain corporate offices in the San Francisco Bay Area and as a result, some of our leased office spaces are no longer in use. Accordingly, we calculated and recorded a liability at the "cease-use" date. We recorded a facility exit charge of approximately \$8.6 million to "General and administrative" expenses associated with the recognition of the liability.

Cease-use liability balances are presented below:

(In thousands)	Carrying amount
Balance as of January 31, 2017	\$ 8,625
Facility exit charge - adjustment (revision of estimated sublease income) ⁽¹⁾	(5,191)
Cash payments, net of deferred rent	(3,114)
Balance as of January 31, 2018	\$ 320
Cash payments, net of deferred rent	(204)
Balance as of January 31, 2019	\$ 116

⁽¹⁾ During fiscal 2018 we entered into sublease agreements for our office spaces that are no longer in use by us. As a result, we made an adjustment to our estimated future sublease rental income related to our cease-use liability.

Financing Lease Obligation

On April 29, 2014, we entered into an office lease (the "Lease") for approximately 182,000 square feet located at 270 Brannan Street, San Francisco, California (the "Premises"). The Premises is allocated between the "Initial Premises" and "Additional Premises," which are each approximately 91,000 square feet of rentable space. The term of the Additional Premises begins one year after the term of the Initial Premises, which began in August 2015, and each have a term of 84 months. Our total obligation for the base rent is approximately \$92.0 million. On May 13, 2014, we entered into an irrevocable, standby letter of credit with Silicon Valley Bank for \$6.0 million to serve as a security deposit for the Lease.

As a result of our involvement during the construction period, whereby we had certain indemnification obligations related to the construction, we were considered, for accounting purposes only, the owner of the construction project under build-to-suit lease accounting. We have recorded project construction costs incurred by the landlord as an asset and a corresponding long-term liability in "Property and equipment, net" and "Other liabilities, non-current," respectively, in our consolidated balance sheets. We moved into the Premises in February 2016. We have determined that the Lease does not meet the criteria for "sale-leaseback" treatment, due to our continuing involvement in the construction project resulting from our standby letter of credit. Accordingly, the Lease will continue to be accounted for as a financing obligation.

As of January 31, 2019, future payments on the financing lease obligation are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Period (In thousands)	Future Payments
Fiscal 2020	\$ 12,928
Fiscal 2021	13,316
Fiscal 2022	13,715
Fiscal 2023	14,127
Fiscal 2024	7,667
Thereafter	475
Total future minimum lease payments	\$ 62,228

Legal Proceedings

We are subject to certain routine legal and regulatory proceedings, as well as demands and claims that arise in the normal course of our business. We make a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. In our opinion, resolution of any pending claims (either individually or in the aggregate) is not expected to have a material adverse impact on our consolidated results of operations, cash flows or financial position, nor is it possible to provide an estimated amount of any such loss. However, depending on the nature and timing of any such dispute, an unfavorable resolution of a matter could materially affect our future financial position, results of operations or cash flows, or all, in a particular period.

Indemnification Arrangements

During the ordinary course of business, we may indemnify, hold harmless and agree to reimburse for losses suffered or incurred, our customers, vendors, and each of their affiliates for certain intellectual property infringement and other claims by third parties with respect to our offerings, in connection with our commercial license arrangements or related to general business dealings with those parties.

As permitted under Delaware law, we have entered into indemnification agreements with our officers, directors and certain employees, indemnifying them for certain events or occurrences while they serve as our officers or directors or those of our direct and indirect subsidiaries.

To date, there have not been any costs incurred in connection with such indemnification obligations; therefore, there is no accrual of such amounts at January 31, 2019. We are unable to estimate the maximum potential impact of these indemnifications on our future results of operations.

(4) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. These assets are depreciated and amortized using the straight-line method over their estimated useful lives. Property and equipment consisted of the following:

(In thousands)	January 31,	
	2019	2018
Computer equipment and software	\$ 79,887	\$ 69,457
Furniture and fixtures	18,872	18,090
Leasehold and building improvements ⁽¹⁾	79,064	67,348
Building ⁽²⁾	82,250	82,250
Property and equipment, gross	260,073	237,145
Less: accumulated depreciation and amortization	(101,797)	(76,265)
Property and equipment, net	\$ 158,276	\$ 160,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) Includes costs related to assets not yet placed into service of \$11.3 million and \$2.8 million, as of January 31, 2019 and 2018, respectively.
- (2) This relates to the capitalization of construction costs in connection with our financing lease obligation, where we are considered the owner of the asset, for accounting purposes only. There is a corresponding long-term liability for this obligation on our consolidated balance sheets under “Other liabilities, non-current.” Refer to Note 3 “Commitments and Contingencies” for details.

Depreciation and amortization expense on Property and Equipment, net was \$27.0 million, \$26.1 million and \$22.8 million for the fiscal years ended January 31, 2019, 2018 and 2017, respectively. Included in depreciation and amortization expense for the fiscal year ended January 31, 2017 is \$2.7 million of expense related to the acceleration of depreciation on certain property and equipment due to the “cease-use” of certain operating facility leases.

Geographic information

The following table presents our property and equipment, net depreciation and amortization, by geographic region:

(In thousands)	January 31,	
	2019	2018
United States	\$ 147,659	\$ 153,335
International	10,617	7,545
Total property and equipment, net	<u>\$ 158,276</u>	<u>\$ 160,880</u>

Other than the United States, no country represented 10% or more of our total property and equipment as of January 31, 2019 or 2018.

(5) Acquisitions, Goodwill and Intangible Assets

VictorOps

On June 22, 2018, we acquired 100% of the voting equity interest of VictorOps, Inc. (“VictorOps”), a privately-held Delaware corporation that develops incident management solutions for the IT and DevOps markets. This acquisition has been accounted for as a business combination. The purchase price of \$112.3 million, paid in cash of \$108.8 million and \$3.5 million in fair value of replacement equity awards attributable to pre-acquisition service, was preliminarily allocated as follows: \$21.1 million to identified intangible assets, \$1.7 million to net assets acquired, with the excess \$89.5 million of the purchase price over the fair value of net tangible and intangible assets acquired recorded as goodwill, allocated to our one operating segment. Goodwill is primarily attributable to the value expected from the synergies of the combination, including combined selling opportunities with our products. This goodwill is not deductible for income tax purposes. The results of operations of VictorOps, which are not material, have been included in our consolidated financial statements from the date of purchase. Additionally, we recognized \$2.7 million of acquisition-related costs as general and administrative expense in our consolidated statements of operations.

