Tableau Software Inc
Form 10-Q
May 08, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from ____ to ____

Commission File Number: 001-35925

TABLEAU SOFTWARE, INC.
(Exact name of Registrant as specified in its charter)

Delaware	47-0945740
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1621 North 34th Street
Seattle, Washington 98103
(Address of principal executive offices and zip code)

(206) 633-3400
(Registrant's telephone number, including area code)

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. x Yes o No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). x Yes o 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	x		Accelerated filer	o
Non-accelerated filer	o	(Do not check if smaller reporting company)	Smaller reporting company	o
Emerging growth company	o			

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. o

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

As of May 2, 2018, there were approximately 67,911,962 shares of the Registrant's Class A common stock and 13,631,046 shares of the Registrant's Class B common stock outstanding.

TABLEAU SOFTWARE, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2018
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Tableau Software, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2018	December 31, 2017
	(in thousands, except share data)	
Assets		
Current assets		
Cash and cash equivalents	$623,994	$627,878
Short-term investments	241,652	226,787
Accounts receivable, net of allowance for doubtful accounts of $972 and $1,003	132,611	203,366
Prepaid expenses and other current assets	98,461	30,514
Income taxes receivable	883	673
Total current assets	1,097,601	1,089,218
Long-term investments	157,497	148,364
Property and equipment, net	101,121	106,753
Goodwill	35,083	35,083
Deferred income taxes	4,215	5,287
Other long-term assets	35,139	14,090
Total assets	$1,430,656	$1,398,795
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$2,817	$4,448
Accrued compensation and employee-related benefits	81,268	96,390
Other accrued liabilities	41,935	37,722
Income taxes payable	4,467	4,743
Deferred revenue	314,698	419,426
Total current liabilities	445,185	562,729
Deferred revenue	21,687	28,058
Other long-term liabilities	53,911	54,385
Total liabilities	520,783	645,172
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized; none issued	—	—
Class B common stock, $0.0001 par value, 75,000,000 shares authorized; 13,631,046 and 14,492,846 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	1	1
Class A common stock, $0.0001 par value, 750,000,000 shares authorized; 67,904,088 and 65,969,499 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	7	7
Additional paid-in capital	1,205,459	1,168,563
Accumulated other comprehensive loss	(10,571)	(11,991)
Accumulated deficit	(285,023)	(402,957)
Total stockholders' equity	909,873	753,623
Total liabilities and stockholders' equity	$1,430,656	$1,398,795

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

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Tableau Software, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands, except per share amounts)	
Revenues		
License	$108,793	$97,244
Maintenance and services	137,414	102,662
Total revenues	246,207	199,906
Cost of revenues		
License	3,954	3,267
Maintenance and services	28,471	23,388
Total cost of revenues (1)	32,425	26,655
Gross profit	213,782	173,251
Operating expenses		
Sales and marketing (1)	138,406	118,018
Research and development (1)	93,505	84,302
General and administrative (1)	32,250	24,445
Total operating expenses	264,161	226,765
Operating loss	(50,379)	(53,514)
Other income, net	1,462	1,225
Loss before income tax expense (benefit)	(48,917)	(52,289)
Income tax expense (benefit)	(2,445)	2,358
Net loss	$(46,472)	$(54,647)
Net loss per share:		
Basic	$(0.57)	$(0.71)
Diluted	$(0.57)	$(0.71)
Weighted average shares used to compute net loss per share:		
Basic	81,039	77,416
Diluted	81,039	77,416

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

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Cost of revenues	$2,987	$2,577
Sales and marketing	20,015	18,092
Research and development	25,157	23,515
General and administrative	7,604	5,011

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

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Tableau Software, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Net loss	$(46,472)	$(54,647)
Other comprehensive income (loss), net of tax:		
Foreign currency translation	586	(824)
Net unrealized loss on available-for-sale securities	(849)	—
Comprehensive loss	$(46,735)	$(55,471)

