RAPID7

February 7, 2024

Company Overview

Disclaimers

This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, statements regarding our market opportunity, demand for our product and service offerings, expectations regarding our annualized recurring revenue (ARR) and growth, ARR opportunity for an average-sized customer, ARR growth per customer, revenue growth, non-GAAP operating margin expansion, free cash flow, and our other non-GAAP measures, our climate and carbon neutrality pledges, our business strategy, plans and objectives for future operations and expectations regarding non-GAAP targets, our future financial and business performance for the first quarter and full-year 2024, and the assumptions underlying such guidance, are forward-looking statements. Our use of the words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "will" and similar expressions are intended to identify forward-looking statements. The events described in our forward-looking statements are subject to a number of risks and uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Risks that could cause or contribute to such differences include, but are not limited to, growing macroeconomic uncertainty, unstable market and economic conditions, fluctuations in our quarterly results, effectiveness of our restructuring plan, failure to meet our publicly announced guidance or other expectations about our business, our ability to sustain our revenue growth rate, the ability of our products and professional services to correctly detect vulnerabilities, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to integrate acquired companies, our ability to operate in compliance with applicable laws as well as other risks and uncertainties set forth in the "Risk Factors" section of our most recent Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on November 6, 2023 and in the subsequent reports that we file with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed in any forward-looking statements we may make. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

This presentation also contains certain non-GAAP financial measures as defined by the SEC rules. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Please refer to our February 7, 2024 press release for additional information as to why we believe these non-GAAP financial measures are useful to investors and others in assessing our operating results. As required by Regulation G, we have provided a reconciliation of those measures to their most directly comparable GAAP measures, which is available in the end notes to this presentation. However, a reconciliation of non-GAAP guidance measures to the most comparable GAAP guidance measures is not available on a forward-looking basis without unreasonable efforts due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP guidance measures.

Rapid7 Snapshot

Strong Recurring Revenue Growth

ARR growth of

13%

YoY [1]

High Quality of Revenue

Recurring revenue

95%

of total revenue [1]

Attractive Customer Economics

7%

YoY growth in ARR per customer [1]

Investing in Profitable Growth

~500bp

Non-GAAP Operating Margin Expansion Projected in 2024 [2]

Attractive Prospects Projected ARR growth of **10%** in 2024 [2] Projected FCF Margin of **19%** in 2024 [2]

[1] As of Q4 2023
[2] Based on FY 2024 guidance provided as of February 2024. Growth rates are at the mid-point of the guidance range.

Managing Risk and Enabling Innovation



Organizations need best-in-class security that is both sophisticated and accessible.

Delivering on Our Mission

Make the most successful security technologies and practices accessible to all.

Best-in-Class Technology

Unite teams and tools with award-winning cloud products delivering visibility, analytics, and automation.



Unified Cloud Platform

Enrich customer experiences with broad environment visibility, seamless integrations and ease of scaling.



Expertise & Community

Deliver leading products and expertise built on insights from our experienced security researchers and the security community.

