

	As of December 31,				
	2019	2018	2017	2016	2015
Balance sheet and other data:					
Cash and cash equivalents	\$ 119,629	\$ 146,061	\$ 96,329	\$ 140,634	\$ 128,358
Working capital	167,879	152,793	119,433	150,485	131,971
Total assets	557,799	440,985	371,641	261,245	226,095
Total long-term obligations	115,143	88,126	94,311	30,297	26,885
Total stockholders' equity	355,651	277,589	232,827	191,249	170,131

⁽¹⁾ Excludes amortization and depreciation shown in operating expenses below.

⁽²⁾ Includes stock-based compensation expense as follows:

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Stock-based compensation expense data:					
Sales and marketing	\$ 2,075	\$ 1,196	\$ 561	\$ 536	\$ 372
General and administrative	6,474	4,901	2,638	1,430	2,486
Research and development	12,054	7,332	4,214	2,035	1,266
Total stock-based compensation expense	<u>\$ 20,603</u>	<u>\$ 13,429</u>	<u>\$ 7,413</u>	<u>\$ 4,001</u>	<u>\$ 4,124</u>

⁽³⁾ We measure our SaaS and license revenue renewal rate on a trailing 12-month basis by dividing (a) the total SaaS and license revenue recognized during the trailing 12-month period from subscribers on our Alarm.com platform who were subscribers on the first day of the period, by (b) total SaaS and license revenue we would have recognized during the period from those same subscribers assuming no terminations, or service level upgrades or downgrades. The SaaS and license revenue renewal rate represents both residential and commercial properties. Our SaaS and license revenue renewal rate is expressed as an annualized percentage. Our service provider partners, who resell our services to our subscribers, have indicated that they typically have three to five-year service contracts with our subscribers. Our SaaS and license revenue renewal rate is calculated across our entire subscriber base on the Alarm.com platform, including subscribers whose contract with their service provider reached the end of its contractual term during the measurement period, as well as subscribers whose contract with their service provider has not reached the end of its contractual term during the measurement period, and is not intended to estimate the rate at which our subscribers renew their contracts with our service provider partners. We believe that our SaaS and license revenue renewal rate allows us to measure our ability to retain and grow our SaaS and license revenue and serves as an indicator of the lifetime value of our subscriber base.

⁽⁴⁾ We define Adjusted EBITDA as our net income before interest expense, interest income, other income, net, provision for / (benefit from) income taxes, amortization and depreciation expense, stock-based compensation expense, acquisition-related expense and legal costs and settlement fees incurred in connection with non-ordinary course litigation and other disputes, particularly costs involved in ongoing intellectual property litigation. We do not consider these items to be indicative of our core operating performance. The non-cash items include amortization and depreciation expense and stock-based compensation expense. Included in 2015 stock-based compensation expense is \$0.8 million related to the repurchase of an employee's stock awards. We do not adjust for ordinary course legal expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements. Adjusted EBITDA is not a measure calculated in accordance with accounting principles generally accepted in the United States, or GAAP. See the table below for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

We have included Adjusted EBITDA in this report because it is a key measure that our management uses to understand and evaluate our core operating performance and trends, to generate future operating plans, to make strategic decisions regarding the allocation of capital and to make investments in initiatives that are focused on cultivating new markets for our solutions. We also use certain non-GAAP financial measures, including Adjusted EBITDA, as performance measures under our executive bonus plan. Further, we believe the exclusion of certain expenses in calculating Adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis and, in the case of exclusion of acquisition-related expense and certain historical legal expenses, excludes items that we do not consider to be indicative of our core operating performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (a) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (b) Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (c) Adjusted EBITDA does

not reflect the potentially dilutive impact of equity-based compensation; (d) Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and (e) other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA alongside our other GAAP-based financial performance measures, our net income and our other GAAP financial results. The following table presents a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure, for each of the periods indicated (in thousands).

		Year Ended December 31,				
		2019	2018	2017	2016	2015
Adjusted EBITDA:						
Net income		\$ 53,330	\$ 21,524	\$ 29,251	\$ 10,154	\$ 11,768
Adjustments:						
Interest expense, interest income and other income, net		(8,483)	503	1,133	(323)	526
Provision for / (benefit from) income taxes		5,566	(9,825)	2,990	4,227	5,697
Amortization and depreciation expense		22,134	21,721	17,734	6,490	5,808
Stock-based compensation expense		20,603	13,429	7,413	4,001	4,124
Acquisition-related expense		2,403	—	5,895	11,098	100
Litigation expense		12,754	45,729	7,212	13,387	6,347
Total adjustments		54,977	71,557	42,377	38,880	22,602
Adjusted EBITDA		<u>\$ 108,307</u>	<u>\$ 93,081</u>	<u>\$ 71,628</u>	<u>\$ 49,034</u>	<u>\$ 34,370</u>