Per the terms of the merger agreement with VictorOps, certain unvested stock options held by VictorOps employees were canceled and exchanged for replacement stock options to purchase shares of our common stock under our 2012 Equity Incentive Plan. Additionally, certain shares of stock issued under share-based compensation awards held by key employees of VictorOps were canceled and exchanged for unregistered restricted shares of our common stock subject to vesting. The portion of the fair value of the replacement equity awards associated with pre-acquisition service of VictorOps employees represented a component of the total purchase consideration, as discussed above. The remaining fair value of \$7.6 million of these issued awards, which are subject to the recipients’ continued service with us and was excluded from the purchase price, will be recognized ratably as stock-based compensation expense over the required service period. We are still finalizing the allocation of the purchase price, which is subject to change as additional information becomes available to us.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except useful life)	Fair Value	Useful Life (months)
Developed technology	\$ 11,700	84
Customer relationships	9,400	60
Total intangible assets acquired	<u>\$ 21,100</u>	

Phantom

On April 6, 2018, we acquired 100% of the voting equity interest of Phantom Cyber Corporation (“Phantom”), a privately-held Delaware corporation that develops solutions for security orchestration, automation and response. This acquisition has been accounted for as a business combination. The purchase price of \$303.8 million, paid in cash of \$291.5 million and \$12.3 million in fair value of replacement equity awards attributable to pre-acquisition service, was preliminarily allocated as follows: \$44.1 million to identified intangible assets, \$10.5 million to net assets acquired, \$3.3 million to net deferred tax liability, with the excess \$252.5 million of the purchase price over the fair value of net tangible and intangible assets acquired recorded as goodwill, allocated to our one operating segment. Goodwill is primarily attributable to the value expected from the synergies of the combination, including combined selling opportunities with our products. This goodwill is not deductible for income tax purposes. The results of operations of Phantom, which are not material, have been included in our consolidated financial statements from the date of purchase. Additionally, we recognized \$3.3 million of acquisition-related costs as general and administrative expense in our consolidated statements of operations.

Per the terms of the merger agreement with Phantom, certain shares of stock issued under share-based compensation awards held by key employees of Phantom were canceled and exchanged for replacement equity awards consisting of unregistered restricted shares of our common stock subject to vesting. The portion of the fair value of the replacement equity awards associated with pre-acquisition service of Phantom's key employees represented a component of the total purchase consideration, as discussed above. The remaining fair value of \$62.2 million of these issued awards, which are subject to the recipients' continued service with us and thus excluded from the purchase price, will be recognized ratably as stock-based compensation expense over the required service period. We are still finalizing the allocation of the purchase price, which is subject to change as additional information becomes available to us.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

(In thousands, except useful life)	Fair Value	Useful Life (months)
Developed technology	\$ 34,400	84
Customer relationships	9,700	60
Total intangible assets acquired	<u>\$ 44,100</u>	

Unaudited Pro Forma Financial Information

The following unaudited pro forma information presents the combined results of operations as if the acquisitions of VictorOps and Phantom had been completed on February 1, 2017, the beginning of the comparable prior annual reporting period. The unaudited pro forma results include adjustments primarily related to the following: (i) amortization associated with preliminary estimates for the acquired intangible assets; (ii) recognition of post-acquisition stock-based compensation; (iii) acquisition-related costs incurred prior to the acquisitions and (iv) the associated tax impact of the acquisitions and these unaudited pro forma adjustments.

The unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies or the effect of the incremental costs incurred from integrating these companies. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisitions had occurred at the beginning of the period presented, nor are they indicative of future results of operations:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)	Fiscal Year Ended January 31,	
	2019	2018
Revenue	\$ 1,811,629	\$ 1,327,999
Net loss	\$ (284,673)	\$ (244,636)
Basic and diluted net loss per share	\$ (1.95)	\$ (1.75)

Rocana

On October 6, 2017, we acquired certain assets of Rocana, Inc. (“Rocana”), a privately-held Delaware corporation that develops analytics solutions for the IT market. This acquisition has been accounted for as a business combination. The purchase price of \$30.2 million, paid in cash, was allocated as follows: \$10.1 million to identifiable intangible assets, with the excess \$20.1 million of the purchase price over the fair value of net assets acquired recorded as goodwill. This goodwill is primarily attributable to the value expected from the synergies of the combination, including advancing the analytics and machine learning capabilities of our products, and is deductible for income tax purposes. The results of operations of the acquired entity, which are not material, have been included in our consolidated financial statements from the date of purchase. Pro forma and historical results of operations of the acquired entity have not been presented as we do not consider the results to have a material effect on any of the periods presented in our consolidated statements of operations.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

(In thousands, except useful life)	Fair Value	Useful Life (months)
Developed technology	\$ 8,320	36
Other acquired intangible assets	1,790	24
Total intangible assets acquired	\$ 10,110	

SignalSense

On September 29, 2017, we acquired 100% of the voting equity interest of SignalSense Inc. (“SignalSense”), a privately held Washington corporation that develops cloud-based data collection and breach detection solutions that leverage machine learning. This acquisition has been accounted for as a business combination. The purchase price of \$12.2 million, paid in cash, was allocated as follows: \$11.3 million to identifiable intangible assets acquired, \$0.2 million in net assets and \$2.0 million to net deferred tax liabilities, with the excess \$2.7 million of the purchase price over the fair value of net assets acquired recorded as goodwill. This goodwill is primarily attributable to the value expected from the synergies of the combination, including developing more advanced cloud and machine learning capabilities for our products, and is not deductible for income tax purposes. The results of operations of the acquired entity, which are not material, have been included in our consolidated financial statements from the date of purchase. Pro forma and historical results of operations of the acquired entity have not been presented as we do not consider the results to have a material effect on any of the periods presented in our consolidated statements of operations.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

(In thousands, except useful life)	Fair Value	Useful Life (months)
Developed technology	\$ 11,310	36
Total intangible assets acquired	\$ 11,310	

Drastin

On May 15, 2017, we acquired 100% of the voting equity interest of Drastin, Inc. (“Drastin”) privately-held Delaware corporation that develops technology for search-driven analytics on enterprise data. This acquisition has been accounted for as a business combination. The purchase price of \$17.3 million, paid in cash, was allocated as follows: \$3.8 million to identifiable intangible assets and \$0.5 million to net deferred tax liability, with the excess \$14.0 million of the purchase price over the fair value of net assets acquired recorded as goodwill. This goodwill is primarily attributable to the value expected from the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

synergies of the combination, including developing a more intuitive search experience for our products, and is not deductible for income tax purposes. The results of operations of the acquired entity, which are not material, have been included in our consolidated financial statements from the date of purchase. Pro forma and historical results of operations of the acquired entity have not been presented as we do not consider the results to have a material effect on any of the periods presented in our consolidated statements of operations.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition:

(In thousands, except useful life)	Fair Value	Useful Life (months)
Developed technology	\$ 3,500	48
Other acquired intangible assets	300	24
Total intangible assets acquired	<u>\$ 3,800</u>	

Goodwill

There were no impairments to goodwill during the fiscal year ended January 31, 2019 or during prior periods.

