FY20 Annual Report and Proxy Statement

Dear Fellow Splunk Stockholders,

I write this letter at a time of crisis unprecedented in living memory. From healthcare professionals to grocery clerks, the people on the front lines of the COVID-19 pandemic are showing inspiring courage, day after day, as they protect lives and preserve order. From government offices to corporate situation rooms, leaders are looking for ways to better understand and mitigate a crisis that is caused by a virus, but exacerbated by shortages of tests and supplies, painful economic imperatives, and simple human contact.

As a software company, Splunk is in many ways in a privileged position. We're better able than most to transition to work-from-home. Indeed, our core proposition — valuable and actionable insight from data — is only more critical to the world in this time of crisis. Yet we appreciate the efforts and struggles of those facing greater challenges, and are inspired by the belief that we can help leaders make data-driven decisions that can make a crucial difference in the world.

In this moment, the world needs thoughtful, well-informed, fact-driven leadership. This is true at every level of our society and in every organization. Each of us can choose to be leaders in our work lives, communities and families. Regardless of role or title, leadership comes from stepping up, using facts and data, and rising to a challenge. With that in mind, I'd like to share the principles guiding Splunk through this crisis:

Compassion

Splunk is a global company with close to 6,000 professionals. Those individuals, based in different offices and countries, each have different daily challenges around health, family and security. I am very proud of how smoothly, overall, our transition to a period of global work-from-home has been, and of the ways in which Splunkers rise to the occasion every day. Compassion and understanding have been central to our management of this pandemic.

Commitment

After our employees' safety and security, our top business priority is customer success and business continuity. We have been in regular conversation with many customers, and I'm glad to report that these have not all been sales calls. Instead, we're asking what our customers need during this crisis, and how we can help ensure their longer-term success.

Communication

Transparency and clarity are essential in a time of crisis. Our leaders are committed to being visible and open throughout this pandemic. Our leaders have logged a lot of time on video screens, posted many updates and sent numerous emails to update employees and customers on how we're addressing an ever-changing situation and to learn how we can further support them.

Courage

This pandemic is taking a tremendous toll on human lives and livelihoods — it is impossible to escape awareness of the impact and not sometimes be taken aback by the scale of this crisis. Courage is not being without fear. Courage is facing a difficult or uncertain situation despite our fears. We have done our best to persevere through difficult days and will continue to do so, not only because we must, but because we believe that Splunk has something unique to offer to the world.

Data

Leadership is essential in a crisis, and you cannot effectively lead without current, reliable data. We have more information at our fingertips than ever in human history, but the world still struggles to put it to its best use. Whether it's to map the outbreak, weigh treatment options, search for a vaccine, or mitigate the economic fallout, the best strategies will emerge from data. We are committed to providing a platform and insight to enable leaders across nations and industries to discover and implement the most effective strategies.

Leadership throughout our organization is making a tremendous difference in how Splunk meets and successfully navigates this crisis. Topping a shortlist of the leaders who have really stepped up would be the head of our extended global Safety and Security team, who began preparing for a potential pandemic when the virus first drew attention in December. Long before most of our leaders recognized how devastating this viral outbreak could become, this team was using data to drive awareness and preparing us for this crisis.

Even as global office closures and other effects of the crisis have disrupted all of our daily lives, people throughout our organization have innovated with an eye toward helping in this difficult time. Our social impact arm, Splunk For Good, quickly posted interactive COVID-19 dashboards that have been viewed by more than 150,000 people around the world. And in the space of a single week in late March, a small, cross-functional team took a new product, designed to immediately help our customers manage unique challenges of this crisis, from idea to public release. It is inspiring to see our teams come together and work so fast, so well.

The willingness to roll up sleeves and find new solutions is essential to navigating a crisis. It's a fundamental requirement of the leadership needed to achieve the best health and economic outcomes as a global pandemic becomes a global recession. I remain convinced that Splunk will bring innovation, and the tools of innovation, to the world to enable positive outcomes.

In fiscal 2020, we generated revenue of $2.359 billion, up 31% over last year, and annual recurring revenue (ARR) of $1.68 billion, up 54% over last year, ahead of what we'd forecasted only a quarter earlier, when we introduced our transformation metrics of annual recurring revenue and operating cash flow.

Our shift to a renewable model is 99% complete, with most customers opting for term and cloud contracts. We believe the flexibility and predictability of our new Data-to-Everything pricing options have made it easier to do business with us, and easier for our customers to bring data to every question, decision and action.

We also made significant investments in the growth of our Data-to-Everything Platform, announcing the acquisitions of SignalFx, Omnition

and Streamlio. These acquisitions continue the transformation of our company as we build out from our core products to the most complete and powerful data platform the world has ever seen.

Going forward, cloud will drive our next phase of growth. “Cloud-first” is our mindset for both business model and product strategy. Last year, 35% of our software business was cloud, and we expect significant cloud growth in the next few years, surpassing 60% of our total software bookings in fiscal 2023.

Last year, I wrote in this letter about the power of bringing data to every challenge and opportunity. A few months later, we launched a complete brand transformation to great customer enthusiasm. It was an optimistic time for us, and despite the tumult and tragedy of this pandemic, I am an optimist by nature, and remain more convinced than ever that data is a key component of solving humankind’s most challenging issues.

Only 250 years ago, at the dawn of the industrial age, the world’s average life expectancy was less than 29 years. Today, in the data age, it’s north of 70. This phenomenal gain has been driven in large part by incredible breakthroughs in medicine, many powered by data, and opportunities for literacy and education like the world has never seen. Two centuries ago, only 12% of the people in the world could read and write. Today, over 85% of the world’s population is literate, and almost 90% of primary-school-age kids worldwide are now enrolled in school. It’s no wonder that in the last 30 years, over one billion people — one-seventh of the world’s population — have escaped extreme poverty.

Amid new challenges and the perennial ones, the human spirit strives for solutions. And in this data age, the solutions emerge from our unprecedented ability to gather information and pull answers from it. This is the best time to be alive, and the best time to believe in the power of data.

In closing, I’d like to once again take a moment to acknowledge the tremendous passion, ingenuity and commitment that everyone at Splunk has brought both to our strong fiscal 2020 and, more importantly, to the difficult and unsettling challenges of the past few months. I have never felt prouder of, or more deeply connected to, the people of this company, and never more certain that we can achieve great and meaningful things together.

Doug Merritt

President and CEO
Splunk Inc.

270 Brannan Street
San Francisco, California 94107

splunk>

Notice of Annual Meeting of Stockholders

To Be Held at 3:30 p.m. Pacific Time on June 11, 2020

TO THE STOCKHOLDERS OF SPLUNK INC.:

The 2020 Annual Meeting of Stockholders (the "Annual Meeting") of Splunk Inc., a Delaware corporation ("Splunk," "we," or the "Company"), will be held virtually via live audio webcast on **June 11, 2020, at 3:30 p.m. Pacific Time**, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect three Class II directors to serve until the 2023 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, 2021;
3. To conduct an advisory vote to approve the compensation of our named executive officers; and
4. 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 16, 2020 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 28, 2020, 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 2020 Annual Report may be found in the Notice or on our website at investors.splunk.com.

In light of evolving public health and safety considerations posed by the COVID-19 pandemic, the Annual Meeting this year will be a virtual-only meeting of stockholders. Stockholders will be able to attend and participate in the Annual Meeting, vote their shares electronically, submit questions, and examine a stockholder list during the live audio webcast of the Annual Meeting by visiting www.virtualshareholdermeeting.com/SPLK2020 and entering their control number. Stockholders may submit questions for the meeting in advance at www.proxyvote.com. We anticipate returning to an in-person meeting format in future years.

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

We appreciate your continued support of Splunk.

Very truly yours,

Scott Morgan
Senior Vice President, Chief Legal Officer, Global Affairs and Secretary
San Francisco, California
April 28, 2020

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 2020 Annual Meeting" for details on voting requirements and additional information about the Annual Meeting, including how to vote at the Annual Meeting.

Proxy Statement Summary

Voting Matters, Vote Recommendations and Rationale

Voting Matter	Board Vote Recommendation
Proposal 1: Election of Class II 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.	**FOR** each nominee > (page 10)
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, 2021 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.	**FOR** > (page 36)
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.	**FOR** > (page 41)

YOUR VOTE IS IMPORTANT

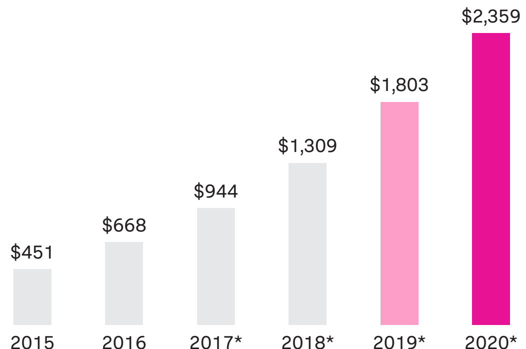
This summary highlights information contained within this proxy statement. You should read the entire proxy statement carefully and consider all information before voting. Page references are supplied to help you find further information in this proxy statement.

Fiscal 2020 Business Highlights

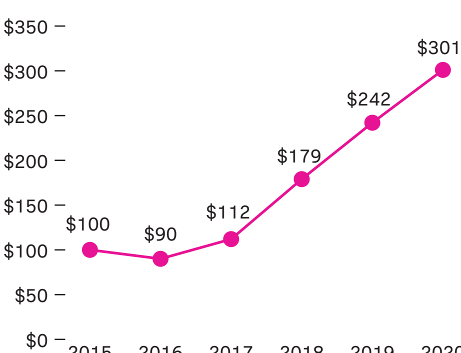
Fiscal 2020 was a year of strong growth, financial performance and execution. Our ongoing prioritization of customer success and adoption led to continued top-line revenue growth. In fiscal 2020, our executive compensation plans emphasized revenue and non-GAAP operating margin metrics to align our compensation 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 2020, and we provided robust information and discussion regarding the results of these metrics each quarter during the fiscal year. Our fiscal 2020 business highlights include achievement of the following revenue and non-GAAP operating margin results and other important metrics:

- Total revenue of $2.359 billion, up 31% year-over-year;
- Non-GAAP operating margin of 14.2%[(1)];
- Operating cash flow of negative $287.6 million with free cash flow of negative $388.8 million[(1)]; and
- Over 19,400 customers in more than 130 countries at the end of fiscal 2020, compared to over 17,500 customers at the end of fiscal 2019.

(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, 2020.



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



** The chart shows the total return on our common stock through the end of fiscal 2020, assuming an initial investment of $100 at the end of fiscal 2015.

See also “Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Strategic Context and Fiscal 2020 Business Highlights” on page 42 of this proxy statement. Detailed information on our financial and operational performance can be found in our fiscal 2020 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 Chair
- ✓ Majority Voting for Directors with Resignation Policy
- ✓ Annual Board and Committee Evaluation
- ✓ Board Continuing Education Program
- ✓ Proxy Access Bylaws
- ✓ Director Change in Circumstances with Resignation Policy
- ✓ Qualified Diverse Candidate Pool Policy
- ✓ Board Risk Oversight
- ✓ Periodic Review of Committee Charters and Governance Policies
- ✓ Regular Meetings of Independent Directors Without Management Present
- ✓ Formal CEO Evaluation Process
- ✓ Clawback Policy
- ✓ Annual Say-on-Pay Vote
- ✓ Stockholder Engagement Program
- ✓ Stock Ownership Guidelines for Directors and Officers
- ✓ Anti-Hedging and Anti-Pledging Policy
- ✓ Code of Conduct for Directors, Officers and Employees
- ✓ Succession Planning Process

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 such as those depicted in the timeline. In fiscal 2020, we solicited the views of institutional stockholders representing approximately 67% of our shares and engaged in substantive discussions with stockholders representing approximately 37% 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 30 of this proxy statement and "Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Stockholder Engagement and Our 2019 Say-on-Pay Vote" on page 44 of this proxy statement.

2020

MARCH

- Replaced revenue metric with annual recurring revenue in both our executive bonus plan and our PSU program to align our incentives with key drivers of stockholder value and reflect our transition to a renewable business model
- Replaced non-GAAP operating margin metric with operating cash flow in our PSU program to reflect focus on disciplined execution of our business objectives during our transition to a renewable business model

2019

APRIL

- Enhanced proxy disclosures of Board succession planning, risk oversight and corporate sustainability

2018

MARCH

- Added stock price modifier to PSU program

APRIL

- Enhanced proxy disclosures of director qualifications and skills, the role of diversity in our director nominations process, Board refreshment and corporate sustainability

SEPTEMBER

- Updated stock ownership guidelines

2017

MARCH

- Replaced operating cash flow metric with non-GAAP operating margin in our PSU program to reflect increased strategic focus on a profitability measure

APRIL

- Added collective director qualifications table to proxy

DECEMBER

- Adopted director change in circumstances with resignation policy
- Adopted qualified diverse candidate pool policy

2016

MARCH

- Implemented proxy access Bylaws
- Increased proportion of PSUs in long-term equity compensation program for all executive officers

APRIL

- Added proxy disclosure regarding Board and Committee self-evaluations and succession planning

2015

FEBRUARY

- Adopted clawback policy

MARCH

- Introduced performance-based equity awards (“PSUs”) with revenue and operating cash flow metrics

APRIL

- Significantly enhanced readability and presentation of proxy

2014

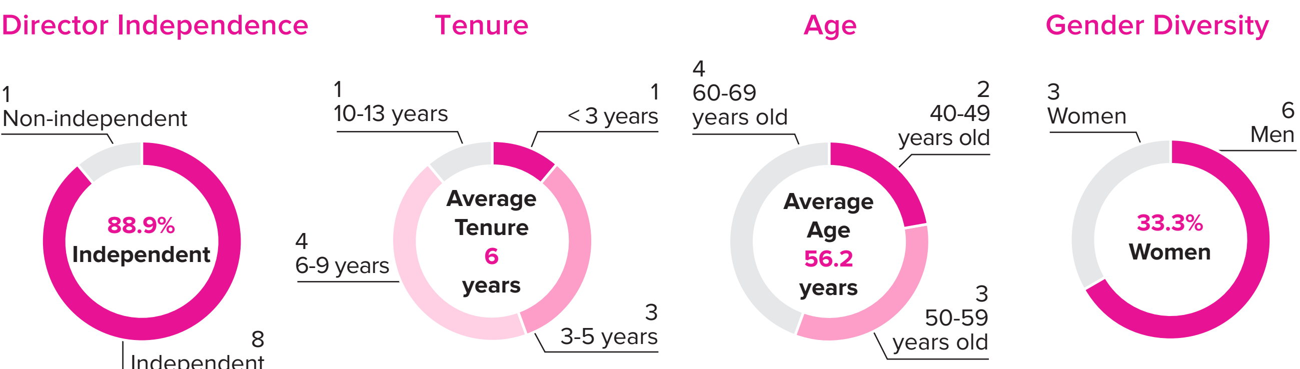
SEPTEMBER

- Launched formal stockholder engagement program
- Adopted majority voting for directors with resignation policy
- Adopted stock ownership guidelines

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



The following table provides summary information about each director nominee and other directors as of March 31, 2020. See pages 14 to 18 for more information.

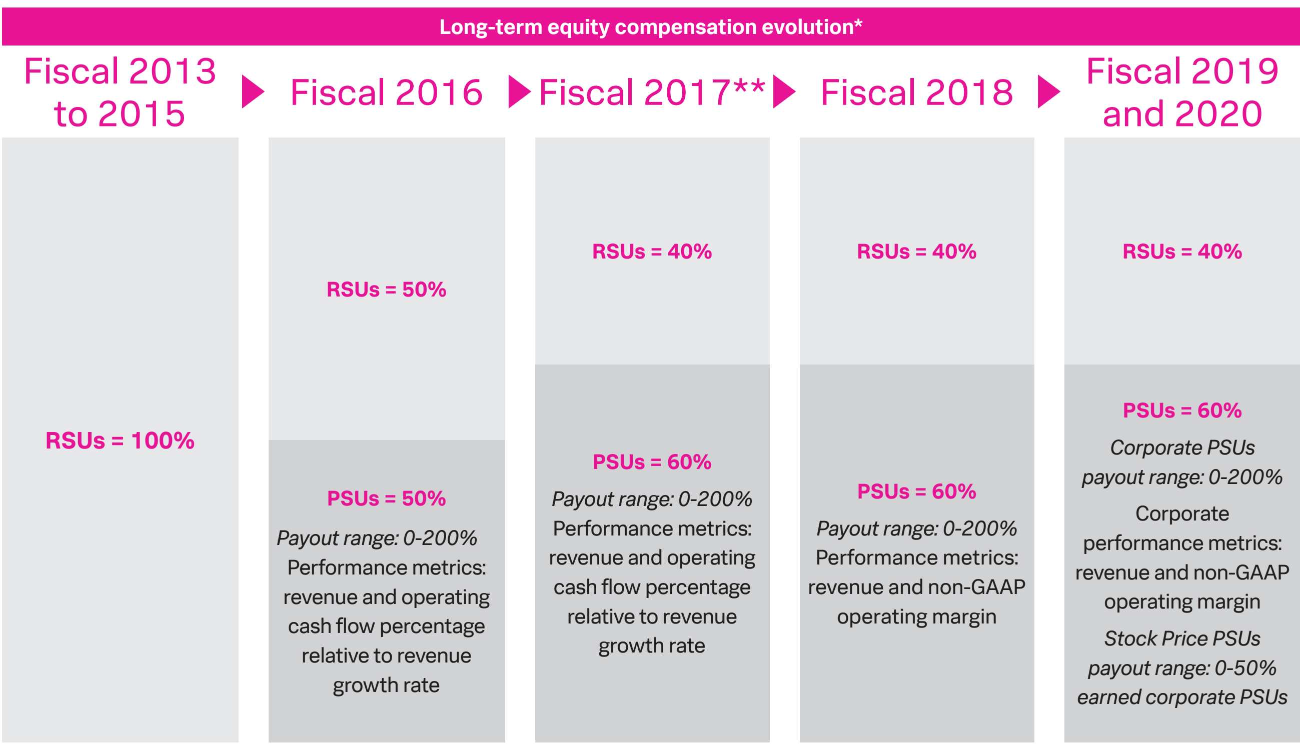
	Class	Age	Principal Occupation	Director Since	Current Term Expires	Expiration of Term For Which Nominated	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
2020 Director Nominees									
John Connors*	II	61	Managing Partner, Ignition Partners	2007	2020	2023	Chair, Audit Committee Financial Expert		
Patricia Morrison*	II	60	Former EVP, Customer Support Services, and CIO, Cardinal Health	2013	2020	2023	Member		Chair
Stephen Newberry*	II	66	Former Chairman, Lam Research	2013	2020	2023		Chair	
Continuing Directors									
Mark Carges*	I	58	Former CTO, eBay	2014	2022	—		Member	
Elisa Steele*	I	53	Independent Board Member	2017	2022	—		Member	
Sri Viswanath*	I	44	CTO, Atlassian	2019	2022	—			Member
Sara Baack*	III	48	Chief Product Officer, Equinix	2017	2021	—			Member
Douglas Merritt	III	56	President and CEO, Splunk	2015	2021	—			
Graham Smith*	III	60	Chair, Splunk	2011	2021	—	Member, Audit Committee Financial Expert		

* Independent director

Chair   Member   Audit Committee Financial Expert

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 2020 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. 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 2020 executive compensation policies and practices:

What We Do

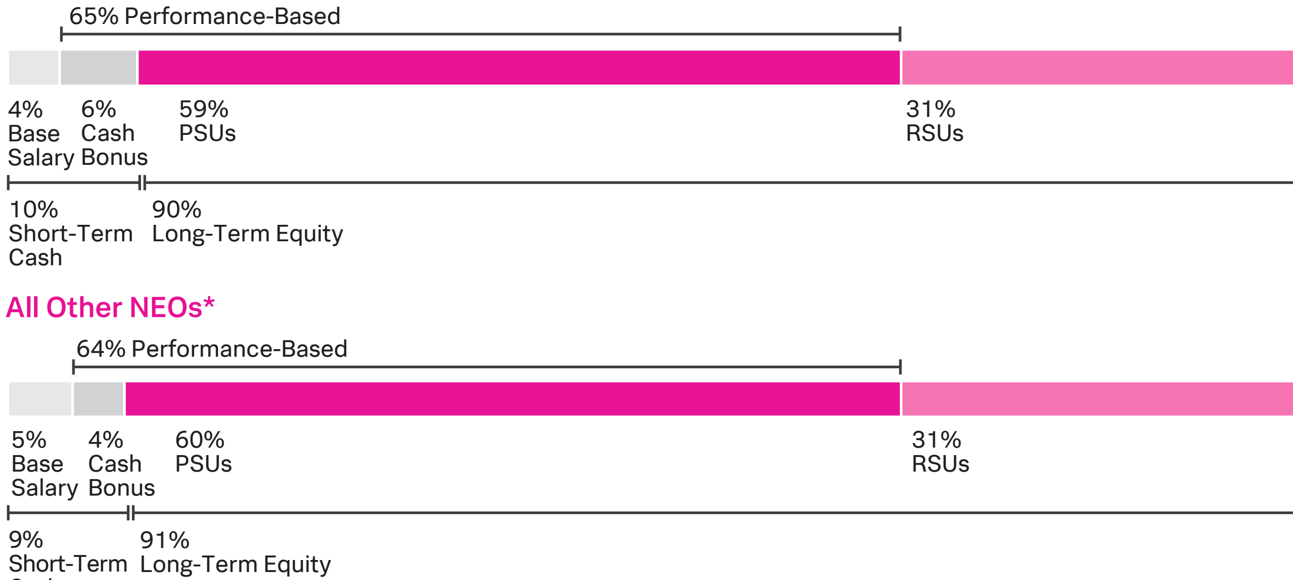
- Performance-based cash and equity incentives
- Caps on performance-based cash and equity incentive compensation
- Annual review and approval of our executive compensation strategy
- Significant portion of executive compensation at risk based on corporate performance
- Clawback policy on cash and equity incentive compensation
- Stock ownership guidelines for executive officers and directors
- Four-year equity award vesting periods
- Independent compensation consultant engaged by the Compensation Committee
- 100% independent directors on the Compensation Committee
- Limited and modest perquisites
- Formal CEO evaluation tied to compensation decisions
- Ongoing engagement with our institutional stockholders regarding our compensation policies and practices

What We Don’t Do

- No “single trigger” change in control payments and benefits
- No post-termination retirement or pension-type non-cash benefits or perquisites for our executive officers that are not generally available to our employees
- No tax gross-ups for change in control related 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

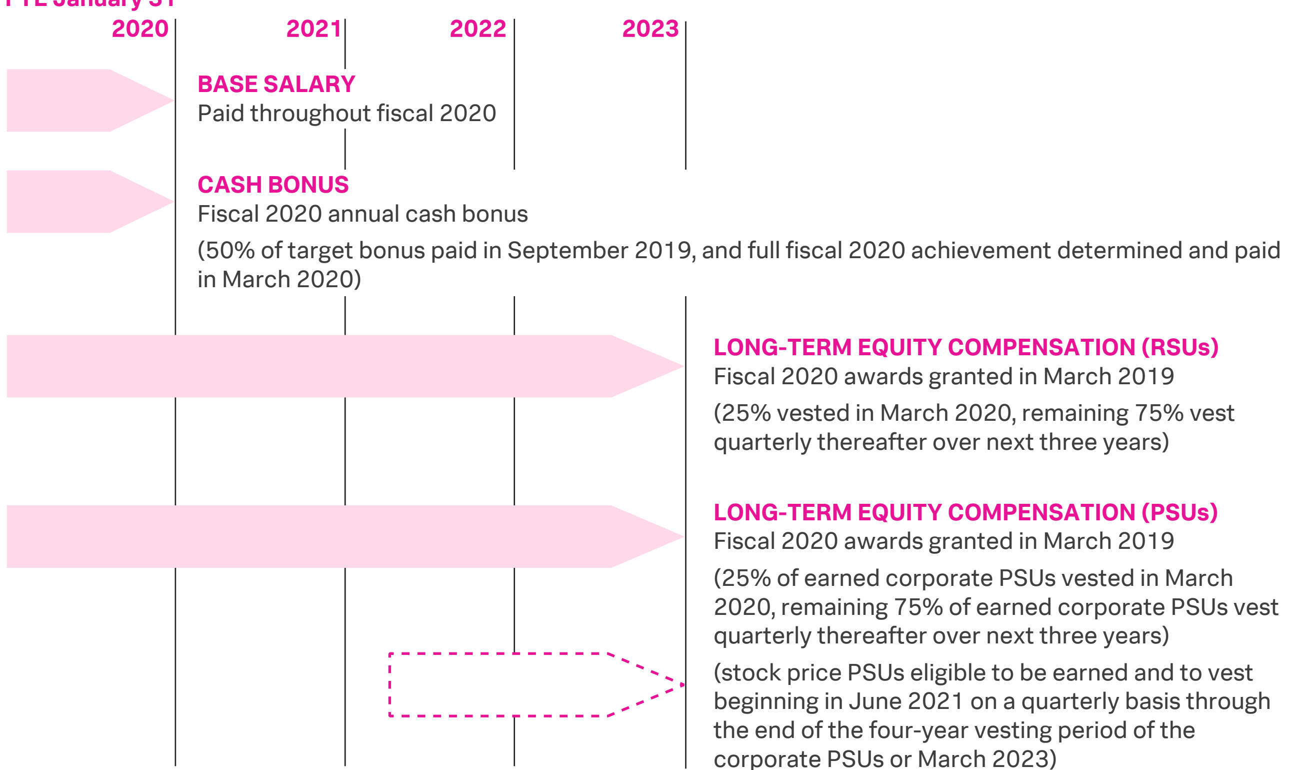
Our Fiscal 2020 Named Executive Officer Pay

The charts below show the pay mix of our CEO and other named executive officers (“NEOs”) and the components of their pay for fiscal 2020, specifically the base salary and cash bonus amounts earned and the grant date fair value of equity awards granted in fiscal 2020. 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.



* This chart excludes one-time cash payments made to Mr. Child and Mr. Conte. See “Executive Compensation—Compensation Discussion and Analysis— Other Compensation Policies and Information—One-Time Transition Bonuses” on page 58 of this proxy statement for details on the one-time cash payments made to Mr. Child and Mr. Conte. If the one-time cash payments made to Mr. Child and Mr. Conte were to be included, the pay mix would be 62% performance-based.

In addition, the chart below illustrates the short-term and long-term timeframe over which the various components of the NEOs’ fiscal 2020 compensation are earned and paid and serve to continue to retain and incentivize our NEOs.



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Corporate Governance at Splunk

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 nine members. Eight 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 2020 Annual Meeting" on page 77.

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 Director" and "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. 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. See "Board Refreshment and Succession Planning" below for a discussion of the director search and selection process.

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

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 are the benefits of the valuable experience and familiarity that longer-serving directors bring.

Diversity – Our Corporate Governance Guidelines reflect our commitment to Board diversity, by explicitly stating the Board's 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 our customers, stockholders, workforce 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 The Nasdaq Stock Market 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 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:

Capability	Description	Number of directors with the capability
Technology infrastructure	Deep insight in technology infrastructure, business prioritization and customer drivers	●●○○○
Scaling a SaaS business	Experience growing successful SaaS companies, reaching scale and maturity	●●●○○○○○
Investment	Experience creating long term value through investment, acquisitions, and growth strategies	●●●○
CEO experience	Expertise shaping strategy, performance, prioritization, and scale leadership	●●●
Modern technologist	Deep knowledge in technology architecture, risk, and innovation including transitioning from on-premises to cloud	●●●●●○○○
Sales	Experience building global sales capability for cloud services and enterprise software	●●○○
Marketing	Marketing and brand-building capability in rapidly changing industries, including new markets and expansion into adjacencies	●●●○
Key customer segment insight	Depth of insight into current and potential target markets and geographies	●●○○○○○○○
Finance	Financial expert with expertise in financial strategy, accounting, reporting	●●○○
People and compensation	Expertise in aligning company culture, performance, reward and talent with strategy	●○○○○○
Governance, risk and compliance	Experience in public company corporate governance and creating long term sustainable value	●●●●●○○○

● Strong capability ○ Moderate capability

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.

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, discusses the Board's future composition needs. This discussion includes the desired skills and attributes of successors for long-tenured directors as well as successors for our Chair and committee chairs. It also takes into account the current and long-term needs of our business and the skills composition of our Board and our committees.

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

Source Candidate Pool from

- Independent Search Firm
- Stockholders
- Independent Directors
- Our Management Team

In-Depth Review

by the Nominating and Corporate Governance Committee

- Consider skills mix and needs
- Consider diversity screen qualifications
- Review independence and potential conflicts

Meeting with Candidate

- Chair
- CEO
- CFO
- CLO
- Chair of each committee
- Opportunity for other directors to meet, especially if experienced in relevant area

Recommend Selected Candidate for Appointment to our Board

Review and Appointment by full Board

Select Director 3 new directors since 2017

PROXY

Nominees for Director

John Connors

Independent
Managing Partner at Ignition Partners

Age **61**

Director Since **2007**

Splunk Committee(s):
Audit Committee

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:

Scaling a SaaS business

Investment

Modern technologist

Key customer segment insight

Finance

Governance, risk and compliance

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 technology company, 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.

Patricia Morrison

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

Age **60**

Director Since **2013**

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

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:

Technology infrastructure

Modern technologist

Key customer segment insight

People and compensation

Governance, risk and compliance

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 Baxter International Inc., a global medical products company, since 2019. Ms. Morrison previously served as a member of the board of directors of Aramark, a global provider of food, facilities and uniform services, from 2017 to 2019. Ms. Morrison holds a B.A. and B.S. from Miami University in Oxford, Ohio.

Stephen Newberry

Independent
Former Chairman of Lam Research

Age **66**

Director Since **2013**

Splunk Committee(s):
Compensation Committee

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:

Scaling a SaaS business

CEO experience

Sales

Marketing

Key customer segment insight

People and compensation

Governance, risk and compliance

Stephen Newberry has served as a member of our Board since 2013. Mr. Newberry served as a director of Lam Research Corporation, a supplier of wafer fabrication equipment and services, from 2005 to 2019, and served as the Chairman of the board of Lam Research from 2012 to 2019. 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.

Continuing Directors

Mark Carges

Independent
Former CTO of eBay

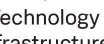
Age **58**

Director Since **2014**

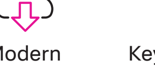
Splunk Committee(s):
Compensation Committee

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 infrastructure

Scaling a SaaS business


Modern technologist

Key customer segment insight

People and compensation

Governance, risk and compliance

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.

Elisa Steele

Independent
Independent Board Member

Age **53**

Director Since **2017**

Splunk Committee(s):
Compensation Committee

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 an executive of various technology companies.