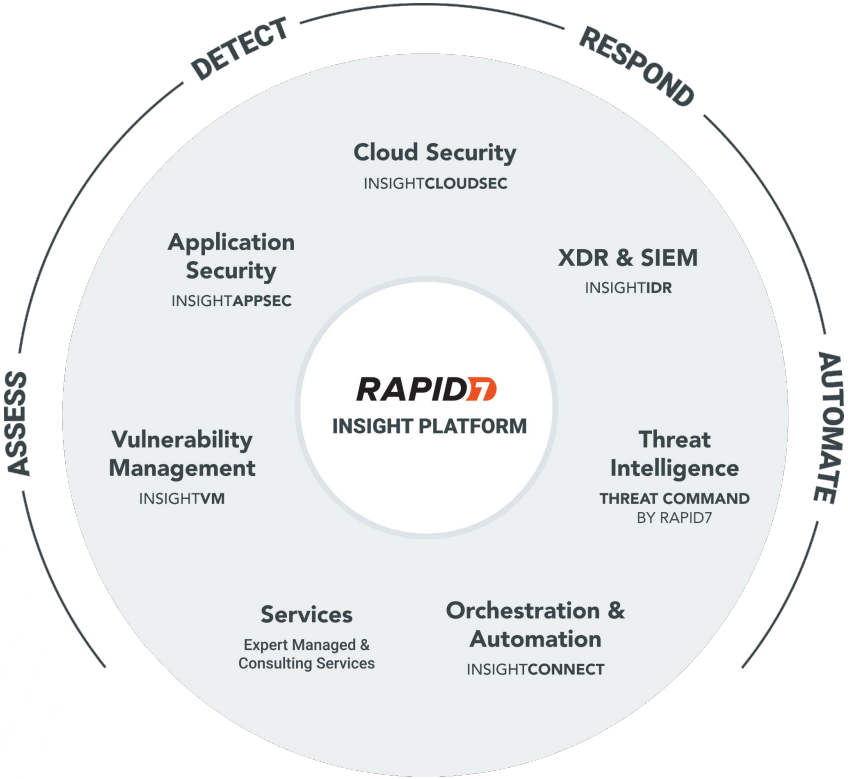


Rapid7 Insight Platform

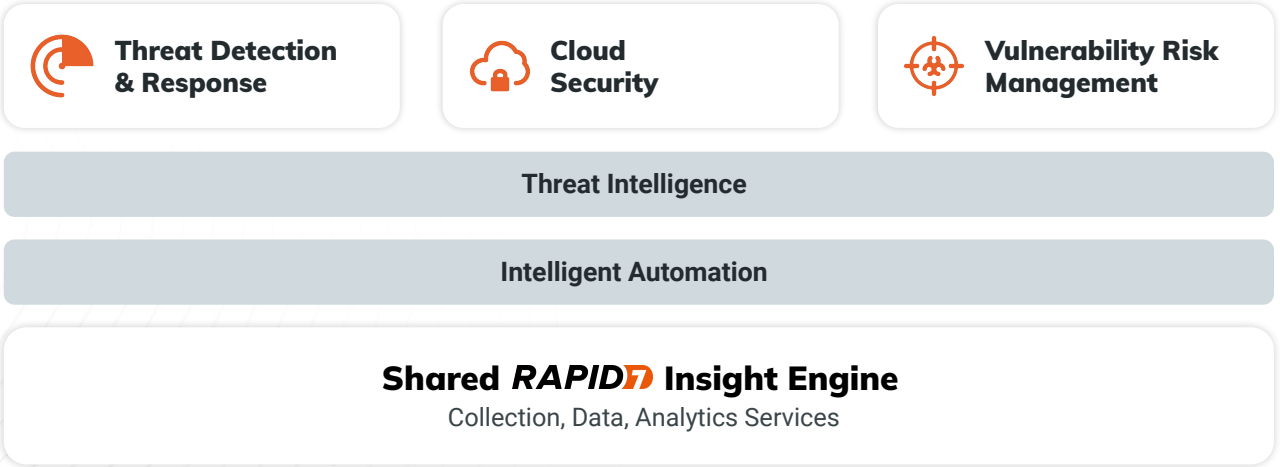
United teams work smarter, not harder.

Our cloud platform helps Security, IT, and Development teams reduce risk across their entire connected environment.

Unified access centrally manages vulnerabilities, monitors for misconfigurations and malicious behavior, investigates and shuts down attacks, or automates operations.



Landing and Expanding Across Multiple Pillars



Accessibility to Insight via Tailored SecOps Pillars

- **Threat Detection & Response**
- **Cloud Security**
- **Vulnerability Risk Management**

Shared RAPID7 Insight Engine

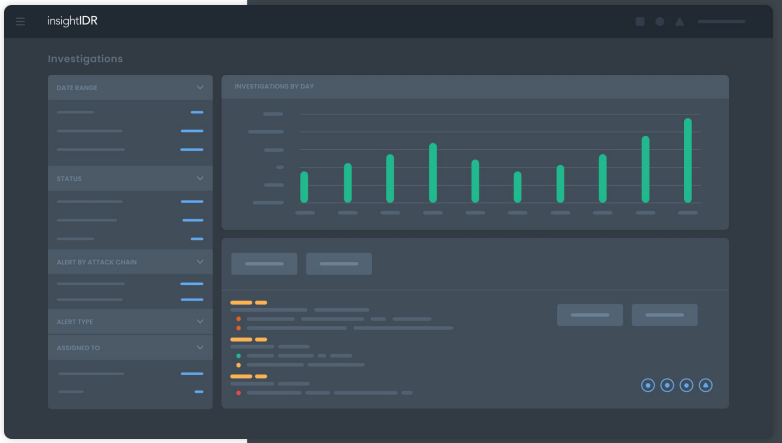
Automation	Orchestration · Workflow · Action
Analytics	User Behavior · Attacker Behavior · Vulnerability Prioritization · Policy Compliance · Identity Governance · Remediation
Data	Searchable · Unstructured & Structured · Long Term Archival · High Volume · Integrations
Collection	Cloud · Endpoint · Logs · Network · Apps · API

Best-in-Class Threat Detection & Response

Broad Visibility Across Cloud and On-premise

Detection-oriented Analytics

Automated Containment & Response



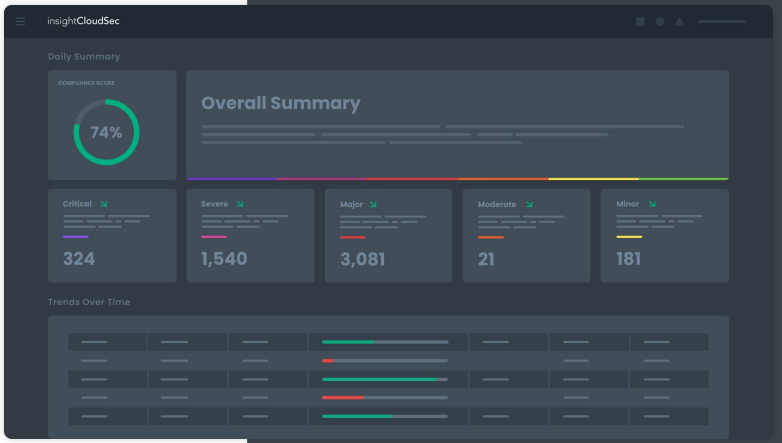
Automation	Custom Escalation Workflows
Analytics	UBA, ABA, ML
Data	Integrations
Collection	Cloud, Endpoint, Network