Goodwill balances are presented below:

(In thousands)	Fiscal Year Ended January 31,	
	2019	2018
Beginning balance	\$ 161,382	\$ 124,642
Goodwill acquired	342,006	36,740
Ending balance	<u>\$ 503,388</u>	<u>\$ 161,382</u>

Intangible Assets

Intangible assets subject to amortization realized from acquisitions as of January 31, 2019 are as follows:

(In thousands, except useful life)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life (months)
Developed technology	\$ 132,100	\$ (57,596)	\$ 74,504	52
Customer relationships	20,910	(4,523)	16,387	52
Other acquired intangible assets	3,270	(2,539)	731	9
Total intangible assets subject to amortization	<u>\$ 156,280</u>	<u>\$ (64,658)</u>	<u>\$ 91,622</u>	

Intangible assets subject to amortization realized from acquisitions as of January 31, 2018 are as follows:

(In thousands, except useful life)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life (months)
Developed technology	\$ 82,500	\$ (36,156)	\$ 46,344	37
Customer relationships	1,810	(1,784)	26	5
Other acquired intangible assets	3,270	(1,498)	1,772	20
Total intangible assets subject to amortization	<u>\$ 87,580</u>	<u>\$ (39,438)</u>	<u>\$ 48,142</u>	

Amortization expense from acquired intangible assets was \$25.2 million, \$13.5 million and \$11.9 million for the fiscal year ended January 31, 2019, 2018 and 2017, respectively.

The expected future amortization expense for acquired intangible assets as of January 31, 2019 is as follows:

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Fiscal Period (In thousands)	Expected Amortization Expense
Fiscal 2020	\$ 27,942
Fiscal 2021	23,780
Fiscal 2022	13,701
Fiscal 2023	10,406
Fiscal 2024	7,692
Thereafter	8,101
Total amortization expense	<u>\$ 91,622</u>

(6) Debt Financing Facilities

On May 9, 2013 we entered into a Loan Agreement with Silicon Valley Bank, which provided us with a revolving line of credit facility. Under the agreement, we could borrow up to \$25.0 million with interest accrued either at the prime rate or the LIBOR rate plus 2.75%. We never borrowed under the credit facility and during fiscal 2019 we terminated our Loan Agreement with Silicon Valley Bank.

(7) Convertible Senior Notes

In September 2018, we issued \$1.27 billion aggregate principal amount of 0.50% Convertible Senior Notes due 2023 (the “2023 Notes”), including the exercise in full by the initial purchasers of the 2023 Notes of their option to purchase an additional \$165.0 million principal amount of 2023 Notes, and \$862.5 million aggregate principal amount of 1.125% Convertible Senior Notes due 2025 (the “2025 Notes” and, together with the 2023 Notes, the “Notes”), including the exercise in full by the initial purchasers of the 2025 Notes of their option to purchase an additional \$112.5 million principal amount of 2025 Notes. The Notes are general senior, unsecured obligations of Splunk. The total proceeds from the issuance of the Notes was \$2.11 billion, net of initial purchaser discounts and issuance costs.

The 2023 Notes will mature on September 15, 2023, and the 2025 Notes will mature on September 15, 2025, in each case unless earlier redeemed, repurchased or converted. The 2023 Notes will bear interest from September 21, 2018 at a rate of 0.50% per year and the 2025 Notes will bear interest from September 21, 2018 at a rate of 1.125% per year, in each case payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2019.

The initial conversion rate for each series of notes is 6.7433 shares of our common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$148.30 per share of our common stock, subject to adjustment upon the occurrence of specified events. The initial conversion price of each series of Notes represents a premium of approximately 27.5% to the \$116.31 per share closing price of our common stock on September 18, 2018, which was the date the pricing of the Notes was determined. The Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding June 15, 2023, in the case of the 2023 Notes, or June 15, 2025, in the case of the 2025 Notes, only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on January 31, 2019 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the relevant series of Notes on each applicable trading day;
- during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price (as defined in the indenture governing the relevant series of notes) per \$1,000 principal amount of the relevant series of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the relevant series of Notes on each such trading day;
- if we call the relevant series of Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events as set forth in the relevant indenture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On or after June 15, 2023, in the case of the 2023 Notes, and on or after June 15, 2025, in the case of the 2025 Notes, until the close of business on the second scheduled trading day immediately preceding the relevant maturity date, holders of the relevant series of Notes may convert all or any portion of their Notes of such series, in multiples of \$1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

Upon conversion, we may satisfy our conversion obligation by paying and/or delivering, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, in the manner and subject to the terms and conditions provided in the relevant indenture. It is our current intent to settle the conversions of principal amount of the Notes in cash and the remaining conversion value, if any, in shares of common stock. If we undergo a fundamental change (as defined in each indenture), holders may require us to repurchase for cash all or any portion of their Notes of the relevant series at a fundamental change repurchase price equal to 100% of the principal amount of the relevant series of Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, following certain corporate events that occur prior to the relevant maturity date of a series of Notes or if we deliver a notice of redemption in respect of a series of Notes, we will, in certain circumstances, increase the conversion rate of the relevant series of Notes for a holder who elects to convert its Notes of the applicable series in connection with such corporate event or notice of redemption, as the case may be. During the fiscal year ended January 31, 2019, the conditions allowing holders of the Notes to convert were not met. The Notes were therefore not convertible during the fiscal year ended January 31, 2019 and were classified as long-term debt in our consolidated balance sheets.

We may not redeem the 2023 Notes prior to September 20, 2021, and we may not redeem the 2025 Notes prior to September 20, 2022. We may redeem for cash all or any portion of the 2023 Notes, at our option, on or after September 20, 2021, and we may redeem for cash all or any portion of the 2025 Notes, at our option, on or after September 20, 2022, in each case if the last reported sale price of our common stock has been at least 130% of the conversion price for the relevant series of Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the relevant series of Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the relevant redemption date.