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

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Tableau Software, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
	(in thousands)	
Operating activities		
Net loss	$(46,472)	$(54,647)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization expense	9,647	13,435
Amortization of premiums on investments, net	118	—
Stock-based compensation expense	55,763	49,195
Deferred income taxes	(4,226)	128
Changes in operating assets and liabilities		
Accounts receivable, net	73,012	76,878
Prepaid expenses and other assets	(22,891)	11,270
Income taxes receivable	(194)	6
Deferred revenue	(7,507)	4,008
Accounts payable and accrued liabilities	(4,279)	(16,620)
Income taxes payable	(356)	842
Net cash provided by operating activities	52,615	84,495
Investing activities		
Purchases of property and equipment	(5,251)	(23,238)
Purchases of investments	(102,450)	—
Maturities of investments	77,385	—
Sales of investments	99	—
Net cash used in investing activities	(30,217)	(23,238)
Financing activities		
Proceeds from issuance of common stock	2,492	4,309
Repurchases of common stock	(30,007)	(20,008)
Net cash used in financing activities	(27,515)	(15,699)
Effect of exchange rate changes on cash and cash equivalents	1,233	374
Net increase (decrease) in cash and cash equivalents	(3,884)	45,932
Cash and cash equivalents		
Beginning of period	627,878	908,717
End of period	$623,994	$954,649
Non-cash activities		
Accrued purchases of property and equipment	$4,192	$8,039

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

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Tableau Software, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business

Tableau Software, Inc., a Delaware corporation, and its wholly-owned subsidiaries (the "Company," "we," "us" or "our") are headquartered in Seattle, Washington. Our software products put the power of data into the hands of everyday people, allowing a broad population of business users to engage with their data, ask questions, solve problems and create value. Based on innovative core technologies originally developed at Stanford University, our products dramatically reduce the complexity, inflexibility and expense associated with traditional business intelligence applications. We currently offer four key products: Tableau Desktop, a self-service, powerful analytics product for anyone with data; Tableau Server, a business intelligence platform for organizations; Tableau Online, a hosted software-as-a-service ("SaaS") version of Tableau Server; and Tableau Public, a free cloud-based platform for analyzing and sharing public data.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial information has been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet data as of December 31, 2017 was derived from audited financial statements but does not include all disclosures required by GAAP. The condensed consolidated financial information should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on February 26, 2018.

In the opinion of management, the accompanying unaudited condensed consolidated financial information includes all normal recurring adjustments necessary for a fair statement of the Company's financial position, results of operations, comprehensive loss and cash flows for the interim periods, but is not necessarily indicative of the results that may be expected for the year ending December 31, 2018. All intercompany accounts and transactions have been eliminated in consolidation.

We adopted the new revenue recognition accounting standard Accounting Standards Codification (“ASC”) 606 effective January 1, 2018 on a modified retrospective basis (see Recently Adopted Accounting Pronouncements). Financial results for reporting periods during 2018 are presented in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2018 are presented in conformity with amounts previously disclosed under the prior revenue recognition standard ASC 605. These financial statements include additional information regarding the impacts from the adoption of the new revenue recognition standard on our financial results for the three months ended March 31, 2018. This includes the presentation of financial results during 2018 under ASC 605 for comparison to the prior year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include but are not limited to: the collectability of our receivables; the useful lives of our property and equipment and other lease-related assets, liabilities and costs; the benefit period for deferred commissions; the valuation of investments and the determination of other-than-temporary impairments; and the reported amounts of accrued liabilities. For revenue, we make estimates and assumptions related to the standalone selling prices of our products and services and the nature and timing of the delivery of performance obligations from our contracts with customers. We also use estimates in stock-based compensation, income taxes and business combinations. Actual results could differ from those estimates.

Risks and Uncertainties

Inherent in our business are various risks and uncertainties, including our limited history of operating our business at its current scale and development of advanced technologies in a rapidly changing industry. These risks include our ability to manage our growth and our ability to attract new customers and expand sales to existing customers, as well as other risks and uncertainties. In the event that we do not successfully implement our business plan, certain assets may not be recoverable, certain liabilities may not be paid and investments in our capital stock

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may not be recoverable. Our success depends upon the acceptance of our technology, development of sales and distribution channels and our ability to generate significant revenues from the sale of our technology.