Best-in-Class Cloud Security

Multi-cloud Risk Visibility & Analytics

Extensible & Customizable to Connect Security and DevOps Teams

Real-time Automated Remediation



Automation Native & Integrated

Analytics CIEM CWPP CSPM

Data AWS Azure GCP OCI

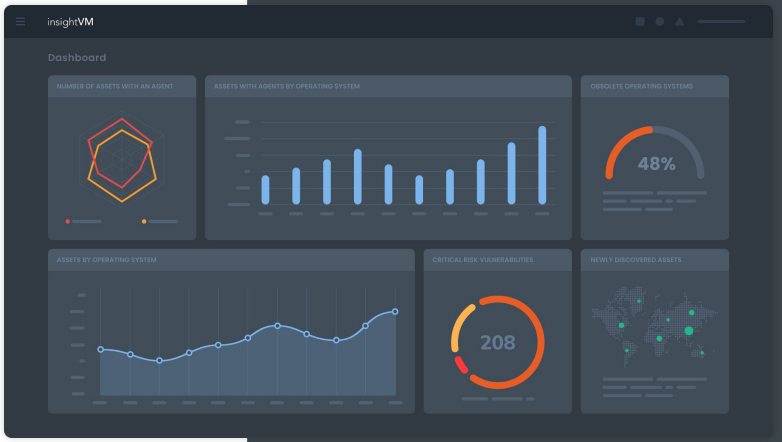
Collection Cloud

Best-in-Class Vulnerability Risk Management

Broad Visibility Across Traditional and Modern Environments

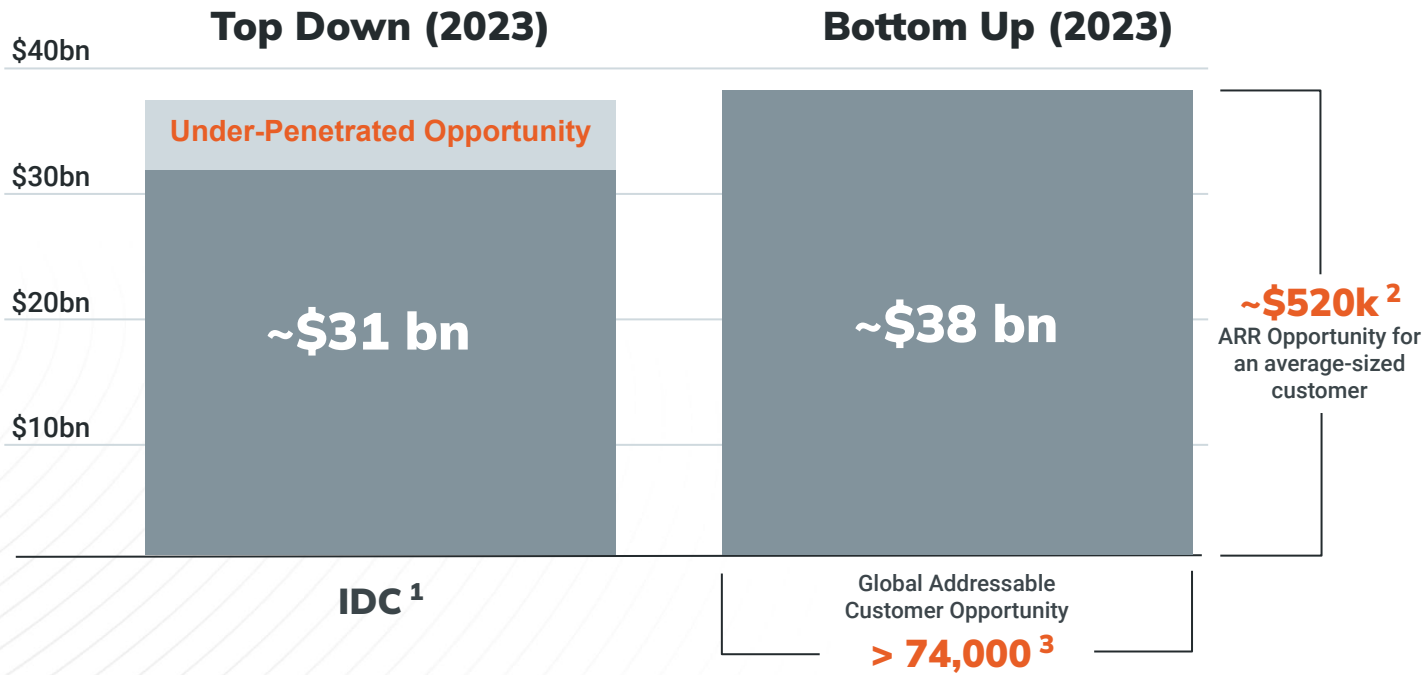
Prioritize Risk with Advanced Analytics

Automation-assisted Remediation



Automation	Custom Processes	Workflows
Analytics	Attacker Behavior	Vulnerability Prioritization
Data	Searchable	Integrations
Collection	Cloud	Endpoint	Network

Massive Market Opportunity



[1] Based on IDC Forecasts (WW Device VM 2023-2027, WW Cybersecurity AIRO 2018-2025, WW SIEM 2022-2026, WW Tier 2 SOC analytics and Cloud-Native XDR 2022-2026, WW Security as a Service 2022-2026, WW Cloud Workload Security 2022-2026, WW Threat Intelligence Security Services 2018-2023)
[2] The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results
[3] Based on Dun & Bradstreet Hoovers global business data

Extensive Partner Ecosystem



Rapid7 Global Threat Intelligence Community

Security expertise infused into everything we do

Insight Customers
11k+ Global Customers

Service Engagements
Field Insights from Leading Global MDR and Services Organization

Metasploit
Industry Leading Penetration Testing Tool

Attacker KB
Vulnerability Database & Community

Project Lorelei
Global Honeypot Network

Project Sonar
Global Internet Scanning

Velociraptor
Digital Forensics & Incident Response

Threat Command
Attack Surface Expertise

Industry Analyst Recognition

IDC	Forrester	Gartner	Forrester	IDC
A Leader	**A Strong Performer**	**A Challenger**	**A Strong Performer**	**Major Player**
IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment[1]	The Forrester Wave™: Vulnerability Risk Management, Q3 2023	2022 Magic Quadrant™ for Security Information and Event Management[2]	The Forrester Wave™: MDR, Q2 2023	IDC MarketScape: Worldwide SIEM 2022 Vendor Assessment[3]
Gartner	Gartner	Gartner	Gartner	Gartner
Recognition	**Recognition**	**Recognition**	**Recognition**	**Recognition**
2023 Market Guide for Managed Detection and Response Services[1]	2023 Market Guide for Vulnerability Assessment[1]	2023 Market Guide for Cloud-Native Application Protection Platforms	2023 Market Guide for Extended Detection and Response[1]	2023 Market Guide for Security Threat Intelligence Products and Services[1]