In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying amounts of the liability components of the Notes were calculated by measuring the fair value of similar debt instruments that do not have an associated convertible feature. The carrying amounts of the equity components, representing the conversion option, were determined by deducting the fair value of the liability components from the par value of the respective Notes. This difference represents the debt discount that is amortized to interest expense over the respective terms of the Notes using the effective interest rate method. The carrying amounts of the equity components representing the conversion options were \$266.9 million and \$237.2 million for the 2023 Notes and 2025 Notes, respectively, and are recorded in additional paid-in capital and are not remeasured as long as they continue to meet the conditions for equity classification.

In accounting for the issuance costs related to the Notes, we allocated the total amount incurred to the liability and equity components of the Notes based on the proportion of the proceeds allocated to the debt and equity components. Issuance costs attributable to the liability component of the 2023 Notes and 2025 Notes were \$10.4 million and \$6.5 million, respectively. The issuance costs allocated to the liability component are amortized to interest expense over the contractual terms of the 2023 Notes and 2025 Notes at an effective interest rate of 5.65% and 6.22%, respectively. Issuance costs attributable to the equity component of the 2023 Notes and 2025 Notes were \$2.8 million and \$2.5 million, respectively, and are netted against the equity components representing the conversion option in additional paid-in capital.

The net carrying amount of the liability and equity components for each of the Notes as of January 31, 2019 was as follows:

(In thousands)	2023 Notes	2025 Notes
Liability component:		
Principal amount	\$ 1,265,000	\$ 862,500
Unamortized discount	(249,860)	(227,164)
Unamortized issuance costs	(9,751)	(6,251)
Net carrying amount	<u>\$ 1,005,389</u>	<u>\$ 629,085</u>
Equity component, net of purchase discounts and issuance costs	<u>\$ 264,129</u>	<u>\$ 234,712</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the interest expense related to the Notes:

(In thousands)	Fiscal Year Ended January 31, 2019
2023 Notes:	
Coupon interest expense	\$ 2,266
Amortization of debt discount (conversion option)	17,055
Amortization of debt issuance costs and purchase discounts	666
Total interest expense related to the 2023 Notes	<u>\$ 19,987</u>
2025 Notes:	
Coupon interest expense	\$ 3,477
Amortization of debt discount (conversion option)	10,023
Amortization of debt issuance costs and purchase discounts	276
Total interest expense related to the 2025 Notes	<u>\$ 13,776</u>

As of January 31, 2019, the total estimated fair values of the 2023 Notes and the 2025 Notes were approximately \$1.36 billion and \$930.8 million, respectively. The fair value was determined based on the closing trading price per \$100 of the Notes as of the last day of trading for the period. The fair value of the Notes is primarily affected by the trading price of our common stock and market interest rates. The fair value of the Notes is considered a Level 2 measurement as they are not actively traded.

Capped Calls

In connection with the issuance of the Notes, including the initial purchasers' exercise of the option to purchase additional Notes, we entered into privately negotiated capped call transactions with certain counterparties (the "Capped Calls"). The Capped Calls are expected to reduce potential dilution to our common stock upon conversion of the Notes and/or offset any cash payments that we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. The Capped Calls have an initial strike price of \$148.30 per share, subject to certain adjustments, which corresponds to the conversion option strike price in the Notes. The Capped Calls have a cap price equal to \$232.62 per share, subject to certain adjustments. The Capped Calls are subject to adjustment upon the occurrence of specified extraordinary events affecting us, including merger events, tender offers and announcement events. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including nationalization, insolvency or delisting, changes in law, failures to deliver, insolvency filings and hedging disruptions. For accounting purposes, the Capped Calls are separate transactions, and not part of the terms of the Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders' equity and are not accounted for as derivatives. The premium paid for the purchase of the Capped Calls in the amount of \$274.3 million has been recorded as a reduction to additional paid-in capital and will not be remeasured.

(8) Stockholders' Equity

Common Stock

Our certificate of incorporation, as amended and restated, authorizes us to issue 1,000,000,000 shares of common stock, \$0.001 par value per share. At January 31, 2019 and January 31, 2018, 149,167,298 shares and 142,835,123 shares of common stock were issued and outstanding, respectively.

(9) Stock Compensation Plans

Equity Incentive Plans

In November 2003, our board adopted the 2003 Equity Incentive Plan (the "2003 Plan"). The 2003 Plan authorizes the granting of common stock options and restricted stock awards to employees, directors and consultants.

In January 2012, our board approved the 2012 Equity Incentive Plan (the "2012 Plan"), which became effective on April 18, 2012. The 2012 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Internal Revenue Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and any parent or subsidiary corporations' employees and consultants. Upon the effectiveness of the 2012 plan, all shares that were reserved but not issued under the 2003 Plan became available for issuance under the 2012 Plan and no further shares will be granted pursuant to the 2003 Plan. Canceled or forfeited equity awards under the 2003 Plan will also become available for issuance under the 2012 Plan. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes or our outstanding stock, the term must not exceed 5 years. Options and RSUs generally vest over 4 years.

The 2012 plan provides for annual automatic increases on February 1 to the shares reserved for issuance. The automatic increase of the number of shares available for issuance under the 2012 Plan is equal to the least of 10 million shares, 5% of the outstanding shares of common stock as of the last day of our immediately preceding fiscal year or such other amount as our board may determine.

The following table summarizes the stock option, RSU and PSU award activity during the fiscal years ended January 31, 2018 and 2019:

	Available for Grant	Options Outstanding			RSUs and PSUs Outstanding	
		Shares	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾	
					Shares	
				(in thousands)		
Balances as of January 31, 2017	10,401,789	2,057,894	\$ 4.67	3.28	\$ 109,571	13,924,414
Additional shares authorized	6,858,474					
Options exercised		(1,428,602)	2.92			
Options forfeited and expired	6,172	(6,172)	50.38			
RSUs and PSUs granted	(6,638,656)					6,638,656
RSUs and PSUs vested						(5,555,299)
Shares withheld related to net share settlement of RSUs and PSUs	2,039,915					
RSUs and PSUs forfeited and canceled	1,991,298					(1,991,298)
Balances as of January 31, 2018	14,658,992	623,120	\$ 8.22	3.68	\$ 52,435	13,016,473
Additional shares authorized	7,141,756					
Options granted	(54,343)	54,343	22.71			
Options exercised		(267,226)	7.31			
Options forfeited and expired	1,198	(1,198)	26.63			
RSUs and PSUs granted	(6,416,331)					6,416,331
RSUs and PSUs vested						(5,160,642)
Shares withheld related to net share settlement of RSUs and PSUs	577,309					
RSUs and PSUs forfeited and canceled	1,173,555					(1,173,555)
Balances as of January 31, 2019	17,082,136	409,039	\$ 10.69	3.36	\$ 46,693	13,098,607
Vested and expected to vest		408,983	\$ 10.68	3.36	\$ 46,689	12,868,593
Exercisable as of January 31, 2019		378,150	\$ 9.64	2.95	\$ 43,562	

⁽¹⁾ The intrinsic value is calculated as the difference between the exercise price of the underlying stock option award and the closing market price of our common stock as of January 31, 2019.