Segments

We follow the authoritative literature that established annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products and services, geographic regions and major customers. We operate our business as one operating segment. Our chief operating decision makers are our Chief Executive Officer and Interim Chief Financial Officer, who review financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance and allocating resources.

Revenue Recognition - ASC 606

We generate revenues primarily in the form of software license fees and related maintenance and services fees. Software license revenues include fees from the sales of perpetual, term and subscription licenses. Maintenance and services revenues primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available), training and professional services.

We recognize revenues related to our contracts with customers based on the following criteria:

- the contract contains reasonable evidence of approval and both parties' commitment to perform their respective obligations;
- the contract includes identifiable rights to goods and services to be transferred and payment terms related to the transfer of those goods and services;
- the contract has commercial substance; and
- collection of substantially all of the consideration we are entitled to under the contract is probable.

We identify performance obligations in our contracts with customers, which may include software licenses and/or related maintenance and services. We determine the transaction price based on the amount we expect to be entitled to in exchange for transferring the promised goods or services to the customer. We allocate the transaction price in the contract to each distinct performance obligation in an amount that depicts the relative amount of consideration we expect to receive in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied.

Our contract payment terms are typically net 30 days. We assess collectability based on a number of factors including collection history and creditworthiness of the customer, and we may mitigate exposures to credit risk by requiring payments in advance. If we determine that collectability related to a contract is not probable, we may not record revenue until collectability becomes probable at a later date.

Our revenues are recorded based on the transaction price excluding amounts collected on behalf of third parties such as sales taxes, which are collected on behalf of and remitted to governmental authorities.

Nature of Products and Services

Our on-premises software licenses are sold both perpetually and through term-based license agreements. These licensing arrangements provide customers with the same product functionality and differ mainly in the duration over which the customer benefits from the software. We deliver our software licenses electronically. Electronic delivery occurs when we provide the customer with access to the software and license key via a secure portal. Revenue from on-premises software licenses is generally recognized upfront at the point in time when the software is made available to the customer.

When purchasing an on-premises software license, a customer typically bundles with a maintenance services agreement and may also purchase training and/or professional services. Maintenance services agreements consist of fees for providing software updates on a when and if available basis and for providing technical support for software products for a specified term. We believe that our when and if available software updates and technical support each have the same pattern of transfer to the customer and are substantially the same. Therefore, we consider these to be a single distinct performance obligation. Revenues allocated to maintenance services are recognized ratably as the services are provided. Revenues related to training services are billed on a fixed fee basis and are recognized as the services are delivered. Payments received in advance of services performed are deferred and recognized when the related services are performed. Revenues related to professional services are billed on a time and materials basis and are recognized as the services are performed.

We also provide cloud-based subscriptions, which allow customers to access our software during a contractual period without taking possession of the software. We recognize revenue related to these cloud-based

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subscriptions ratably over the life of the subscription agreement beginning when the customer first has access to the software. Revenues from our cloud-based subscriptions are included in license revenues.

Judgments and Estimates

Our contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately from one another sometimes requires judgment.

Judgment is required to determine standalone selling prices (“SSP”) for each distinct performance obligation. We typically have more than one SSP for each of our products and services based on customer stratification, which is based on the size of the customer, their geographic region and market segment. We use other comparable software license sales to determine SSPs for perpetual software licenses. For our cloud-based subscriptions and for maintenance services, training and professional services, SSPs are generally observable using standalone sales and/or renewals. Our on-premises term-based software licenses generally do not have directly observable inputs for determining SSP. Therefore, we determine SSP using other observable inputs including customer buying patterns, renewal rates, cumulative spend comparisons and other industry data.

We evaluate contracts that include options to purchase additional goods or services to determine whether or not the options give rise to a separate performance obligation that is material. If we determine the options are material, the revenue allocated to such options is not recognized until the option is exercised or the option expires.

