

## Statements of Cash Flows

The following table summarizes our cash flow related activities (in thousands):

|  | Years Ended December 31, |                  |                 |
|--|--------------------------|------------------|-----------------|
|  | 2019                     | 2018             | 2017            |
| Cash (used in) provided by:                          |                          |                  |                 |
| Operating activities                                 | \$ (426)                 | \$(2,694)        | \$14,314        |
| Investing activities                                 | (251)                    | (6,876)          | (5,142)         |
| Financing activities                                 | 5,798                    | 3,624            | 8,420           |
| Net increase (decrease) in cash and cash equivalents | <u>\$5,121</u>           | <u>\$(5,946)</u> | <u>\$17,592</u> |

### Cash Flows from Operating Activities

Our cash provided by operating activities is driven primarily by sales of our products and management of working capital investments. Our primary uses of cash from operating activities have been for personnel-related expenditures, manufacturing costs, marketing and promotional expenses and costs related to our facilities. Our cash flows from operating activities will continue to be affected principally by the extent to which we increase spending on our business and our working capital requirements.

During the year ended December 31, 2019, cash used in operating activities was \$0.4 million, consisting of net loss of \$17.8 million, non-cash charges of \$26.2 million and an unfavorable net change in operating assets and liabilities of \$8.8 million. Our non-cash charges consisted primarily of stock-based compensation expense of \$16.5 million and depreciation and amortization expenses of \$10.0 million. The net change in our operating assets and liabilities primarily reflects an outflow from the changes in accrued liabilities and other of \$5.9 million and inventory of \$5.6 million, partially offset by an inflow from changes in deferred revenue of \$3.2 million.

The unfavorable change in accrued liabilities and other was driven by an increase in lease liabilities associated with the lease of the San Jose corporate office. The unfavorable change in inventory was due to build up of inventory and timing of shipments, partially offset by increased reserves. The favorable change in deferred revenues was primarily driven by increased bookings.

During the year ended December 31, 2018, cash used in operating activities was \$2.7 million, consisting of net loss of \$27.6 million which includes payments for our internal investigation costs of \$8.6 million, non-cash charges of \$25.0 million and an unfavorable net change in operating assets and liabilities of \$0.1 million. Our non-cash charges consisted primarily of stock-based compensation expense of \$17.0 million and depreciation and amortization expenses of \$7.9 million. The net change in our operating assets and liabilities primarily reflects an inflow from the changes in deferred revenue of \$7.3 million and accrued and other liabilities of \$3.1 million, offset primarily by an outflow from the changes in accounts receivable of \$6.1 million, prepaid expenses and other assets of \$2.4 million and inventory of \$1.5 million.

The favorable change in deferred revenue was primarily driven by the increase in the sale of subscription and support. The favorable change in accrued and other liabilities was primarily due to higher accrued bonuses and commissions, increased value added tax accrual due to timing of payments, and an increase in legal fees accrual. The unfavorable change in accounts receivable was attributed to timing of billing and cash collections. The unfavorable change in prepaid and other assets was mainly driven by the increase in deferred sales commissions due to higher deferred revenue and higher average commission rate. The unfavorable change in inventory was due to the timing of shipments.

During the year ended December 31, 2017, cash provided by operating activities was \$14.3 million, consisting of a net loss of \$10.8 million, a cash decrease resulting from the net change in operating assets and liabilities of \$1.4 million and non-cash charges of \$26.4 million. Our non-cash charges consisted primarily of stock-based compensation of \$17.2 million, depreciation and amortization of \$8.5 million and provision for doubtful accounts and sales returns allowance of \$1.1 million. The net change in our operating assets and liabilities primarily reflects an inflow from the changes in accounts receivable of \$12.4 million and deferred revenue of \$3.0 million, and an outflow from the change in accrued liabilities of \$8.9 million, inventory of \$4.7 million, prepaid expenses and other assets of \$2.4 million and accounts payable of \$0.9 million.