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

Scaling a SaaS business

CEO experience

Modern technologist

Sales

Marketing

Key customer segment insight

People and compensation

Governance, risk and compliance

Elisa Steele has served as a member of our Board since 2017. Ms. Steele previously served as Chief Executive Officer of Namely, Inc., a financial and human capital management software company, from 2018 to 2019. Prior to joining Namely, Ms. Steele served as Chief Executive Officer and President of Jive Software, Inc., a collaboration software company (acquired by Aurea Software, Inc.), 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.

Sri Viswanath

Independent
CTO of Atlassian

Age **44**

Director Since **2019**

Splunk Committee(s):
Nominating and Corporate Governance Committee

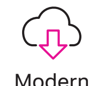
Mr. Viswanath possesses specific attributes that qualify him to serve as a director, including his product and engineering expertise, his knowledge and experience in the software industry and professional experience serving in leadership positions at other public companies.

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

Technology infrastructure

Scaling a SaaS business

Modern technologist


Key customer segment insight

People and compensation

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.

Sara Baack

Independent
Chief Product Officer of Equinix

Age **48**

Director Since **2017**

Splunk Committee(s):
Nominating and Corporate Governance Committee

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:

Technology infrastructure

Scaling a SaaS business

Investment

Modern technologist

Sales

Marketing

Key customer segment insight

Finance

Governance, risk and compliance

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.

Douglas Merritt

President and CEO of Splunk

Age **56**

Director Since **2015**

Splunk Committee(s):
None

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:

Technology infrastructure

Scaling a SaaS business

Investment

CEO experience

Modern technologist

Sales

Marketing

Key customer segment insight

Finance

People and compensation

Governance, risk and compliance

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.

Graham Smith

Independent
Chair of Splunk

Age **60**

Director Since **2011**

Splunk Committee(s):
Audit Committee

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:

Scaling a SaaS business

Investment

Modern technologist

Key customer segment insight

Finance

Governance, risk and compliance

Graham Smith has served as a member of our Board since 2011 and Chair since 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 BlackLine, Inc., a provider of cloud-based solutions for finance and accounting since 2015, and Slack Technologies, Inc., a provider of cloud-based professional collaboration tools, since 2018. Mr. Smith previously served on the board of directors of Citrix Systems, Inc., an enterprise software company, from 2015 to 2018, MINDBODY, Inc., a cloud-based wellness services marketplace (acquired by Vista Equity Partners), from 2015 to 2019, and Xero Limited, an online accounting software company, from 2015 to 2020. Mr. Smith holds a B.Sc. from Bristol University in England and qualified as a chartered accountant in England and Wales.

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, Newberry, Smith and Viswanath, representing eight of our nine 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. In addition, our Board determined that Messrs. Neustaetter and Sullivan, who each served as a director until his retirement in June 2019, were each independent during fiscal 2020.

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 or our Legal Department 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 2019.

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 2021 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 November 29, 2020; and
- not later than the close of business on December 29, 2020.

Advance Notice Procedures

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 risk management programs and practices, which includes areas such as strategic risks, including risks related to product, go-to-market and sales strategies, 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.

Our Board, together with the Audit Committee and the Compensation Committee, has been actively engaged with our management team in monitoring the severe market developments and other effects of the COVID-19 pandemic, and our management team is in regular communication with the Board about the assessment and management of the significant risks to the Company, our employees, our customers and other stakeholders.

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

- 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:

BOARD OF DIRECTORS

Oversees Major Risks

• Strategic and competitive • Financial • Brand and reputational • Legal, compliance and geo-political • Operational • Data protection and cybersecurity • Succession planning • Culture

AUDIT COMMITTEE
Primary Risk Oversight

- Risk management framework
- Financial statements, financial reporting and internal controls
- Data protection and cybersecurity
- Legal and compliance

COMPENSATION COMMITTEE
Primary Risk Oversight

- Employee compensation policies and practices
- Non-executive director compensation policies and practices
- Human capital management
- CEO and management succession planning

NOMINATING & CORPORATE GOVERNANCE COMMITTEE
Primary Risk Oversight

- Governance framework
- Board effectiveness
- Board succession planning
- Conflicts of interest and compliance
- ESG activities, programs and public disclosure

MANAGEMENT

Identification, assessment, and mitigation of risks

Leadership Development and Management Succession Planning

The Board and management team recognize the importance of continuously developing our executive talent. The Compensation Committee periodically reviews the performance reviews and succession planning for our management team and reports its findings and recommendations to the Board, works with the Board in evaluating potential successors to management positions and confers with the CEO to encourage our management team's employee development programs. The Compensation Committee also periodically reviews a succession plan for the CEO position, using formal criteria to evaluate potential successors. In conducting its evaluation, the Compensation Committee considers organizational needs, competitive challenges, leadership/ management potential and development, and emergency situations.

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 13.

CEO Evaluation Process

Our Board conducts an annual CEO evaluation process, consisting of both a performance review and a compensation analysis. For fiscal 2020, the performance evaluation component was led by our Chair of the Board and the 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 Chair and the 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 2020. 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

Mr. Smith, one of the Company's independent directors, currently serves as Chair of our Board. The Chair 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 Chair facilitates our Board's independent oversight of our management team, promotes communication between our management team and our Board, engages with stockholders, when appropriate, 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 Chair is not an independent director. As the current Chair is an independent director, we do not currently have a Lead Independent Director. With the appointment of Mr. Smith, Mr. Connors stepped down as Lead Independent Director, effective March 21, 2019, and continues to serve as a member of our Board and Chair of the Audit Committee.

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. For as long as we have an independent Chair, the Chair 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 (when we have a Lead Independent Director) or an assessment using the services of an independent 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 2020, as with fiscal 2019, fiscal 2018 and fiscal 2017, the Nominating and Corporate Governance Committee used an independent consultant, experienced in corporate governance matters, to assist with the Board and committee evaluation process. Using a combination of online surveys and interviews by the consultant, directors provided feedback on individual directors, committees and the Board in general. The topics covered included, 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 operation, performance and capability. In addition, certain members of our management team completed an online survey regarding Board performance and were interviewed by the consultant and gave specific feedback on Board dynamics and interactions with our management team. The consultant also attended Board and committee meetings to observe Board dynamics and effectiveness.

The consultant synthesized the results and comments received during the interviews. At subsequent meetings, the consultant presented the findings to the Nominating and Corporate Governance Committee and the Board, followed by review and discussion by the full Board. The consultant also held sessions with our management team and each director individually to communicate feedback on key strengths and opportunities for greater contribution and development.

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, participating in an annual in-depth review of the Company's overall strategy with our management team and a more fluid discussion of anticipated future director skills. The Board and management team also developed a shared understanding on Board dynamics and agreed on areas of focus for improved performance. 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

As part of our onboarding process, 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. Our onboarding process also 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.

Board Meetings and Committees

During our fiscal year ended January 31, 2020, 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. Mses. Baack, Morrison and Steele, and Messrs. Carges, Merritt, Neustaetter, Newberry, Smith and Viswanath attended our 2019 annual meeting of stockholders. 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

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.

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 Securities and Exchange Commission ("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 twelve meetings during the fiscal year ended January 31, 2020.

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 and any other required communications described in applicable accounting standards, including critical audit matters;
- 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, internal accounting controls or auditing matters, the prompt internal reporting of violations of the Code of Business Conduct and Ethics (the "Code") that could have a significant impact on our financial statements, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- 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;
- overseeing compliance with the Code;
- overseeing the adequacy and effectiveness of the Company's enterprise risk management framework; and
- reviewing our cybersecurity and other information technology risks, controls and procedures.

Compensation Committee

Stephen Newberry
Chair

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.

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, 2020.

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

- reviewing our policies, strategies and progress related to human capital management, including matters relating to talent management and development, talent acquisition, employee engagement, and diversity and inclusion;
- reviewing periodically the succession planning for our CEO and other executive officers;
- 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 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

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.

The current members of our Nominating and Corporate Governance Committee are Mses. Baack and Morrison and Mr. Viswanath. 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. Neustaetter, who served on the Nominating and Corporate Governance Committee until June 2019, was independent during his service. The Nominating and Corporate Governance Committee held four meetings during the fiscal year ended January 31, 2020.

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;
- 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;
- providing oversight of our stockholder engagement program; and
- overseeing and reviewing our environmental, social and governance (“ESG”) activities, programs and public disclosure.

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 an annual 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. In early fiscal 2020, our Board reviewed a market assessment and analysis prepared by Compensia, Inc. ("Compensia"), the Compensation Committee's independent compensation consultant, and approved the following increases effective as of March 21, 2019: $10,000 per year for service as non-executive Chair 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. No changes were made to the equity compensation of non-employee directors. The Board made these changes in order to continue to attract, retain and reward qualified non-employee 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 fiscal 2020 indicated non-employee director total compensation was slightly above the peer median.
- Equity makes up a meaningful portion of the non-employee 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 derivates of our common stock.
- No additional fees are paid for Board meeting attendance.

Cash Compensation

Our non-employee directors are entitled to receive the following cash compensation for their services:

- $50,000 per year for service as a Board member;
- $25,000 per year for service as chair of the Audit Committee;
- $20,000 per year for service as chair of the Compensation Committee;
- $10,000 per year for service as a member of the Audit Committee or the Compensation Committee;
- $12,500 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
- $50,000 per year for service as non-executive Chair 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 2020.

Change in Control. Under the terms of our 2012 Equity Incentive Plan, as amended (the "2012 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.

Death. Under the terms of our 2012 Plan, if a non-employee director dies, 100% of such non-employee director's outstanding equity awards will immediately vest (or 50% in the event he or she has been in service with us for less than a year.)

Fiscal 2020 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, 2020.

Director Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2][3]	Total ($)
Sara Baack	55,000	230,923	285,923
Mark Carges	60,000	230,923	290,923
John Connors	78,441	230,923	309,364
Patricia Morrison	70,779	230,923	301,702
Thomas Neustaetter	20,326[4]	—	20,326
Stephen Newberry	70,000	230,923	300,923
Graham Smith	104,494	230,923	335,417
Elisa Steele	60,000	230,923	290,923
Godfrey Sullivan	23,984[4]	—	23,984
Sri Viswanath	47,584[5]	643,302[6]	690,886

[1] Effective as of March 21, 2019, we paid $25,000 per year for service as chair of the Audit Committee (an increase of $5,000 per year); $12,500 per year for service as chair of the Nominating and Corporate Governance Committee (an increase of $2,500 per year); and $50,000 for service as non-executive Chair of the Board (an increase of $10,000 per year). The Board and committee fees

for our non-employee directors were prorated based on the number of days in fiscal 2020 during which the current compensation program was in effect. On March 21, 2019, Mr. Smith became non-executive Chair of the Board, replacing Mr. Sullivan; Mr. Connors became chair of the Audit Committee, replacing Mr. Smith; Ms. Morrison became chair of the Nominating and Corporate Governance Committee, replacing Mr. Connors; and Mr. Viswanath joined our Board and became a member of the Nominating and Corporate Governance Committee. The Board and committee fees were prorated based on the number of days each director served in his or her respective roles.

(2) The amounts reported in this column reflect the aggregate grant date fair value of the RSUs granted to our non-employee directors during fiscal 2020 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, 2020.

(3) Other than Messrs. Neustaetter and Sullivan, each non-employee director was granted an award of 1,953 RSUs on June 13, 2019, with a grant date fair value of $230,923. Twenty-five percent of the RSUs vest on each of September 10, 2019, December 10, 2019, March 10, 2020 and June 10, 2020 (or the next annual meeting of stockholders if earlier), subject to the director's continued service through such date.

(4) Messrs. Neustaetter and Sullivan resigned from our Board effective immediately following our 2019 annual meeting of stockholders on June 13, 2019, and their Board and committee fees were prorated based on the number of days they served as a director or committee member, respectively.

(5) Mr. Viswanath was appointed to our Board effective March 21, 2019, and his Board and committee fees were prorated based on the number of days he served as a director or committee member, respectively.

(6) Mr. Viswanath was granted an initial award of 2,642 RSUs on March 21, 2019, with a grant date fair value of $349,986, one-third of these RSUs will vest each year over three years following the date of grant, subject to his continued service as a director through each such date. Mr. Viswanath was granted an additional prorated annual award of 471 RSUs on March 21, 2019 with a grant date fair value of $62,393. The RSUs subject to this award vested on June 13, 2019.

As of January 31, 2020, each individual who served as a non-employee director during fiscal 2020 held the following aggregate number of shares subject to outstanding RSUs:

Director Name	Aggregate Number of Stock Awards Outstanding as of January 31, 2020
Sara Baack	2,709
Mark Carges	977
John Connors	977
Patricia Morrison	977
Thomas Neustaetter[1]	—
Stephen Newberry	977
Graham Smith	977
Elisa Steele	2,709
Godfrey Sullivan[1]	—
Sri Viswanath	3,619

(1) Messrs. Neustaetter and Sullivan each served as a director until June 13, 2019.

PROXY

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. To promote this belief, our Board adopted stock ownership guidelines requiring our non-employee directors to achieve certain stock 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 2020, 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 a broad range of governance and business topics, including business strategy and execution, Board refreshment, executive compensation practices, risk oversight, sustainability, culture and human capital management. 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 2020, we solicited the views of institutional stockholders representing approximately 67% of our shares and engaged in substantive discussions with stockholders representing approximately 37% of our shares. Feedback was provided to relevant committees and the full Board.

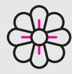
In general, our stockholders have a long-term outlook and understand that we are currently in a dynamic, high-growth phase and have historically faced a talent war. We received positive feedback on our compensation and corporate governance practices. See "Executive Compensation—Compensation Discussion and Analysis—Executive Summary—Stockholder Engagement and Our 2019 Say-on-Pay Vote" for stockholder feedback on our executive compensation program.

Annual Stockholder Engagement Cycle

SUMMER
We review the results of the annual meeting, together with governance trends and best practices, and regulatory developments. We start preparing our agenda for engagement in the fall.

FALL
We speak with our major stockholders and others who request meetings about significant governance and executive compensation changes, corporate sustainability updates, and other developments at the Company. We solicit feedback on topics that are important to them.

WINTER
We communicate to the Board and its committees any feedback received and consider those perspectives in upcoming governance and executive compensation discussions. We consider disclosure enhancements.



SPRING
We publish our proxy statement and annual report to our stockholders. We reach out to our major stockholders and speak with those wanting to engage about important topics to be addressed at our annual meeting. Stockholders vote on election of directors, executive compensation, ratification of our auditors, and such other matters as may arise at our annual meeting.

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 Corporate Secretary, Splunk Inc., 270 Brannan Street, San Francisco, California 94107. All such stockholder communications will be reviewed initially by our Corporate Secretary or the Legal Department and, if appropriate, will be forwarded to the appropriate member or members of the Board, or if none is specified, to the Chair of the Board. This process assists the Board in reviewing and responding to stockholder communications in an appropriate manner. The Corporate Secretary or Legal Department 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. The Nominating and Corporate Governance Committee oversees our ESG activities and programs. During fiscal 2020, we engaged an independent consultant and commenced a materiality assessment to determine the ESG issues that matter most to our business and our stakeholders. The outcomes of this assessment will further inform our future direction and priorities.

WORKFORCE AND DIVERSITY

Human capital management, including diversity and inclusion, is a key driver of our success. We seek to hire and 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.

- A diverse and inclusive Splunk helps us achieve our mission of bringing data to every question, decision and action to drive great outcomes for our company, our communities and each other.
- We rolled out a number of initiatives to better support the needs of all employees and their families, including programs that provide up to twenty weeks U.S. paid parental leave benefits, as well as comprehensive fertility and family forming benefits.
- We are focused on hiring, retaining and promoting diverse leaders through the organization at all levels. Currently, 36.4% 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.
- Our #MillionDataPoints video campaign shines a spotlight on the unique "data points" each Splunk employee brings to the team every day.
- Our Employee Resource Groups continued to grow in fiscal 2020 from six to nine, adding Pilipinx, Natives and NeuroDiversity to Pride@Splunk, Womxn+@Splunk, Veterans@Splunk, Somos@Splunk, BEAMS@Splunk (Black Employees & Mentors) and Disabled=True@Splunk, and help us drive change at the grassroots level and offer our employees support, mentoring and networking opportunities.
- 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.
- Splunk is regularly recognized as an employer of choice in the technology industry, and within the various locations that we operate. Splunk was selected by Fortune as one of the 2019 Best Workplaces for Women, Best Workplaces for Parents, Best Workplaces for Millennials and Best Workplaces for Diversity.

COMMUNITY

Splunk for Good transforms the connective power of data into a strategic asset for nonprofits, universities, organizations and people working to do good in the world. Through our expertise, tools, training and personalized support, we help simplify, demystify and utilize data to drive action for good. With close to 6,000 global employees, we also empower our employees to drive 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. 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 2020, we advanced these efforts in a variety of ways:

- We launched a $50 million Splunk Ventures Social Impact Fund focused on accelerating growth of companies that are using data to drive positive social impact, workforce development, equality and sustainability. As our first investment, we closed funding in Zonehaven Inc., a cloud-based analytics application designed to help communities improve evacuations and reduce wildfire risk with data.
- We increased our total contribution to nearly $46.4 million in software and services through our Splunk Pledge program.
- We expanded our workforce training programs to include a total of more than 11,400 program participants. Through expanded partnerships in the United States, United Kingdom, and Australia, more than 10,000 veterans, spouses, and currently serving military members have now registered for free training through our SplunkWork+ community in fiscal 2020.
- 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 61% of employees participated in charitable giving and volunteer activities around the world. This extensive activity benefited more than 2,088 nonprofit organizations globally through commitments of time and financial support.

As the COVID-19 pandemic continues to affect the world, we are focused on helping individuals and organizations track the pandemic and respond with a data-driven approach. As one example, Splunk for Good recently developed interactive COVID-19 visualizations for public use.

Splunk for Good's 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 technology, 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 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 2020, 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 have a dedicated CISO within our Chief Technology Officer's 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") and the California Consumer Privacy Act ("CCPA").
- 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 SEC rules, other than as described below:

- Hayley Sullivan, the daughter of the former Chair of our Board, 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. Mr. Sullivan is no longer affiliated with the Company as an officer or director.
- Jacob Stein, the son of our former Senior Vice President, Global Affairs, Leonard Stein, is a Data Specialist, Strategic Insights 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.

Anti-Hedging and Anti-Pledging Policy; Stock Trading Practices

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 all employees and directors, certain partners with access to confidential information and third parties identified from time to time by our Insider Trading Compliance Officer from engaging in short sales, hedging, swaps, exchange funds 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. None of the Company's subsidiaries have publicly traded equity securities. Our Insider Trading Policy requires all directors, the CEO, Section 16 officers and employees identified by the Insider Trading Compliance Officer to obtain written pre-clearance from the Insider Trading Compliance Officer or his or her designee prior to buying, selling, or engaging in any other transaction in the Company's securities.

Further, we have adopted Rule 10b5-1 Trading Plan Guidelines that permit our directors and certain employees 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.

Audit Committee Matters

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, 2021.

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, 2021. During our fiscal year ended January 31, 2020, 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, 2021. 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 will 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 applicable requirements of 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, 2020 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, 2019 and 2020. All fees were pre-approved by the Audit Committee in accordance with the policy described below.

	2019 ($)	2020 ($)
Audit Fees[(1)]	3,767,946	4,011,196
Audit-Related Fees	—	—
Tax Fees[(2)]	523,318	852,659
All Other Fees[(3)]	3,870	3,870
Total:	4,295,134	4,867,725

(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.

(2) Tax fees consist of fees billed for tax compliance, consultation and planning services. The increase in tax fees for the fiscal year ended January 31, 2020 was primarily related to U.S. tax reform and transfer pricing services.

(3) All other fees billed for the fiscal years ended January 31, 2019 and January 31, 2020 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, 2020. Executive officers are appointed by the Board to hold office until their successors are elected and qualified.

Name	Age	Position(s)
Douglas Merritt	56	President, CEO and Director
Jason Child	51	Senior Vice President and Chief Financial Officer
Scott Morgan	49	Senior Vice President, Chief Legal Officer, Global Affairs and Secretary
Susan St. Ledger	55	President, Worldwide Field Operations
Timothy Tully	42	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.

Jason Child has served as our Senior Vice President and Chief Financial Officer since 2019. Prior to joining us, Mr. Child served as Chief Financial Officer at Opendoor Labs Inc., an online real estate marketplace, from 2017 to 2019. From 2015 to 2016, Mr. Child was Chief Financial Officer at AliphCom, Inc. (d/b/a Jawbone), a consumer technology and wearable products company. Mr. Child served as Chief Financial Officer at Groupon, Inc., an e-commerce company, from 2010 to 2015. Previously, he spent over 11 years leading various global finance teams at Amazon.com, Inc., an e-commerce and cloud computing company. Mr. Child began his career at Arthur Andersen LLP. He holds a B.A. from the University of Washington.

Scott Morgan has served as our Senior Vice President, Chief Legal Officer since 2019 and our Secretary since 2018. Mr. Morgan has also led our Global Affairs organizations since 2020. 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 and 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 in 2017. 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

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.

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 42, 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 2020 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."

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. We structure our executive compensation program to include significant performance metrics that are aligned with our business strategy and long-term stockholder value creation. The fiscal 2020 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 stock price performance.

Strategic Context and Fiscal 2020 Business Highlights

We provide innovative software solutions that ingest data from different sources including systems, devices and interactions, and turn that data into meaningful business insights across the organization. Our Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. Our mission is to make 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 IoT and industrial data, among many others.

We believe the market for products that deliver real-time business insights from data 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. Our goal is to make Splunk the standard platform for delivering real-time business insights from data.

In fiscal 2020, achieving our goal depended 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. Our fiscal 2020 executive compensation program was designed to incentivize our executive officers to drive performance in accordance with this growth strategy.

Fiscal 2020 was another 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 2020, 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 2020, 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, in fiscal 2020 our executive compensation plans balanced growth and margin in support of our long-term market opportunity.

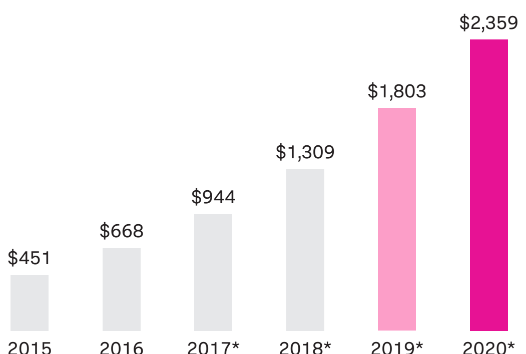
Our fiscal 2020 business highlights include achievement of the following revenue and non-GAAP operating margin results and other important metrics:

- Total revenue of $2.359 billion, up 31% year-over-year;
- Non-GAAP operating margin of 14.2%[(1)];
- Operating cash flow of negative $287.6 million with free cash flow of negative $388.8 million[(1)]; and
- Over 19,400 customers in more than 130 countries at the end of fiscal 2020, compared to over 17,500 customers at the end of fiscal 2019.

[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, 2020.

Total Revenue

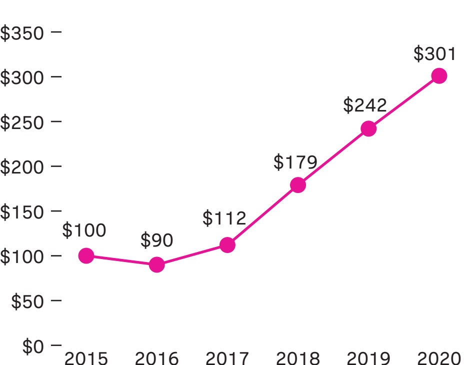
$ in Millions • FYE January 31



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

Total Stockholder Return**

FYE January 31



** The chart below shows the total return on our common stock through the end of fiscal 2020, assuming an initial investment of $100 at the end of fiscal 2015.

We believe our executive compensation program structure incentivized our NEOs to drive towards the Company's strong growth, financial performance and execution for fiscal 2020. In addition, we believe our NEOs' compensation for fiscal 2020 appropriately reflected and rewarded their collective contributions to our performance. We have attracted and retained an executive management team of seasoned and accomplished leaders focused on executing on our market opportunity and leading us through our next phase of growth.

Executive Compensation Practices

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 2020 executive compensation policies and practices:

What We Do

- Performance-based cash and equity incentives
- Caps on performance-based cash and equity incentive compensation
- Annual review and approval of our executive compensation strategy
- Significant portion of executive compensation at risk based on corporate performance
- Clawback policy on cash and equity incentive compensation
- Stock ownership guidelines for executive officers and directors
- Four-year equity award vesting periods
- Independent compensation consultant engaged by the Compensation Committee
- 100% independent directors on the Compensation Committee
- Limited and modest perquisites
- Formal CEO evaluation tied to compensation decisions
- Ongoing engagement with our institutional stockholders regarding our compensation policies and practices

What We Don't Do

- No "single trigger" change in control payments and benefits
- No post-termination retirement or pension-type non-cash benefits or perquisites for our executive officers that are not generally available to our employees
- No tax gross-ups for change in control related 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 2019 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 2020, we solicited the views of institutional stockholders representing approximately 67% of our shares and engaged in substantive discussions with stockholders representing approximately 37% 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 discussed with these stockholders the reasons for their support of, and for a small percentage their opposition to, our 2019 Say-on-Pay resolution, which was approved by approximately 94% of the votes cast at our 2019 annual meeting of stockholders. Stockholders generally viewed the evolution of our executive compensation program as consistent with what we previously communicated in our outreach over the past several years and consistent with our strategy and pay for performance philosophy. Based on input from stockholders in fiscal 2019, the Compensation Committee determined that the fiscal 2020 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 30 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	• Consider performance metrics that tie to our business strategy and are appropriate given our business model transition • Consider additional metrics in the short-term bonus plan • Performance period reasonable but as Company matures and growth rates moderate, consider longer performance period for performance-based equity awards	• Changed to annual recurring revenue metric in fiscal 2021 short-term bonus plan and PSU program to align our incentives with key drivers of stockholder value and reflect our transition to a renewable business model as our revenue mix continues to go from sales of perpetual licenses to sales of term licenses and cloud subscriptions • Changed to operating cash flow metric in fiscal 2021 PSU program to reflect focus on disciplined execution of our business objectives during our transition to a renewable business model • Considered other metrics but determined not appropriate at this stage in our maturity and the focus on continued investment for scale, growth and innovation • Continued to include a multi-year stock price performance metric in fiscal 2021 PSU program for long-term stock price performance that exceeds index performance to further align the interests of our NEOs and stockholders • Assessed performance period length and confirmed that one year continues to be appropriate in light of our growth trajectory 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	• Amount of pay generally reasonable given 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	• 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 2020 Named Executive Officer Updates

During fiscal 2020, we internally promoted an executive officer and welcomed a new Chief Financial Officer, each as described below.

- Scott Morgan was promoted to Senior Vice President, Chief Legal Officer in March 2019. He previously served as our General Counsel and Secretary. In his current role, Mr. Morgan leads the legal function and global affairs initiatives at the Company.
- Jason Child joined the Company as Senior Vice President and Chief Financial Officer and an executive officer in May 2019. He has more than 25 years of experience leading high growth companies and scaling global finance functions. In his current role, Mr. Child leads and is responsible for the finance function at the Company.

Discussion of Our Fiscal 2020 Executive Compensation Program

We align our executive compensation program with our business strategy and focus on what we believe to be key to our success—growth, execution, innovation and disruption. This section provides an overview of the philosophy, objectives and components of our executive compensation program. In addition, we explain how and why the Compensation Committee arrived at the specific compensation policies and decisions for our executive officers during fiscal 2020.

Our NEOs for fiscal 2020 are:

- Douglas Merritt, our President, CEO and member of the Board;
- Jason Child, our Senior Vice President and Chief Financial Officer;
- David Conte, our former Senior Vice President, Finance and our former Senior Vice President and Chief Financial Officer[1];
- Scott Morgan, our Senior Vice President, Chief Legal Officer, Global Affairs and Secretary;
- Susan St. Ledger, our President, Worldwide Field Operations; and
- Timothy Tully, our Senior Vice President, Chief Technology Officer.

(1) Mr. Conte resigned as Chief Financial Officer in May 2019 in connection with Mr. Child's appointment, and continued his employment as our Senior Vice President, Finance until he retired from the Company effective as of October 1, 2019.

Philosophy and Objectives

Our "Pay for Performance" Philosophy. 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 and retain qualified individuals, link individual performance to Company performance, focus the efforts of our NEOs and other executive officers on the achievement of both our short-term and long-term objectives and align the interests of our executive officers with those of our stockholders.

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 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 employees, including 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 challenging to do, we believe we have found the proper mix of incentives that attracts, motivates and retains each executive officer.

We regularly review and, if appropriate, adjust our executive compensation program to match the maturity, size, scale and growth of our business. 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.

Compensation Process

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, 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.

In making executive compensation decisions, the Compensation Committee seeks the assistance of its independent compensation consultant as well as 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 to properly incentivize and reward them 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 consults with members of our management team, including our CEO and our human resources, finance and legal professionals (except with respect to their own compensation) when making compensation decisions. Typically, our CEO and other members of our 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 executive officers. The Compensation Committee uses these recommendations 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 2020, 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 2020, 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. Child's hiring and Mr. Morgan's promotion 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 2020 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 2020 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 2020 peer group:

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

For fiscal 2020, the Compensation Committee removed athenahealth and CoStar Group from the peer group used in fiscal 2019 because these companies were not deemed to be sufficiently relevant comparables, and added Square as an additional peer based on the criteria described above. The remainder of the peer group was unchanged.