[1]*IDC MarketScape: Worldwide Risk-Based Vulnerability Management Platforms 2023 Vendor Assessment, #US50302323*
[2]*Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.*
IntSights, a Rapid7 company was recognized in the 2023 Market Guide for Security Threat Intelligence Products and Services
[3]*IDC MarketScape: Worldwide SIEM 2022 Vendor Assessment, Nov 2022 IDC # US49029922*

Rapid7 for Social Good Beyond ESG

Rapid7 Core Values

Bring You
Thrive by celebrating individuality and diverse perspectives

Be an Advocate
Relentlessly champion our customers to propel the security industry forward

Challenge Convention
Forge new paths with foresight, discipline, and determination

Impact Together
Actively support, collaborate with, and learn from each other

Never Done
Pursue personal and professional excellence through continuous learning

Diversity, Equity, & Inclusion
Leverage diverse hiring practices and data-driven focus to advance a diverse workforce, inclusive culture, and equitable pay. Recognized in Bloomberg Gender Equality Index 2019, 2020, 2021, 2022, and 2023.

Environment & Climate Change
Focus on reducing environmental impact by minimizing greenhouse gas emissions, including our pledge to reduce our carbon footprint by targeting 50% carbon neutrality by 2027 and 100% carbon neutrality by 2030.

Corporate Governance
High ethical standards for governance set by the board of directors.

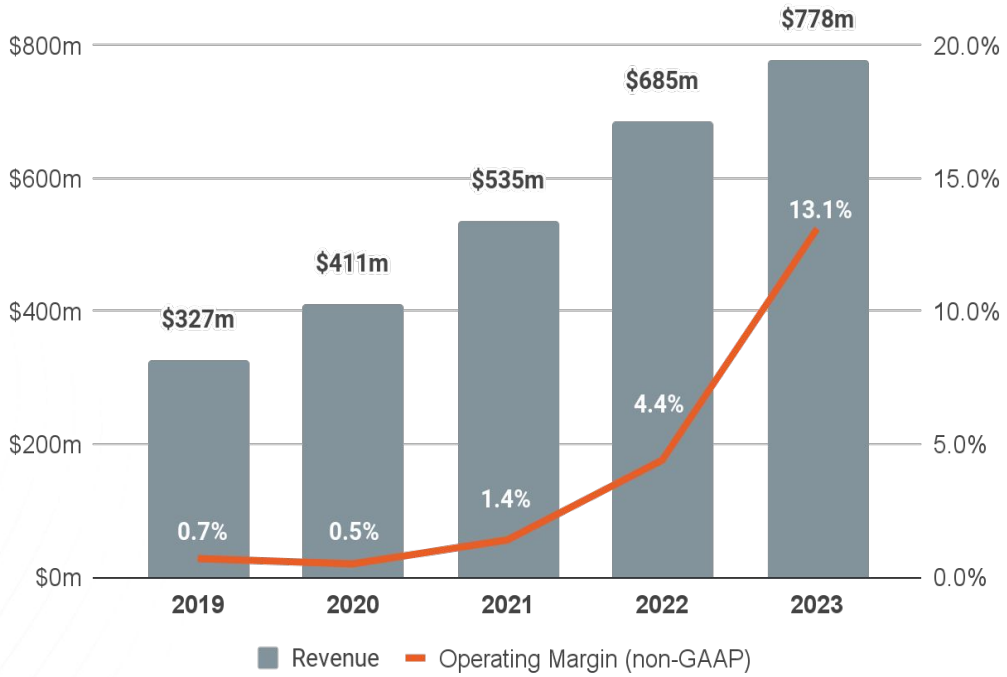
Community Engagement & Social Impact
Giving back to our communities through partnerships with STEM and inclusion-focused programs, charitable giving, and employee volunteerism.

Non-Profit Support
Offering solution discounts to eligible non-profit organizations so they can focus more of their resources pursuing the good they do in the world.