During fiscal 2018 and a portion of fiscal 2019, upon each settlement date of our outstanding RSUs to current employees, RSUs were withheld to cover the required withholding tax, which was based on the value of the RSU on the

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settlement date as determined by the closing price of our common stock on the trading day of the applicable settlement date. The remaining shares were delivered to the recipient as shares of our common stock. The amount remitted to the tax authorities for the employees' tax obligation was reflected as a financing activity within our consolidated statements of cash flows. These shares withheld by us as a result of the net settlement of RSUs were not considered issued and outstanding, thereby reducing our shares outstanding used to calculate earnings per share. These shares were returned to the reserves and were available for future issuance under our 2012 Equity Incentive Plan. During fiscal 2019, we also required that employees sell a portion of the shares that they receive upon the vesting of RSUs in order to cover any required withholding taxes.

During fiscal 2019 and 2018, we granted 518,147 PSUs and 417,861 PSUs, respectively, to certain executives under our 2012 Equity Incentive Plan, which includes both PSUs awarded but not yet earned, as well as PSUs earned and eligible to vest. The number of PSUs earned and eligible to vest will be determined after a one-year performance period, based on achievement of certain company financial performance measures and the recipient's continued service with us. The number of shares of our stock to be received based on financial performance measures can range from 0% to 200% of the target amount. Compensation expense for PSUs with financial performance measures is measured using the fair value at the date of grant and recorded over the four-year vesting period under the graded-vesting attribution method, and may be adjusted over the vesting period based on interim estimates of performance against the pre-set objectives. PSUs granted in fiscal 2019 contain an additional market performance measure that can increase the number of shares earned by up to an additional 50% of the shares received based on the financial performance measure.

As of January 31, 2019, total unrecognized compensation cost related to stock options was \$2.5 million, which is expected to be recognized over a weighted-average period of 1.2 years. As of January 31, 2019, total unrecognized compensation cost was \$977.2 million related to RSUs, which is expected to be recognized over the next 2.8 years. As of January 31, 2019, total unrecognized compensation cost was \$48.8 million related to PSUs, which is expected to be recognized over the next 2.3 years. As of January 31, 2019, total unrecognized compensation cost was \$45.1 million related to RSAs, which is expected to be recognized over the next 2.0 years.

The following table summarizes our RSA activity during the fiscal ended January 31, 2019:

	Shares
Outstanding as of January 31, 2018	63,353
RSAs granted	824,605
RSAs vested	(63,353)
Outstanding as of January 31, 2019	<u>824,605</u>

The aggregate intrinsic value of options exercised during the fiscal years ended January 31, 2019, 2018 and 2017 was \$27.0 million, \$93.5 million, and \$83.5 million, respectively. The weighted-average grant date fair value of options granted was \$83.96 per share for the fiscal year ended January 31, 2019. The weighted-average grant date fair value of RSUs granted was \$108.57 per share for the fiscal year ended January 31, 2019. The aggregate intrinsic value of RSUs vested during the fiscal year ended January 31, 2019 was \$537.7 million. The weighted-average grant date fair value of PSUs granted was \$86.55 per share for the fiscal year ended January 31, 2019. The weighted-average grant date fair value of RSAs granted was \$79.07 per share for the fiscal year ended January 31, 2019.

Employee Stock Purchase Plan

Our 2012 Employee Stock Purchase Plan (the "ESPP") allows eligible employees to purchase shares of our common stock at a discount through payroll deductions of up to 15% of their eligible compensation, at not less than 85% of the fair market value, as defined in the ESPP, subject to any plan limitations. The ESPP provides for consecutive 12-month offering periods, starting on the first trading day on or after June 15 and December 15 of each year. The ESPP provides for an automatic increase of the number of shares available for issuance under the ESPP equal to the least of 4 million shares, 2% of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year, or such other amount as may be determined by our board of directors.

Stock-Based Compensation Expense

Stock-based compensation expense related to our stock-based awards, employee stock purchases and restricted stock units was allocated as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Cost of revenues	\$ 37,501	\$ 33,605	\$ 30,971
Research and development	137,171	106,690	129,388
Sales and marketing	190,422	159,240	161,164
General and administrative	76,836	58,928	56,518
Total stock-based compensation expense	\$ 441,930	\$ 358,463	\$ 378,041

Valuation Assumptions

PSUs granted in fiscal 2019 contain an additional market performance measure that can increase the number of shares earned. The following table summarizes the assumptions used in the Monte Carlo simulation model to determine the fair value of PSUs granted during the fiscal year ended January 31, 2019:

	Fiscal Year Ended January 31, 2019
Expected volatility ⁽¹⁾	39.5%
Risk-free rate	2.5%
Dividend yield	—
Expected term (in years)	4.0

⁽¹⁾ Equal weighting of Splunk historical and implied volatility.

The following table summarizes the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our common shares under the ESPP:

	Fiscal Year Ended January 31,		
	2019	2018	2017
Expected volatility	33.1 - 53.8%	28.4 - 34.5%	37.4 - 57.6%
Risk-free rate	2.1 - 2.7%	1.1 - 1.7%	0.3 - 0.9%
Dividend yield	—	—	—
Expected term (in years)	0.5 - 1.0	0.5 - 1.0	0.5 - 1.0

(10) Revenues, Deferred Revenue and Remaining Performance Obligations

Disaggregation of Revenues

The following table presents disaggregated revenues by major product or service type:

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018*	2017*
Revenues			
License	\$ 1,030,277	\$ 741,302	\$ 543,510
Maintenance, professional services and training	601,533	475,330	352,220
Cloud services	171,200	92,500	47,834
Total revenues	\$ 1,803,010	\$ 1,309,132	\$ 943,564

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Revenues by geography are based on the shipping address of the customer. The following table presents our revenues by geographic region:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018*	2017*
United States	\$ 1,274,361	\$ 931,281	\$ 691,130
International	528,649	377,851	252,434
Total revenues	\$ 1,803,010	\$ 1,309,132	\$ 943,564

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Other than the United States, no other individual country exceeded 10% of total revenues during any of the periods presented. One channel partner represented 32% and a second channel partner represented 18% of total revenues during fiscal 2019. One channel partner represented 31% and a second channel partner represented 17% of total revenues during fiscal 2018. One channel partner represented 31% and a second channel partner represented 17% of total revenues during fiscal 2017. The revenues from these channel partners are comprised of a number of customer transactions, none of which were individually greater than 10% of total revenues during fiscal 2019, 2018 or 2017.