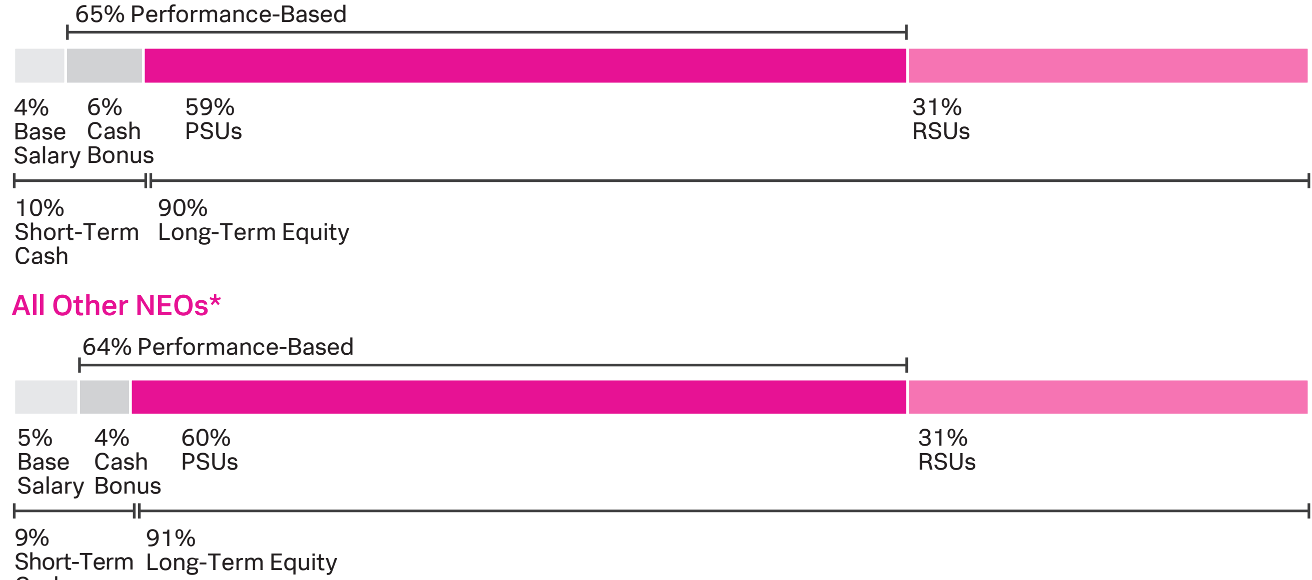
Components of Compensation Program and Fiscal 2020 Compensation

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.

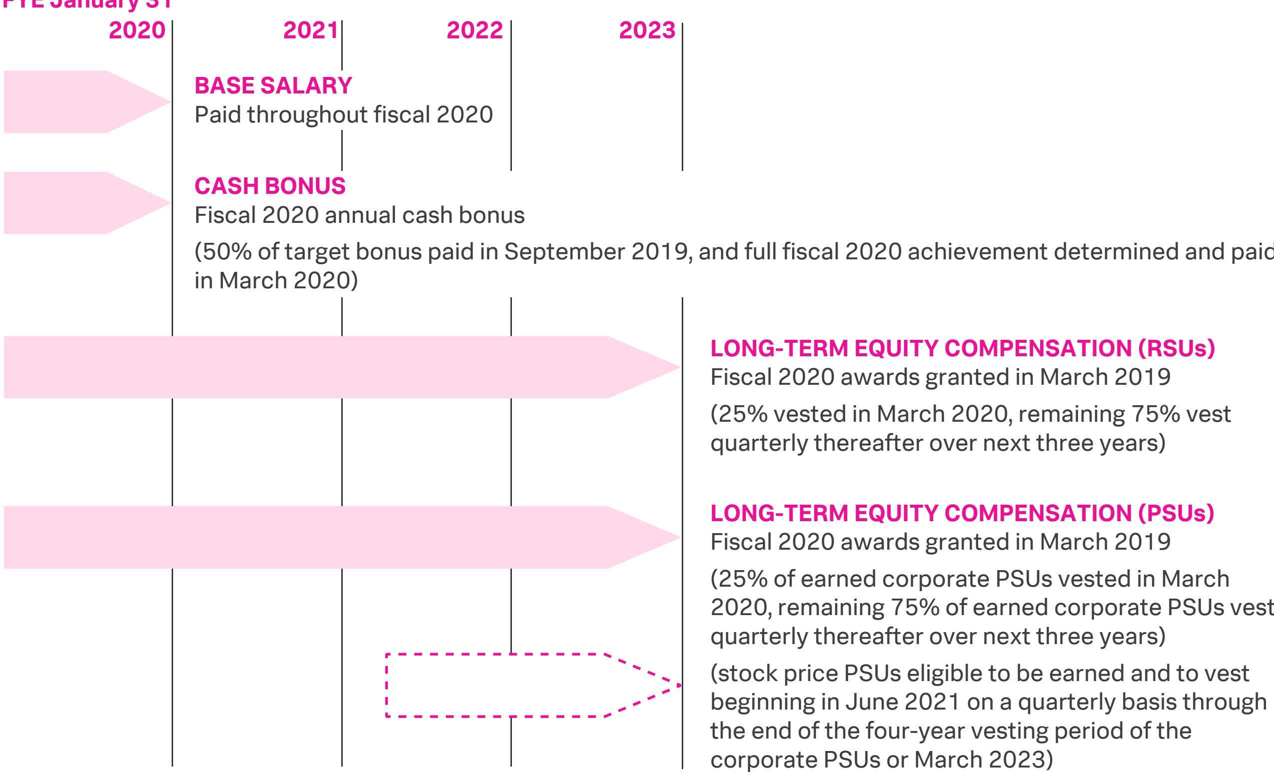
We also provide our executive officers with comprehensive employee benefit programs such as medical, dental and vision insurance, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs made available to our eligible employees.

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 2020, specifically the base salary and cash bonus amounts earned and the grant date fair value of equity awards granted in fiscal 2020.



* This chart excludes one-time cash payments made to Mr. Child and Mr. Conte. See "Executive Compensation—Compensation Discussion and Analysis— Other Compensation Policies and Information—One-Time Transition Bonuses" on page 58 of this proxy statement for details on the one-time cash payments made to Mr. Child and Mr. Conte. If the one-time cash payments made to Mr. Child and Mr. Conte were to be included, the pay mix would be 62% performance-based.

In addition, the chart below illustrates the short-term and long-term timeframe over which the various components of the NEOs' fiscal 2020 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 2020 BASE SALARIES

The Compensation Committee determined the fiscal 2020 base salary of each of our NEOs after considering market practice survey data of our peer group provided by Compensia, the recommendations of our CEO, other than with respect to his own base salary, and other factors described in "Compensation Process—Role of Compensation Committee" above. At the beginning of fiscal 2020, the Compensation Committee adjusted the base salaries for Messrs. Merritt, Morgan and Tully, and Ms. St. Ledger to reflect the foregoing and each individual's responsibilities and performance. In addition, Mr. Morgan's base salary increase reflects his promotion to Senior Vice President, Chief Legal Officer from General Counsel.

The table below sets forth the annual base salaries for our NEOs for fiscal 2020.

NEO	Base Salary	Percentage Increase from Fiscal 2019 Base Salary
Douglas Merritt	$675,000	4%
Jason Child[(1)]	$460,000	N/A
David Conte[(2)]	$445,000	0%
Scott Morgan	$375,000	6%
Susan St. Ledger	$475,000	3%
Timothy Tully	$420,000	5%

(1) Mr. Child joined the Company on May 6, 2019. The base salary shown above is on an annualized basis.

(2) Mr. Conte retired from the Company effective as of October 1, 2019. The base salary shown above is on an annualized basis.

Cash Bonuses

A key objective of our compensation philosophy is to tie a significant portion of each NEO's compensation to our 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 2020, our Board approved our fiscal 2020 operating plan, which included performance objectives that the Compensation Committee and our CEO used to design our NEOs' cash bonus opportunity for fiscal 2020. 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 2020 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 2020, the Compensation Committee decided to maintain the percentages for all continuing NEOs' target bonus opportunities. Due to the base salary increases described above, the dollar amount of the target bonus opportunities increased for each of our continuing NEOs, other than Mr. Conte, whose base salary did not increase. 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 2020 Target Bonus as a Percentage of Salary	Fiscal 2020 Target Bonus as a Dollar Amount	Change from Fiscal 2019 Target Bonus as a Percentage of Salary
Douglas Merritt	125%	$843,750	0%
Jason Child[(1)]	75%	$345,000	N/A
David Conte	80%	$356,000	0%
Scott Morgan	60%	$225,000	0%
Susan St. Ledger	100%	$475,000	0%
Timothy Tully	70%	$294,000	0%

(1) Mr. Child joined the Company on May 6, 2019. The target amounts shown above are on an annualized basis.

As described below, the target levels for the performance objectives were set to be aggressive, yet achievable with focused effort and execution. Fiscal 2020 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 2020 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 a different metric, total contract value ("TCV"), as the performance objectives for fiscal 2020. The Compensation Committee, to motivate Mr. Merritt and our other NEOs to continue to grow and develop our business, established target levels for the revenue and TCV performance objectives for fiscal 2020 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 2020 revenue target reflected an increase of 30% over our fiscal 2019 revenue results, and maximum achievement required an increase of 36% or more over our fiscal 2019 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, Child, Conte, Morgan and Tully were based 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 (with linear interpolation in between tiers).

	Fiscal 2020 Revenue (in millions)	Bonus Payout Multiple Relative to Target
Max	$2,450 or more	200%
	$2,425	165%
	$2,400	130%
	$2,375	110%
Target	$2,350	100%
	$2,280	75%
Threshold	$2,233	50%
	Less than $2,233	0%

Our Sales Executive NEO. The fiscal 2020 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 (with linear interpolation in between tiers).

Percentage Attainment of Target	Bonus Payout Multiple Relative to Target
110% or more	300%
108%	260%
107%	240%
105%	200%
103%	140%
101%	105%
100%	100%
97%	75%
95%	50%
Less than 95%	0%

FISCAL 2020 CASH BONUS PAYMENTS

Our Non-Sales Executive NEOs. Following our second quarter of fiscal 2020, our Compensation Committee reviewed our financial performance against the revenue target applicable to the target annual cash bonus opportunities of Messrs. Merritt, Child, Conte, Morgan and Tully. The Compensation Committee determined that we were on track to achieve or exceed our annual revenue target. Accordingly, the Compensation Committee approved semi-annual bonus payments of 50% of each of these NEO's fiscal 2020 target annual cash bonus opportunity, with Mr. Child's amount prorated based on the number of days in the first half of 2019 Mr. Child was employed with us. After the conclusion of fiscal 2020, the Compensation Committee again evaluated our performance against the revenue target for the full year. The Compensation Committee determined that we had achieved revenue of $2.359 billion, which represented a 31% increase from our fiscal 2019 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, Child, Morgan and Tully in an amount that resulted in total fiscal 2020 bonus payments for each equaling 103.6% of his respective fiscal 2020 target annual cash bonus opportunity.

Our Sales Executive NEO. Following our second quarter of fiscal 2020, our Compensation Committee reviewed our financial performance and determined that we were on track to achieve our annual TCV target. Accordingly, the Compensation Committee approved a semi-annual bonus payment of 50% of Ms. St. Ledger's fiscal 2020 target annual cash bonus opportunity. After the conclusion of fiscal 2020, the Compensation Committee evaluated our performance against the TCV target for the full year and determined that we achieved approximately 103.6% 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 2020 bonus payment equaling 164.3% 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 2020:

NEO	Fiscal 2020 Target Cash Bonus ($)	Fiscal 2020 Cash Bonus Paid ($)
Douglas Merritt	843,750	874,125
Jason Child[(1)]	345,000	265,372
David Conte[(2)]	356,000	178,000
Scott Morgan	225,000	233,100
Susan St. Ledger	475,000	780,425
Timothy Tully	294,000	304,584

(1) Mr. Child joined the Company on May 6, 2019. The target amount shown above is on an annualized basis. The total paid amount shown above is the actual paid amount prorated based on the number of days in fiscal 2020 during which Mr. Child was employed with us.

(2) Mr. Conte retired from the Company effective as of October 1, 2019. Following his retirement and his execution of an effective release of claims, Mr. Conte received payment of 100% of his target bonus for fiscal 2020, reduced by amounts of fiscal 2020 bonus previously paid to him. Mr. Conte was not eligible for cash bonus payments above target for fiscal 2020 performance under our executive bonus plan or pursuant to the transition services agreement, as described further under "Compensation Tables—Executive Employment Arrangements" below.

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 believe that PSUs directly link a significant portion of our executive officers' target total direct compensation to our financial and stock price performance based on the achievement of multiple, distinct and 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, including performance targets, 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 "Compensation Process—Role of Compensation Committee" above.

FISCAL 2020 EQUITY AWARDS

Annual Equity Awards. In March 2019, the Compensation Committee granted RSUs and PSUs to each of Messrs. Merritt, Morgan, Tully, and Ms. St. Ledger. Mr. Child was granted new hire RSUs and PSUs in connection with his hiring in May 2019. The goal of attracting Mr. Child to the Company in a highly competitive environment factored heavily into the determination of the amounts of his new hire equity awards. Mr. Conte was not granted any fiscal 2020 RSUs or PSUs.

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%	36,800	60%	55,200
Jason Child	New Hire	40%	41,537	60%	62,305
David Conte	N/A	—	—	—	—
Scott Morgan	Annual	40%	15,276	60%	22,914
Susan St. Ledger	Annual	40%	21,047	60%	31,570
Timothy Tully	Annual	40%	21,047	60%	31,570

Each of these decisions was made in consultation with Compensia and after considering the factors described above, and for Mr. Child, his hiring, and for Mr. Morgan, his promotion. The annual RSUs granted to the NEOs in fiscal 2020 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, subject to the NEO's continued service with us on each vesting date. 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 2020 are substantially similar to the terms and conditions of the PSUs granted in fiscal 2019. The principal terms and conditions of the fiscal 2020 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	• 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 2020, and as further adjusted for the financial impact of any unanticipated acquisitions made during the performance period, divided by revenue (adjusted as described above)	• 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
Targets for Corporate Performance Metrics	• Target revenue and non-GAAP operating margin set based on our operating plan at the beginning of fiscal 2020 • Target revenue for fiscal 2020 reflected an increase of 30% over our fiscal 2019 revenue results, and maximum achievement required an increase of 36% or more over our fiscal 2019 revenue results	• 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 • Capped, maximum payouts only possible when the Company has exceptional performance
Corporate Performance Period	• One-year performance period for corporate performance metrics in fiscal 2020 • Earned corporate PSUs will not fully vest until approximately four years after date of grant, thus placing awards at-risk for a prolonged period	• Steep trajectory of our top-line growth and a shift in our business model towards renewable agreements make performance periods difficult to estimate over a longer period • 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	• 25% of earned corporate PSUs vested shortly following the end of the performance period and upon approval of our fiscal 2020 audited financial statements • Remainder will vest quarterly over the next three years, subject to continued service through each vesting date	• Time-based vesting schedule for earned corporate PSUs provides additional long-term retention incentives and encourages our NEOs to take a long-term view of our business
Stock Price Modifier	• Up to an additional 50% of the number of earned corporate PSUs can be earned if our stock price growth rate is (a) equal to or greater than that of the SPDR S&P Software & Services ETF (or its successor) stock price growth rate and (b) at least 46.41% over four years • Stock price growth rate measured over four-year performance period through March 2023, with stock price PSUs eligible to be earned quarterly beginning in June 2021 if stock price hurdles achieved on each measurement date	• Requiring our 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 our 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 long-term incentive and alignment

The target number of shares subject to the fiscal 2020 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 2020, without giving effect to the stock price modifier.

The following chart presents the tiers of the revenue metric payout multiples relative to target (with linear interpolation in between tiers).

	Fiscal 2020 Revenue (in millions)[1]	Payout Multiple Relative to Target
Max	$2,450 or more	200%
	$2,425	165%
	$2,400	130%
	$2,375	110%
Target	$2,350	100%
	$2,280	75%
Threshold	$2,233	50%
	Less than $2,233	0%

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

The following chart presents certain tiers of the non-GAAP operating margin metric payout multiples relative to target (with linear interpolation in between tiers).

	Fiscal 2020 Non-GAAP Operating Margin[1]	Payout Multiple Relative to Target
Max	15%	200%
Target	13.5%	100%
Threshold	13%	50%
	Less than 13%	0%

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

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 equal to or greater than SPDR S&P Software & Services ETF stock price growth rate	74.90% (or $206.09)	50%
	46.41% or below (or $172.51 or below)	0%

Earned Corporate PSU Awards. In fiscal 2020, we achieved GAAP revenue of $2.359 billion, representing a 31% growth rate from our fiscal 2019 revenue achievement, and non-GAAP operating margin of 14.2%. The Compensation Committee considered the impact of acquisitions in fiscal 2020 both to the revenue metric and to the non-GAAP operating margin metric, and, in accordance with the terms of the fiscal 2020 PSUs, made adjustments to both metrics.

Based on our actual performance, after considering the impact of acquisitions in fiscal 2020, and in accordance with the payout multiples described above, the Compensation Committee determined that 150.05% of each continuing NEO's target PSU award was earned as corporate PSUs. The number of corporate PSUs earned by each continuing NEO was as follows:

NEO	Number of Earned Corporate PSUs
Douglas Merritt	82,827
Jason Child	93,488
David Conte	N/A
Scott Morgan	34,382
Susan St. Ledger	47,370
Timothy Tully	47,370

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 2020, 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 2021 through March 2023, as described above:

NEO	Number of Stock Price PSUs Eligible to be Earned
Douglas Merritt	41,413
Jason Child	46,744
David Conte	N/A
Scott Morgan	17,191
Susan St. Ledger	23,685
Timothy Tully	23,685

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 chart below describes the material terms of these benefits for our continuing NEOs.

Triggering Event(s)	Benefits
Within three months after signing of a definitive agreement that ultimately results in a change in control or 18 months after a change in control AND Employment is terminated without cause or NEO resigns for good reason	• 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), less any amounts already paid for such year; • 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. In each case subject to NEO timely signing a release of claims that becomes effective.
Employment is terminated without cause (other than in connection with a change in control)	• 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, less any amounts already paid for such year; • 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. In each case subject to NEO timely signing a release of claims that becomes effective.

In addition, in the event any of the payments provided for under the executive employment letters, or otherwise payable to the NEO, would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code and could be subject to the related excise tax under Section 4999 of the Internal Revenue Code, he or she would be entitled to receive either full payment of benefits or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to such executive. No employment letter with any of our NEOs provides for any tax gross-up payments.

In connection with Mr. Conte's announced retirement, on November 30, 2018, we entered into a transition services agreement (the "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. Following our hiring of a new chief financial officer, on October 3, 2019, we entered into a release agreement with Mr. Conte in connection with his retirement, pursuant to which he became entitled to receive the severance benefits as set forth in his Transition Services Agreement. For a description of the Transition Services Agreement, including the severance and change in control-related benefits applicable to Mr. Conte thereunder, see "Compensation Tables—Executive Employment Arrangements."

Under our 2012 Plan, our employees, including our executive officers, and our non-employee directors are entitled to vesting acceleration benefits in the event of their death. See "Compensation Tables—Equity Acceleration Death Benefit" below for further information.

On April 24, 2020, the Compensation Committee, in consultation with Compensia, reviewed our retention goals for our executive officers, including our NEOs, and made certain updates to their severance and change in control-related benefits. See "Other Compensation Policies and Information—Recent Fiscal 2021 Compensation Decisions" below for further information.

Other Compensation Policies and Information

One-Time Transition Bonuses

Signing Bonus for Mr. Child. In May 2019, pursuant to his offer letter, Mr. Child received a cash signing bonus in the amount of $500,000, subject to reimbursement in full if he voluntarily resigns from the Company without good reason within 12 months of his start date. Mr. Child was also granted 41,537 RSUs and 62,305 target PSUs in connection with his hiring. His RSUs vest over four years with 25% of his RSUs vesting in June 2020 and the remainder vesting quarterly over three years, if he remains employed by the Company. On March 26, 2020, 150.05% of his target PSU award was earned as corporate PSUs and 25% vested based on Company performance for fiscal 2020. The remainder of his PSUs vest quarterly over three years, if he continues to be a service provider of the Company.

In considering Mr. Child's compensation package, including his signing bonus, the Compensation Committee took into account the substantial effort, focus and commitment required of Mr. Child to achieve the Company's strategic business goals, and to transition the finance operations of the Company from our former chief financial officer, including all management, budgeting, planning, investor relations, treasury, accounting, internal controls and audit obligations. The Compensation Committee was also mindful of the competition for talented chief financial officers in the technology sector and the goal of attracting Mr. Child to the Company in light of his prior experience serving as CFO at Groupon, Inc. and leading global finance teams at Amazon.com, Inc. for over 11 years as well as compensation he forfeited when he separated from his prior employer. For a description of Mr. Child's offer letter, see "Compensation Tables—Executive Employment Arrangements."

Transition Bonus for Mr. Conte. In August 2019, as a result of Mr. Conte's announced retirement, and pursuant to his Transition Services Agreement, Mr. Conte received a cash bonus in the amount of $1 million in consideration for his assistance with a successful transition to our new chief financial officer. Under the terms of the Transition Services Agreement, a successful transition required that (1) the Company timely filed all annual and quarterly reports and timely

furnished all current reports under Item 2.02 of Form 8-K, from November 30, 2018, under the Securities Exchange Act of 1934, (2) Mr. Conte maintained the operations of the finance function of the Company in a manner reasonably consistent with the professional standards and competency displayed by him during his tenure as the Company's CFO, including without limitation, all management, budgeting, planning, investor relations, treasury, accounting, internal controls and audit obligations, and (3) the new CFO, Mr. Child, was provided with all information and assistance reasonably necessary to enable Mr. Child to operate the finance function independently of Mr. Conte's assistance and continue the operation of the Company's finance function consistent with past practice.

For a description of the Transition Services Agreement, and the benefits thereunder, see "Compensation Tables—Executive Employment Arrangements."

Recent Fiscal 2021 Compensation Decisions

In March 2020, the Compensation Committee conducted its annual executive compensation review and made fiscal 2021 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 5% to 26% of their fiscal 2020 base salaries.
- Increased certain NEO's target annual cash bonus percentage by 7% to 17% to align with market.
- Maintained the mix of fiscal 2021 equity awards for all continuing NEOs, including our CEO, at 60% PSUs and 40% RSUs. This mix is consistent with that of fiscal 2020 equity awards.
- 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 2024, subject to a threshold performance requirement relative to an index of other software and services companies.

In response to stockholder feedback to consider performance metrics that tie to our business strategy and are appropriate during our transition to a renewable business model, the Compensation Committee replaced revenue with annual recurring revenue ("ARR") as a metric in our executive bonus plan and our fiscal 2021 PSU program to align our incentives with key drivers of stockholder value. ARR represents the annualized revenue run-rate of active term license, maintenance, and subscription contracts at the end of a reporting period. In addition, the Compensation Committee replaced non-GAAP operating margin with operating cash flow as a metric for our fiscal 2021 PSU program to reflect focus on disciplined execution of our business objectives during our transition to a renewable business model.

The Compensation Committee, in consultation with Compensia, reviewed our retention goals for our executive officers, including our continuing NEOs, and on April 24, 2020 approved updates to their severance and change in control-related benefits as described below.

- Amended the offer letter for Mr. Merritt to clarify that if, following a change in control, he is not the chief executive officer of a publicly traded company that is the ultimate parent entity of the acquirer, such change in his job will constitute good reason.
- Changed the terms and conditions of the PSUs granted in fiscal 2021 to provide that if, prior to the end of fiscal 2021, there is a change in control (as defined in our 2012 Equity Incentive Plan), then the earned corporate PSUs for each award will equal the product of (i) the target number of corporate PSUs subject to that award multiplied by (ii) the greater of (x) 100% and (y) the average of the achievement percentage of earned corporate PSUs under the performance-based equity awards granted in fiscal 2019 and fiscal 2020 (rounded applying standard rounding principles); for the avoidance of doubt, this formula shall apply irrespective of whether the recipient of such grant received performance-based equity awards in fiscal 2019 or fiscal 2020.

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.

In fiscal 2020, the Company reimbursed Mr. Merritt for costs associated with certain personal home security services, including installation of a home security system. We provided this protection to Mr. Merritt because we believe that his personal safety and security is of utmost importance to the Company and its stockholders. The Compensation Committee believes that amounts paid by the Company for these security services have been reasonable, necessary and for the Company's benefit.

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. To promote this belief, our Board adopted stock ownership guidelines requiring our executive officers to achieve certain stock 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 our equity incentive plans until such time as he or she meets the required ownership guidelines.

As of the end of fiscal 2020, 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 us 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) we restate our 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 our best interests 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.

Anti-Hedging and Anti-Pledging Policy; Stock Trading Practices

We maintain an Insider Trading Policy that, among other things, prohibits our NEOs from trading during quarterly and special blackout periods. We also prohibit our NEOs from engaging in short sales, hedging, swaps, exchange funds 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. None of the Company's subsidiaries have publicly traded equity securities. Our Insider Trading Policy requires all NEOs to obtain written pre-clearance from the Insider Trading Compliance Officer or his or her designee prior to buying, selling, or engaging in any other transaction in the Company's securities.

Further, we have adopted Rule 10b5-1 Trading Plan Guidelines that permit 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 NEO 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 (the "Tax Code"), 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).

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 our best interests of and the best interests of 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 Tax Code. Sections 280G and 4999 of the Tax 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 Tax 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 Compensia, assesses and considers potential risks when reviewing and approving our compensation programs, policies and practices for our executive officers and our employees. We 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, 2020, 2019 and 2018.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Douglas Merritt	2020	675,000	—	14,100,955	874,125	60,565[2]	15,710,645
President, CEO and Director	2019	650,000	—	11,174,462	1,625,000	56,333[3]	13,505,796
	2018	475,000	—	8,025,313	652,365	9,664[4]	9,162,342
Jason Child Senior Vice President and Chief Financial Officer	2020	341,534[5]	500,000[6]	16,294,280	265,372[5]	84,623[2]	17,485,809
David Conte	2020	296,260	1,000,000[7]	—	178,000[8]	381,370[9]	1,855,630
Former Senior Vice President and Chief Financial Officer	2019	445,000	—	3,947,856	712,000	54,352[10]	5,159,208
	2018	385,000	—	4,012,687	423,007	9,925[11]	4,830,619
Scott Morgan Senior Vice President, Chief Legal Officer, Global Affairs and Secretary	2020	375,000	—	5,853,518	233,100	10,599[2]	6,472,217
Susan St. Ledger	2020	475,000	—	8,064,755	780,425	21,556[2]	9,341,736
President, Worldwide Field Operations	2019	460,000	—	7,237,736	1,357,000	40,244[3]	9,094,980
	2018	426,667[12]	—	11,257,413	906,638[12]	11,734[4]	12,602,452
Timothy Tully	2020	420,000	—	8,064,755	304,584	10,464[2]	8,799,803
Senior Vice President, Chief Technology Officer	2019	400,000	—	5,263,808	560,000	25,490[3]	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 2020, 2019 and 2018 and the PSUs granted to our NEOs in fiscal 2020, 2019 and 2018, 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 2020 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, 2020.

Assuming the highest level of performance is achieved under the applicable performance measures for the fiscal 2020 PSUs, the maximum possible value of the fiscal 2020 PSUs using the grant date fair value is presented below:

Name	Maximum Value of Fiscal 2020 PSUs (as of Grant Date for Accounting Purposes) ($)
Douglas Merritt	27,678,177
Jason Child	32,047,895
David Conte	—
Scott Morgan	11,489,718
Susan St. Ledger	15,829,977
Timothy Tully	15,829,977

(2) For Mr. Merritt, this amount represents $5,562 in tax gross-ups; spousal expenses associated with attendance at our annual sales achievement event and a gift presented to all attendees at the event; $42,698 in one-time home security installation, equipment and monitoring cost; $2,000 in a matching contribution and $2,000 in a discretionary contribution to Mr. Merritt's 401(k) plan account, which contributions were made to all eligible participants; and a premium payment for long-term disability benefits. For Mr. Child, this amount represents $24,830 in tax gross-ups; spousal expenses associated with attendance at our annual sales achievement event and a gift presented to all attendees at the event; $48,807 reimbursement of relocation expenses provided as part of his offer letter; $1,769 in a matching contribution and $2,000 in a discretionary contribution to Mr. Childs' 401(k) plan account, which contributions were made to all eligible participants; and a premium payment for long-term disability benefits. For Mr. Morgan, this amount represents $6,599 in tax gross-ups; and $2,000 in a matching contribution and $2,000 in a discretionary contribution to Mr. Morgan's 401(k) plan account, which contributions were made to all eligible participants. For Ms. St. Ledger, this amount represents $7,196 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; $2,000 in a matching contribution and $2,000 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 $6,225 in tax gross-ups; and $2,239 in a matching contribution and $2,000 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 $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.

(4) 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.

(5) Mr. Child joined the Company on May 6, 2019. The salary and non-equity incentive plan compensation amounts presented for Mr. Child are prorated based on the number of days in fiscal 2020 during which he was employed with us.

(6) Pursuant to his offer letter, Mr. Child received a cash signing bonus, subject to reimbursement if he voluntarily resigns from the Company without good reason within 12 months of his start date.

(7) Pursuant to the Transition Services Agreement, Mr. Conte received a $1,000,000 cash bonus in consideration for his assistance with a successful transition to our new chief financial officer as described in the Transition Services Agreement and remained employed by the Company for 30 days after the Transition Date (as defined in the Transition Services Agreement). See "Executive Employment Arrangements" section below for a description of the Transition Services Agreement.

(8) This amount reflects 50% of Mr. Conte's fiscal 2020 target cash bonus opportunity, which was paid prior to Mr. Conte's Retirement Date (as defined in the Transition Services Agreement) in accordance with the terms of the executive bonus plan.

(9) This amount represents $3,575 in tax gross-ups; $288 in a matching contribution and $2,000 in a discretionary contribution to Mr. Conte's 401(k) plan account, which contributions were made to all eligible participants. This amount also includes payments pursuant to the Transition Services Agreement, which consists of a lump sum payment of the remaining amount of Mr. Conte's salary through March 11, 2020 and payment of 100% of his target bonus for fiscal 2020, reduced by amounts of fiscal 2020 bonus previously paid to him. Payment of these amounts was deferred six months and one day from his retirement date to comply with Section 409A. This amount does not include values for accelerated vesting of equity awards received under the Transition Services Agreement, as the grant date values of those equity awards have already been reported in prior fiscal years.

(10) This amount represents $17,281 in tax gross-ups; $29,235 in legal fees paid in connection with the 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.

(11) This amount represents $3,925 in tax gross-ups for Mr. Conte. 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.

(12) 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.

Grants of Plan-Based Awards for Fiscal 2020

The following table presents, for each of our NEOs, information concerning grants of plan-based awards made during fiscal 2020. This information supplements the information about these awards set forth in the Summary Compensation Table.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]				
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares or Units (#)[3]	Grant Date Fair Value of Stock Awards ($)[4]
Douglas Merritt	—	421,875	843,750	1,687,500	—	—	—	—	—
RSUs	03/21/2019	—	—	—	—	—	—	36,800	4,874,896
PSUs	03/21/2019	—	—	—	27,600	55,200	165,600	—	9,226,059
Jason Child	—	172,500	345,000	690,000	—	—	—	—	—
RSUs	05/06/2019	—	—	—	—	—	—	41,537	5,611,649
PSUs	05/06/2019	—	—	—	31,152	62,305	186,915	—	10,682,632
David Conte	—	178,000	356,000	712,000	—	—	—	—	—
RSUs	—	—	—	—	—	—	—	—	—
PSUs	—	—	—	—	—	—	—	—	—
Scott Morgan	—	112,500	225,000	450,000	—	—	—	—	—
RSUs	03/21/2019	—	—	—	—	—	—	15,276	2,023,612
PSUs	03/21/2019	—	—	—	11,457	22,914	68,742	—	3,829,906
Susan St. Ledger	—	237,500	475,000	1,425,000	—	—	—	—	—
RSUs	03/21/2019	—	—	—	—	—	—	21,047	2,788,096
PSUs	03/21/2019	—	—	—	15,785	31,570	94,710	—	5,276,659
Timothy Tully	—	147,000	294,000	588,000	—	—	—	—	—
RSUs	03/21/2019	—	—	—	—	—	—	21,047	2,788,096
PSUs	03/21/2019	—	—	—	15,785	31,570	94,710	—	5,276,659

(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, Child, Conte, Morgan and Tully under these plans are subject to a maximum payment of 200%, based on achievement of 104% 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 110% 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 2020 Executive Compensation Program—Components of Compensation Program and Fiscal 2020 Compensation—Cash Bonuses" above.