Our revenue recognition accounting policy for ASC 605 is included in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018. We applied the revenue recognition accounting policy for ASC 605 to our disclosures in Note 6, which include amounts presented for 2018. There were no changes to the ASC 605 policy during the first quarter of 2018.

Assets Recognized from the Costs to Obtain a Contract with a Customer

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that certain costs related to our sales incentive programs meet the requirements to be capitalized and deferred. Assets recorded are included in other current assets and other long-term assets. We amortize these deferred costs proportionate with related revenues over four years, which is generally longer than the term of the initial contract because of anticipated renewals as sales commissions for renewals are not commensurate with sales commissions related to our initial contracts.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable.

Our investment portfolio consists of investment-grade securities diversified among security types, industries and issuers. Our cash and cash equivalents and investments are held and managed by recognized financial institutions that follow our investment policy. Our policy limits the amount of credit exposure to any one security issue or issuer.

We extend credit to customers based upon an evaluation of the customer's financial condition. As of March 31, 2018 and December 31, 2017, no individual customer accounted for 10% or more of total accounts receivable. For the three months ended March 31, 2018 and 2017, no individual customer represented 10% or more of our total revenues.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 related to revenue recognition and later issued additional ASUs including ASU 2016-08, ASU 2016-10, ASU 2016-12, ASU 2016-20 and ASU 2017-14, all of which clarified certain aspects of ASU 2014-09, and together with ASU 2014-09, which we refer to collectively as the new revenue recognition standard. The new revenue recognition standard changed the way we recognize revenue, including the identification of contractual performance obligations and the allocation of transaction price, to depict the transfer of promised goods or services to customers at the amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We adopted the new revenue recognition standard in the first quarter of 2018 on a modified retrospective basis and applied the new revenue recognition standard only to contracts that were not completed contracts prior to January 1, 2018. Upon adoption, we recorded an adjustment of $146.8 million to our accumulated deficit. The adjustment was offset by a $105.9 million reduction to deferred revenue, which was primarily related to on-premises term licenses, and the addition of a $40.9 million contract asset.

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The new revenue recognition standard materially impacts the timing of revenue recognition related to our on-premises term license agreements. Prior to our adoption of the new revenue recognition standard, we historically recognized revenue related to on-premises term license agreements ratably over the term of the licensing agreement. Under the new revenue recognition standard, revenue allocable to the license portion of the arrangement is recognized upon delivery of the license. Maintenance revenue related to on-premises term license agreements continue to be recognized ratably over the term of the licensing agreement. Under the new revenue recognition standard, we allocate total transaction price to performance obligations based on estimated standalone selling prices, which impacts the timing of revenue recognition depending on when each performance obligation is recognized. These impacts to the timing of revenue recognition also affect our deferred revenue balances.

The new revenue recognition standard requires the capitalization of certain incremental costs of obtaining a contract, which impacts the period in which we record our sales commissions expense. Prior to our adoption of the new revenue recognition standard, we recognized sales commissions expense as incurred. Under the new revenue recognition standard, we are required to recognize these expenses over the period of benefit associated with these costs. This results in a deferral of sales commissions expense each period. Upon adoption, we reduced our accumulated deficit by $25.5 million and recognized an offsetting asset for deferred sales commissions related to contracts that were not completed contracts prior to January 1, 2018.

For further discussion regarding the impacts of adopting the new revenue recognition standard, see Note 6.

In October 2016, the FASB issued ASU 2016-16 related to the accounting for income tax effects on intra-entity asset transfers of assets other than inventory. The new guidance requires reporting entities to recognize tax expense from the sale of assets when the transfer occurs, even though the pre-tax effects of the transaction are eliminated in consolidation. We adopted the new standard in the first quarter of 2018 on a modified retrospective basis. The adoption resulted in the recognition of a U.S. deferred tax asset, which was fully offset by a corresponding increase to the valuation allowance on our U.S. federal and state deferred income tax assets, and therefore did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02 related to lease accounting. The new guidance will require lessees to recognize right-of-use assets and lease liabilities on the balance sheet for operating leases that do not meet the definition of a short-term lease. ASU 2016-02 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018 and requires modified retrospective transition. Under the new standard we anticipate that our current real estate leases will continue to be classified as operating leases and a significant amount of our currently outstanding operating lease commitments will be recorded to the balance sheet as right-of-use assets with corresponding lease liabilities. Our evaluation of the new standard will extend into future periods and we will update our disclosures, including the expected impacts of the new standard, as we progress towards the required adoption date.