Deferred Revenue

Revenues recognized from amounts included in deferred revenue as of January 31, 2018 were \$452.4 million during the fiscal year ended January 31, 2019.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and excludes performance obligations that are subject to cancellation terms. Our remaining performance obligations were \$1.26 billion as of January 31, 2019, of which we expect to recognize approximately 88% as revenue over the next 24 months and the remainder thereafter.

(11) Income Taxes

Income (loss) before income tax expense consists of the following:

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
		*As Adjusted	*As Adjusted
United States	\$ (289,896)	\$ (207,607)	\$ (354,776)
International	26,705	18,746	12,823
Total	\$ (263,191)	\$ (188,861)	\$ (341,953)

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Income tax expense (benefit) consists of the following:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018 *As Adjusted	2017 *As Adjusted
Current tax provision:			
Federal	\$ 7,532	\$ —	\$ —
State	422	301	274
Foreign	8,496	5,878	5,559
Total current tax provision	16,450	6,179	5,833
Deferred tax provision:			
Federal	(3,313)	(2,825)	165
State	—	(362)	15
Foreign	(751)	(1,635)	(506)
Total deferred tax provision	(4,064)	(4,822)	(326)
Total tax provision (benefit)	\$ 12,386	\$ 1,357	\$ 5,507

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was enacted into law, making significant changes to how the U.S. imposes income tax on multinational corporations. We were required to recognize the effect of the Act in the period of enactment. Subsequent to the enactment of the Act, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which allows us to record provisional amounts during a measurement period not to extend more than one year beyond the enactment date, with further clarifications made recently with the issuance of ASU 2018-05. In accordance with SAB 118, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements as of January 31, 2018. We have completed our accounting for the income tax effects of the Act during the fourth quarter in the fiscal year ended January 31, 2019. No significant adjustments to the provisional amounts were made.

The Global Intangible Low-Taxed Income (“GILTI”) provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense. We have elected to account for any potential GILTI tax in the period in which it is incurred.

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,” which includes a revision of the accounting for the income tax consequences of intra-entity transfers of assets other than inventory to reduce the complexity in accounting standards. We adopted this new standard as of February 1, 2018 with an immaterial amount of cumulative effect adjustment recorded to our accumulated deficit as of February 1, 2018. As this standard was adopted on a prospective basis as of February 1, 2018, the adoption of this standard did not impact our previously reported financial statements for periods ended on or prior to January 31, 2018.

The reconciliation of federal statutory income tax rate to our effective income tax rate is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year Ended January 31,

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
		*As Adjusted	*As Adjusted
Expected provision (benefit) at U.S. federal statutory rate	\$ (55,270)	\$ (39,661)	\$ (116,264)
State income taxes - net of federal benefit	(8,904)	(6,454)	(10,472)
Stock-based compensation	(26,554)	(18,893)	21,772
Research and development tax credits	(32,819)	(18,463)	(13,496)
Change in valuation allowance	122,614	(104,672)	121,353
Non-deductible expenses	4,767	2,145	2,694
Release of valuation allowance due to acquisitions	(3,313)	(3,187)	—
Impact of the Act	—	190,920	—
Base erosion anti-abuse tax	7,532	—	—
Non-U.S. tax rate differential	4,333	(378)	(80)
Total tax provision (benefit)	\$ 12,386	\$ 1,357	\$ 5,507

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Deferred tax assets and liabilities consist of the following:

(In thousands)	Fiscal Year Ended January 31,	
	2019	2018
		*As Adjusted
Deferred tax assets:		
Net operating loss carryforwards	\$ 472,153	\$ 401,339
Accrued liabilities	13,622	16,546
Tax credit carryforwards	108,769	71,373
Stock-based compensation	34,319	22,411
Deferred revenue	21,549	—
Valuation allowance	(481,279)	(468,997)
Total deferred tax assets	169,133	42,672
Deferred tax liabilities:		
Depreciation and amortization	(15,965)	(4,539)
Deferred revenue	—	(12,819)
Deferred commissions	(35,125)	(22,210)
Convertible senior notes	(116,023)	—
Total deferred tax liabilities	(167,113)	(39,568)
Net deferred taxes	2,020	3,104
Recorded as:		
Non-current deferred tax assets	483,299	472,101
Non-current valuation allowance	(481,279)	(468,997)
Net deferred tax assets	\$ 2,020	\$ 3,104

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Net operating loss and tax credit carryforwards as of January 31, 2019 are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)	Amount	Expiration years
Net operating loss, federal (generated in taxable years ended after December 31, 2017)	\$ 449,578	No expiration
Net operating loss, federal (generated in taxable years ended before December 31, 2017)	1,440,097	2025 - 2038
Net operating loss, state	1,262,961	2019 - 2038
Tax credit, federal	83,416	2026 - 2038
Tax credit, state	68,922	No expiration

ASC Topic 740, Income Taxes, requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that we assess that realization is more likely than not. Realization of the future tax benefits is dependent on our ability to generate sufficient taxable income within the carryforward period. Due to our history of U.S. operating losses, we believe the recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not more likely than not to be realized and, accordingly, have provided a full valuation allowance against net U.S. deferred tax assets. The valuation allowance totaled \$481.3 million and \$469.0 million for fiscal 2019 and 2018, respectively.

If certain factors change, we may determine that there is sufficient positive evidence to support a reversal of, or decrease in, the valuation allowance. If we were to reverse all or some part of our valuation allowance, our consolidated financial statements in the period of reversal would likely reflect an increase in assets on our balance sheet and a corresponding tax benefit to our consolidated statements of operations in the amount of the reversal.

Because of certain prior period ownership changes, the utilization of a portion of our U.S. federal and state NOL and tax credit carryforwards may be limited.

We have not provided U.S. income taxes for the unremitted earnings of foreign subsidiaries because such earnings are intended to be reinvested in the foreign jurisdictions. As a result of the Act, we have accumulated deficits such that no transition tax was due upon newly enacted IRC 965.

As of January 31, 2019, our unrecognized tax benefits were \$32.9 million, of which \$0.4 million would, if recognized, impact our effective tax rate. The remainder will not, if recognized, affect the effective income tax rate due to the valuation allowance that currently offsets deferred tax assets.