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(2) Amounts in the "Estimated Future Payouts Under Equity Incentive Plan Awards" columns relate to estimated payouts of the fiscal 2020 PSUs. The amounts shown in the Threshold column reflect the corporate PSUs if the minimum revenue metric and non-GAAP 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 non-GAAP operating margin metric are at target. The amounts shown in the Maximum column reflect the corporate PSUs if the maximum revenue metric and non-GAAP 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 26, 2020, 150.05% of each NEO's target fiscal 2020 PSUs were deemed earned based upon our fiscal 2020 financial results, and one-fourth of these earned corporate PSUs vested on March 26, 2020 and 1/16th vest quarterly thereafter, beginning on June 10, 2020, 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 2020 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 2020 performance period as of the date on which the PSUs were granted for accounting purposes. The fiscal 2020 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, 2020.

Outstanding Equity Awards at Fiscal 2020 Year-End

The following table sets forth information concerning outstanding equity awards held by our NEOs as of January 31, 2020.

		Stock Awards			
Name	Vesting Commencement Date	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	3/10/2016	2,261[(2)]	351,043	—	—
	3/10/2016	6,046[(3)]	938,702	—	—
	3/10/2017	16,667[(2)]	2,587,718	—	—
	3/10/2017	42,170[(4)]	6,547,314	—	—
	3/10/2018	21,017[(2)]	3,263,099	—	—
	3/10/2018	63,050[(5)]	9,789,143	—	—
	3/10/2019	36,800[(2)]	5,713,568	—	—
	3/10/2019	—	—	82,827[(6)]	12,859,720
Jason Child	6/10/2019	41,537[(2)]	6,449,035	—	—
	3/10/2019	—	—	93,488[(6)]	14,514,947
David Conte[(7)]	—	—	—	—	—
Scott Morgan	12/10/2016	3,375[(2)]	524,003	—	—
	3/10/2017	3,750[(2)]	582,225	—	—
	12/10/2017	6,500[(2)]	1,009,190	—	—
	9/10/2018	6,875[(2)]	1,067,413	—	—
	3/10/2019	15,276[(2)]	2,371,752	—	—
	3/10/2019	—	—	34,382[(6)]	5,338,149
Susan St. Ledger	6/10/2016	8,500[(2)]	1,319,710	—	—
	6/10/2016	11,366[(3)]	1,764,685	—	—
	3/10/2017	10,417[(2)]	1,617,343	—	—
	3/10/2017	26,355[(4)]	4,091,877	—	—
	9/10/2017	41,125[(2)]	6,385,068	—	—
	3/10/2018	13,613[(2)]	2,113,554	—	—
	3/10/2018	40,838[(5)]	6,340,508	—	—
	3/10/2019	21,047[(2)]	3,267,757	—	—
	3/10/2019	—	—	47,370[(6)]	7,354,666
Timothy Tully	9/10/2017	33,425[(2)]	5,189,566	—	—
	3/10/2018	9,900[(2)]	1,537,074	—	—
	3/10/2018	29,700[(5)]	4,611,222	—	—
	3/10/2019	21,047[(2)]	3,267,757	—	—
	3/10/2019	—	—	47,370[(6)]	7,354,666

(1) Market Value is calculated based on the closing price of our common stock on The NASDAQ Global Select Market on January 31, 2020 (the last trading day of our fiscal year), which was $155.26.

(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 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 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.

(4) 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 Mr. Merritt 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.

(5) 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, 52,800 and 72,600 shares for each of Messrs. Merritt 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, 26,400 and 36,300 for Messrs. Merritt and Tully and Ms. St. Ledger, respectively. Mr. Conte retired from the Company on October 1, 2019, and he therefore was not eligible to earn or vest in any stock price PSUs.

(6) On March 26, 2020, 150.05% of each NEO's target fiscal 2020 PSUs were deemed earned based upon our fiscal 2020 financial results, and one-fourth of these earned corporate PSUs vested on March 26, 2020 and 1/16th vest quarterly thereafter, beginning on June 10, 2020, over the remaining three years, subject to continued service to us. The number of corporate PSUs earned were 82,827, 93,488, 34,382, 47,370 and 47,370 shares for each of Messrs. Merritt, Child, Morgan 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 2021 through March 2023 are 41,413, 46,744, 17,191, 23,685 and 23,685 for Messrs. Merritt, Child, Morgan and Tully and Ms. St. Ledger, respectively.

(7) In connection with Mr. Conte's retirement from the Company on October 1, 2019, 9,484 of his earned RSUs and 19,400 of his earned PSUs accelerated and vested in accordance with the terms of the Transition Services Agreement.

Option Exercises and Stock Vested in Fiscal 2020

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 2020 by each of our NEOs.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
Douglas Merritt	—	—	149,178	18,703,401
Jason Child	—	—	—	—
David Conte[2]	—	—	86,488	10,335,035
Scott Morgan	—	—	17,250	2,162,166
Susan St. Ledger	—	—	134,998	16,971,367
Timothy Tully	—	—	49,900	6,234,027

(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.

(2) Pursuant to the terms of the Transition Services Agreement, Mr. Conte received accelerated vesting with respect to all equity awards (consisting of RSUs and PSUs) held by him that otherwise would have vested through March 11, 2020 had he remained employed with the Company. Actual issuance of the shares was deferred six months and one day from his retirement date to comply with Section 409A.

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 2020.

Executive Employment Arrangements

The initial terms and conditions of employment for each of our NEOs are set forth in written employment offer letters. The letter for Mr. Merritt was negotiated on our behalf by Mr. Sullivan, our then CEO. The letters for Messrs. Child, Morgan and 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 2020 Executive Compensation Program—Components of Compensation Program and Fiscal 2020 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. Mr. Merritt's severance and change in control benefits were amended by letter agreements effective as of March 20, 2019 and April 24, 2020 – see "Severance and Change in Control-Related Benefits" section above. Mr. Merritt's current base salary for fiscal 2021 is $850,000 and his annual target cash bonus is 125% of his base salary.

Jason Child

We entered into an initial employment offer letter dated April 16, 2019 with Mr. Child, our Senior Vice President and Chief Financial Officer. Mr. Child received a cash signing bonus in the amount of $500,000, subject to reimbursement if he voluntarily resigns from the Company without good reason within 12 months of his start date. Mr. Child's current base salary for fiscal 2021 is $485,000 and his annual target cash bonus is 80% of his base salary.

David Conte

In connection with Mr. Conte's retirement, we entered into the Transition Services Agreement. The Transition Services Agreement superseded the terms of Mr. Conte's revised employment offer letter. Under the Transition Services Agreement, Mr. Conte agreed to continue to serve in his then current position until his successor was appointed by our Board (the "Transition Date"). After the Transition Date, Mr. Conte served 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 terminated his employment with us (his actual employment termination date, the "Retirement Date"). Until the Retirement Date, Mr. Conte continued to receive his existing base salary, participated in the executive bonus plan at his existing annual cash bonus target, and remained eligible to participate in our employee benefits plans and vested 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 received a $1,000,000 cash bonus as he remained employed through the date that was 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 had not occurred and Mr. Conte had remained employed with the Company as its CFO through such Quarterly Measurement Date, Mr. Conte would have been 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 terminated 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 separated from the Company for any reason, then Mr. Conte would be entitled to 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 had terminated his employment after January 31, 2020, he would have received 100% of his actual bonus for fiscal year 2020, reduced by amounts of any fiscal year 2020 bonus previously paid to him and a pro-rated portion of his target fiscal year 2021 bonus through March 11, 2020, (iii) 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 was still employed with the Company as its CFO as of the first Quarterly Measurement Date, then the vesting acceleration would have been calculated through the date that is nine months following the last Quarterly Measurement Date occurring before the Transition Date), and (iv) 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 had been 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 would have received (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 occurred, (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 had been terminated by us without cause prior to a change in control period, and a change in control period began after his termination date and on or before March 11, 2020, then Mr. Conte would have been 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 was 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 were subject to the satisfaction of the conditions set forth in the Transition Services Agreement. See "Potential Payments Upon Termination or Upon Termination In Connection With a Change in Control" section below for the payment and benefits Mr. Conte became entitled to receive following his execution of an effective release of claims.

Scott Morgan

We entered into an initial employment offer letter dated January 24, 2012, as amended on March 28, 2012, with Mr. Morgan, our Senior Vice President, Chief Legal Officer, Global Affairs and Secretary, that was superseded by a revised employment offer letter dated October 30, 2018. Mr. Morgan's severance and change in control benefits were amended by a letter agreement effective as of March 20, 2019 – see "Severance and Change in Control-Related Benefits" section above. Mr. Morgan's current base salary for fiscal 2021 is $430,000 and his annual target cash bonus is 70% of his base salary.

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. Ms. St. Ledger's severance and change in control benefits were amended by a letter agreement effective as of March 20, 2019 – see "Severance and Change in Control-Related Benefits" section above. Ms. St. Ledger's current base salary for fiscal 2021 is $525,000 and her annual target cash bonus is 100% of her 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. Mr. Tully's severance and change in control benefits were amended by a letter agreement effective as of March 20, 2019 – see "Severance and Change in Control-Related Benefits" section above. Mr. Tully's current base salary for fiscal 2021 is $475,000 and his annual target cash bonus is 80% of his base salary.

Equity Acceleration Death Benefit

Under our 2012 Plan, each of our employees and non-employee directors is eligible to receive the following vesting acceleration upon such person's death:

- 100% of the shares underlying plan awards held by that person (including any plan awards previously earned based on the achievement of designated performance goals) will vest, and with respect to stock options and stock appreciation rights, become immediately exercisable, and
- where the achievement of designated performance goals has been determined, all performance goals or other applicable vesting criteria required to be met for any plan awards held by that person to be earned will be deemed achieved and all other terms and conditions will be deemed satisfied and that person will immediately become vested in 100% of the earned plan awards, except that
- where the achievement of designated performance goals has not yet been determined, all performance goals or other vesting criteria required to be met for such awards to be earned will be deemed achieved at target levels, and except further that
- if that person's death occurs following the end of the performance period for any performance goal but prior to the determination of the achievement of such performance goal, then the achievement of such performance goal will be determined based on actual performance.

In the event the person has not continuously served as an employee or non-employee director for at least 12 months prior to his or her death, all references to 100% in this paragraph mean 50%.

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, 2020.

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]	1,856,250	3,037,500
Continued health coverage	29,777	44,665
Accelerated vesting[3]	22,524,511	42,050,401
Total:	24,410,538	45,132,566
Jason Child		
Severance payment[2]	575,000	805,000
Continued health coverage	14,731	29,462
Accelerated vesting[3]	6,148,100[4]	20,964,083[5]
Total:	6,737,831	21,798,545
David Conte		
Severance payment	375,507[6]	—[9]
Continued health coverage	—[7]	—[9]
Accelerated vesting	3,435,174[8]	—[9]
Total:	3,810,681	—
Scott Morgan		
Severance payment[2]	412,500	600,000
Continued health coverage	14,519	29,038
Accelerated vesting[3]	3,311,475[4]	10,892,802[5]
Total:	3,738,494	11,521,840
Susan St. Ledger		
Severance payment[2]	712,500	950,000
Continued health coverage	4,312	8,625
Accelerated vesting[3]	12,390,281[4]	34,255,291[5]
Total:	13,107,093	35,213,916
Timothy Tully		
Severance payment[2]	504,000	714,000
Continued health coverage	9,044	18,088
Accelerated vesting[3]	6,168,391[4]	21,960,407[5]
Total:	6,681,435	22,692,494

(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 18 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, 2020, 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, 2020, which was $155.26, 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, 2020 multiplied by the earned amounts of the fiscal 2020 PSUs (150.05% of each NEO's target fiscal 2020 PSUs) in accordance with such NEO's PSU award agreement.

(4) 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.

(5) 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, 2020 (the last trading day of our fiscal year), which was $155.26, 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.

(6) Pursuant to the Transition Services Agreement, Mr. Conte received a lump sum payment equal to the base salary he would have earned through March 11, 2020 plus the unpaid portion of his fiscal 2020 annual target bonus. Payment of these amounts was deferred six months and one day from his retirement date to comply with Section 409A.

(7) Mr. Conte did not elect for continued health coverage.

(8) Pursuant to the Transition Services Agreement, Mr. Conte received accelerated vesting with respect to all equity awards (consisting of RSUs and PSUs) held by him that otherwise would have vested through March 11, 2020 had he remained employed with the Company. Actual issuance of the shares were deferred six months and one day from his retirement date in accordance with Section 409A.

(9) Mr. Conte's employment with us terminated on October 1, 2019 and was not considered "in connection with a change in control" and therefore he was not entitled to any such payments.

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, 2020:

- The median of the annual total compensation of all of our employees (other than Mr. Merritt), including our consolidated subsidiaries, was approximately $264,305. 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, 2020.
- Mr. Merritt's annual total compensation, as reported in the Summary Compensation Table included in this Proxy Statement, was $15,710,645.
- Based on the above, for fiscal 2020, the ratio of Mr. Merritt's annual total compensation to the median of the annual total compensation of all employees was approximately 59 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 31% in fiscal 2020. 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, 2020 at which time we (including our consolidated subsidiaries) had approximately 5,597 full-time and part-time employees, including interns, of which approximately 3,993 were U.S. employees, and approximately 1,604 (or approximately 29% of our total employee population as of January 31, 2020, excluding acquired employees) were located outside of the United States. In accordance with the SEC's permitted methodology for determining the "median employee," we excluded from our calculations 270 employees (or approximately 5% of our total employee population as of January 31, 2020) who were hired in connection with mergers and acquisitions that we completed in fiscal 2020.

- We then compared the sum of (i) the annual base salary of each of these employees for fiscal 2020, plus (ii) the total annual cash incentive bonus or commission, as applicable, earned by each of these employees for fiscal 2020 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 2020 Summary Compensation Table) granted to these employees in fiscal 2020, to determine the median employee. Compensation paid in foreign currency was converted to U.S. dollars using a spot exchange rate on February 28, 2020. 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.

Once we identified our median employee, we estimated the median employee's annual total compensation in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K, yielding the median 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 2020 Summary Compensation Table.

Equity Compensation Plan Information

The following table provides information as of January 31, 2020 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]	13,965,191	10.79	34,957,991
Equity compensation plans not approved by stockholders	—	—	—
Total	13,965,191	10.79	34,957,991

(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, 2020 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 158,795,963 shares of common stock outstanding at March 31, 2020. 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, 2020. 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)]	26,563,342	16.7%
The Vanguard Group, Inc.[(2)]	14,177,930	8.9%
BlackRock, Inc.[(3)]	9,068,639	5.7%
NEOs and Directors:		
Douglas Merritt	50,197	*
Jason Child	12,431	*
David Conte	28,884	*
Scott Morgan	22,959	*
Susan St. Ledger	20,130	*
Tim Tully	7,006	*
Sara Baack	9,888	*
Mark Carges	14,632	*
John Connors	68,484	*
Patricia Morrison	27,823	*
Stephen Newberry	38,121	*
Graham Smith	44,690	*
Elisa Steele	9,888	*
Sri Viswanath	2,815	*
All executive officers and directors as a group (13 persons)	329,064	*

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

(1) As of December 31, 2019, 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, 2020, T. Rowe Price Associates, Inc. ("Price Associates"), in its capacity as an investment adviser, has sole voting power with respect to 10,966,484 shares and sole dispositive power with respect to 26,563,342 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, 2019, 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 12, 2020, The Vanguard Group, Inc. ("Vanguard"), in its capacity as an investment advisor, has sole voting power with respect to 123,110 shares, shared voting power with respect to 42,850 shares, sole dispositive power with respect to 14,027,156 shares, and shared dispositive power with respect to 150,774 shares reported as beneficially owned. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 68,905 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 133,551 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, 2019, 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 10, 2020, BlackRock, Inc. ("BlackRock"), which is a parent holding company or control person, has sole voting power with respect to 7,945,746 shares and sole dispositive power with respect to 9,068,639 shares reported as beneficially owned. The address for BlackRock is 55 East 52nd Street, New York, NY 10055.

Other Matters

Questions and Answers About the Proxy Materials and Our 2020 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.

How do I attend the Virtual Annual Meeting?

This year's Annual Meeting will be conducted as a virtual-only meeting of stockholders. We will host the Annual Meeting online through a live audio webcast. You are entitled to attend the Annual Meeting if you were a holder of our common stock as of the close of business on April 16, 2020, hold a valid proxy for the Annual Meeting or are an authorized guest of the Company. You will be able to attend the Annual Meeting and submit your questions during the Annual Meeting by visiting www.virtualshareholdermeeting.com/SPLK2020. If you wish to submit a question prior to the meeting you may do so at www.proxyvote.com. You will need the control number included on your Notice or proxy card or in the instructions from your broker in order to attend and participate in the Annual Meeting virtually.

Online check-in will begin at 3:15 p.m. Pacific Time on June 11, 2020, and you should allow ample time for the online check-in proceedings. If you encounter any difficulties accessing the Annual Meeting during the check-in or meeting time, please call the technical support number that will be posted on the Annual Meeting log-in page. Technical support will be available starting at 3:15 p.m. Pacific Time on the day of the meeting.

What matters am I voting on?

You will be voting on:

- the election of three Class II directors to hold office until the 2023 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, 2021;
- an advisory vote to approve the compensation of our named executive officers, 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 II directors;
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2021; and
- FOR approval, on an advisory basis, of our named executive officer compensation.

Who is entitled to vote?

Holders of our common stock as of the close of business on April 16, 2020 (the "Record Date"), may vote at the Annual Meeting. As of the Record Date, we had 158,838,088 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 (electronically) 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 in person (virtually). However, since beneficial owners are not the stockholders of record, you may not vote your shares in person (electronically) 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 10, 2020 (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 your shares in person (electronically) at the Annual Meeting.

To attend and participate in the Annual Meeting virtually, stockholders of record will need to use their control number on their Notice or proxy card to log onto www.virtualshareholdermeeting.com/SPLK2020.

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 10, 2020;
- returning a later-dated proxy card which must be received by the time of the Annual Meeting; or
- submitting a later-dated vote electronically 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
- submitting a later-dated vote electronically 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 electronically 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 28, 2020, 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 scheduled time of the Annual Meeting in person (virtually) or by proxy for the meeting to be properly held under our Bylaws and Delaware law. The presence in person (virtually) or by proxy, of a majority of all issued and outstanding shares of common stock entitled to vote at the Annual Meeting will constitute a quorum at the Annual 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 (virtually) 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 (virtually) 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.

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, electronic votes, 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.

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 2021 annual meeting of stockholders, our Corporate Secretary must receive the written proposal at our principal executive offices not later than December 29, 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 2021 annual meeting of stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

- not earlier than February 12, 2021; and
- not later than the close of business on March 14, 2021.

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 "—Stockholder Nominations" on page 19 for further information about recommendations and nominations of director candidates.

Availability of Bylaws and Stockholder List

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.

The Company's list of stockholders as of April 16, 2020 will be available for inspection by any stockholder of record upon request via our Investor Relations website (https://investors.splunk.com/contact-us) during the 10-day period immediately prior to the date of the Annual Meeting. In addition, the list of stockholders will also be available to stockholders during the Annual Meeting at www.virtualshareholdermeeting.com/SPLK2020.

Fiscal 2020 Annual Report and SEC Filings

Our financial statements for the fiscal year ended January 31, 2020 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 28, 2020

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, 2020

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	**86-1106510**
(State or other jurisdiction of incorporation or organization)	(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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	SPLK	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

FORM 10-K

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 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	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 $14,923,423,792, 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, 2019 (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 19, 2020 was 158,619,718 shares.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2020 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 and 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;
- our 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;
- capital expenditures, cash flows and liquidity; and
- the impact of natural disasters and actual or threatened public health emergencies, such as COVID-19.

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 ingest data from different sources including systems, devices and interactions, and turn that data into meaningful business insights across the organization. Our Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. 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 business 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 data. Our Data-to-Everything platform helps organizations gain the value contained in data by delivering real-time information to enable operational decision making.

Our mission is to make 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 IoT and industrial data, among many others. Our offerings are intended to help users in various roles, including IT, security, application development, manufacturing and business professionals, quickly analyze their data and achieve real-time visibility into and intelligence about their organization's operations. We believe this enables organizations to improve service levels, reduce operational costs, mitigate security risks, demonstrate and maintain compliance, drive better business decisions, and increase efficiency through data-driven automation. This results in greater efficiency, security and competitive advantage for our customers.

Our Product Offerings

Splunk Enterprise Our flagship product is Splunk Enterprise, a real-time data platform, comprised of collection, indexing, search, reporting, analysis, alerting, monitoring and data management capabilities. Splunk Enterprise can collect and index petabytes of data daily, irrespective of format or source. Our 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 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 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.

Premium Solutions

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.

SignalFx Provides real-time observability and troubleshooting for cloud infrastructure and applications built on modern cloud-native technologies such as containers, Kubernetes, microservices, and serverless functions.

Splunk IT Service Intelligence (“ITSI”) Uses machine learning to monitor the health and key performance indicators of critical IT and business services.

Splunk Phantom Automates and orchestrates incident response workflows to take immediate action the moment an incident is detected.

VictorOps Empowers developer and operations teams by delivering alerts to the right people so they can collaborate and resolve IT incidents.

Splunk Data Stream Processor (“DSP”) Collects unstructured or structured data from multiple sources in real time and can quickly turn large volumes of raw data into rich, contextual data and metrics that can then be stored in Splunk Enterprise, Splunk Cloud, or third-party databases.

Splunk Data Fabric Search (“DFS”) Enables highly complex and high-performance searches of massive datasets to provide a comprehensive view of customer behavior, organizational threats and business opportunities.

Apps and Add-on Capabilities

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 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.

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.

The Splunk data platform can be extended with optional add-on capabilities that enhance the ability to process and transform data in real time. For example:

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 Connected Experiences Provides access to data, alerts, and actions throughout an organization on mobile devices and connected devices such as Apple TVs. Utilizes cutting edge approaches such as natural language processing, as well as virtual and augmented reality, to enable more contextual interactions with data.

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 and 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 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.

Our Growth Strategy

Our goal is to make Splunk the standard platform for delivering real-time business insights from 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 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 including more frequent, automated software updates and making the in-product experience self-service for administrators and users. To support the growth of our Cloud customer base, we will continue to invest in supporting massive ingest and search scale as a service. We will continue to expand into adjacent products, services and technologies that enable organizations to further realize the value of their data across cloud and on-premises environments. Our investments may involve hiring and internal development, acquisitions and licensing of third-party technology.

Continue to expand our direct and indirect sales organization, including our partner 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 partner 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. Our recent acquisitions of SignalFx, Omnition, and VictorOps provide us with access to customers and markets that are highly sophisticated in their use of cloud-native technologies and DevOps methodologies. We will continue to develop a SaaS model that allows for high velocity sales, especially to customers where traditional enterprise sales models are not as effective. We believe our existing customer base serves as a strong source of incremental revenues given the horizontal applicability of our offerings and the growing data volumes and use cases 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 for Security and IT buying centers and, with the acquisition of SignalFx and Omnition in 2019, we have expanded our IT offerings with enhanced capabilities for application development teams. This approach includes offering capabilities, either in the form of platform features or premium solutions, which target both our core use cases and 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 technology alliances, original equipment manufacturer ("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 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

Splunk provides flexible pricing options for customers of all sizes:

Data Ingestion Pricing. Pricing is based 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. For Splunk Cloud customers, ingestion pricing is generally based on an annual subscription fee that takes into consideration the combination of the volume of data indexed per day and the amount of data stored.

Predictive Pricing. We recently introduced the Predictive Pricing Program ("PPP"), a simple, tiered pricing model for private sector organizations that provides more predictability and flexibility as these organizations scale. PPP offers pricing to customers based on predefined volume tiers. Customers can consume data up to the maximum in each tier for a single price and get clear visibility in the cost of the subsequent higher tiers. PPP is available for Splunk Enterprise, Splunk ES, Splunk UBA and Splunk ITSI.

Infrastructure Pricing. Infrastructure pricing is available for customers who want an alternative pricing metric to data ingestion. Pricing is determined by the amount of compute resources Splunk products have access to rather than data volume ingested. Infrastructure pricing is available for Splunk Enterprise, Splunk ES, Splunk ITSI, as well as equivalent offerings in Splunk Cloud, and allows customers to control the amount of product consumption while making explicit choices between search response times and amount of data indexed.

Rapid Adoption Packages. Splunk offers a number of Rapid Adoption Packages for Splunk Enterprise and Splunk Cloud customers which are designed for specific IT and security use cases. These packages may scale up in data volume depending on the use case and additional use cases are purchased separately.

Some of our offerings address markets where other pricing models may be prevalent. For example, the pricing of Splunk Phantom and VictorOps is based on the number of seats that use the products.

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 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.

Data platform. Our products enable users to process data from diverse sources no matter the infrastructure topology, from a single system to a globally distributed microservices application. This data platform allows customers to address the complexities of handling massive amounts of real-time, dynamic, heterogeneous data. Our APIs enable users to forward data from our software to other parts of their IT network, creating a 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 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, and enable users to perform more robust calculations and analytics. Our software can also learn about the structure of the data through the searches users conduct, allowing users to utilize the 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.

Real-time cloud and microservices monitoring at scale. Our SignalFx technology enables the collection of cloud infrastructure metrics and traces at a very high scale. It provides full-fidelity monitoring by recording all of the traces generated by monitored applications. Meanwhile, the streaming metrics capabilities provide the ability to collect and analyze metrics at scale. Artificial intelligence is applied to spot anomalies and trends among the billions of data points collected, which allows SignalFx users to quickly triage and resolve problems in their cloud infrastructure and microservices-based applications.

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 data, from any source. Splunk Enterprise processes 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 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.

Analytics workspace. Splunk Enterprise provides a drag-and-drop interface that enables non-technical users to monitor, analyze, and visualize metrics and other time-series data without writing code.

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 interface. Splunk Enterprise enables users to build data models that describe relationships in the underlying 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.

Workload management. Splunk Enterprise enables users to align resource use with business priorities through a rule-based framework that allocates compute and memory resources to search, indexing, and other resource intensive processes.

Splunk SmartStore. Splunk Enterprise allows users to retain and analyze growing volumes of historical data using remote object stores, such as Amazon S3, to store indexed data to reduce infrastructure costs with the Splunk SmartStore.

Deployment management and monitoring tools. Whether users deploy on premises or in a cloud environment, Splunk Enterprise includes management, monitoring and deployment tools to administer the Platform and maintain a healthy deployment. Additionally, the Splunk Operator for Kubernetes deployment container, available on DockerHub and Red Hat registries, automates deployment of Splunk Enterprise in a cloud environment.

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 enables rapid integration between Splunk Enterprise to other applications and systems to maximize the value of our customers' data.

Customizable and third-party applications. Splunk Enterprise enables users to build their own applications or install applications built by Splunk or third-party developers based on an industry use case or unique customer data need.

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 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 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 rapid collection of 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 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 is hosted exclusively by third-party providers of cloud infrastructure services.

Search. Our Splunk platform enables users to search massive amounts of 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 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 data stored within the Splunk platform instance, as well as access our 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 data platform that allows for the efficient, secure and real-time collection and indexing of data regardless of network, data center or IT infrastructure topology.

This distributed 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 that purchased perpetual licenses typically purchased one year of software maintenance and support, 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 (SLOs) 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 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 leading technology companies to enhance our partner ecosystem. These partners work with Splunk to build technology integrations that provide elevated experiences for our joint customers. Integrations typically consist of building a Splunk app, which allows users to capture data and gain insights into our partners' respective products. The majority of Splunk customers leverage multiple apps in their deployments, which include those developed by our partners. Many technology providers offer free apps via the Splunkbase website.

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 IT operations 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 support our growing active users in three key areas: (1) extension of capabilities with third-party apps and add-ons via Splunkbase, (2) engagement spaces to connect with, learn from, and support one another via Splunk Answers and Splunk User Groups, and (3) development resources to support novel uses and extensions of our platform via Splunk Dev. 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 in an online community marketplace called Splunkbase. Generally, these apps provide pre-built functionality that addresses specific use cases. Currently, we have over 1,800 apps and add-ons available for download on the Splunkbase website, most of which are built and maintained by third parties. We do not receive any revenues from the sale of apps by third-party application providers, and many apps posted to Splunkbase are provided at no additional cost to users. Partner apps listed on Splunkbase that are not free are licensed directly by the third party to the end user.

Splunk Answers and Splunk User Groups. Users ask questions, as well as seek and share best practices, in an online community forum called Splunk Answers. In Splunk Answers, users share best practices about how to build searches, create data visualizations, build implementations to address specific use-cases and configure and deploy our software. While our

product, support, engineering and professional services teams participate in Splunk Answers, the majority of questions appearing on Splunk Answers are answered by other Splunk users, including the SplunkTrust, a peer-nominated group of exceptional Splunk users. Additionally, we continue to support the growth of our offline community with local Splunk User Groups worldwide and a growing collection of Splunk-sponsored events, such as our annual user conference, (".conf ") and regional/local events, such as SplunkLive!

Splunk Dev. In addition to documentation and resources about the Splunk APIs and SDKs, our developer portal Splunk Dev contains additional resources for building novel apps and integrations that bring new kinds of data into the platform and deliver data-based insights for nearly any team and function. Users can sign up for free developer licenses to explore both Splunk Enterprise and Splunk Cloud, to support both their on-premises and cloud-native application needs. Additional resources made available through Splunk Dev include developer guides, API references, tutorials, downloads, tools and examples.

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 different routes to market with various partners. We gather prospects through a broad range of marketing campaigns, programs and events. 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. Our field sales teams are organized geographically across the Americas, Middle East and Africa ("EMEA") and Asia Pacific ("APAC"). We also have a dedicated sales team focused on government customers, which includes United States federal, state and local government entities. 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 sales and customer success teams work closely with our customers to ensure adoption and overall account health, which ultimately leads to expanded licenses through higher capacity or upgrades and additional use cases within existing customers. We intend to invest in our sales organization and partners to drive greater market penetration in these regions.