Financial Overview

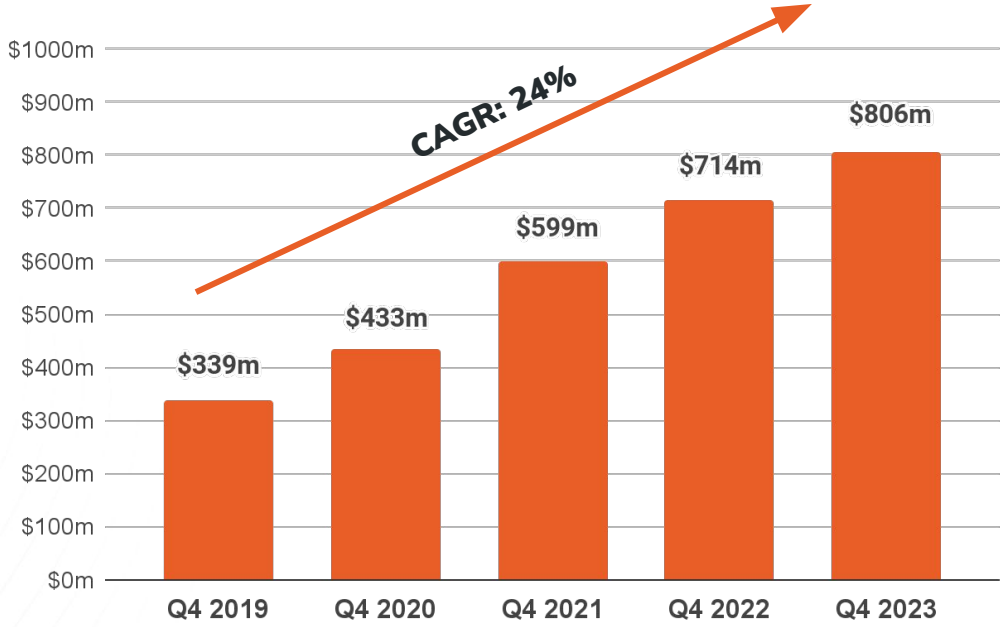
Sustained Revenue Growth

- 2023 revenue growth of **14%** year-over-year
- Revenue CAGR (2019 - 2023): **24%**
- Non-GAAP operating margin improvement of over 800bps in 2023



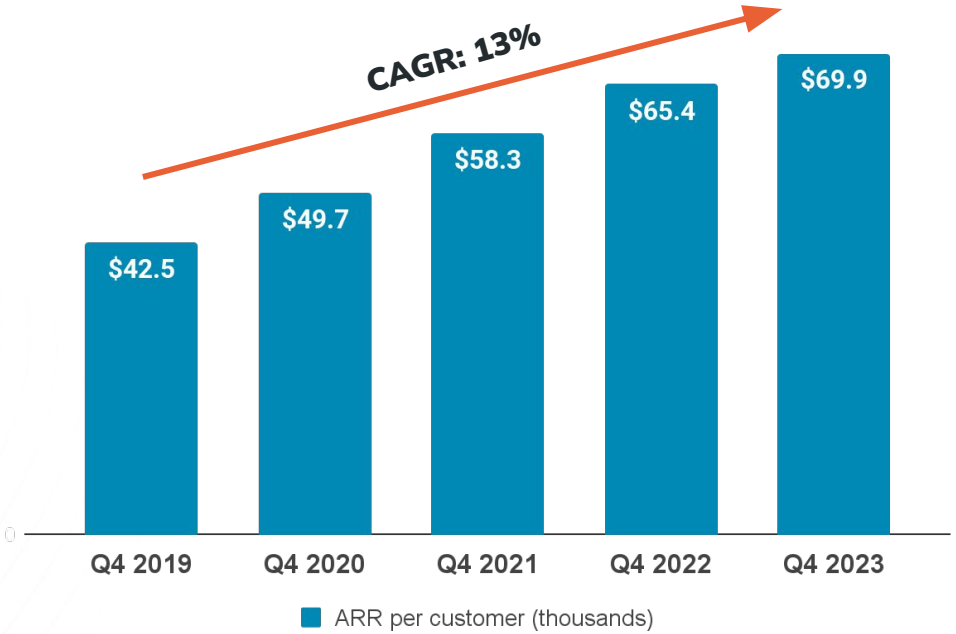
Annualized Recurring Revenue

- ARR grew by **13%** year-over-year in Q4 2023
- ARR CAGR of **24%** from Q4 2019 to Q4 2023



Upsells & Cross-Sells Drive ARR per Customer Growth

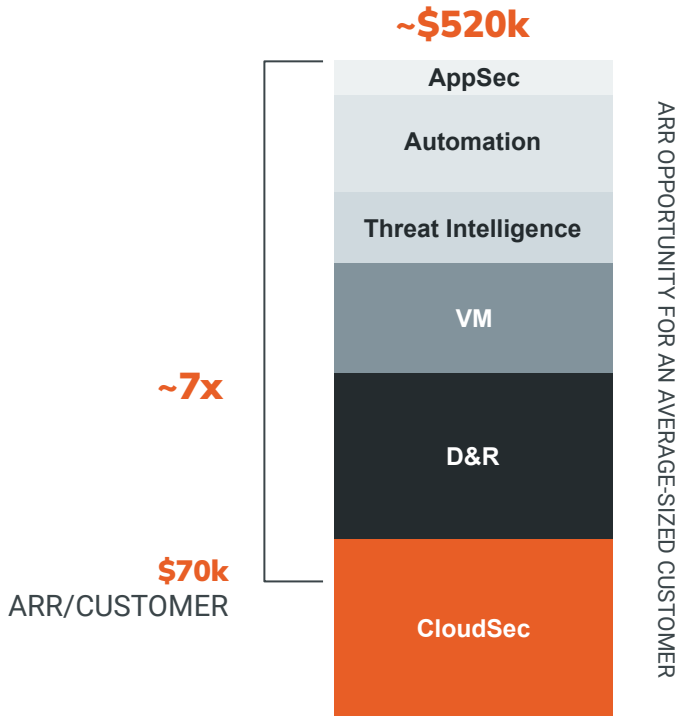
- ARR per customer was approximately **$69.9k** in Q4 2023
- ARR per customer CAGR of **13%** from Q4 2019 to Q4 2023



ARR per customer is based on the new customer count methodology provided at Rapid7's 2021 Investor Day on March 10, 2021.