Unrecognized tax benefit balances are presented below:

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Balance at beginning of year	\$ 31,802	\$ 16,755	\$ 12,493
Increase related to prior year tax positions	—	6,355	—
Decrease related to prior year tax positions	(6,035)	—	—
Increase related to current year tax positions	7,138	8,692	4,262
Balance at end of year	<u>\$ 32,905</u>	<u>\$ 31,802</u>	<u>\$ 16,755</u>

We are required to identify, evaluate and measure all uncertain tax positions taken or to be taken on tax returns and to record liabilities for the amount of these positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.

We are subject to income taxes in United States federal and various state and local jurisdictions. Generally, we are no longer subject to United States federal, state and local tax examinations for tax years ended before January 31, 2015. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses or tax credits were generated and carried forward, and make adjustments up to the amount of the net operating loss or credit carryforward.

The potential unrecognized tax benefits during the next 12 months is not expected to be material.

We accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of both January 31, 2019 and 2018, we had accrued \$0.1 million in interest and penalties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less the weighted-average unvested common stock subject to repurchase or forfeiture. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including convertible senior notes, preferred stock, stock options, RSUs, PSUs and RSAs, to the extent dilutive.

The following table sets forth the computation of historical basic and diluted net loss per share:

(In thousands, except per share amounts)	Fiscal Year Ended January 31,		
	2019	2018*	2017*
Numerator:			
Net loss	\$ (275,577)	\$ (190,218)	\$ (347,460)
Denominator:			
Weighted-average common shares outstanding	145,737	139,921	134,357
Less: Weighted-average unvested common shares subject to repurchase or forfeiture	(30)	(55)	(447)
Weighted-average shares used to compute net loss per share, basic and diluted	145,707	139,866	133,910
Net loss per share, basic and diluted	\$ (1.89)	\$ (1.36)	\$ (2.59)

* Prior-period information has been adjusted to reflect the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on February 1, 2018. Refer to Note 1 for further details.

Since we were in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods as the inclusion of all potentially dilutive securities outstanding would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

(In thousands)	Fiscal Year Ended January 31,		
	2019	2018	2017
Shares subject to outstanding common stock options	409	623	2,058
Shares subject to outstanding RSUs, PSUs and RSAs	13,923	13,080	14,002
Employee stock purchase plan	554	543	669
Total	14,886	14,246	16,729

As we expect to settle the principal amount of our convertible senior notes in cash, we use the treasury stock method for calculating any potential dilutive effect on diluted net income per share, if applicable. The conversion spread of 14.3 million shares will have a dilutive impact on diluted net income per share of common stock when the average market price of our common stock for a given period exceeds the conversion price of \$148.30 per share.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the

Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of January 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of January 31, 2019.

The effectiveness of our internal control over financial reporting as of January 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9b. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this annual report on Form 10-K (the “Proxy Statement”).

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of the Company, with regard to their Splunk-related activities. Our code of business conduct and ethics is available on our website at <http://investors.splunk.com/corporate-governance>. We will post on this section of our website any amendment to our code of business conduct and ethics, as well as any waivers of our code of business conduct and ethics, that are required to be disclosed by the rules of the SEC or the NASDAQ Stock Market.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the sections entitled “Executive Compensation” and “Corporate Governance at Splunk – Non-Employee Director Compensation” in our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the sections entitled “Stock Ownership Information – Security Ownership of Certain Beneficial Owners and Management,” and “Executive Compensation – Compensation Tables – Equity Compensation Plan Information” in our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the sections entitled “Corporate Governance at Splunk – Related Party and Other Transactions” and “Corporate Governance at Splunk – Director Independence” in our Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the sections entitled “Audit Committee Matters – Fees Paid to the Independent Registered Public Accounting Firm” and “Audit Committee Matters – Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm” in our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of this report are as follows:

1. Consolidated Financial Statements: Our Consolidated Financial Statements are listed in the “Index to Consolidated Financial Statements” Under Part II, Item 8 of this report.
2. Financial Statement Schedules: Financial statement schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.
3. Exhibits: The documents listed in the Exhibit Index of this report are incorporated by reference or are filed with this report, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Item 16. Form 10-K Summary

Not applicable.

EXHIBIT

INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 13, 2012).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 filed with the Registrant's Current Report on Form 8-K filed on March 25, 2019).
4.1	Specimen common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 filed with the Registrant's Registration Statement on Form S-1 filed on April 6, 2012).
4.2	Indenture, dated as of September 21, 2018, by and between the Registrant and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 filed with the Registrant's Current Report on Form 8-K filed on September 21, 2018).
4.3	Form of Global Note, representing Splunk Inc.'s 0.50% Convertible Senior Notes due 2023 (incorporated by reference to Exhibit A to the Indenture filed as Exhibit 4.1 filed with the Registrant's Current Report on Form 8-K filed on September 21, 2018).
4.4	Indenture, dated as of September 21, 2018, by and between the Registrant and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.3 filed with the Registrant's Current Report on Form 8-K filed on September 21, 2018).
4.5	Form of Global Note, representing Splunk Inc.'s 1.125% Convertible Senior Notes due 2025 (incorporated by reference to Exhibit A to the Indenture filed as Exhibit 4.3 filed with the Registrant's Current Report on Form 8-K filed on September 21, 2018).
10.1#	Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.1 filed with the Registrant's Registration Statement on Form S-1 filed on January 12, 2012).
10.2#	2003 Equity Incentive Plan, as amended, and Forms of Stock Option Agreement under 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 filed with the Registrant's Registration Statement on Form S-1 filed on January 12, 2012).
10.3#	2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 filed with the Registrant's Registration Statement on Form S-1 filed on April 6, 2012).
10.4#	Amendment to 2012 Equity Incentive Plan, effective as of September 14, 2017 (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on December 6, 2017).
10.5#	2012 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 filed with the Registrant's Registration Statement on Form S-1 filed on April 6, 2012).
10.6	Office Lease, dated as of April 29, 2014, between 270 Brannan Street, LLC and the Registrant (incorporated by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 9, 2014).