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, global system integrators and managed service providers. Our partners assist us by identifying new prospects or use cases through their technology and deep customer relationships. They also provide 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 partners expand our geographic sales reach worldwide, across all our sales theaters. The Splunk Partner+ Program includes over 2,000 active partners that span our global system integrators, distributors, value-added resellers, technology alliance partners, OEMs, professional services and managed services providers. Historically, the majority of Europe, EMEA, APAC and U.S. Public Sector sales have heavy engagement with our partners, and we expect this trend to continue.

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 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 ".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, internal policies 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 file patent applications to protect our intellectual property and believe that the duration of our issued patents is sufficient when considering the expected lives of our products.

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 browser-wrap, embedded or on-line license or service terms, or signed customer agreements. These agreements generally contain restrictions on duplication, disclosure, transfer and license circumvention. 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

We have over 19,400 customers in more than 130 countries, including over 90 of the Fortune 100 companies, as of January 31, 2020. We exclude users of our trial software and users of VictorOps and SignalFx 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 $794.9 million and $379.8 million as of January 31, 2020 and 2019, respectively.

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, Cyclicality 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, orchestration, automation, incident response 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 data;
- companies targeting the big data market by commercializing open source software, such as Elastic;
- security, systems management and other IT vendors, including BMC Software, IBM, Intel, Micro Focus, Microsoft and VMware;
- business intelligence vendors, analytics and visualization vendors, including IBM and Oracle;

- cloud monitoring and APM vendors, including Cisco AppDynamics, Datadog and New Relic; and
- public cloud providers, including Amazon (Amazon Web Service), Google (Google Cloud Platform) and Microsoft (Microsoft Azure).

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, competitive pricing and more developed ecosystems of partners and skilled users. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on delivering real-time business insights from data 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, 2020, we had over 5,800 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.

If we fail to successfully manage our business model transition, our operating results could be negatively impacted.

Historically we 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. However, our business model has shifted rapidly to primarily offering term licenses and cloud subscription agreements, as well as increased annual invoicing and decreased multi-year upfront invoicing, and we expect that this transition will continue. Accordingly, we discontinued offering new perpetual licenses effective November 1, 2019. Generally, as we shift our licensing model to term licenses and cloud subscription agreements, along with related shifts in our invoicing practices, there will be longer periods over which we collect cash from customers, which has a negative impact on our operating cash flows, moreover, as cloud services become a larger percentage of our sales, operating margins and the timing of our recognition of revenue will be impacted. Whether our business model transition will prove successful and will accomplish our business and financial objectives is subject to numerous uncertainties, including but not limited to: customer demand, renewal and expansion rates, our ability to further develop and scale infrastructure, tax and accounting implications, pricing, and our costs. In addition, the metrics we use to gauge the status of our business model transition may evolve over the course of the transition as significant trends emerge. If we do not successfully execute this transition, our business and future operating results could be adversely affected.

Our future operating results may fluctuate significantly and our operating results may not be a good indication of 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. 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. For example, we generally recognize term license revenues, in addition to perpetual license revenues, upfront and 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 as our customers have the ability to choose between a term license and cloud subscription agreement. In addition, the size of our licenses and orders varies greatly. A single, large 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. 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.

We may not be able to accurately predict our future revenues or results of operations. For example, although our shift to a renewable model generates recurring revenue and cash flows that are expected to be more predictable over time, we may not be able to accurately forecast our revenue, cash flows and other financial results in the near term due to a number of variables, including the timing of our collection of cash, increased annual invoicing, revenue mix, our customers' willingness to adopt our cloud services model and term licenses over our traditional perpetual licenses, and the timing of revenue recognition. 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 impact of our business model transition on our revenue mix, which may impact our revenue, deferred revenue, cash collections, billings, remaining performance obligations, gross margins and operating income;
- 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 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 models and practices or those of our competitors;
- changes to our invoicing practices;
- 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 or incidents;
- the availability and performance of our cloud services, including Splunk Cloud;
- our ability to control costs, including our operating expenses;
- changes in laws and regulations that impact our business;
- 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;
- 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; and
- the removal of metered license enforcement via our software, which could lead to customers delaying renewal or purchasing decisions.

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 expect to 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 systems and infrastructure. As of January 31, 2020, approximately 35% 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 and values. 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 and appropriately documenting such systems and processes;
- 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 partners; and
- enhancing our internal controls to ensure timely and accurate reporting of all of our operations and financial results.

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.

The recent global COVID-19 outbreak could harm our business and results of operations.

In December 2019, COVID-19 was reported in China, in January 2020 the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern, and in March 2020 the WHO declared it a pandemic. This contagious disease outbreak has continued to spread across the globe and is impacting worldwide economic activity and financial markets. In light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, we have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate, which could negatively impact our business. Although we continue to monitor the situation and may adjust our current policies as more information and public health guidance become available, precautionary measures that have been adopted could negatively affect our customer success efforts, sales and marketing efforts, delay and lengthen our sales cycles, or create operational or other challenges, any of which could harm our business and results of operations. In addition, COVID-19 may disrupt the operations of our customers and partners for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows. More generally, the outbreak of COVID-19 could adversely affect economies and financial markets globally, potentially leading to an economic downturn, which could decrease technology spending and adversely affect demand for our offerings and harm our business and results of operations. It is not possible at this time to estimate the impact that COVID-19 could have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted. Furthermore, due to our shift to a renewable model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all.

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 deliver real-time business insights from data, 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, orchestration, automation, incident response 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 data;
- companies targeting the big data market by commercializing open source software, such as Elastic;

- security, systems management and other IT vendors, including BMC Software, IBM, Intel, Micro Focus, Microsoft and VMware;
- business intelligence vendors, analytics and visualization vendors, including IBM and Oracle;
- cloud monitoring and APM vendors, including Cisco AppDynamics, Datadog and New Relic; and
- public cloud providers, including Amazon (Amazon Web Service), Google (Google Cloud Platform) and Microsoft (Microsoft Azure).

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 delivering real-time business insights from data and could directly compete with us. For example, companies may commercialize open source software, such as 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.

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

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 and the economy in general. 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.

We spend substantial amounts of time and money to research and develop or acquire 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 or acquire new or enhanced offerings, their introduction 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 and existing 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;
- inability to scale and perform to meet customer demands;
- 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 or existing offerings or enhancements and changes do not achieve adequate acceptance in the market, our competitive position will be impaired, and our revenue, business and financial results will be negatively impacted. 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.

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.

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.

We typically enter into term-based agreements for our licensed on-premises offerings, cloud services, and maintenance and support services, which customers have discretion to renew or terminate at the end of the initial term. In order for us to improve our operating results, it is important that new customers enter into renewable agreements, and our existing customers renew, upgrade and expand their term-based agreements when the initial contract term expires. Our customers have no obligation to renew, upgrade or expand their 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 general economic conditions, competitive offerings or alterations or reductions in our customers' spending levels. For example, the impact of COVID-19 on the current economic environment has caused, and

may in the future cause, customers to request concessions such as extended payment terms or better pricing. 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.

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 and incidents 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 our customer's data or to disrupt our ability to provide services. Because there are many different techniques used to obtain unauthorized access to systems and data, and such techniques continue to evolve, we may be unable to anticipate attempted security breaches and incidents and proactively implement adequate preventative measures. 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 otherwise fail to prevent unauthorized access to or disclosure, modification, misuse, loss or destruction of such information. Computer malware, viruses, social engineering (phishing attacks), and increasingly sophisticated network attacks 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 access and delete compute capacity 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 personal information or other sensitive types of 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 personal, confidential or proprietary information. We make use of 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, human resources services, customer relationship management, enterprise risk planning 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 and incidents, and to reduce the impact of a security breach or incident at a third-party vendor, such measures cannot provide absolute security. 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 maintain measures designed 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.

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 increasing amounts of data.

Third parties may also conduct attacks designed to deny customers access to our cloud services. A significant disruption in access to, or ability to use, our cloud services could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise negatively affect our business.

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.

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 based on either the estimated daily data indexing capacity or compute resources our customers require. In addition, Splunk Cloud is generally priced based on either the volume of data indexed per day including a fixed amount of data storage, or purchased infrastructure and data storage our customers require, while Splunk Phantom and VictorOps are priced by the number of seats that use the products. We offer term licensing options for on-premises offerings and have some remaining perpetual licenses with existing customers, 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 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. We have introduced and expect to continue to introduce variations to our pricing models, including but not limited to, predictive pricing programs, infrastructure-based pricing, data ingestion pricing, "rapid adoption" packages and other 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 and variations to these models will drive net new customers, increase customer adoption and support our transition to a renewable model, it is possible that they will not and may potentially cause customers to decline to purchase or renew licenses or confuse customers and reduce their lifetime value, which could negatively impact our revenue, business and 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.

We increasingly rely on third-party providers of cloud infrastructure services to deliver our offerings to users on our platform, and any disruption of or interference with our use of these services could adversely affect our business.

Our cloud services, such as Splunk Cloud, are hosted exclusively by third party providers of cloud infrastructure services ("Cloud Service Providers"). We do not have control over the operations or the facilities of Cloud Service Providers that we use, and any changes in a Cloud Service Provider's service levels, which may be less than 100%, may adversely affect our ability to meet the commitments we make to our customers and their requirements. We currently offer a 100% uptime service level agreement ("SLA") for Splunk Cloud. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times, as the usage of our offerings increases. If any of the services provided by the Cloud Service Providers 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, financial results and the usage of our offerings. If we are unable to renew our agreements with our Cloud Service Providers on commercially reasonable terms, or our agreement is prematurely terminated, or we need to add new Cloud Services Providers to increase capacity and uptime, we could experience interruptions, downtime, delays, and additional expenses related to transferring to and providing support for these new platforms. Any of the above circumstances or events may harm our reputation and brand, reduce the availability or usage of our platform and impair our ability to attract new users, any of which could adversely affect our business, financial condition and results of operations.

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, know-how, confidential information, proprietary methods and technologies and other intellectual property and proprietary rights, so that we can prevent others from using our inventions and proprietary information and property. We generally rely on patent, copyright, trade secret and trademark laws, 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 and maintain our competitive position. However, we cannot guarantee that the steps we take to protect our intellectual property rights will be effective.

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, and any of our other intellectual property rights may be challenged by others and invalidated or narrowed through administrative process, litigation, or similar proceedings, 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. 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 even in the United States, this protection is limited), and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our products and platform capabilities and proprietary information will likely increase. Additional uncertainty may result from recent and future changes to intellectual property legislation in the United States and other countries and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Further, although we endeavor to enter into non-disclosure agreements with our employees, licensees and others who may have access to confidential and proprietary information, we cannot assure that these agreements or other steps we have taken will prevent unauthorized use, disclosure or reverse engineering of our technology.

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 defend, monitor, and protect our intellectual property rights, such as by initiating claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. However, 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. Additionally, we may provoke third parties to assert counterclaims against us. 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. For any of these reasons, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property. 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.

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 and non-practicing entities, have asserted and may assert patent, copyright, trademark or other intellectual property rights against us, our 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 or claim to 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 or enhanced statutory 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 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 $1.56 billion at January 31, 2020. 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.

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. 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. 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 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 these investments do not yield the expected return, or we are unable to decrease the cost of providing our cloud services, our gross margins, overall financial results, business model and competitive position could suffer. 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 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 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 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.

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. 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. We have experienced, or 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, we could suffer damage to our reputation with current and potential customers, be exposed to legal liability, and lose customers, all of which could negatively affect our business. 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.

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. This variation is due to numerous factors, including in the expansion of our offerings and new pricing models, as well as the potential for different buying centers for the same offering. 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, an existing customer will convert from a perpetual license to term license or to cloud services, we will make a sale with a potential customer, or 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 (subject to rising fixed costs in the longer term as discussed above), 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, 2020, 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 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;
- 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
- natural disasters, diseases and pandemics, such as COVID-19, that may disproportionately affect areas in which we do business.

A number of recent geopolitical events may impact our financial statements and results of operation. Following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the European Union ("EU") (often referred to as "Brexit"), and on January 31, 2020, the United Kingdom officially left the European Union pursuant to Brexit, with a transitional period during with the United Kingdom remains bound to the EU's rules, set to end on December 31, 2020. Brexit has created an uncertain political and economic environment in the United Kingdom and other European Union countries. Following the transition period, the United Kingdom will lose access to the EU single market and to EU trade deals negotiated with other jurisdictions, so the long-term effects of Brexit will depend on the agreements or arrangements with the EU for the United Kingdom to retain access to EU markets either during the transitional period or more permanently. Brexit may cause disruption to our business, including affecting relationships with existing and future customers, suppliers, and employees. For example, all our sales to customers based in the EU are transacted through our subsidiary incorporated in the United Kingdom and at this time, we are unable to determine the effects, if any, of Brexit on our sales to these customers. The economic and legal uncertainty caused by Brexit in the region and globally could also 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, partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, 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 partners, and to help our 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 partners, such as distributors and resellers, to license, provide professional services and support our offerings. Historically, we have relied on a limited number of such partners for a substantial portion of our total sales, particularly in the Europe, Middle East and Africa ("EMEA") and Asia Pacific ("APAC") regions, and for sales to government agencies. For example, sales through our top two partners, represented 48% of our revenue in fiscal 2020. We expect that sales through partners in all regions will continue to grow as a portion of our revenues for the foreseeable future. As changes in our partner strategy are implemented, including potentially emphasizing partner-sourced transactions, results from sales through our partners may be adversely affected.

Our agreements with our partners are generally non-exclusive, meaning our partners may offer customers the products of several different companies, including products that compete with ours. If our 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 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 partners or any of our key partners, our possible inability to replace them, or the failure to recruit additional partners could materially and adversely affect our results of operations and could have an impact on the growth rate of our revenue as we work to obtain new partners or replacement relationships. In addition, sales by partners are more likely than direct sales to involve collectability concerns, in particular sales by our partners in developing markets, and accordingly, variations in the mix between revenues attributable to sales by partners and revenues attributable to direct sales may result in fluctuations in our operating results.

As we are transitioning our business model, the manner in which we conduct business with and compensate our partners, as well as the business demands placed upon our partners will likely change, requiring some of our historically effective partners to adapt their sales and marketing techniques to sell cloud services and term licenses. Such changes may lead to shorter duration contracts, which require more frequent customer contact by, and different business terms with, our partners. In some circumstances, new partners may be more effective in adapting to our new business model, particularly when such

partners have experience selling cloud services. Therefore, our expectations for our partners, and our rubric for evaluating compatible partners may change, which may adversely impact our results of operations during the transition.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our partners, and to help our 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 partners, which could adversely affect our operating results. If we are unable to maintain our relationships with these partners, or otherwise develop and expand our indirect distribution channel, our business, results of operations, financial condition or cash flows could be adversely affected.

Our sales to public sector customers are subject to a number of additional challenges and risks.

We derive a portion of our revenues from contracts with U.S. federal, state and 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. For our sales to these public sector customers, we must comply with laws and regulations relating to the formation, administration and performance of contracts, which affect how our 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 procurement integrity and government ethics, access to classified information, 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.

In October 2019, we received authorization under the U.S. Federal Risk and Authorization Management Program (“FedRAMP”) that allows U.S. federal government agencies and contractors to have greater integration with our platform if and when they transition to cloud-based computing. At the same time, FedRAMP places an increased compliance burden upon us, which may increase our internal costs to provide services to government agencies. If we cannot adequately comply with FedRAMP compliance requirements, our growth could be adversely impacted, and we could incur significant liability and our reputation and business could be harmed.

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;
- restrictions in the award of personal security clearances to our employees;
- ability to adapt to public sector budgetary cycles and funding authorizations, with funding reductions or delays having an adverse impact on public sector demand for our products;
- 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 laws, contract provisions or government procurement or other applicable regulations, or the perception that any such noncompliance has occurred or is likely;
- ability to maintain the facility clearance required to perform on classified contracts for U.S. federal government agencies, or to maintain security clearances for our employees;
- changes to government certification requirements;

- ability to achieve or maintain one or more government certifications, including our existing FedRAMP certification;
- an extended government shutdown or other potential delays or changes in the government appropriations or other funding authorization processes;
- changes in the duration of our contracts with government customers; 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. To the extent that we become more reliant on contracts with government entities, including foreign government entities, in the future, our exposure to such risks and challenges could increase, which in turn could adversely impact 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, outbreaks of pandemic diseases such as COVID-19, political unrest and social strife, 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. For example, the impact of COVID-19 on the current economic environment has caused, and may in the future cause, such customers to request concessions including extended payment terms or better pricing. 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.

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 where appropriate, 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 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 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.

From time to time, as part of our acquisition activity, we have discovered a limited number of instances where certain activity raised concerns about potential violations of U.S. sanctions or export control laws. For example, we have discovered that the SaaS platform or product of an acquired company was accessed (or attempted to be accessed) from IP addresses potentially located in embargoed countries. As a result, we have submitted and may, in the future, submit voluntary disclosures with the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") to alert the agency to these potential violations. If we (including the companies we acquire) are found to be in violation of U.S. economic sanctions or export control laws, it could result in fines and penalties. We may also be adversely affected through other penalties, reputational harm, loss of access to certain markets or otherwise.

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 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 current customers and partners and to our ability to attract new customers and 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. For example, in September 2019, we launched the Data-to-Everything Platform marketing campaign to enhance the "Splunk" brand. This marketing campaign, as well as our general 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 partners. We have and will continue to incur a substantial amount of expenditures in connection with our Data-to-Everything campaigns, and we anticipate that brand promotion expenditures will increase as our market becomes more competitive and as we attempt to grow our business. 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 partners, all of which would adversely affect 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.

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 appropriate 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;

- some of these apps are hosted in external sites for a fee and are not controlled or reviewed by us, which may lead to a negative experience by customers that may impact our reputation; 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.

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.

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 business, including as incorporated into software we receive from third party commercial software vendors, and expect to continue to use open source software in the future. Use of open source software may entail greater risks than use of third-party commercial software. The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or commercialize our products. 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. In addition, under the terms of some open source licenses, under certain conditions, we could be required to release our proprietary source code that was developed using, incorporating or linked with such open source software, or apply open source licenses to our proprietary software, including authorizing further modification and redistribution. These claims or requirements, including any change to the applicable license terms, could also result in litigation, require us to purchase a costly license, require us to devote additional research and development resources to change our offerings, or require us to cease offering the implicated products unless and until we can find alternative tools or re-engineer them to avoid infringement or release of our proprietary source code, any of which would have a negative effect on our business and operating results. 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 updates, warranties, support, indemnities, assurances of title or controls on origin of the software, or other contractual protections regarding infringement claims or the quality of the code. Likewise, some open source projects have known security and other vulnerabilities and architectural instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an "as-is" basis. Additionally, we, including companies that we acquired, have intentionally made certain proprietary software available on an open source basis, both by contributing modifications back to existing open source projects, and by making certain internally developed tools

available pursuant to open source licenses, and we plan to continue to do so in the future. While we have established procedures, including a review process for any such contributions, which is designed to protect any code that may be competitively sensitive, we cannot guarantee that this process has always been applied consistently by us or by companies that we have acquired, prior to the acquisition. Even when applied, 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 for competitive purposes, or for commercial or other purposes beyond what we intended. Many of these risks associated with usage of open source software could be difficult to eliminate or manage, and could, if not properly addressed, negatively affect the performance of our offerings and our business.

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 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 data privacy and 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 certain types of information. For example, on January 1, 2020, the California Consumer Privacy Act (“CCPA”), which requires covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information, became operative. The CCPA is the subject of proposed regulations issued by the California Attorney General in October 2019. Aspects of the CCPA and its interpretation remain unclear. We cannot yet fully 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. These laws and regulations often are more restrictive than those in the United States and are rapidly evolving. For example, the EU General Data Protection Regulation (“GDPR”) became effective on May 25, 2018, and, in addition to imposing stringent obligations relating to data protection and security, authorizes fines up to 4% of global annual revenue or €20 million, whichever is greater, for some 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 further challenged, suspended or invalidated. The United Kingdom enacted a Data Protection Act in May 2018 that substantially implements the GDPR, and this Data Protection Act was amended to further align with the GDPR in 2019. Brexit has, however, created uncertainty with regard to data protection regulation in the United Kingdom and 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 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 certain types of personal information, which could result from breaches experienced by us or our service providers. Any actual or perceived security breach or incident 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 or incident.

In addition to government regulation, self-regulatory standards and other industry standards may legally or contractually apply to us, be argued to 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 security, and we cannot yet determine the impact such future laws, regulations and standards, or amendments to or re-interpretations of, existing laws and regulations, industry standards, or other obligations may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, and contractual 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 uncertain, these laws, standards, and contractual and other obligations may be interpreted and applied in a manner that is, or is alleged to be, inconsistent with our data management practices, our 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 security-related concerns, even if unfounded, or to successfully negotiate privacy, data protection or security-related contractual terms with customers, or to comply with applicable laws, regulations and other obligations relating to privacy, data protection, and 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 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. 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. We may incur significant costs to attract and retain these qualified individuals, 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.

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. 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 and offerings expand, 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 and our compensation programs as part of our efforts to optimize our sales operations to grow revenue and support our business model transition. If we have not structured our sales organization or compensation for our sales personnel in a way that properly supports our company's objectives, or 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

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. For example, we recently acquired SignalFx, Inc., a privately held SaaS provider of real-time monitoring and metrics for cloud infrastructure, microservices and applications, Omnition, which develops a platform for distributed tracing and application monitoring and Streamlio, Inc., which specializes in the design and operation of streaming data solutions. 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, infrastructure, 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 to engage in substantial remediation efforts to cause the acquired company to comply with applicable laws or regulations, or result in liabilities resulting from the acquired company's failure to comply with applicable laws or regulations;

- 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.

Natural disasters and other events beyond our control could harm our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a negative effect on us. Our business operations are subject to interruption by natural disasters, flooding, fire, power shortages, pandemics such as the recent spread of COVID-19, terrorism, political unrest, telecommunications failure, vandalism, cyber-attacks, geopolitical instability, war, the effects of climate change (such as drought, wildfires, increased storm severity and sea level rise) and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, could decrease demand for our services, and could cause us to incur substantial expense. Our insurance may not be sufficient to cover losses or additional expense that we may sustain. The majority of our research and development activities, corporate offices, and other critical business operations are located near major seismic faults in California. Customer data could be lost, significant recovery time could be required to resume operations and our financial condition and operating results could be adversely affected in the event of a major natural disaster or catastrophic event.

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. We recently lowered our cash flow guidance due to the effect of our transition to a renewable business model. If the assumptions underlying our cash flow guidance are incorrect, for example, due to the unknown impacts of COVID-19, our business may not continue to generate cash flow from operations in the future sufficient to make necessary capital expenditures. Accordingly, we have engaged in, and may need to engage in the future, in equity, equity-linked 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. For example, 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.

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 (the "Code"), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses ("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 or that our presence in such jurisdictions is sufficient to require us to collect taxes, 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.

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 challenges to our intercompany relationships and transfer pricing arrangements, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. Many countries and organizations such as the Organization for Economic Cooperation and Development are actively considering changes to existing tax laws or have 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.

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. A change in accounting principles could adversely affect our financial results and could affect the reporting of transactions already completed before the announcement of a change. 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 $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") that we issued in September 2018, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. We recently lowered our cash flow guidance due to the effect of our transition to a renewable business model. If the assumptions underlying our cash flow guidance are incorrect, for example, due to the unknown impacts of COVID-19, our business may not continue to generate cash flow from operations in the future sufficient to service our debt, including the Notes, 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 issuing additional equity, equity-linked or debt instruments 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, including the Notes.

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. Holders of the Notes may hedge their positions in the Notes by entering into short positions with respect to the underlying common stock. In addition, any 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, 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, when these conversion triggers have been satisfied, 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 ("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 ("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 is treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we are 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 report larger net losses or lower net income in our financial results because ASC 470-20 requires 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. For example, the FASB recently published an exposure draft proposing to amend these accounting standards to eliminate the treasury stock method for convertible instruments and instead require application of the "if-converted" method. Under that method, if it is adopted, diluted earnings per share would generally be calculated assuming that all the Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. 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 our diluted earnings per share would be negatively affected.

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

In connection with the offering 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. The counterparties to the Capped Calls 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 prior to the maturity of the Notes (and are likely to do so on each exercise date for the Capped Calls, or following any termination of any portion of the Capped Calls in connection with any repurchase, redemption or early conversion of the Notes), which could increase or decrease our stock price. If any such Capped Calls fail to become effective, the counterparties may unwind their hedge positions with respect to our common stock, which could also adversely affect the price of our common stock.

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

The counterparties to the Capped Calls are financial institutions, and we will be subject to the risk that one or more of the option counterparties may default, fail to perform or exercise their termination rights under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If a counterparty to the 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, failure to perform or a termination of the Capped Calls by a counterparty, we may suffer more dilution than we currently anticipate with respect to our common stock.

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;
- the impact of our business model transition on our revenue mix, as well as increased annual invoicing and decreased multi-year upfront invoicing, which may impact our revenue, deferred revenue, cash collections, billings, remaining performance obligations, gross margin and operating income;
- 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;

- actual or perceived security breaches 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.

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.

We are subject to the reporting requirements of the Securities Exchange Act of 1934 (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.

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.

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.

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 during the first half of fiscal 2021.

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

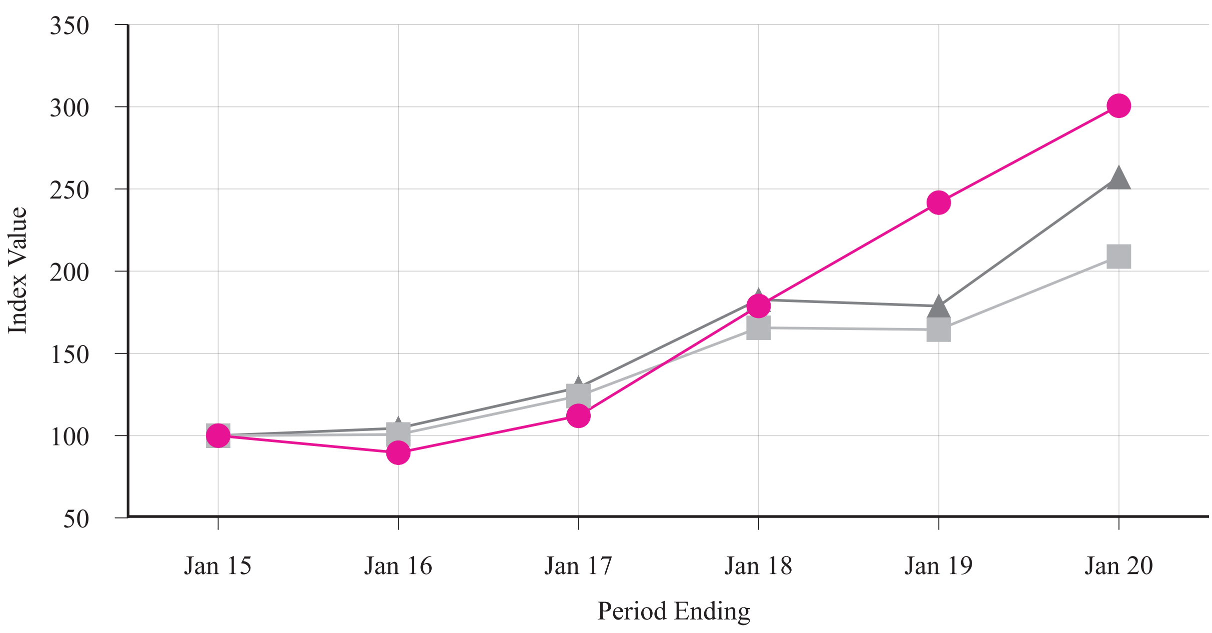
Common Stock

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, 2020, there were 83 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, 2020, assuming an initial investment of $100. The NASDAQ Computer index utilizes the same methods of presentation and assumptions for the total return calculation as does Splunk and the NASDAQ Composite index.

Splunk Inc. Comparison of Total Return Performance



Splunk Inc. NASDAQ Composite NASDAQ Computer

Company/Index	1/31/15	1/31/16	1/31/17	1/31/18	1/31/19	1/31/20
Splunk Inc.	$ 100.00	$ 89.62	$ 112.02	$ 178.84	$ 241.70	$ 300.60
NASDAQ Composite	$ 100.00	$ 100.70	$ 124.09	$ 165.58	$ 164.45	$ 208.91
NASDAQ Computer	$ 100.00	$ 104.50	$ 129.22	$ 182.68	$ 178.80	$ 257.26

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 2020, 2019 and 2018, and the selected consolidated balance sheets data as of January 31, 2020 and 2019 are derived from the audited consolidated financial statements, which are included in this Form 10-K. The consolidated statements of operations data for fiscal 2018 and 2017, and the selected consolidated balance sheet data as of January 31, 2018 and 2017 have been adjusted for the adoption of Accounting Standards Update ("ASU") No. 2014-09 (Topic 606). The consolidated statements of operations data for fiscal 2016 and the consolidated balance sheet data as of January 31, 2016 are derived from audited consolidated financial statements, which are not included in this Form 10-K.

The consolidated statements of operations data for fiscal 2020, and the selected consolidated balance sheet data as of January 31, 2020 include the impact from the adoption of ASU No. 2016-02 (Topic 842).