Significant Long-Term ARR Per Customer Opportunity

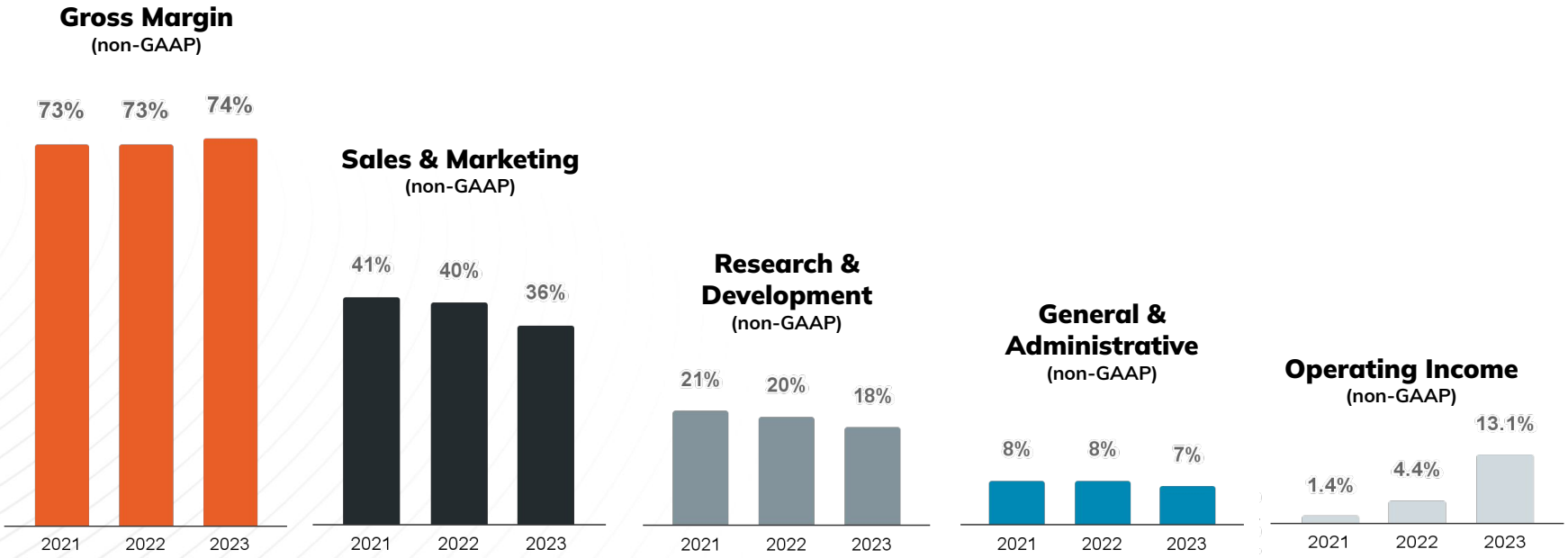
- Our recurring revenue potential for an average-sized customer is **$520k** per year
- ARR per customer was approximately **$69.9k** in Q4 2023



The future financial results presented are hypothetical amounts for achievement of certain scenarios and are not projections, guidance or an outlook for Rapid7's future financial results

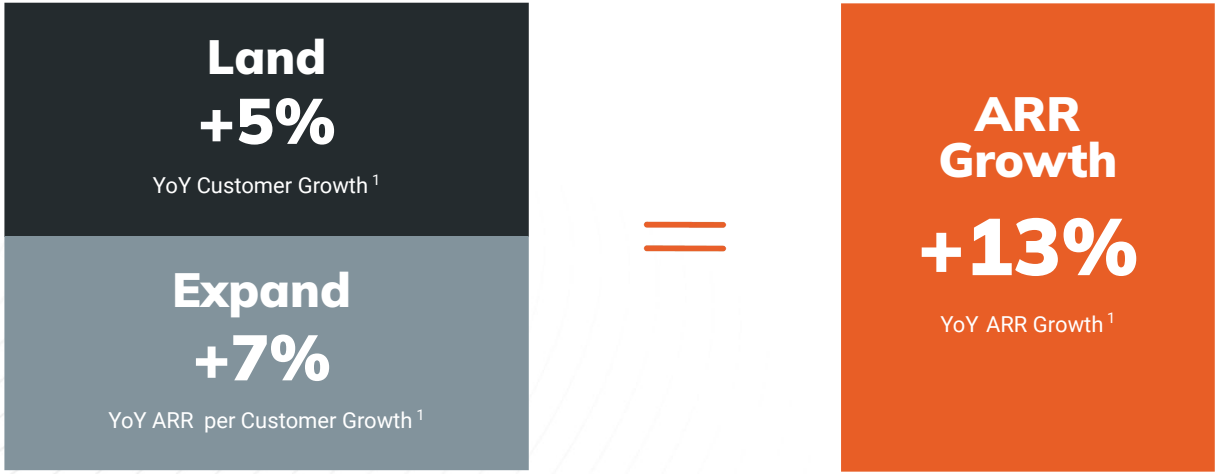
Focused on Long-term Profitability Improvement

Expenses and Operating Income as % of Revenue (non-GAAP)



Powerful Land and Expand Model

Compelling Track Record of Customer Acquisition, Retention and Expansion



[1] As of Q4 2023

Guidance: Q1 2024 and Full-Year 2024

Rapid7 anticipates Annualized Recurring Revenue, Revenue, Non-GAAP Income from Operations, Non-GAAP Net Income per Share and Free Cash Flow to be in the following ranges:

	Q1 2024	Full Year 2024
Annualized Recurring Revenue		$885 to $895m
Annualized Recurring Revenue Growth		10% to 11%
Revenue	$203 to $205m	$848 to $856m
Revenue Growth	11% to 12%	9% to 10%
Non-GAAP Income From Operations [1]	$37 to $39m	$150 to $158m
Non-GAAP Net Income Per Share [1]	$0.52 to $0.55	$2.10 to $2.21
Weighted-average Shares Outstanding, Diluted	74.4m	75.1m
Free Cash Flow		At least $160m

See End Notes for additional information and definitions

[1]A reconciliation of non-GAAP guidance measures to the most comparable GAAP guidance measures is not available on a forward-looking basis without unreasonable efforts due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP guidance measures.