In June 2016, the FASB issued ASU 2016-13, related to credit losses. The new guidance replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. ASU 2016-13 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

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Note 3. Short-Term and Long-Term Investments

The following tables represent our short-term and long-term investments in available-for-sale securities as of March 31, 2018 and December 31, 2017, based on contractual years to maturity:

	March 31, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Short-term investments				
U.S. treasury securities	$158,727	$ —	$ (255)	$158,472
U.S. agency securities	21,407	—	(94)	21,313
Corporate bonds	62,058	—	(191)	61,867
Total short-term investments	242,192	—	(540)	241,652
Long-term investments				
U.S. treasury securities	99,562	—	(502)	99,060
U.S. agency securities	8,576	—	(71)	8,505
Corporate bonds	50,332	—	(400)	49,932
Total long-term investments	158,470	—	(973)	157,497
Total short-term and long-term investments	$400,662	$ —	$ (1,513)	$399,149

	December 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Short-term investments				
Commercial paper	$9,970	$ —	$ —	$9,970
U.S. treasury securities	160,206	—	(121)	160,085
U.S. agency securities	9,917	—	(24)	9,893
Corporate bonds	46,901	3	(65)	46,839
Total short-term investments	226,994	3	(210)	226,787
Long-term investments				
U.S. treasury securities	79,371	—	(202)	79,169
U.S. agency securities	18,570	—	(102)	18,468
Corporate bonds	50,880	—	(153)	50,727
Total long-term investments	148,821	—	(457)	148,364
Total short-term and long-term investments	$375,815	$ 3	$ (667)	$375,151

As of March 31, 2018 and December 31, 2017, there were no investments that had been in a net loss position for 12 months or greater. The unrealized losses on investments as of March 31, 2018 were primarily caused by increases in interest rates. None of the unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of March 31, 2018.

Note 4. Fair Value Measurements

We categorize assets and liabilities recorded at fair value based upon the level of judgment associated with inputs used to measure their fair value. The levels of the fair value hierarchy are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

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- Level 3—Inputs are unobservable inputs based on our own assumptions and valuation techniques used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

We value our investments using quoted prices for identical instruments in active markets when available. If we are unable to obtain quoted prices for identical instruments in active markets, we value our investments using quoted market prices for comparable instruments. To date, all of our investments can be valued using one of these two methodologies.

The following tables present the fair value of our financial assets using the fair value hierarchy as of March 31, 2018 and December 31, 2017:

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents				
Money market funds	$553,667	$—	$ —	$553,667
Short-term investments				
U.S. treasury securities	—	158,472	—	158,472
U.S. agency securities	—	21,313	—	21,313
Corporate bonds	—	61,867	—	61,867
Long-term investments				
U.S. treasury securities	—	99,060	—	99,060
U.S. agency securities	—	8,505	—	8,505
Corporate bonds	—	49,932	—	49,932
Total	$553,667	$399,149	$ —	$952,816

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents				
Money market funds	$582,835	$—	$ —	$582,835
Commercial paper	—	8,984	—	8,984
Short-term investments				
Commercial paper	—	9,970	—	9,970
U.S. treasury securities	—	160,085	—	160,085
U.S. agency securities	—	9,893	—	9,893
Corporate bonds	—	46,839	—	46,839
Long-term investments				
U.S. treasury securities	—	79,169	—	79,169
U.S. agency securities	—	18,468	—	18,468
Corporate bonds	—	50,727	—	50,727
Total	$582,835	$384,135	$ —	$966,970

We did not have any investments in prime money market funds as of March 31, 2018. We had no financial assets or liabilities measured using Level 3 inputs as of March 31, 2018 and December 31, 2017.