Consolidated Statements of Operations Data

	Fiscal Year Ended January 31,				
(In thousands, except per share amounts)	**2020**	**2019**	**2018**	**2017**	**2016**
Revenues					
License	$ 1,373,367	$ 1,030,277	$ 741,302	$ 543,510	$ 405,399
Maintenance and services	985,559	772,733	567,830	400,054	263,036
Total revenues	2,358,926	1,803,010	1,309,132	943,564	668,435
Cost of revenues [(1)]					
License	24,116	22,527	13,398	11,965	9,080
Maintenance and services	405,672	322,149	243,011	179,088	105,042
Total cost of revenues	429,788	344,676	256,409	191,053	114,122
Gross profit	1,929,138	1,458,334	1,052,723	752,511	554,313
Operating expenses [(1)]					
Research and development	619,800	441,969	301,114	295,850	215,309
Sales and marketing	1,263,873	1,029,950	777,876	639,404	505,348
General and administrative	332,602	237,588	159,143	153,359	121,579
Total operating expenses	2,216,275	1,709,507	1,238,133	1,088,613	842,236
Operating loss	(287,137)	(251,173)	(185,410)	(336,102)	(287,923)
Interest and other income (expense), net					
Interest income	54,142	31,458	8,943	5,720	3,166
Interest expense	(96,249)	(41,963)	(8,794)	(8,549)	(1,368)
Other income (expense), net	(2,407)	(1,513)	(3,600)	(3,022)	(519)
Total interest and other income (expense), net	(44,514)	(12,018)	(3,451)	(5,851)	1,279
Loss before income taxes	(331,651)	(263,191)	(188,861)	(341,953)	(286,644)
Provision for income taxes (benefit)	5,017	12,386	1,357	5,507	(7,872)
Net loss	$ (336,668)	$ (275,577)	$ (190,218)	$ (347,460)	$ (278,772)
Net loss per share:					
Basic and diluted	$ (2.22)	$ (1.89)	$ (1.36)	$ (2.59)	$ (2.20)
Weighted-average shares outstanding:					
Basic and diluted	151,949	145,707	139,866	133,910	126,746

[1] Amounts include stock-based compensation expense as follows:

	Fiscal Year Ended January 31,				
(In thousands)	2020	2019	2018	2017	2016
Cost of revenues	$ 44,399	$ 37,501	$ 33,605	$ 30,971	$ 26,057
Research and development	185,262	137,171	106,690	129,388	89,197
Sales and marketing	216,276	190,422	159,240	161,164	130,054
General and administrative	99,487	76,836	58,928	56,518	46,949

Consolidated Balance Sheets Data

	January 31,				
(In thousands)	2020	2019	2018	2017	2016
Cash, cash equivalents and short-term investments	$ 1,755,161	$ 2,757,385	$ 1,165,150	$ 1,083,442	$ 1,009,039
Working capital	1,510,519	2,333,325	953,086	874,405	719,503
Total assets	5,439,471	4,500,243	2,139,445	1,785,993	1,536,839
Deferred revenue, current and long-term	1,006,209	877,947	668,705	436,426	449,503
Total stockholders' equity	1,999,429	1,520,457	1,131,321	1,060,292	859,414

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.

The following section generally discusses fiscal 2020 and 2019 items and year-to-year comparisons between fiscal 2020 and 2019, as well as certain fiscal 2018 items. Discussions of fiscal 2018 items and year-to-year comparisons between fiscal 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2019.

Overview

Splunk provides innovative software solutions that ingest data from different sources including systems, devices and interactions, and turn that data into meaningful business insights across the organization. Our Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. 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 business 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 data. Our Data-to-Everything platform helps organizations gain the value contained in data by delivering real-time information to enable operational decision making.

We believe the market for products that deliver real-time business insights from data 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.

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 and 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 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 typically base our license fees on either the estimated daily data indexing capacity or the compute power our customers require. As described further below, over the last year, we have shifted our licensing model, and as of January 31, 2020, a substantial majority of our license revenues consist of revenues from term licenses, and to a much lesser extent, perpetual licenses, under which we generally recognize the license fee portion of these arrangements upfront. As a result, the timing of when we enter into large term and perpetual licenses may lead to fluctuations in our revenues and operating results because our expenses are largely fixed in the short-term.

Splunk Cloud delivers the core capabilities of Splunk Enterprise as a scalable, reliable cloud service. We typically base our Splunk Cloud annual subscription fees on either the volume of data indexed per day including a fixed amount of data storage, or purchased infrastructure and data storage our customers require. We recognize the revenues associated with our cloud services ratably over the associated subscription term.

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") is a machine learning powered monitoring and analytics solution that correlates nearly any kind of data across IT and the business to provide monitoring and troubleshooting support and predict problems before they have an impact. Splunk Phantom automates and orchestrates incident response workflows to take immediate action the moment an incident is detected. VictorOps is a cloud-based Collaborative Incident Response system that delivers context-rich alerts, reducing the time required to react to and address incidents. SignalFx is a cloud-based service that provides real-time monitoring and metrics for cloud infrastructure, microservices and applications observability, as well as application performance management ("APM") for organizations.

During fiscal 2020, we rapidly shifted our revenue mix from sales of perpetual licenses to sales of term licenses and cloud subscriptions, and we have substantially completed our transition to a renewable model as of January 31, 2020. As part of this transition, we discontinued offering new perpetual licenses effective November 1, 2019. We have also shifted from generally invoicing our multi-year term license contracts upfront to invoicing on an annual basis. Accordingly, we have seen the timing of our cash collections extend over a longer period of time than it has been historically, and expect this to negatively impact operating cash flows through at least fiscal 2022. We also expect our business model transition to impact the timing of our recognition of revenue, as well as impact our operating margins as cloud services become a larger percentage of our sales.

We use total annual recurring revenue ("Total ARR") and subscription annual recurring revenue ("Subscription ARR") to identify the annual recurring value of customer contracts at the end of a reporting period. Total ARR represents the annualized revenue run-rate of active term license, maintenance, and subscription contracts at the end of a reporting period. Subscription ARR represents the annualized revenue run-rate of active subscription contracts at the end of a reporting period. Total ARR was $1.68 billion and subscription ARR was $442.0 million as of January 31, 2020.

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, during fiscal 2020, we released new versions of existing offerings such as Splunk ITSI and Splunk ES and introduced Splunk Data Fabric Search ("DFS") and Splunk Data Stream Processor ("DSP"). We also introduced Splunk Business Flow, a process mining solution that enables process improvement and business operations professionals to discover, investigate, and check conformance of any business process. 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 2020, we completed the acquisitions of SignalFx, Inc. ("SignalFx"), a developer of real-time monitoring and metrics for

cloud infrastructure, microservices and applications, Cloud Native Labs, Inc. (“Omnition”), which develops a platform for distributed tracing and application monitoring and Streamlio, Inc., which specializes in designing and operating streaming data solutions. Refer to Note 6 of our accompanying Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further information.

Our goal is to make our software the platform for delivering real-time business insights from data. The key elements of our growth strategy are to:

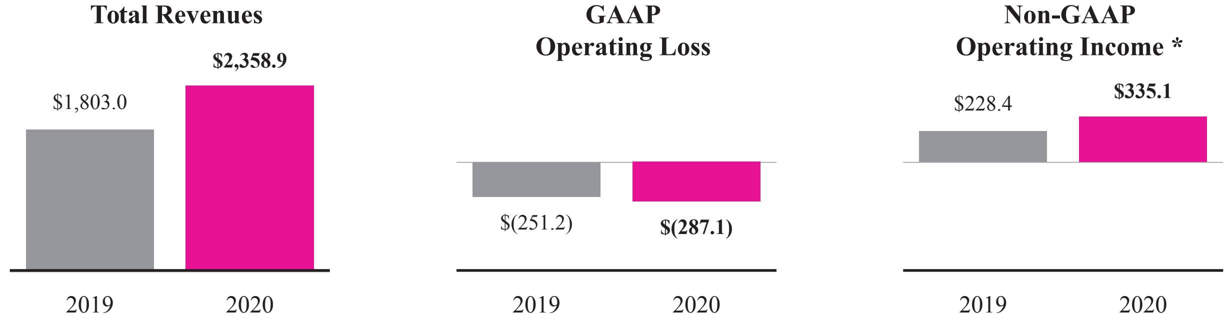
- Extend our technological capabilities.
- Continue to expand our direct and indirect sales organization, including our partner relationships, to increase our sales capacity and enable greater market presence.
- Further penetrate our existing customer base and drive enterprise-wide adoption.
- Enhance 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 data and the Splunk platform.

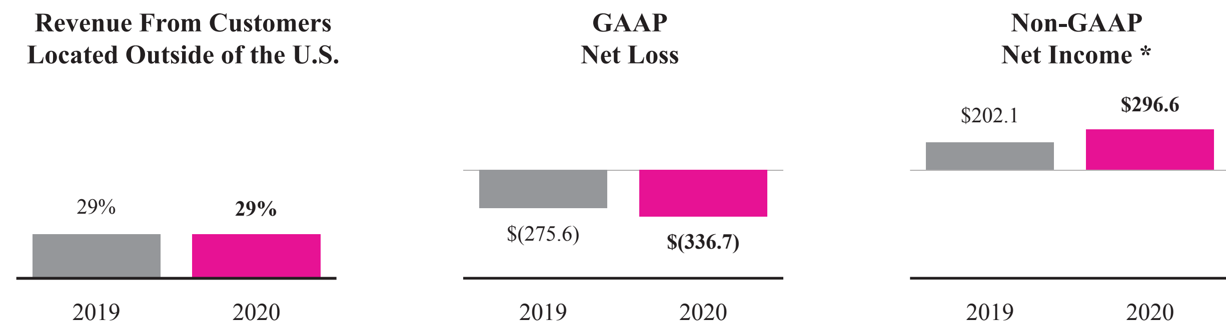
We believe the factors that will influence our ability to achieve our goals include, among other things, our ability to deliver new offerings as well as additional product functionality; acquire new customers across geographies and industries; cultivate incremental sales from our existing customers by driving increased use of our software within organizations; provide additional solutions that leverage our core data platform to help organizations understand and realize the value of their data in specific end markets and use cases; add additional 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 data platform through SDKs and APIs; and successfully integrate acquired businesses and technologies.

In December 2019, COVID-19 was reported in China, in January 2020 the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern, and in March 2020 the WHO declared it a pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and our sales cycles, and impact on our partners or employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Furthermore, due to our shift to a renewable model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all.

Financial Summary

(Dollars in millions)





* Refer to Non-GAAP Financial Measures and Reconciliations below for further information.

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, among others. As of January 31, 2020, we had over 19,400 customers, including over 90 of the Fortune 100 companies.

Non-GAAP Financial Measures and Reconciliations

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with the following non-GAAP financial measures: cost of revenues, gross margin, research and development expense, sales and marketing expense, general and administrative expense, operating income (loss), operating margin, income tax provision (benefit), net income (loss), net income (loss) per share and free cash flow (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, acquisition-related adjustments, including the partial release of the valuation allowance due to acquisitions, adjustments related to restructuring charges and facility exits, capitalized software development costs, a legal settlement charge and non-cash interest expense related to our convertible senior notes that were issued in the third quarter of fiscal 2019. 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. 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 fiscal 2020 was 20%. We will provide updates to this rate on an annual basis, or more frequently if material changes occur. The applicable fiscal 2019 tax rates are noted in the reconciliations. In addition, our non-GAAP financial measures include free cash flow, which represents operating cash flow less purchases of property and equipment. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated or used by the business.

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, acquisition-related adjustments, including the partial release of the valuation allowance due to our acquisitions, adjustments related to restructuring charges and facility exits, capitalized software development costs, a legal settlement charge and non-cash interest expense related to our convertible senior notes from our non-GAAP financial measures because these expenses are considered by management to be outside of our core operating results.

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 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. 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 (used in) operating activities to free cash flow:

(In thousands)	Fiscal Year Ended January 31, 2020	2019
Net cash provided by (used in) operating activities	$ (287,636)	$ 296,454
Less purchases of property and equipment	(101,119)	(23,160)
Free cash flow (non-GAAP)	$ (388,755)	$ 273,294
Net cash used in investing activities	$ (707,981)	$ (779,278)
Net cash provided by (used in) financing activities	$ (100,234)	$ 1,813,425

The following table reconciles our GAAP to non-GAAP financial measures for the fiscal year ended January 31, 2020:

(In thousands, except per share amounts)	GAAP	Stock-based compensation and related employer payroll tax	Amortization of acquired intangible assets	Acquisition-related adjustments	Adjustments related to restructuring charges and facility exits	Capitalized software development costs	Legal settlement charge	Non-cash interest expense related to convertible senior notes	Income tax effects related to non-GAAP adjustments [3]	Non-GAAP
Cost of revenues	$ 429,788	$ (46,478)	$ (29,516)	$ —	$ —	$ —	$ —	$ —	$ —	$ 353,794
Gross margin	*81.8 %*	*1.9%*	*1.3%*	*—%*	*—%*	*— %*	*—%*	*—%*	*—%*	*85.0%*
Research and development	619,800	(190,404)	(697)	(12)	(5,628)	2,589	—	—	—	425,648
Sales and marketing	1,263,873	(223,812)	(8,324)	(172)	—	—	—	—	—	1,031,565
General and administrative	332,602	(101,939)	—	(7,408)	(482)	—	(10,000)	—	—	212,773
Operating income (loss)	(287,137)	562,633	38,537	7,592	6,110	(2,589)	10,000	—	—	335,146
Operating margin	*(12.2)%*	*23.9%*	*1.6%*	*0.3%*	*0.3%*	*(0.1)%*	*0.4%*	*—%*	*—%*	*14.2%*
Income tax provision	5,017	—	—	6,006 [2]	—	—	—	—	63,135	74,158
Net income (loss)	$ (336,668)	$ 562,633	$ 38,537	$ 1,586	$ 6,110	$ (2,589)	$ 10,000	$ 80,157	$ (63,135)	$ 296,631
Net income (loss) per share [1]	$ (2.22)									$ 1.88

(1) GAAP net loss per share calculated based on 151,949 weighted-average shares of common stock. Non-GAAP net income per share calculated based on 157,815 diluted weighted-average shares of common stock, which includes 5,866 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) Represents the partial release of the valuation allowance.

(3) 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, 2019:

(In thousands, except per share amounts)	GAAP	Stock-based compensation and related employer payroll tax	Amortization of acquired intangible assets	Adjustments related to financing lease obligation	Acquisition-related adjustments	Non-cash interest expense related to convertible debt	Income tax effects related to non-GAAP adjustments [4]	Non-GAAP
Cost of revenues	$ 344,676	$ (39,429)	$ (21,444)	$ 1,218	$ —	$ —	$ —	$ 285,021
Gross margin	*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
Operating margin	*(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%.

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 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 term licenses and perpetual 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. During fiscal 2020, we rapidly shifted our revenue mix from sales of perpetual licenses to sales of term licenses and cloud subscriptions, and have substantially completed our transition to a renewable model as of January 31, 2020. As part of this transition, we discontinued offering new perpetual licenses effective November 1, 2019. We expect our business model transition to impact the timing of our recognition of revenue as cloud services become a larger percentage of our sales.

Maintenance and services revenues. Maintenance and services revenues consist of revenues from maintenance agreements, cloud services and professional services and training.

- ***Maintenance revenues.*** When a term license is purchased, maintenance is bundled with the license for the term of the license period. Typically, when purchasing a perpetual license, a customer also purchases one year of maintenance for which we charge a percentage of the license fee. 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 recognize the revenues associated with our cloud services ratably, over the associated subscription term. We expect revenues from cloud services to continue to increase as a percentage of total revenues.

- ***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 7% and 8% for fiscal 2020 and 2019, respectively. 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, costs associated with our IT infrastructure and software subscriptions. 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, including advertising programs to promote our brand and awareness, demand generating activities and customer events. 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. 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. Because of our history of U.S. net operating losses, we have established a full valuation allowance against potential future benefits for U.S. deferred tax assets, including loss carryforwards and research and development and other tax credits. 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. We apply significant judgment in identifying and accounting for each performance obligation, as a result of evaluating the terms and conditions in contracts. 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, we estimate the SSP using the 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. We apply significant judgment in determining the fair value of the intangible assets acquired, which involves the use of significant estimates and assumptions with respect to revenue growth rates, royalty rate and technology migration curve. While we use our best estimates and judgments, 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 included in 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

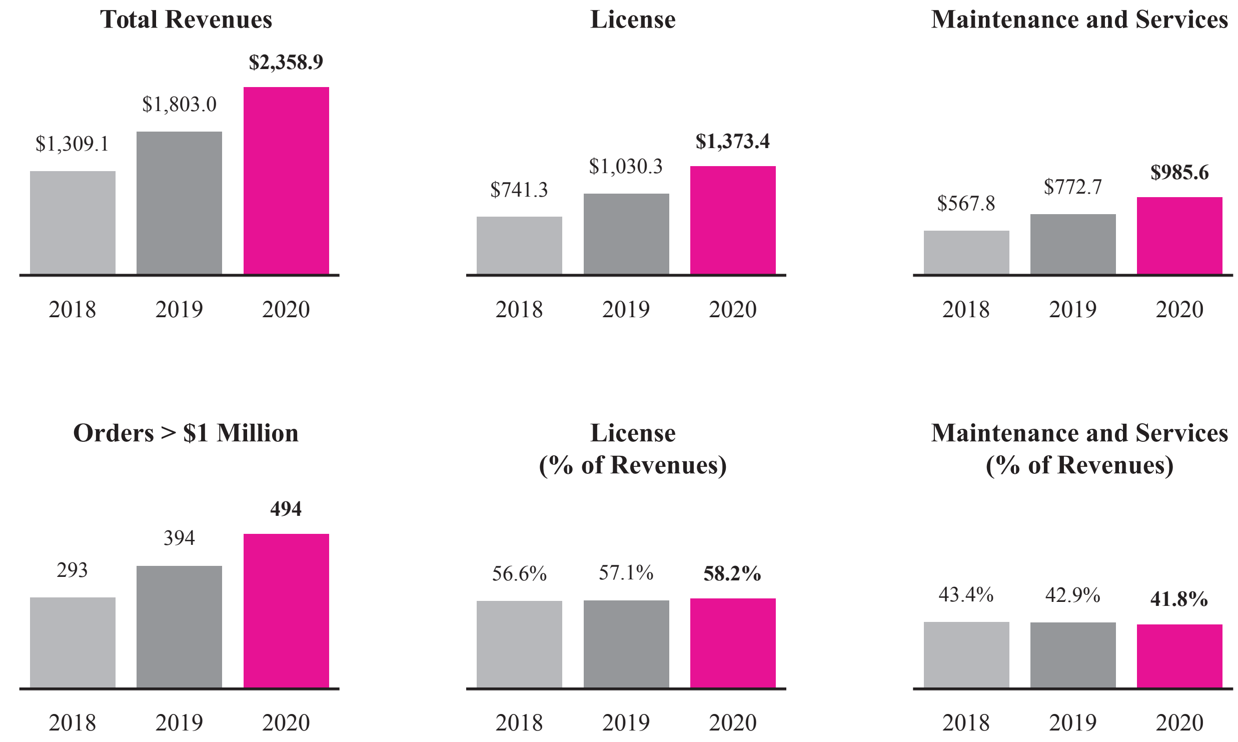
	Fiscal Year Ended January 31,					
(In thousands and as % of revenues)	**2020**		**2019**		**2018**	
Revenues						
License	$ 1,373,367	58.2 %	$ 1,030,277	57.1 %	$ 741,302	56.6 %
Maintenance and services	985,559	41.8	772,733	42.9	567,830	43.4
Total revenues	2,358,926	100.0	1,803,010	100.0	1,309,132	100.0
Cost of revenues						
License [1]	24,116	1.8	22,527	2.2	13,398	1.8
Maintenance and services [1]	405,672	41.2	322,149	41.7	243,011	42.8
Total cost of revenues	429,788	18.2	344,676	19.1	256,409	19.6
Gross profit	1,929,138	81.8	1,458,334	80.9	1,052,723	80.4
Operating expenses						
Research and development	619,800	26.3	441,969	24.5	301,114	23.0
Sales and marketing	1,263,873	53.6	1,029,950	57.1	777,876	59.4
General and administrative	332,602	14.1	237,588	13.2	159,143	12.2
Total operating expenses	2,216,275	94.0	1,709,507	94.8	1,238,133	94.6
Operating loss	(287,137)	(12.2)	(251,173)	(13.9)	(185,410)	(14.2)
Other income (expense), net						
Interest income	54,142	2.3	31,458	1.7	8,943	0.7
Interest expense	(96,249)	(4.1)	(41,963)	(2.3)	(8,794)	(0.7)
Other income (expense), net	(2,407)	(0.1)	(1,513)	(0.1)	(3,600)	(0.2)
Total other income (expense), net	(44,514)	(1.9)	(12,018)	(0.7)	(3,451)	(0.2)
Loss before income taxes	(331,651)	(14.1)	(263,191)	(14.6)	(188,861)	(14.4)
Provision for income taxes	5,017	0.2	12,386	0.7	1,357	0.1
Net loss	$ (336,668)	(14.3)%	$ (275,577)	(15.3)%	$ (190,218)	(14.5)%

[1] Calculated as a percentage of the associated revenues.

Comparison of the Fiscal Years Ended January 31, 2020, 2019 and 2018

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.

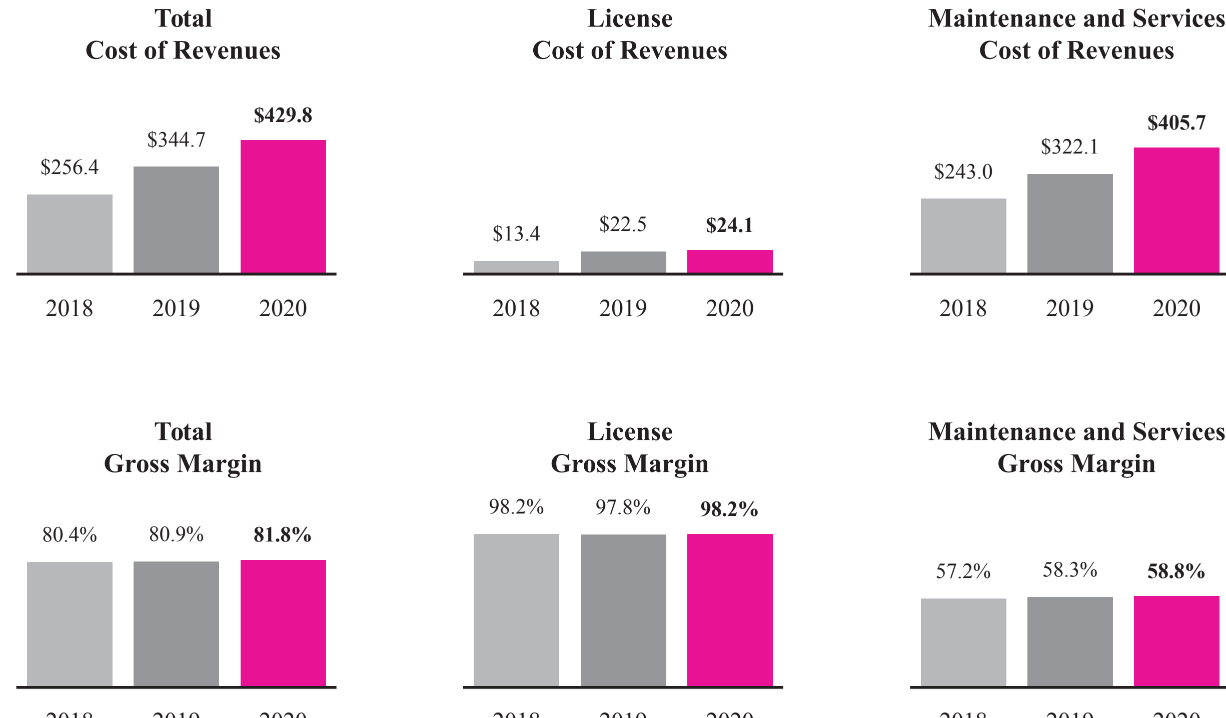
Fiscal 2020 - 2019

Total revenues increased $555.9 million, or 30.8%, primarily due to the following:

+ increase of $343.1 million, or 33.3%, in license revenues
+ increase of $212.8 million, or 27.5%, in maintenance and services revenues
+ increase in the total number of orders greater than $1.0 million from 394 to 494
+ increase in the total number of customers from over 17,500 to over 19,400

Cost of Revenues and Gross Margin

(Dollars in millions)



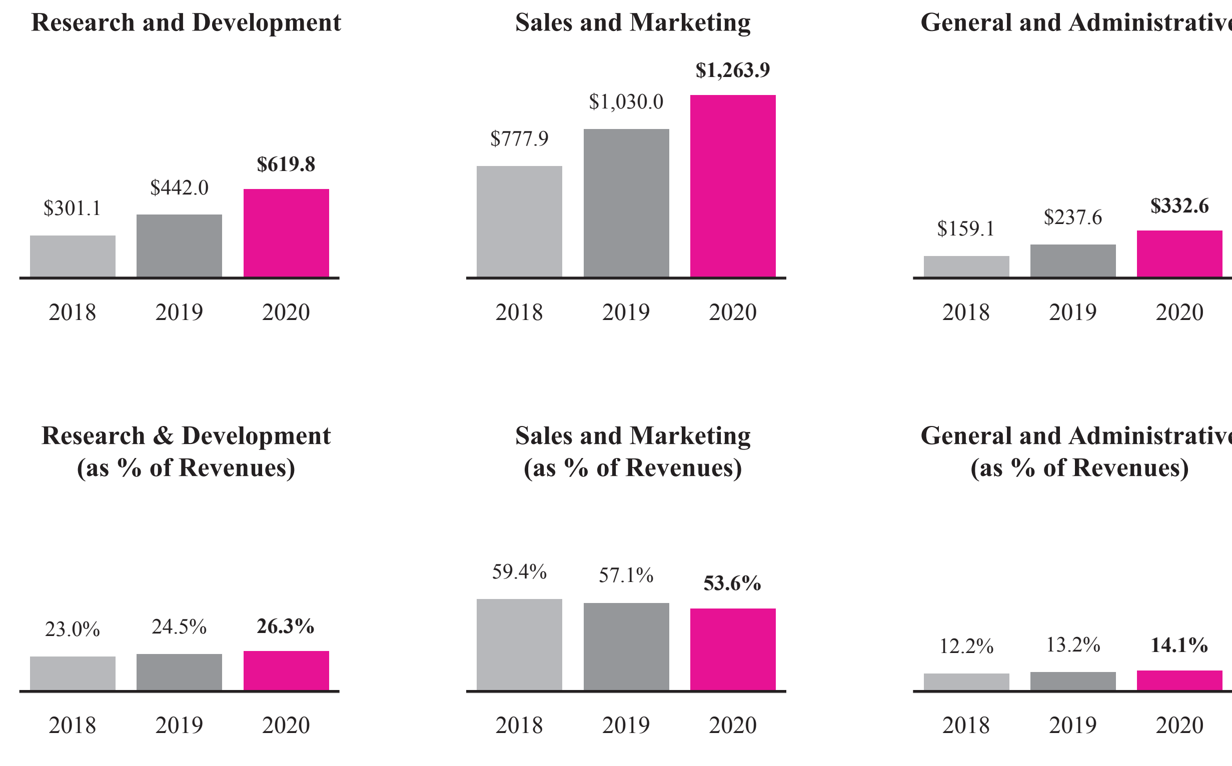
Fiscal 2020 - 2019

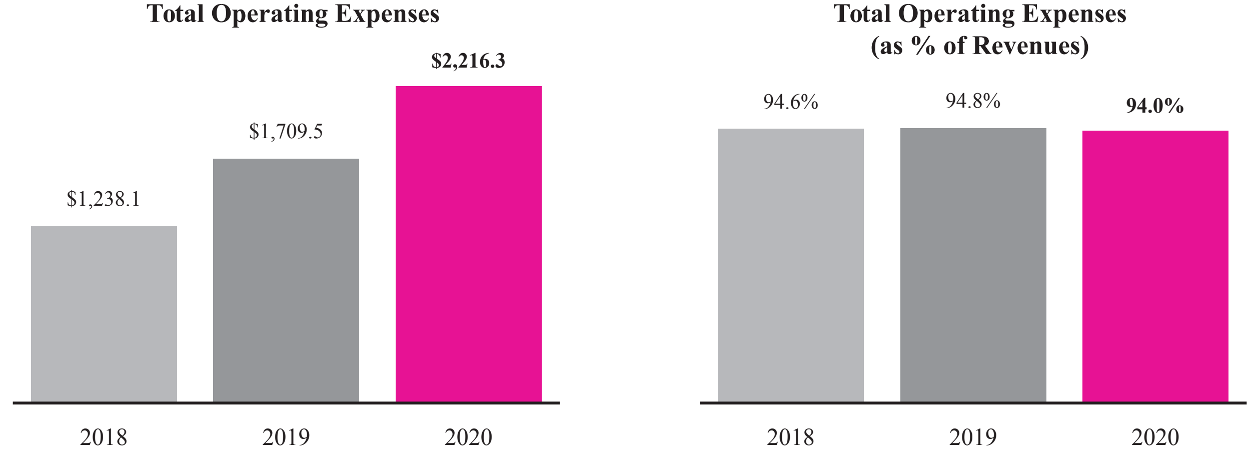
Total cost of revenues increased $85.1 million or 24.7%. License cost of revenues increased $1.6 million, or 7.1%, due to an increase in amortization expense related to acquired intangible assets. Maintenance and services cost of revenues increased $83.5 million, or 25.9%, primarily due to the following:

+ increase of $36.3 million in salaries and benefits, which includes a $6.9 million increase in stock-based compensation expense due to increased headcount
+ increase of $20.1 million in third-party hosting fees to support our cloud services
+ increase of $8.8 million related to third-party consulting services
+ increase of $6.8 million in intangible asset amortization related to our acquisitions
+ increase of $5.5 million in overhead expenses, primarily related to facility-related costs

Total gross margin, license gross margin and maintenance and services gross margin, respectively, remained relatively flat.

Operating Expenses
(Dollars in millions)





Research and Development Expense

Fiscal 2020 - 2019

Research and development expense increased $177.8 million, or 40.2%, primarily due to the following:

+ increase of $138.7 million in salaries and benefits, which includes a $48.1 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 $15.4 million related to facilities and overhead
+ increase of $11.3 million in hosting fees to support our product development efforts
+ increase of $8.2 million related to third-party consulting services

Sales and Marketing Expense

Fiscal 2020 - 2019

Sales and marketing expense increased $233.9 million, or 22.7%, primarily due to the following:

+ increase of $156.5 million in salaries and benefits, which includes a $25.9 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 $32.9 million related to facilities and overhead
+ increase of $21.5 million in marketing expenses
+ increase of $12.4 million in travel-related expenses due to increased travel from our growing field sales organization
+ increase of $3.1 million related to third-party consulting services

General and Administrative Expense

Fiscal 2020 - 2019

General and administrative expense increased $95.0 million, or 40.0%, primarily due to the following:

+ increase of $55.4 million in salaries and benefits, which includes a $22.7 million increase in stock-based compensation expense, as we increased headcount
+ increase of $14.6 million in accounting and legal-related expenses, which includes a $10.0 million legal settlement charge
+ increase of $14.4 million related to third-party consulting services
+ increase of $10.7 million related to facilities and overhead

Interest and Other Income (Expense), net

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Interest and other income (expense), net			
Interest income	$ 54,142	$ 31,458	$ 8,943
Interest expense	(96,249)	(41,963)	(8,794)
Other income (expense), net	(2,407)	(1,513)	(3,600)
Total interest and other income (expense), net	$ (44,514)	$ (12,018)	$ (3,451)

Fiscal 2020 - 2019

Interest and other income (expense), net reflects a net increase in expense of $32.5 million, 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.

Provision for Income Taxes

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Provision for income taxes	$ 5,017	$ 12,386	$ 1,357

Fiscal 2020 - 2019

Provision for income taxes decreased $7.4 million, primarily due to a decrease in federal tax expense as a result of the Base Erosion Anti-Abuse Tax and an increase in the partial release of the valuation allowance as a result of our acquisitions.