Supplemental

GAAP to Non-GAAP Reconciliations: Q4 2023

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Amortization of debt issuance	Restructuring expense	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:									
Products	$ 194,819	$ -	$ -	$ -	$ -	$ 194,819	$ -	$ -	$ 194,819
Professional services	10,449	-	-	-	-	10,449	-	-	10,449
Total revenue	205,268	-	-	-	-	205,268	-	-	205,268
Cost of revenue:									
Products	$ 52,307	$ 1,870	$ 4,393	$ -	$ -	$ 46,044	$ 452	$ 3,203	$ 42,389
Professional services	7,441	482	-	-	-	6,959	153	-	6,806
Total cost of revenue	59,748	2,352	4,393	-	-	53,003	605	3,203	49,195
Gross margin %	71%					74%			
Research and development	39,728	7,447	-	-	-	32,281	932	-	31,349
Sales and marketing	73,314	6,238	652	-	-	66,424	1,140	-	65,284
General and administrative	19,315	7,208	45	-	-	12,062	441	-	11,621
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-
Restructuring	2,231	-	-	-	2,231	-	-	-	-
Income (loss) from operations	$ 10,932	$ (23,245)	$ (5,090)	$ -	$ (2,231)	$ 41,498	$ (3,118)	$ (3,203)	$ 47,819
Interest income	4,177	-	-	-	-	4,177			
Interest expense	(2,695)	-	-	(1,077)	-	(1,618)			
Other income (expense), net	3,571	-	-	-	-	3,571			
Income (loss) before income taxes	15,985	(23,245)	(5,090)	(1,077)	(2,231)	47,628			
Provision for income taxes	(4,063)	-	-	-	-	(4,063)			
Net (loss) income	$ 20,048	$ (23,245)	$ (5,090)	$ (1,077)	$ (2,231)	$ 51,691			
Add: Interest expense of convertible senior notes						1,571			
Numerator for non-GAAP earnings per share calculation						$ 53,262			
Net income per share:									
Basic	$ 0.33					$ 0.84			
Diluted	$ 0.27					$ 0.72			
Weighted average shares used in non-GAAP earnings per share calculation:									
Basic	61,497,797					61,497,797			
Diluted	73,728,912					73,728,912			

(Unaudited, in thousands, except share and per share data)

GAAP to Non-GAAP Reconciliations: Q4 2022

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Amortization of debt issuance	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:								
Products	$ 172,892	$ -	$ -	$ -	$ 172,892	$ -	$ -	$ 172,892
Professional services	11,587	-	-	-	11,587	-	-	11,587
Total revenue	184,479	-	-	-	184,479	-	-	184,479
Cost of revenue:								
Products	$ 46,916	$ 2,049	$ 4,376	$ -	$ 40,491	$ 501	$ 1,660	$ 38,330
Professional services	8,019	708	-	-	7,311	175	-	7,136
Total cost of revenue	54,935	2,757	4,376	-	47,802	676	1,660	45,466
Gross margin %	70%				74%			
Research and development	42,629	9,591	-	-	33,038	1,074	-	31,964
Sales and marketing	78,261	7,966	657	-	69,638	1,319	-	68,319
General and administrative	22,003	7,284	195	-	14,524	494	-	14,030
(Loss) income from operations	$ (13,349)	$ (27,598)	$ (5,228)	$ -	$ 19,477	$ (3,563)	$ (1,660)	$ 24,700
Interest income	960	-	-	-	960			
Interest expense	(2,782)	-	-	(1,049)	(1,733)			
Other income (expense), net	3,690	-	-	-	3,690			
(Loss) income before income taxes	(11,481)	(27,598)	(5,228)	(1,049)	22,394			
Provision for income taxes	(96)	-	-	-	(96)			
Net (loss) income	$ (11,385)	$ (27,598)	$ (5,228)	$ (1,049)	$ 22,490			
Add: Interest expense of convertible senior notes					1,669			
Numerator for non-GAAP earnings per share calculation					$ 24,159			
Net (loss) income per share:								
Basic	$ (0.19)				$ 0.38			
Diluted	$ (0.19)				$ 0.35			
Weighted average shares used in non-GAAP earnings per share calculation:								
Basic	59,328,736				59,328,736			
Diluted	59,328,736				69,610,950			

(Unaudited, in thousands, except share and per share data)

GAAP to Non-GAAP Reconciliations: Full-Year 2023

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Amortization of debt issuance costs	Induced conversion expense	Acquisition-related expenses	Change in fair value of derivative assets	Impairment of long-lived assets	Restructuring expense	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:													
Products	$ 740,168	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 740,168	$ -	$ -	$ 740,168
Professional services	37,539	-	-	-	-	-	-	-	-	37,539	-	-	37,539
Total revenue	777,707	-	-	-	-	-	-	-	-	777,707	-	-	777,707
Cost of revenue:													
Products	$ 202,904	$ 8,202	$ 18,386	$ -	$ -	$ -	$ -	$ -	$ -	$ 176,316	$ 1,980	$ 10,393	$ 163,943
Professional services	28,837	2,498	-	-	-	-	-	-	-	26,339	688	-	25,651
Total cost of revenue	231,741	10,700	18,386	-	-	-	-	-	-	202,655	2,668	10,393	189,594
Gross margin %	70%									74%			
Research and development	176,776	38,022	-	-	-	-	-	-	-	138,754	4,217	-	134,537
Sales and marketing	312,636	29,325	2,608	-	-	-	-	-	-	280,703	5,193	-	275,510
General and administrative	84,276	30,034	505	-	-	363	-	-	-	53,374	1,969	-	51,405
Impairment of long-lived assets	30,784	-	-	-	-	-	-	30,784	-	-	-	-	-
Restructuring	22,227	-	-	-	-	-	-	-	22,227	-	-	-	-
(Loss) income from operations	$ (80,733)	$ (108,081)	$ (21,499)	$ -	$ -	$ (363)	$ -	$ (30,784)	$ (22,227)	$ 102,221	$ (14,047)	$ (10,393)	$ 126,661
Interest income	10,177	-	-	-	-	-	-	-	-	10,177			
Interest expense	(64,700)	-	-	(4,138)	(53,889)	-	-	-	-	(6,673)			
Other income (expense), net	(14,522)	-	-	-	-	-	(15,511)	-	-	989			
(Loss) income before income taxes	(149,778)	(108,081)	(21,499)	(4,138)	(53,889)	(363)	(15,511)	(30,784)	(22,227)	106,714			
Provision for income taxes	(518)	-	-	-	-	-	-	-	-	(518)			
Net (loss) income	$ (149,260)	$ (108,081)	$ (21,499)	$ (4,138)	$ (53,889)	$ (363)	$ (15,511)	$ (30,784)	$ (22,227)	$ 107,232			
Add: Interest expense of convertible senior notes										2,667			
Numerator for non-GAAP earnings per share calculation										$ 109,899			
Net (loss) income per share:													
Basic	$ (2.46)									$ 1.76			
Diluted	$ (2.46)									$ 1.52			
Weighted average shares used in non-GAAP earnings per share calculation:													
Basic	60,756,087									60,756,087			
Diluted	60,756,087									72,102,112			