- 10.7 First Amendment to Office Lease, dated as of March 1, 2018, between 270 Brannan Street, LLC and the Registrant (incorporated by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 8, 2018).
- 10.8 Office Lease, dated as of August 24, 2015, between FRIT San Jose Town and Country Village, LLC and the Registrant (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on December 10, 2015).
- 10.9 First Amendment to Office Lease, dated as of May 23, 2016, between FRIT San Jose Town and Country Village, LLC and the Registrant (incorporated by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q filed on September 8, 2016).
- 10.10 Second Amendment to Office Lease, dated as of December 12, 2016, between FRIT San Jose Town and Country Village, LLC and the Registrant (incorporated by reference to Exhibit 10.12 filed with the Registrant's Annual Report on Form 10-K filed on March 29, 2017).
- 10.11# Employment Offer Letter between the Registrant and Leonard R. Stein, dated as of January 11, 2012 (incorporated by reference to Exhibit 10.12 filed with the Registrant's Registration Statement on Form S-1 filed on February 17, 2012).
- 10.12# Employment Offer Letter between the Registrant and Doug Merritt, dated as of November 16, 2015 (incorporated by reference to Exhibit 10.21 filed with the Registrant's Annual Report on Form 10-K filed on March 30, 2016).
- 10.13# Employment Offer Letter between the Registrant and Susan St. Ledger, dated as of March 3, 2016 (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 9, 2016).
- 10.14# Promotion Letter between the Registrant and Susan St. Ledger, dated as of October 3, 2017 (incorporated by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q filed on December 6, 2017).
- 10.15# Transition Plan and Release Agreement between the Registrant and Richard Campione, dated as of January 8, 2018 (incorporated by reference to Exhibit 10.20 filed with the Registrant's Annual Report on Form 10-K filed on March 30, 2018).
- 10.16# Amended and Restated Employment Offer Letter between the Registrant and Tim Tully, dated as of April 25, 2018 (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 8, 2018).
- 10.17# Amended and Restated Employment Offer Letter between the Registrant and Scott Morgan, dated as of October 30, 2018 (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed December 7, 2018).
- 10.18# Transition Services Agreement between the Registrant and David F. Conte, dated as of November 30, 2018.
- 10.19# Executive Bonus Plan (incorporated by reference to Exhibit 10.15 filed with the Registrant's Registration Statement on Form S-1 filed on April 6, 2012).
- 10.20# Form of Stock Option Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on April 24, 2012).
- 10.21# Form of Restricted Stock Unit Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 filed with the Registrant's Current Report on Form 8-K filed on April 24, 2012).
- 10.22# Form of Subscription Agreement under the 2012 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.3 filed with the Registrant's Current Report on Form 8-K filed on April 24, 2012).

10.23#	Form of Performance Unit Award Agreement under the 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 9, 2015).
10.24	Form of Confirmation for Capped Call Transactions (incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on September 21, 2018).
21.1	List of subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14 (b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
<i>101.INS</i>	<i>XBRL Instance Document</i>
<i>101.SCH</i>	<i>XBRL Taxonomy Schema Linkbase Document</i>
<i>101.CAL</i>	<i>XBRL Taxonomy Calculation Linkbase Document</i>
<i>101.DEF</i>	<i>XBRL Taxonomy Definition Linkbase Document</i>
<i>101.LAB</i>	<i>XBRL Taxonomy Labels Linkbase Document</i>
<i>101.RE</i>	<i>XBRL Taxonomy Presentation Linkbase Document</i>
#	Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 27, 2019.

SPLUNK INC.

By: /s/ Douglas S. Merritt

Douglas S. Merritt
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Douglas S. Merritt and David F. Conte, and each of them, his or her attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Douglas S. Merritt</u> Douglas S. Merritt	President and Chief Executive Officer (Principal Executive Officer)	March 27, 2019
<u>/s/ David F. Conte</u> David F. Conte	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2019
<u>/s/ Graham V. Smith</u> Graham V. Smith	Chairman and Director	March 27, 2019
<u>/s/ Sara J. Baack</u> Sara J. Baack	Director	March 27, 2019
<u>/s/ Mark T. Carges</u> Mark T. Carges	Director	March 27, 2019
<u>/s/ John G. Connors</u> John G. Connors	Director	March 27, 2019
<u>/s/ Patricia B. Morrison</u> Patricia B. Morrison	Director	March 27, 2019
<u>/s/ Thomas M. Neustaetter</u> Thomas M. Neustaetter	Director	March 27, 2019
<u>/s/ Stephen G. Newberry</u> Stephen G. Newberry	Director	March 27, 2019
<u>/s/ Elisa A. Steele</u> Elisa A. Steele	Director	March 27, 2019

/s/ Godfrey R. Sullivan Director
Godfrey R. Sullivan

March 27, 2019

/s/ Sri Viswanath Director
Sri Viswanath

March 27, 2019

SPLUNK INC.

Copies of Splunk Inc.'s Annual Report, as well as other financial reports and news from Splunk Inc., may be read and downloaded from our website at <http://investors.splunk.com>. If you do not have online access, you may request printed materials by contacting Splunk Inc. Investor Relations at: 415.848.8476.

Auditors

PricewaterhouseCoopers
LLP
San Jose, CA

Corporate Counsel

Wilson Sonsini Goodrich
& Rosati, Professional
Corporation
Palo Alto, CA

Stock Transfer Agent and Registrar of Stock

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Email: help@astfinancial.com

Stock Listing

Splunk Inc. common stock is traded on NASDAQ Global Select Market, listed under the symbol "SPLK"

Investor Relations Contact Information

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Phone: 415.848.8476

DIRECTORS

Sara Baack
Chief Product Officer,
Equinix

Mark Carges
Former CTO, eBay

John Connors
Managing Partner,
Ignition Partners

Doug Merritt
President and Chief
Executive Officer, Splunk

Patricia Morrison
Former EVP and Chief
Information Officer,
Cardinal Health

Thomas Neustaetter
Managing Director,
JK&B Capital

Stephen Newberry
Chairman, Lam Research

Graham Smith
Independent Chairman,
Splunk

Elisa Steele
CEO, Namely

Godfrey Sullivan
Former CEO, Splunk

Sri Viswanath
CTO, Atlassian

MANAGEMENT TEAM

Doug Merritt
President and Chief
Executive Officer

David Conte
Senior Vice President and
Chief Financial Officer

Tracy Edkins
Senior Vice President,
Chief Human Resources
Officer

Rick Fitz
Senior Vice President
and General Manager,
IT Markets

Carrie Palin
Senior Vice President,
Chief Marketing Officer

Jake Loomis
Senior Vice President,
Chief Digital Officer

Ammar Maraqa
Senior Vice President,
Business Operations and
Strategy and General
Manager of IoT Markets

Scott Morgan
Senior Vice President,
Chief Legal Officer and
Secretary

Sendur Sellakumar
Senior Vice President,
Cloud

Haiyan Song
Senior Vice President and
General Manager, Security
Markets

Susan St. Ledger
President, Worldwide
Field Operations

Leonard Stein
Senior Vice President,
Global Affairs

Tim Tully
Senior Vice President,
Chief Technology Officer



CORPORATE HEADQUARTERS

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