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

	Three Months Ended							
(In thousands, except per share amounts)	Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 30, 2018
Revenues								
License	$ 517,542	$ 373,684	$ 279,279	$ 202,862	$ 411,031	$ 279,603	$ 200,668	$ 138,975
Maintenance and services	273,640	252,652	237,279	221,988	211,054	201,380	187,635	172,664
Total revenues	791,182	626,336	516,558	424,850	622,085	480,983	388,303	311,639
Cost of revenues [(1)]								
License	6,702	5,796	5,936	5,682	5,810	5,922	5,671	5,124
Maintenance and services	121,136	102,023	92,372	90,141	87,923	83,303	78,077	72,846
Total cost of revenues	127,838	107,819	98,308	95,823	93,733	89,225	83,748	77,970
Gross profit	663,344	518,517	418,250	329,027	528,352	391,758	304,555	233,669
Operating expenses [(1)]								
Research and development	197,513	158,887	134,110	129,290	131,151	117,722	106,739	86,357
Sales and marketing	367,116	319,023	298,773	278,961	303,861	264,223	243,830	218,036
General and administrative	106,484	88,092	72,264	65,762	69,183	59,819	57,844	50,742
Total operating expenses	671,113	566,002	505,147	474,013	504,195	441,764	408,413	355,135
Operating income (loss)	(7,769)	(47,485)	(86,897)	(144,986)	24,157	(50,006)	(103,858)	(121,466)
Interest and other income (expense), net								
Interest income	8,769	12,612	16,415	16,346	16,136	8,571	3,564	3,187
Interest expense	(24,722)	(24,406)	(24,104)	(23,017)	(25,562)	(12,270)	(2,058)	(2,073)
Other income (expense), net	(999)	(215)	(654)	(539)	(856)	(186)	(336)	(135)
Total interest and other income (expense), net	(16,952)	(12,009)	(8,343)	(7,210)	(10,282)	(3,885)	1,170	979
Income (loss) before income taxes	(24,721)	(59,494)	(95,240)	(152,196)	13,875	(53,891)	(102,688)	(120,487)
Income tax provision (benefit)	(1,993)	(1,855)	5,632	3,233	11,749	1,814	811	(1,988)
Net income (loss)	$ (22,728)	$ (57,639)	$ (100,872)	$ (155,429)	$ 2,126	$ (55,705)	$ (103,499)	$ (118,499)
Net income (loss) per share								
Basic	$ (0.15)	$ (0.38)	$ (0.67)	$ (1.04)	$ 0.01	$ (0.38)	$ (0.71)	$ (0.83)
Diluted	$ (0.15)	$ (0.38)	$ (0.67)	$ (1.04)	$ 0.01	$ (0.38)	$ (0.71)	$ (0.83)

(1) Includes stock-based compensation expense as follows:

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(In thousands)	Three Months Ended Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 30, 2018
Cost of revenues	$ 12,689	$ 10,426	$ 10,459	$ 10,825	$ 10,883	$ 8,867	$ 8,497	$ 8,804
Research and development	58,540	45,003	40,451	41,268	42,072	35,088	33,597	26,416
Sales and marketing	66,258	50,743	49,007	50,268	56,550	45,280	45,546	43,047
General and administrative	29,009	26,680	23,096	20,702	25,080	18,449	16,953	16,354

Consolidated Statements of Operations Data

	Three Months Ended Jan 31, 2020	Oct 31, 2019	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 30, 2018
Revenues								
License	65.4 %	59.7 %	54.1 %	47.7 %	66.1%	58.1 %	51.7 %	44.6 %
Maintenance and services	34.6	40.3	45.9	52.3	33.9	41.9	48.3	55.4
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues								
License [(1)]	1.3	1.6	2.1	2.8	1.4	2.1	2.8	3.7
Maintenance and services [(1)]	44.3	40.4	38.9	40.6	41.7	41.4	41.6	42.2
Total cost of revenues	16.2	17.2	19.0	22.6	15.1	18.6	21.6	25.0
Gross profit	83.8	82.8	81.0	77.4	84.9	81.4	78.4	75.0
Operating expenses								
Research and development	25.0	25.4	26.0	30.4	21.1	24.5	27.5	27.7
Sales and marketing	46.4	50.9	57.8	65.6	48.8	54.9	62.7	70.0
General and administrative	13.4	14.1	14.0	15.5	11.1	12.4	14.9	16.3
Total operating expenses	84.8	90.4	97.8	111.5	81.0	91.8	105.1	114.0
Operating income (loss)	(1.0)	(7.6)	(16.8)	(34.1)	3.9	(10.4)	(26.7)	(39.0)
Interest and other income (expense), net								
Interest income	1.1	2.0	3.2	3.8	2.6	1.8	0.9	1.0
Interest expense	(3.1)	(3.9)	(4.7)	(5.4)	(4.1)	(2.6)	(0.5)	(0.6)
Other income (expense), net	(0.1)	—	(0.1)	(0.1)	(0.2)	—	(0.1)	—
Total interest and other income (expense), net	(2.1)	(1.9)	(1.6)	(1.7)	(1.7)	(0.8)	0.3	0.4
Income (loss) before income taxes	(3.1)	(9.5)	(18.4)	(35.8)	2.2	(11.2)	(26.4)	(38.6)
Income tax provision (benefit)	(0.2)	(0.3)	1.1	0.8	1.9	0.4	0.2	(0.6)
Net income (loss)	(2.9)%	(9.2)%	(19.5)%	(36.6)%	0.3%	(11.6)%	(26.6)%	(38.0)%

(1) This percentage is calculated as a percentage of the associated revenues.

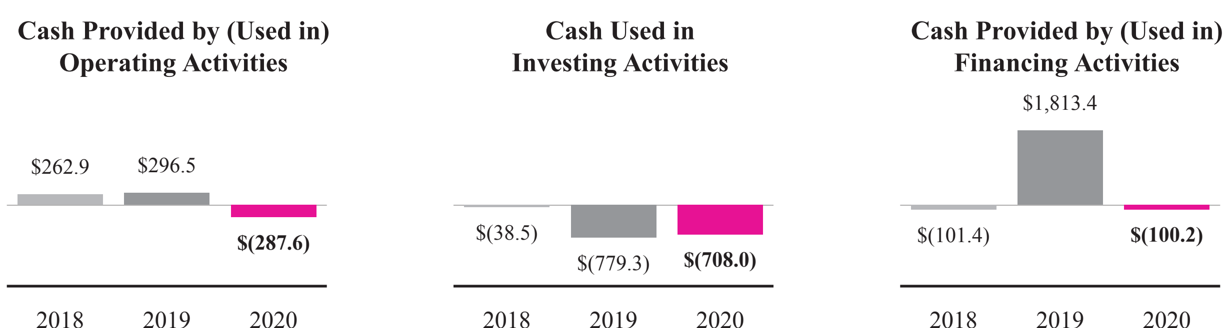
Seasonality, Cyclicality and Quarterly Trends

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 2021 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

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
Cash and cash equivalents	$ 778,653	$ 1,876,165	$ 545,947
Investments, current	976,508	881,220	619,203
Investments, non-current	35,370	110,588	5,375

(In millions)



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Our principal sources of liquidity are our cash and cash equivalents, investments and net accounts receivable. As of January 31, 2020, we had $1.79 billion of cash, cash equivalents and investments of which $85.4 million was held by foreign subsidiaries. We believe that these funds 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 2021 to support the growth in our operations, including acquisition-related activities.

During fiscal 2020, we rapidly shifted our revenue mix from sales of perpetual licenses to sales of term licenses and cloud subscriptions, and we have substantially completed our transition to a renewable model as of January 31, 2020. As part of this transition, we discontinued offering new perpetual licenses effective November 1, 2019. We have also shifted from generally invoicing our multi-year term license contracts upfront to invoicing on an annual basis. Accordingly, we have seen the timing of our cash collections extend over a longer period of time than it has been historically, and expect this to negatively impact operating cash flows through at least fiscal 2022.

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 investments in our systems infrastructure, 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 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.

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 2020 - 2019

Net cash used in operating activities was $287.6 million for the year ended January 31, 2020 compared to net cash provided by operating activities of $296.5 million for the prior year. The increase in net cash used in operating activities was primarily due to the following:

- increase in accounts receivable due to the shift in our business model to renewable contracts, including term installment billings
- increase in payments for prepaid expenses and other assets
- reduction in deferred revenue
- increase in payments for accrued expenses and other liabilities
- increase in payments for accrued compensation

Investing Activities

Fiscal 2020 - 2019

Net cash used in investing activities was $708.0 million for the year ended January 31, 2020 compared to $779.3 million for the prior year. The net decrease in cash used in investing activities was primarily due to the following:

+ decrease of $350.2 million in purchases of investments, net of maturities
- increase of $200.0 million in cash purchase price paid, net of cash acquired, from our acquisitions of Streamlio, SignalFx and Omnition
- increase of $78.0 million in purchases of property and equipment

Financing Activities

Fiscal 2020 - 2019

Net cash used in financing activities was $100.2 million for the year ended January 31, 2020 compared to net cash provided by financing activities of $1.81 billion for the prior year. The net increase in cash used in financing activities was primarily due to the following:

- absence of the issuance of $2.11 billion in convertible senior notes, net of initial purchase discounts and issuance costs, partially offset by the absence of $274.3 million in cash used to purchase capped calls in connection with the issuance of our convertible senior notes from the prior year
- increase in taxes paid related to net share settlement of equity awards

Contractual Obligations

Operating Lease Commitments and Contractual Obligations

We lease our office spaces under non-cancelable leases. Operating lease costs were $49.6 million, excluding short-term leases, variable lease costs and sublease income, which were immaterial, during fiscal 2020. Rent expense recognized

prior to our adoption of Topic 842 was $26.2 million and $16.8 million during fiscal 2019 and 2018, respectively. Rent expense for fiscal 2018 includes a decrease of $5.2 million in connection with facility exit charge adjustments.

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 during the first half of fiscal 2021 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.

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, 2020:

	Payments Due by Period				
(In thousands)	**Total**	**Less Than 1 year**	**1-3 years**	**3-5 years**	**More Than 5 years**
0.5% Convertible Senior Notes due 2023 [1]	$ 1,290,300	$ 6,325	$ 12,650	$ 1,271,325	$ —
1.125% Convertible Senior Notes due 2025 [1]	920,719	9,703	19,406	19,406	872,204
Operating lease commitments [2]	362,563	37,799	105,014	66,448	153,302
Purchase obligations [3]	80,453	30,826	38,868	9,255	1,504
Total	$ 2,654,035	$ 84,653	$ 175,938	$ 1,366,434	$ 1,027,010

(1) Total future payments related to our Convertible Senior Notes due 2023 includes $1.265 billion principal amount and future interest payments of $25.3 million. Total future payments related to our Convertible Senior Notes due 2025 includes $862.5 million principal amount and future interest payments of $58.2 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 $2.6 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.

Prior to our adoption of Topic 842, we entered into a lease which was accounted for under build-to-suit lease accounting. As of January 31, 2019, $76.2 million of our build-to-suit lease asset was included in "Property and equipment, net" and the related $83.4 million financing lease obligation was included in "Other liabilities, non-current" on our consolidated balance sheets. Upon the adoption of Topic 842, we derecognized our build-to-suit asset and related liabilities and included the difference of $7.2 million as a decrease to "Accumulated deficit" on our consolidated balance sheet at February 1, 2019. Under Topic 842, this lease was classified as an operating lease and was included in "Operating lease right-of-use assets" and "Operating lease liabilities" on our consolidated balance sheets as of January 31, 2020.

As of January 31, 2019, prior to our adoption of Topic 842, future minimum rental payments under our non-cancelable operating leases obligation were as follows:

Fiscal Period (In thousands)	**Future Payments [1]**
Fiscal 2020	$ 30,976
Fiscal 2021	48,195
Fiscal 2022	48,126
Fiscal 2023	44,018
Fiscal 2024	40,636
Thereafter	253,856
Total future minimum lease payments [2]	$ 465,807

(1) Amounts based on Topic 840, Leases.

(2) We entered into sublease agreements for portions of our office space and the future rental income of $2.3 million from these agreements have been included as an offset to our future minimum rental payments.

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Off-Balance Sheet Arrangements

During fiscal 2020, 2019 and 2018, 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 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, 2020. 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 $778.7 million as of January 31, 2020. 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 fiscal 2020 and 2019, 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, refer to 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, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020 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, 2020, 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 leases as of February 1, 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition - Identifying, Evaluating and Accounting for Terms and Conditions in Contracts with Customers

As described in Note 1 to the consolidated financial statements, the Company generates revenue primarily in the form of software license and related maintenance fees, cloud services and other services fees. The Company's contracts with customers often contain multiple performance obligations. Management accounts for individual performance obligations separately if they are distinct. Management applies significant judgment in identifying and accounting for each performance obligation as a result of evaluating the terms and conditions in contracts. As disclosed by management, the Company's revenue was $2,359 million for the fiscal year ended January 31, 2020.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically the identification, evaluation and accounting for terms and conditions in contracts with customers, is a critical audit matter are there was significant judgment by management in identifying, evaluating and accounting for terms and conditions in contracts with customers. This in turn led to significant auditor judgment and effort in performing procedures and evaluating audit evidence related to whether terms and conditions in contracts were appropriately identified, evaluated and accounted for by management.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the identification and evaluation of the contractual terms and conditions that impact the identification of performance obligations and determination of revenue recognition. These procedures also included, among others, (i) testing the completeness and accuracy of management's identification and evaluation of the terms and conditions in contracts with customers by examining revenue arrangements on a test basis, and (ii) testing management's process for identifying and evaluating the terms and conditions in contracts with customers, including management's identification of the performance obligations and determination of the impact of those terms and conditions on revenue recognition.

Acquisition of SignalFx - Valuation of Intangible Assets

As described in Notes 1 and 6 to the consolidated financial statements, during fiscal 2020 the Company completed the acquisition of SignalFx for the total fair value of consideration of $961.4 million, which resulted in the recognition of $173.7 million of identified intangible assets and $728.9 million of goodwill. Management applied significant judgment in determining the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to revenue growth rates, royalty rate, and technology migration curve.

The principal considerations for our determination that performing procedures relating to the valuation of the intangible assets recorded with the acquisition of SignalFx is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the fair value measurement of intangible assets acquired due to the significant amount of judgment by management when developing the estimate, (ii) significant audit effort was required in evaluating the significant assumptions relating to the estimate, such as revenue growth rates, royalty rate, and technology migration curve, and

(iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets and controls over development of the assumptions related to the valuation of intangible assets, including revenue growth rates, royalty rate, and technology migration curve. These procedures also included, among others (i) reading the purchase agreement, (ii) testing management's process for identifying intangible assets acquired, and (iii) testing management's process for estimating the fair value of the intangible assets acquired. Testing management's process included evaluating the appropriateness of the valuation methods and evaluating the reasonableness of significant assumptions used by management in the valuation of the intangible assets, including the revenue growth rates, royalty rate, and technology migration curve. Evaluating the reasonableness of the revenue growth rates, royalty rate and technology migration curve involved considering the past performance of the acquired businesses, as well as industry and peer data, and considering whether they were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's valuation methods and significant assumptions including the royalty rate and technology migration curve.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 26, 2020

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, 2020	January 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 778,653	$ 1,876,165
Investments, current	976,508	881,220
Accounts receivable, net	838,743	469,658
Prepaid expenses and other current assets	129,839	73,197
Deferred commissions, current	99,072	78,223
Total current assets	2,822,815	3,378,463
Investments, non-current	35,370	110,588
Accounts receivable, non-current	468,934	155,471
Operating lease right-of-use assets	267,086	—
Property and equipment, net	156,928	158,276
Intangible assets, net	238,415	91,622
Goodwill	1,292,840	503,388
Deferred commissions, non-current	88,990	64,766
Other assets	68,093	37,669
Total assets	$ 5,439,471	$ 4,500,243
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 18,938	$ 20,418
Accrued compensation	286,159	226,061
Accrued expenses and other liabilities	177,822	125,641
Deferred revenue, current	829,377	673,018
Total current liabilities	1,312,296	1,045,138
Convertible senior notes, net	1,714,630	1,634,474
Operating lease liabilities	235,631	—
Deferred revenue, non-current	176,832	204,929
Other liabilities, non-current	653	95,245
Total non-current liabilities	2,127,746	1,934,648
Total liabilities	3,440,042	2,979,786
Commitments and contingencies (Notes 3 and 4)		
Stockholders' equity		
Preferred stock: $0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding at January 31, 2020 and January 31, 2019	—	—
Common stock: $0.001 par value; 1,000,000,000 shares authorized; 157,787,548 shares issued and outstanding at January 31, 2020, and 149,167,298 shares issued and outstanding at January 31, 2019	157	149
Accumulated other comprehensive loss	(5,312)	(2,506)
Additional paid-in capital	3,566,055	2,754,858
Accumulated deficit	(1,561,471)	(1,232,044)
Total stockholders' equity	1,999,429	1,520,457
Total liabilities and stockholders' equity	$ 5,439,471	$ 4,500,243

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)	Fiscal Year Ended January 31, 2020	2019	2018
Revenues			
License	$ 1,373,367	$ 1,030,277	$ 741,302
Maintenance and services	985,559	772,733	567,830
Total revenues	2,358,926	1,803,010	1,309,132
Cost of revenues [(1)]			
License	24,116	22,527	13,398
Maintenance and services	405,672	322,149	243,011
Total cost of revenues	429,788	344,676	256,409
Gross profit	1,929,138	1,458,334	1,052,723
Operating expenses [(1)]			
Research and development	619,800	441,969	301,114
Sales and marketing	1,263,873	1,029,950	777,876
General and administrative	332,602	237,588	159,143
Total operating expenses	2,216,275	1,709,507	1,238,133
Operating loss	(287,137)	(251,173)	(185,410)
Interest and other income (expense), net			
Interest income	54,142	31,458	8,943
Interest expense	(96,249)	(41,963)	(8,794)
Other income (expense), net	(2,407)	(1,513)	(3,600)
Total interest and other income (expense), net	(44,514)	(12,018)	(3,451)
Loss before income taxes	(331,651)	(263,191)	(188,861)
Provision for income taxes	5,017	12,386	1,357
Net loss	$ (336,668)	$ (275,577)	$ (190,218)
Basic and diluted net loss per share	$ (2.22)	$ (1.89)	$ (1.36)
Weighted-average shares used in computing basic and diluted net loss per share	151,949	145,707	139,866

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

	2020	2019	2018
Cost of revenues	$ 44,399	$ 37,501	$ 33,605
Research and development	185,262	137,171	106,690
Sales and marketing	216,276	190,422	159,240
General and administrative	99,487	76,836	58,928

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Net loss	$ (336,668)	$ (275,577)	$ (190,218)
Other comprehensive income (loss):			
Net unrealized gain (loss) on investments (net of tax)	1,114	1,279	(911)
Foreign currency translation adjustments	(3,920)	(3,941)	4,080
Total other comprehensive income (loss)	(2,806)	(2,662)	3,169
Comprehensive loss	$ (339,474)	$ (278,239)	$ (187,049)

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Cash flows from operating activities			
Net loss	$ (336,668)	$ (275,577)	$ (190,218)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	67,661	52,430	40,941
Amortization of deferred commissions	104,353	77,867	46,653
Amortization of investment premiums, net (accretion of discounts)	(9,553)	(4,743)	259
Amortization of debt discount and issuance costs	80,156	28,019	—
Stock-based compensation	545,424	441,930	358,463
Disposal of property and equipment	1,974	—	—
Deferred income taxes	(6,120)	(4,064)	(4,822)
Non-cash facility exit adjustment	—	—	(5,191)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(679,891)	(220,940)	(150,953)
Prepaid expenses and other assets	(78,582)	6,970	(45,611)
Deferred commissions	(149,426)	(130,485)	(76,756)
Accounts payable	(5,441)	9,240	3,409
Accrued compensation	58,898	81,213	44,484
Accrued expenses and other liabilities	(187)	30,751	9,967
Deferred revenue	119,766	203,843	232,279
Net cash provided by (used in) operating activities	(287,636)	296,454	262,904
Cash flows from investing activities			
Purchases of investments	(1,086,317)	(1,109,852)	(645,762)
Maturities of investments	1,080,812	754,138	687,485
Acquisitions, net of cash acquired	(594,870)	(394,910)	(59,350)
Purchases of property and equipment	(101,119)	(23,160)	(20,503)
Capitalized software development costs	(2,589)	—	—
Other investment activities	(3,898)	(5,494)	(375)
Net cash used in investing activities	(707,981)	(779,278)	(38,505)
Cash flows from financing activities			
Proceeds from the exercise of stock options	3,543	1,953	4,175
Proceeds from employee stock purchase plan	60,383	46,342	34,044
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	(164,160)	(63,369)	(137,830)
Repayment of financing lease obligation	—	(2,522)	(1,808)
Net cash provided by (used in) financing activities	(100,234)	1,813,425	(101,419)
Effect of exchange rate changes on cash and cash equivalents	(1,661)	(383)	1,621
Net increase (decrease) in cash and cash equivalents	(1,097,512)	1,330,218	124,601
Cash and cash equivalents at beginning of period	1,876,165	545,947	421,346
Cash and cash equivalents at end of period	$ 778,653	$ 1,876,165	$ 545,947

Splunk Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental disclosures			
Cash paid for income taxes	$ 17,413	$ 6,639	$ 6,480
Cash paid for interest	15,761	8,183	8,150
Non-cash investing and financing activities			
Increase in accrued purchases of property and equipment	1,329	666	132
Equity consideration for acquisitions	364,275	—	—
Vesting of early exercised options	784	—	—

The accompanying notes are an integral part of these consolidated financial statements.

Splunk Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock					
(In thousands, except share amounts)	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
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**
Cumulative-effect adjustment from adoption of ASU 2016-02	—	—	—	—	7,241	7,241
Stock-based compensation	—	—	545,424	—	—	545,424
Capitalized software development costs	—	—	951	—	—	951
Issuance of common stock upon exercise of options	329,155	—	3,543	—	—	3,543
Vesting of restricted stock units	4,003,765	4	—	—	—	4
Issuance of restricted stock awards	641,382	1	—	—	—	1
Issuance of common stock from acquisitions	2,948,471	3	344,569	—	—	344,572
Fair value of replacement equity awards attributable to pre-acquisition service	—	—	19,703	—	—	19,703
Vesting of early exercised options	—	—	784	—	—	784
Taxes paid related to net share settlement of equity awards	—	—	(164,160)	—	—	(164,160)
Issuance of common stock upon ESPP purchase	697,477	—	60,383	—	—	60,383
Unrealized gain from investments	—	—	—	1,114	—	1,114
Net change in cumulative translation adjustments	—	—	—	(3,920)	—	(3,920)
Net loss	—	—	—	—	(336,668)	(336,668)
Balances at January 31, 2020	**157,787,548**	**$ 157**	**$ 3,566,055**	**$ (5,312)**	**$ (1,561,471)**	**$ 1,999,429**

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 ingest data from different sources including systems, devices and interactions, and turn that data into meaningful business insights across the organization. Our Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. 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 business transactions, customer and user behavior, and security threats. Our Data-to-Everything platform helps organizations gain the value contained in data by delivering real-time information to enable operational decision making. 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 2020, for example, refer to the fiscal year ended January 31, 2020.

Basis of Presentation

We prepared our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). 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.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current period presentation. "Accounts receivable, non-current" have been reclassified from "Other assets" on our consolidated balance sheet and "Prepaid expenses and other assets" on our consolidated statements of cash flows. 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 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, the discount rate used for operating leases, and contingencies. Actual results could differ from those estimates.

COVID-19

The worldwide spread of COVID-19 is expected to result in a global slowdown of economic activity which is likely to decrease demand for a broad variety of goods and services, while also disrupting sales channels and marketing activities for an unknown period of time until the disease is contained. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain, and as of the date of issuance of those financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements.

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.

Foreign Currency

The functional currency of our foreign subsidiaries is their respective local currency, with the exception of our United Kingdom subsidiary, for which the functional currency is the U.S. dollar. Translation adjustments arising from the use of differing exchange rates from period to period are included in “Accumulated other comprehensive income (loss)” on our 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, 2020. 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 our consolidated balance sheets with changes in the fair value included in “Other income (expense), net” on our 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. We apply significant judgment in determining the fair value of the intangible assets acquired, which involves the use of significant estimates and assumptions with respect to revenue growth rates, royalty rate and technology migration curve. While we use our best estimates and judgments, 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 included in 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 service fees. Licenses for on-premises software are either term or perpetual licenses and provide the customer with a right to use the software. When a term license is purchased, maintenance is bundled with the license for the term of the license period.

Typically, when purchasing a perpetual license, a customer also purchases one year of maintenance for which we charge a percentage of the license fee. 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.

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. We apply significant judgment in identifying and accounting for each performance obligation, as a result of evaluating the terms and conditions in contracts. 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, we estimate the SSP using the residual approach.

A receivable is recorded in the period we deliver products or provide services, or when we have an unconditional right to payment. Most of our multi-year on-premises term license contracts are invoiced annually. We record a receivable for multi-year on-premises licenses, whether or not billed, to the extent we have an unconditional right to receive payment in the future related to those licenses. The non-current portion of these receivables, primarily consisting of unbilled receivables, is included in "Accounts receivable, non-current" on our consolidated balance sheets.

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 generally 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 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 included in "Deferred commissions, current and non-current" on 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" on our consolidated statements of operations. There were no impairments to deferred commissions for all periods presented. Commission expense was $208.9 million, $174.0 million and $116.3 million for fiscal 2020, 2019 and 2018, 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 our consolidated statements of comprehensive income (loss). Fair value is determined based on quoted market rates when observable or utilizing data points 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" on 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 with two financial institutions that management believes are high-credit, quality financial institutions and invest our cash equivalents in highly rated money market funds.

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:

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
Balance at beginning of period	$ 445	$ 467	$ 475
Add: bad debt expense	1,062	—	—
Less: write-offs, net of recoveries	(504)	(22)	(8)
Balance at end of period	$ 1,003	$ 445	$ 467

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.

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 on our 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 2020 and 2019 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 2020, 2019 or 2018.

Costs related to software developed, acquired, or modified for internal use, 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. We capitalized $3.5 million of costs related to software developed for internal use in fiscal 2020. Costs related to software developed for internal use in fiscal 2019 were not material.

Leases

We determine if an arrangement contains a lease and the classification of that lease, if applicable, at the inception of a contract. We primarily lease our facilities under operating leases. Operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. We calculate the operating lease right-of-use assets based on the corresponding lease liability adjusted for (i) payments made at or before the commencement date, (ii) initial direct costs we incur and (iii) tenant incentives under the lease. We do not account for renewals or early terminations unless we are reasonably certain to exercise these options at commencement. Operating lease right-of-use assets are subject to evaluation for impairment or disposal on a basis consistent with other long-lived assets. Operating lease expense is recognized on a straight-line basis over the lease term. We account for lease and non-lease components as a single lease component for our operating leases. We do not include leases with terms of 12 months or less on our consolidated balance sheets.

As the implicit rate for our operating leases is generally not determinable, we use our incremental borrowing rate as our discount rate at the lease commencement date to determine the present value of lease payments. We determine the discount rate of our leases by considering various factors, such as our credit rating, interest rates of similar debt instruments of entities with comparable credit ratings, the lease term and the currency in which the lease is denominated. Our discount rate was determined using a portfolio approach.

Our operating lease assets are included in "Operating lease right-of-use assets" and the current and non-current portions of our operating lease liabilities are included in "Accrued expenses and other liabilities" and "Operating lease liabilities," respectively, on our consolidated balance sheets. As of January 31, 2020, we had no finance leases. Refer to Note 4 "Leases" for details.

Advertising Expense

We expense advertising costs as incurred. We incurred $30.1 million, $17.3 million and $10.1 million in advertising expenses for fiscal 2020, 2019 and 2018, respectively. Advertising costs are included in "Sales and marketing" expenses on our 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 expected term of the options is based on the average period the stock options are expected to remain outstanding calculated as the midpoint of the options' vesting terms and contractual expiration periods, as we do not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The expected stock price volatility for our stock was determined by examining the historical volatility of our common stock. The risk-free interest rate was calculated using the average of the published interest rates United States Treasury zero-coupon issues with maturities that approximate the expected term. The dividend yield assumption is zero as we do not have any history of, nor plans to make, dividend payments.

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 carryforwards. 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. All of these judgments are subject to review by the taxing authorities.

Recently Adopted Accounting Standards

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
Accounting Standards Update ("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 with the requirements for capitalizing implementation costs incurred for an internal-use software license.	We early adopted this new standard as of May 1, 2019.	The adoption of this new standard did not 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.	We adopted this new standard as of February 1, 2019.	The adoption of this new standard did not 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 Accounting Standards Codification ("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, ASU No. 2018-10, Codification Improvements to Topic 842, Leases, was issued which clarifies the codification or corrects unintended application of the guidance.	We adopted this new standard as of February 1, 2019, using the cumulative-effect transition method recognized as of the date of initial application, as amended by ASU No. 2018-11. Under this method, we are not required to restate or disclose the effects of applying Topic 842 for comparative periods.	As the result of our adoption, we recognized Operating lease right-of-use assets of $199.8 million and current and non-current Operating lease liabilities of $211.9 million on our consolidated balance sheets at February 1, 2019. Additionally, we recorded a decrease to our opening accumulated deficit of approximately $7.2 million related to the derecognition of build-to-suit lease assets and liabilities. We have updated our accounting policies, systems, processes and internal controls, and have allocated internal and external resources to assist us during our implementation efforts. We applied the following practical expedients as permitted under Topic 842: (i) we elected to account for lease and non-lease components as a single lease component, and (ii) we elected the package of practical expedients permitted under the transition guidance, which allowed us to carryforward (1) our historical lease classification, (2) our assessment on whether a contract was or contains a lease, and (3) our initial direct costs for leases that existed prior to January 31, 2019.

Recently Issued Accounting Pronouncements

Standard	Description	Effective Date	Effect on the Consolidated Financial Statements (or Other Significant Matters)
ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	The amendments in this ASU simplify the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740 and clarifying and amending existing guidance to improve consistent application. Most amendments within this standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis.	First quarter of fiscal 2022.	We are currently evaluating the impact of this standard on our consolidated financial statements.
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.	First quarter of fiscal 2021.	We do not expect a material impact on our consolidated financial statements upon adoption.