(Unaudited, in thousands, except share and per share data)

GAAP to Non-GAAP Reconciliations: Full-Year 2022

	GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Litigation-related expenses	Amortization of debt issuance costs	Non-GAAP	Depreciation expense	Amortization of intangible assets	Adjusted EBITDA
Revenue:									
Products	$ 647,535	$ -	$ -	$ -	$ -	$ 647,535	$ -	$ -	$ 647,535
Professional services	37,548	-	-	-	-	37,548	-	-	37,548
Total revenue	685,083	-	-	-	-	685,083	-	-	685,083
Cost of revenue:									
Products	$ 182,212	$ 7,562	$ 18,493	$ -	$ -	$ 156,157	$ 1,877	$ 5,484	$ 148,796
Professional services	32,137	2,805	-	-	-	29,332	666	-	28,666
Total cost of revenue	214,349	10,367	18,493	-	-	185,489	2,543	5,484	177,462
Gross margin %	69%					73%			
Research and development	189,970	49,940	-	-	-	140,030	4,133	-	135,897
Sales and marketing	307,409	31,217	2,710	-	-	273,482	5,032	-	268,450
General and administrative	84,969	28,378	780	115	-	55,696	1,863	-	53,833
Loss from operations	$ (111,614)	$ (119,902)	$ (21,983)	$ (115)	$ -	$ 30,386	$ (13,571)	$ (5,484)	$ 49,441
Interest income	1,813	-	-	-	-	1,813			
Interest expense	(10,982)	-	-	-	(4,085)	(6,897)			
Other income (expense), net	(1,522)	-	-	-	-	(1,522)			
Loss before income taxes	(122,305)	(119,902)	(21,983)	(115)	(4,085)	23,780			
Provision for income taxes	2,412	-	-	-	-	2,412			
Net (loss) income	$ (124,717)	$ (119,902)	$ (21,983)	$ (115)	$ (4,085)	$ 21,368			
Add: Interest expense of convertible senior notes						$ 1,500			
Numerator for non-GAAP earnings per share calculation						$ 22,868			
Net (loss) income per share:									
Basic	$ (2.13)					$ 0.36			
Diluted	$ (2.13)					$ 0.35			
Weighted-average shares used in per share calculation, basic and diluted									
Basic	58,552,065					58,552,065			
Diluted	58,552,065					65,607,621			

(Unaudited, in thousands, except share and per share data)

End Notes

Annualized Recurring Revenue (ARR)

- Annualized Recurring Revenue (ARR) is defined as the annual value of all recurring revenue related to contracts in place at the end of the period. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. ARR is not a forecast of future revenue and can be impacted by contract start and end dates and renewal rates, and does not include revenue reported as perpetual license or professional services revenue in our consolidated statement of operations.

Recurring Revenue

- Recurring revenue is defined as revenue from the sale of term software licenses, content subscriptions, managed services, cloud-based subscriptions and maintenance and support calculated as % of total revenue.

Customer

- A Customer is defined as any entity that has an active recurring revenue contract as of the specified measurement date, excluding InsightOps and Logentries only customers with a contract value less than $2,400 per year.

ARR per Customer

- ARR per Customer is defined as ARR divided by the number of Customers at the end of the period.

Non-GAAP metrics

- Non-GAAP gross margins represent the GAAP gross profit, excluding stock-based compensation expense and amortization of acquired intangible assets calculated as a % of revenue. See GAAP to Non-GAAP reconciliation.
- Operating expenses and operating income margin presented are on a non-GAAP basis and exclude stock-based compensation expense, amortization of acquired intangible assets, and certain other items such as acquisition-related expenses and litigation-related expenses.
- Free cash flow is defined as cash flow provided by operations less purchases of property and equipment and capitalization of internal-use software costs.

Guidance

- Guidance for the first quarter and full-year 2024 does not include any potential impact of foreign exchange gains or losses.
- Non-GAAP guidance excludes estimates for stock-based compensation expense, amortization of acquired intangible assets, amortization of debt issuance costs and certain other items such as acquisition-related expenses, impairment of long-lived assets, restructuring expense, induced conversion expense, change in the fair value of derivative assets and litigation-related expenses. A reconciliation of non-GAAP guidance measures to the most comparable GAAP measures is not available on a forward-looking basis without unreasonable efforts due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP measures.