(2) Investments and Fair Value Measurements

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:

	January 31,							
	2020				2019			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Money market funds	$138,999	$ —	$ —	$ 138,999	$ 46,310	$ —	$ —	$ 46,310
U.S. treasury securities	—	875,180	—	875,180	—	980,940	—	980,940
Corporate bonds	—	124,972	—	124,972	—	—	—	—
Commercial paper	—	4,994	—	4,994	—	—	—	—
Other	—	—	2,000	2,000	—	—	4,744	4,744
Reported as:								
Assets:								
Cash and cash equivalents				$ 147,034				$ 46,311
Investments, current				976,508				881,220
Investments, non-current				22,603				104,463
Total				$ 1,146,145				$ 1,031,994

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 invest in U.S. treasury securities, corporate bonds and commercial paper, which we have classified as available-for-sale investments. The following table presents our available-for-sale investments as of January 31, 2020:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents:				
U.S. treasury securities	$ 8,035	$ —	$ —	$ 8,035
Investments, current:				
U.S. treasury securities	866,578	590	(23)	867,145
Corporate bonds	103,848	521	—	104,369
Commercial paper	4,991	3	—	4,994
Investments, non-current:				
Corporate bonds	20,444	159	—	20,603
Total available-for-sale investments	$ 1,003,896	$ 1,273	$ (23)	$ 1,005,146

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	$ 980,803	$ 265	$ (128)	$ 980,940

The following table presents 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, 2020:						
U.S. treasury securities	$ 129,149	$ (23)	$ —	$ —	$ 129,149	$ (23)
Corporate bonds	7,504	—	—	—	7,504	—
Total	$ 136,653	$ (23)	$ —	$ —	$ 136,653	$ (23)
January 31, 2019:						
U.S. treasury securities	$ 582,761	$ (128)	$ —	$ —	$ 582,761	$ (128)
Total	$ 582,761	$ (128)	$ —	$ —	$ 582,761	$ (128)

As of January 31, 2020 and 2019, 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, 2020
Due within one year	$ 984,543
Due within one to two years	20,603
Total	$ 1,005,146

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 included in "Investments, non-current" on our consolidated balance sheets. The following table provides a summary of our equity investments:

(In thousands)	January 31, 2020	January 31, 2019
Equity investments without readily determinable fair values	$ 10,744	$ 5,000
Equity investments under the equity method of accounting	2,023	1,125
Total	$ 12,767	$ 6,125

(3) Commitments and Contingencies

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, 2020. We are unable to estimate the maximum potential impact of these indemnifications on our future results of operations.

(4) Leases

We have operating leases for office space, used for our business operations and sales support, and data centers, used primarily for product development.

Operating lease costs were $49.6 million, excluding short-term leases, variable lease costs and sublease income, which were immaterial, during fiscal 2020. Rent expense recognized prior to our adoption of Topic 842 was $26.2 million and $16.8 million during fiscal 2019 and 2018, respectively. Rent expense for fiscal 2018 includes a decrease of $5.2 million in connection with facility exit charge adjustments.

Our lease term and the discount rate related to our operating lease right-of-use assets and related lease liabilities are as follows:

	January 31, 2020
Weighted-average remaining lease term (in years)	8.00
Weighted-average discount rate	5.98%

As of January 31, 2020, the maturity of lease liabilities under our non-cancelable operating leases were as follows:

Fiscal Period (In thousands)	Future Payments [1]
Fiscal 2021	$ 37,799
Fiscal 2022	55,970
Fiscal 2023	49,044
Fiscal 2024	36,800
Fiscal 2025	29,648
Thereafter	153,302
Total lease payments	362,563
Less imputed interest	(82,136)
Total current and non-current operating lease liabilities [2]	$ 280,427

(1) Amounts based on Topic 842, Leases, which we adopted on February 1, 2019.
(2) The current portion of our operating lease liabilities is included in “Accrued expenses and other liabilities” on our consolidated balance sheets.

As of January 31, 2020, we have entered into leases, primarily for office space that have not yet commenced, with future lease payments of $213.1 million that are not reflected in the above. These leases will commence between fiscal 2021 and 2022 with non-cancelable lease terms of 11 years to 12 years.

Prior to our adoption of Topic 842, we entered into a lease which was accounted for under build-to-suit lease accounting. As of January 31, 2019, $76.2 million of our build-to-suit lease asset was included in “Property and equipment, net” and the related $83.4 million financing lease obligation was included in “Other liabilities, non-current” on our consolidated balance sheets. Upon the adoption of Topic 842, we derecognized our build-to-suit asset and related liabilities and included the difference of $7.2 million as a decrease to “Accumulated deficit” on our consolidated balance sheet at February 1, 2019. Under Topic 842, this lease was classified as an operating lease and was included in “Operating lease right-of-use assets” and “Operating lease liabilities” on our consolidated balance sheets as of January 31, 2020.

As of January 31, 2019, prior to our adoption of Topic 842, future minimum rental payments under our non-cancelable operating leases obligation were as follows:

Fiscal Period (In thousands)	Future Payments [1]
Fiscal 2020	$ 30,976
Fiscal 2021	48,195
Fiscal 2022	48,126
Fiscal 2023	44,018
Fiscal 2024	40,636
Thereafter	253,856
Total future minimum lease payments [2]	$ 465,807

(1) Amounts based on Topic 840, Leases.
(2) We entered into sublease agreements for portions of our office space and the future rental income of $2.3 million from these agreements were included as an offset to our future minimum rental payments.

Supplemental Disclosures

(In thousands)	Fiscal Year Ended January 31, 2020
Cash paid for operating lease liabilities	$ 51,929
Operating lease liabilities arising from obtaining right-of-use assets	90,320

(5) 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:

	January 31,	
(In thousands)	2020	2019
Computer equipment and software	$ 109,892	$ 79,887
Furniture and fixtures	28,568	18,872
Leasehold and building improvements [1]	141,965	79,064
Building [2]	—	82,250
Property and equipment, gross	280,425	260,073
Less: accumulated depreciation and amortization	(123,497)	(101,797)
Property and equipment, net	$ 156,928	$ 158,276

(1) Includes costs related to assets not yet placed into service of $46.5 million and $11.3 million, as of January 31, 2020 and 2019, respectively.
(2) This relates to the capitalization of construction costs under ASC Topic 840, Leases, in connection with our financing lease obligation, where we were considered the owner of the asset, for accounting purposes only, during the period ended January 31, 2019. The corresponding long-term liability for this obligation was included in “Other liabilities, non-current" on our consolidated balance sheets. As part of our adoption of Topic 842, we derecognized the assets and liabilities related to the financing lease obligation at February 1, 2019. Refer to Note 4 “Leases” for details.

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Depreciation and amortization expense of Property and Equipment, net was $29.0 million, $27.0 million and $26.1 million for the fiscal years ended January 31, 2020, 2019 and 2018, respectively.

Geographic information

The following table presents our long-lived assets, which consist of property and equipment, net of depreciation and amortization, and operating lease right-of-use assets by geographic region:

	January 31,	
(In thousands)	2020 [1]	2019
United States	$ 362,586	$ 147,659
International	61,428	10,617
Total long-lived assets	$ 424,014	$ 158,276

[1] Includes operating lease right-of-use assets under ASC Topic 842, Leases, which we adopted on February 1, 2019.

Other than the United States, no country represented 10% or more of our total long-lived assets as of January 31, 2020 or 2019.

(6) Acquisitions, Goodwill and Intangible Assets

Fiscal 2020 Acquisitions

SignalFx

On October 1, 2019, we acquired 100% of the voting equity interest of SignalFx, Inc. ("SignalFx"), a privately-held Delaware corporation that develops real-time monitoring solutions for cloud infrastructure, microservices and applications. This acquisition has been accounted for as a business combination. The total fair value of consideration transferred for this acquisition was $961.4 million, which consisted of $619.1 million in cash, $324.5 million for the fair value of 2,771,482 shares of our common stock issued and $17.8 million in fair value of replacement equity awards attributable to pre-acquisition service. The purchase price was allocated as follows: $173.7 million to identified intangible assets, $62.1 million to net assets acquired and $3.3 million to net deferred tax liabilities, with the excess $728.9 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 SignalFx have been included on our consolidated financial statements from the date of purchase. Additionally, we recognized $7.0 million of acquisition-related costs in "General and administrative" expense on our consolidated statements of operations.

Per the terms of the merger agreement with SignalFx, certain unvested stock options, restricted stock units and restricted stock awards held by SignalFx employees were canceled and exchanged for replacement equity awards under our 2012 Equity Incentive Plan. Additionally, certain shares of stock issued pursuant to share-based compensation awards held by key employees of SignalFx 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 SignalFx's employees represented a component of the total purchase consideration, as discussed above. The remaining fair value of $104.7 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 may be 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	$ 108,800	84
Customer relationships	60,900	60
Other acquired intangible assets	4,000	36
Total intangible assets acquired	$ 173,700	

We applied significant judgment in determining the fair value of the intangible assets acquired, which involved the use of significant estimates and assumptions with respect to revenue growth rates, royalty rate and technology migration curve.

Omnition

On September 13, 2019, we acquired 100% of the voting equity interest of Cloud Native Labs, Inc. ("Omnition"), a privately-held Delaware corporation that develops a platform for distributed tracing and application monitoring. This acquisition has been accounted for as a business combination. The total fair value of consideration transferred for this acquisition was $52.5 million, which consisted of $31.6 million in cash, $20.2 million for the fair value of 176,989 shares of our common stock issued and $0.7 million in fair value of replacement equity awards attributable to pre-acquisition service. The purchase price was allocated to $8.0 million of identified intangible assets, with the excess $44.5 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 Omnition which are not material, have been included on our consolidated financial statements from the date of purchase.

Per the terms of the merger agreement with Omnition, certain unvested stock options held by Omnition employees were canceled and exchanged for replacement stock options under our 2012 Equity Incentive Plan. Additionally, certain shares of stock issued pursuant to share-based compensation awards held by key employees of Omnition were canceled and exchanged for replacement equity awards subject to vesting. The portion of the fair value of the replacement equity awards associated with pre-acquisition service of Omnition's employees represented a component of the total purchase consideration, as discussed above. The remaining fair value of $36.6 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 may be 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	$ 8,000	60
Total intangible assets acquired	$ 8,000	

Streamlio

On November 1, 2019, we acquired 100% of the voting equity interest of Streamlio, Inc. ("Streamlio"), a privately-held Delaware corporation that specializes in designing and operating streaming data solutions. This acquisition has been accounted for as a business combination. The total fair value of consideration transferred for this acquisition was $19.8 million, which consisted of $18.7 million in cash and $1.1 million in fair value of replacement equity awards attributable to pre-acquisition service. The purchase price was allocated as follows: $3.6 million to identified intangible assets and $0.1 million to net assets acquired, with the excess $16.1 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 Streamlio have been included on our consolidated financial statements from the date of purchase.

Per the terms of the merger agreement with Streamlio, certain unvested stock options held by Streamlio employees were canceled and exchanged for replacement stock options under our 2012 Equity Incentive Plan. Additionally, certain shares of stock issued pursuant to share-based compensation awards held by key employees of Streamlio were canceled and exchanged for replacement equity awards consisting of 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 Streamlio's employees represented a component of the total purchase consideration, as discussed above. The remaining fair value of $4.2 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 may be 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	$ 3,600	36
Total intangible assets acquired	$ 3,600	

Fiscal 2019 Acquisitions

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 total fair value of consideration transferred for this acquisition was $303.8 million, which consisted of $291.5 million in cash and $12.3 million in fair value of replacement equity awards attributable to pre-acquisition service. The purchase price was 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 on our consolidated financial statements from the date of purchase. Additionally, we recognized $3.3 million of acquisition-related costs in "General and administrative" expense on our consolidated statements of operations.

Per the terms of the merger agreement with Phantom, certain shares of stock issued pursuant to 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.

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	$ 44,100	

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 total fair value of consideration transferred for this acquisition

was $112.3 million, which consisted of $108.8 million in cash and $3.5 million in fair value of replacement equity awards attributable to pre-acquisition service. The purchase price was 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 on our consolidated financial statements from the date of purchase. Additionally, we recognized $2.7 million of acquisition-related costs in “General and administrative” expense on 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 pursuant to 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 thus excluded from the purchase price, will be recognized ratably as stock-based compensation expense over the required service period.

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	$ 11,700	84
Customer relationships	9,400	60
Total intangible assets acquired	$ 21,100	

Unaudited Pro Forma Financial Information

The following unaudited pro forma information presents the combined results of operations as if the acquisitions of SignalFx, Omnition, VictorOps and Phantom had been completed in the beginning of the applicable 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) the effect of recording deferred revenue at fair value; (iv) elimination of historical interest expense related to debt extinguished in the acquisition of SignalFx; (v) the inclusion of acquisition costs as of the earliest period presented; 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:

	Fiscal Year Ended January 31,	
(In thousands, except per share amounts)	2020	2019
Revenue	$ 2,376,181	$ 1,822,576
Net loss	$ (434,998)	$ (421,198)

Fiscal 2018 Acquisitions

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 on 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 on 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	

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 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 on 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 on 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	$ 3,800	

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 on 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 on 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	

Goodwill

There were no impairments to goodwill during the fiscal year ended January 31, 2020 or during prior periods.

Goodwill balances are presented below:

(In thousands)	Fiscal Year Ended January 31, 2020	2019
Beginning balance	$ 503,388	$ 161,382
Goodwill acquired	789,452	342,006
Ending balance	$ 1,292,840	$ 503,388

Intangible Assets

Intangible assets subject to amortization realized from acquisitions as of January 31, 2020 are as follows:

(In thousands, except useful life)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life (months)
Developed technology	$ 252,530	$ (87,112)	$ 165,418	68
Customer relationships	81,810	(12,403)	69,407	53
Other acquired intangible assets	7,270	(3,680)	3,590	32
Total intangible assets subject to amortization	$ 341,610	$ (103,195)	$ 238,415	

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	$ 156,280	$ (64,658)	$ 91,622	

Amortization expense from acquired intangible assets was $38.5 million, $25.2 million and $13.5 million for the fiscal year ended January 31, 2020, 2019 and 2018, respectively.

The expected future amortization expense for acquired intangible assets as of January 31, 2020 is as follows:

Fiscal Period (In thousands)	Expected Amortization Expense
Fiscal 2021	$ 55,706
Fiscal 2022	45,567
Fiscal 2023	41,525
Fiscal 2024	37,015
Fiscal 2025	31,182
Thereafter	27,420
Total amortization expense	$ 238,415

(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.

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, 2020, 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, 2020 and were classified as long-term debt on 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, 2020 was as follows:

(In thousands)	2023 Notes	2025 Notes
Liability component:		
Principal amount	$ 1,265,000	$ 862,500
Unamortized discount	(201,093)	(198,468)
Unamortized issuance costs	(7,848)	(5,461)
Net carrying amount	$ 1,056,059	$ 658,571
Equity component, net of purchase discounts and issuance costs	$ 264,129	$ 234,712

The following table sets forth the interest expense related to the Notes:

(In thousands)	Fiscal Year Ended January 31, 2020	Fiscal Year Ended January 31, 2019
2023 Notes:		
Coupon interest expense	$ 6,324	$ 2,266
Amortization of debt discount (conversion option)	48,767	17,055
Amortization of debt issuance costs and purchase discounts	1,904	666
Total interest expense related to the 2023 Notes	$ 56,995	$ 19,987
2025 Notes:		
Coupon interest expense	$ 9,704	$ 3,477
Amortization of debt discount (conversion option)	28,697	10,023
Amortization of debt issuance costs and purchase discounts	789	276
Total interest expense related to the 2025 Notes	$ 39,190	$ 13,776

As of January 31, 2020, the total estimated fair values of the 2023 Notes and the 2025 Notes were approximately $1.54 billion and $1.09 billion, 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) 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 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 lesser 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, restricted stock unit ("RSU"), restricted stock award ("RSA") and performance unit ("PSU") award activity under our 2012 Equity Incentive Plan during the fiscal year ended January 31, 2020:

		Options Outstanding				RSUs and PSUs Outstanding
	Available for Grant	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value [(1)] (in thousands)	Shares
Balances as of January 31, 2019	**17,082,136**	**409,039**	**$ 10.69**	**3.36**	**$ 46,693**	**13,098,607**
Additional shares authorized	7,458,364					
Options granted [(2)]	(814,160)	814,160	11.04			
Options exercised		(329,155)	10.82			
Options forfeited and expired	70,503	(70,503)	12.97			
RSUs and PSUs granted	(7,147,792)					7,147,792
RSUs and PSUs vested						(5,378,003)
RSAs issued	(421,533)					
Shares withheld related to net share settlement of RSUs and PSUs	1,374,238					
RSUs and PSUs forfeited and canceled	1,726,746					(1,726,746)
Balances as of January 31, 2020	**19,328,502**	**823,541**	**$ 10.79**	**6.61**	**$ 118,978**	**13,141,650**
Vested and expected to vest		**791,073**	**$ 10.76**	**6.53**	**$ 114,311**	**12,213,148**
Exercisable as of January 31, 2020		**283,022**	**$ 9.78**	**3.01**	**$ 41,173**	

(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, 2020.

(2) All options granted during fiscal 2020 were equity awards assumed in connection with our acquisitions.

During a portion of fiscal 2020, 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 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 on 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 2020 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 2020, we granted 356,682 PSUs 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. Additionally, beginning in fiscal 2019, our PSUs granted 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, 2020, total unrecognized compensation cost related to stock options was $51.4 million, which is expected to be recognized over a weighted-average period of 2.4 years. As of January 31, 2020, total unrecognized compensation cost was $1.20 billion related to RSUs, which is expected to be recognized over the next 2.9 years. As of January 31, 2020, total unrecognized compensation cost was $58.8 million related to PSUs, which is expected to be recognized

over the next 2.3 years. As of January 31, 2020, total unrecognized compensation cost was $65.1 million related to RSAs, which is expected to be recognized over the next 2.3 years.

The following table summarizes our RSA activity during the fiscal year ended January 31, 2020:

	Shares
Outstanding as of January 31, 2019	824,605
RSAs issued [1]	641,382
RSAs vested	(607,965)
RSAs forfeited and canceled	(229)
Outstanding as of January 31, 2020	857,793

[1] All RSAs issued during fiscal 2020 were equity awards assumed in connection with our acquisitions.

The aggregate intrinsic value of options exercised was $43.7 million, $27.0 million, and $93.5 million for the fiscal years ended January 31, 2020, 2019 and 2018, respectively. The weighted-average grant date fair value of options granted was $106.85, $83.96, and $67.81 per share for the fiscal years ended January 31, 2020, 2019 and 2018, respectively.

The aggregate intrinsic value of RSUs vested was $629.9 million, $537.7 million, and $377.1 million for the fiscal years ended January 31, 2020, 2019 and 2018, respectively. The weighted-average grant date fair value of RSUs granted was $135.39, $108.57, and $76.40 per share for the fiscal years ended January 31, 2020, 2019 and 2018, respectively.

The weighted-average grant date fair value of PSUs granted was $166.57, $86.55, and $60.25 per share for the fiscal years ended January 31, 2020, 2019 and 2018, respectively.

The weighted-average grant date fair value of RSAs issued was $115.53 and $79.07 per share for the fiscal years ended January 31, 2020 and 2019, respectively. No RSAs were granted during the fiscal year ended January 31, 2018.

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:

	Fiscal Year Ended January 31,		
(In thousands)	2020	2019	2018
Cost of revenues	$ 44,399	$ 37,501	$ 33,605
Research and development	185,262	137,171	106,690
Sales and marketing	216,276	190,422	159,240
General and administrative	99,487	76,836	58,928
Total stock-based compensation expense	$ 545,424	$ 441,930	$ 358,463

Valuation Assumptions

PSUs granted in fiscal 2020 and 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 years ended January 31, 2020 and 2019:

	Fiscal Year Ended January 31,	
	2020	2019
Expected volatility [(1)]	37.9 - 40.2%	39.5%
Risk-free rate	2.3%	2.5%
Dividend yield	—	—
Expected term (in years)	4.0	4.0

(1) Equal weighting of Splunk historical and implied volatility.

We did not grant any options to employees during the year ended January 31, 2018. The following table summarizes the assumptions used in the Black-Scholes method to determine the fair value of options granted during the fiscal years ended January 31, 2020 and 2019:

	Fiscal Year Ended January 31,	
	2020	2019
Expected volatility	38.5 - 42.8%	33.8 - 44.6%
Risk-free rate	1.5 - 1.8%	0.5 - 2.9%
Dividend yield	—	—
Expected term (in years)	3.0 - 6.4	6.1

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,		
	2020	2019	2018
Expected volatility	37.4 - 46.6%	33.1 - 53.8%	28.4 - 34.5%
Risk-free rate	1.6 - 2.0%	2.1 - 2.7%	1.1 - 1.7%
Dividend yield	—	—	—
Expected term (in years)	0.5 - 1.0	0.5 - 1.0	0.5 - 1.0

(9) Revenues, Deferred Revenue and Remaining Performance Obligations

Disaggregation of Revenues

The following table presents disaggregated revenues by major product or service type:

	Fiscal Year Ended January 31,		
(In thousands)	2020	2019	2018
Revenues			
License	$ 1,373,367	$ 1,030,277	$ 741,302
Maintenance, professional services and training	673,201	601,533	475,330
Cloud services	312,358	171,200	92,500
Total revenues	$ 2,358,926	$ 1,803,010	$ 1,309,132

Revenues by geography are based on the shipping address of the customer. The following table presents our revenues by geographic region:

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
United States	$ 1,676,395	$ 1,274,361	$ 931,281
International	682,531	528,649	377,851
Total revenues	$ 2,358,926	$ 1,803,010	$ 1,309,132

Other than the United States, no other individual country exceeded 10% of total revenues during any of the periods presented.

The following table presents revenues by channel partners representing 10% or more of total revenues:

	Fiscal Year Ended January 31,		
	2020	**2019**	**2018**
Channel Partner A	29%	32%	31%
Channel Partner B	19%	18%	17%

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 2020, 2019 or 2018.

The following table presents total current and non-current accounts receivable by channel partners representing 10% or more of total current and non-current accounts receivable:

	Fiscal Year Ended January 31,	
	2020	**2019**
Channel Partner A	27%	29%
Channel Partner B	13%	10%

Deferred Revenue

Revenues recognized from amounts included in deferred revenue as of January 31, 2019 and 2018 were $633.2 million and $452.4 million during the fiscal years ended January 31, 2020 and 2019, respectively.

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 $1.80 billion as of January 31, 2020, of which we expect to recognize approximately 55% as revenue over the next 12 months and the remainder thereafter.

(10) Income Taxes

Income (loss) before income tax expense consists of the following:

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
United States	$ (363,053)	$ (289,896)	$ (207,607)
International	31,402	26,705	18,746
Total	$ (331,651)	$ (263,191)	$ (188,861)

Income tax provision (benefit) consists of the following:

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Current tax provision:			
Federal	$ 316	$ 7,532	$ —
State	627	422	301
Foreign	10,194	8,496	5,878
Total current tax provision	11,137	16,450	6,179
Deferred tax provision:			
Federal	(2,124)	(3,313)	(2,825)
State	(2,213)	—	(362)
Foreign	(1,783)	(751)	(1,635)
Total deferred tax provision	(6,120)	(4,064)	(4,822)
Total tax provision (benefit)	$ 5,017	$ 12,386	$ 1,357

The reconciliation of federal statutory income tax rate to our effective income tax rate is as follows:

(In thousands)	Fiscal Year Ended January 31, 2020	2019	2018
Expected provision (benefit) at U.S. federal statutory rate	$ (69,692)	$ (55,270)	$ (39,661)
State income taxes - net of federal benefit	(10,647)	(8,904)	(6,454)
Stock-based compensation	(23,306)	(26,554)	(18,893)
Research and development tax credits	(44,274)	(32,819)	(18,463)
Change in valuation allowance	146,765	122,614	(104,672)
Non-deductible expenses	5,814	4,767	2,145
Release of valuation allowance due to acquisitions	(4,337)	(3,313)	(3,187)
Impact of the Act	—	—	190,920
Base erosion anti-abuse tax	316	7,532	—
Non-U.S. tax rate differential	4,378	4,333	(378)
Total tax provision (benefit)	$ 5,017	$ 12,386	$ 1,357

Deferred tax assets and liabilities consist of the following:

(In thousands)	Fiscal Year Ended January 31, 2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 594,967	$ 472,153
Accrued liabilities	12,934	13,622
Tax credit carryforwards	158,250	108,769
Stock-based compensation	33,245	34,319
Deferred revenue	37,932	21,549
Operating lease right-of-use assets	67,233	—
Valuation allowance	(643,395)	(481,279)
Total deferred tax assets	261,166	169,133
Deferred tax liabilities:		
Depreciation and amortization	(51,033)	(15,965)
Deferred revenue	—	—
Operating lease liabilities	(64,017)	—
Deferred commissions	(45,882)	(35,125)
Convertible senior notes	(96,465)	(116,023)
Total deferred tax liabilities	(257,397)	(167,113)
Net deferred taxes	3,769	2,020
Recorded as:		
Non-current deferred tax assets	647,164	483,299
Non-current valuation allowance	(643,395)	(481,279)
Net deferred tax assets	$ 3,769	$ 2,020

Net operating loss and tax credit carryforwards as of January 31, 2020 are as follows:

(Dollars in thousands)	Amount	Expiration years
Net operating loss, federal (generated in taxable years ended after December 31, 2017)	$ 898,398	No expiration
Net operating loss, federal (generated in taxable years ended before December 31, 2017)	1,474,047	2025 - 2037
Net operating loss, state	1,576,278	2028 - 2040
Tax credit, federal (before reserve)	118,825	2026 - 2040
Tax credit, state (before reserve, before federal benefits)	95,214	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 $643.4 million and $481.3 million for fiscal 2020 and 2019, 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.

As of January 31, 2020, we have an immaterial amount of earnings indefinitely reinvested outside of the U.S. We do not intend to repatriate these earnings and, accordingly, we do not provide for U.S. income taxes and foreign withholding tax on these earnings.

As of January 31, 2020, our unrecognized tax benefits were $39.8 million, of which $0.5 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:

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
Balance at beginning of year	$ 32,905	$ 31,802	$ 16,755
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	6,869	7,138	8,692
Balance at end of year	$ 39,774	$ 32,905	$ 31,802

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, 2016. 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 change in 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. Accrued interest and penalties as of January 31, 2020 and 2019 were not material.

(11) 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:

	Fiscal Year Ended January 31,		
(In thousands, except per share amounts)	**2020**	**2019**	**2018**
Numerator:			
Net loss	$ (336,668)	$ (275,577)	$ (190,218)
Denominator:			
Weighted-average common shares outstanding	152,653	145,737	139,921
Less: Weighted-average unvested common shares subject to repurchase or forfeiture	(704)	(30)	(55)
Weighted-average shares used to compute net loss per share, basic and diluted	151,949	145,707	139,866
Net loss per share, basic and diluted	$ (2.22)	$ (1.89)	$ (1.36)

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:

	Fiscal Year Ended January 31,		
(In thousands)	**2020**	**2019**	**2018**
Shares subject to outstanding common stock options	824	409	623
Shares subject to outstanding RSUs, PSUs and RSAs	13,999	13,923	13,080
Employee stock purchase plan	548	554	543
Total	15,371	14,886	14,246

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, 2020. 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, 2020, 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, 2020.

The effectiveness of our internal control over financial reporting as of January 31, 2020 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, 2020 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 2020 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
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Exhibit Number	Description
2.1*†	Agreement and Plan of Mergers among the Registrant, certain of its wholly owned subsidiaries, SignalFx, Inc. and Fortis Advisors LLC, as Securityholders' agent, dated as of August 21, 2019 (incorporated by reference to Exhibit 2.1 filed with the Registrant's Quarterly Report on Form 10-Q filed on December 4, 2019).
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).
4.6	Description of Common Stock.
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, as amended.

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#	Form of Amendment to Employment Offer Letter between the Registrant and Doug Merritt, dated as of June 4, 2019 (incorporated by reference to Exhibit 10.3 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 6, 2019).
10.14#	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).
10.15#	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).
10.16#	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#	Employment Offer Letter between the Registrant and Jason Child, dated as of April 16, 2019 (incorporated by reference to Exhibit 10.2 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 6, 2019).
10.20#	Form of Amendment to Employment Offer Letter between the Registrant and certain of its executive officers (incorporated by reference to Exhibit 10.4 filed with the Registrant's Quarterly Report on Form 10-Q filed on June 6, 2019).

10.21#	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).
10.22#	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).
10.23#	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).
10.24#	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).
10.25#	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).
10.26	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.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

#	Indicates management contract or compensatory plan.
*	The schedules and other attachments to this exhibit have been omitted. The Registrant agrees to furnish a copy of any omitted schedules or attachments to the SEC upon request.
†	Certain portions of this exhibit have been omitted as the Registrant has determined (i) the omitted information is not material and (ii) the omitted information would likely cause harm to the Registrant if publicly disclosed.

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 26, 2020.

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, Jason E. Child and Scott Morgan, 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 their 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.

Signature	Title	Date
/s/ Douglas S. Merritt Douglas S. Merritt	President and Chief Executive Officer (Principal Executive Officer)	March 26, 2020
/s/ Jason E. Child Jason E. Child	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 26, 2020
/s/ Timothy C. Emanuelson Timothy C. Emanuelson	Chief Accounting Officer (Principal Accounting Officer)	March 26, 2020
/s/ Graham V. Smith Graham V. Smith	Chairman and Director	March 26, 2020
/s/ Sara J. Baack Sara J. Baack	Director	March 26, 2020
/s/ Mark T. Carges Mark T. Carges	Director	March 26, 2020
/s/ John G. Connors John G. Connors	Director	March 26, 2020
/s/ Patricia B. Morrison Patricia B. Morrison	Director	March 26, 2020
/s/ Stephen G. Newberry Stephen G. Newberry	Director	March 26, 2020
/s/ Elisa A. Steele Elisa A. Steele	Director	March 26, 2020
/s/ Sri Viswanath Sri Viswanath	Director	March 26, 2020

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
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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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Stock Listing
Splunk Inc. common stock is traded on NASDAQ Global Select Market, listed under the symbol "SPLK"

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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

Stephen Newberry
Former Chairman, Lam Research

Graham Smith
Independent Chair, Splunk

Elisa Steele
Independent Board Member

Sri Viswanath
CTO, Atlassian

Management Team

Doug Merritt
President and Chief Executive Officer

Jason Child
Senior Vice President and Chief Financial Officer

Rick Fitz
Senior Vice President and General Manager, IT Markets

Ammar Maraqa
Senior Vice President, Strategy and Corporate Development

Scott Morgan
Senior Vice President, Chief Legal Officer, Global Affairs and Secretary

Carrie Palin
Senior Vice President, Chief Marketing Officer

Kristen Robinson
Chief People Officer

Sendur Sellakumar
Senior Vice President, Cloud and Chief Product Officer

Haiyan Song
Senior Vice President and General Manager, Security Markets

Susan St. Ledger
President, Worldwide Field Operations

Tim Tully
Senior Vice President, Chief Technology Officer

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