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Note 5. Stockholders' Equity

Common Stock

Our certificate of incorporation, as amended and restated, authorizes us to issue 75,000,000 shares of Class B common stock at $0.0001 par value per share, and 750,000,000 shares of Class A common stock at $0.0001 par value per share. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each holder of Class B common stock is entitled to ten votes per share and each holder of Class A common stock is entitled to one vote per share. Shares of Class B common stock may be converted into Class A common stock at any time at the option of the stockholder and are automatically converted upon sale or transfer to Class A common stock, subject to certain limited exceptions. At its discretion, the board of directors may declare dividends on shares of common stock, subject to the rights of our preferred stockholders, if any. Upon liquidation or dissolution, holders of common stock will receive distributions only after preferred stock preferences have been satisfied.

Preferred Stock

Our certificate of incorporation, as amended and restated, authorizes us to issue 10,000,000 shares of preferred stock at $0.0001 par value per share. Our board of directors has the authority to provide for the issuance of all the shares in one or more series. At its discretion, our board of directors may designate the voting rights and preferences of the preferred stock. As of March 31, 2018 and December 31, 2017, no shares of preferred stock were outstanding.

Stock Repurchase Program

On November 1, 2016, we announced that our board of directors approved a stock repurchase program, under which we were authorized to repurchase up to $200 million of our outstanding Class A common stock. The repurchase program has no expiration date and may be modified, suspended or discontinued at any time. Repurchases under the program may be made from time to time on the open market at prevailing market prices, in privately negotiated transactions, in transactions structured through investment banking institutions or a combination of the foregoing, in compliance with Rule 10b-18 under the Securities Exchange Act of 1934.

During the three months ended March 31, 2018, we repurchased 366,160 shares of our outstanding Class A common stock at an average price of $81.95 per share for $30.0 million. During the three months ended March 31, 2017, we repurchased 383,411 shares of our outstanding Class A common stock at an average price of $52.18 per share for $20.0 million. All repurchases were made in open market transactions using cash on hand, and all of the shares repurchased were retired. As of March 31, 2018, we were authorized to repurchase a remaining $70.0 million of our Class A common stock under our repurchase program.

On April 26, 2018, our board of directors authorized us to repurchase up to an additional $300 million of our Class A common stock under our previously announced stock repurchase program. Including the additional $300 million, we are authorized to repurchase up to a remaining $370.0 million of our Class A common stock under the existing stock repurchase program. As of March 31, 2018, we had repurchased and retired 2,077,105 shares of our Class A common stock, under the existing stock repurchase program, for a total purchase price of $130.0 million.

Note 6. Revenue

We adopted the new revenue recognition accounting standard ASC 606 effective January 1, 2018 on a modified retrospective basis and applied the new standard only to contracts that were not completed contracts prior to January 1, 2018. See Note 2 for a description of our ASC 606 revenue recognition accounting policy. Financial results for reporting periods during 2018 are presented in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2018 have not been retroactively restated and are presented in conformity with amounts previously disclosed under ASC 605. This note includes additional information regarding the impacts from the adoption of the new revenue recognition standard on our financial results for the three months ended March 31, 2018. This includes the presentation of financial results during 2018 under ASC 605 for comparison to the prior year. Our revenue recognition accounting policy for ASC 605 is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on February 26, 2018. There were no changes to our ASC 605 policy during the first quarter of 2018.

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Condensed Consolidated Balance Sheets (Unaudited) - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following schedule summarizes the impacts from the adoption of the new revenue recognition standard on our condensed consolidated balance sheets as of March 31, 2018:

	March 31, 2018			December 31, 2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Assets				
Current assets				
Cash and cash equivalents	$623,994	$—	$623,994	$627,878
Short-term investments	241,652	—	241,652	226,787
Accounts receivable, net	132,611	—	132,611	203,366
Prepaid expenses and other current assets	98,461	(68,249)	30,212	30,514
Income taxes receivable	883	—	883	673
Total current assets	1,097,601	(68,249)	1,029,352	1,089,218
Long-term investments	157,497	—	157,497	148,364
Property and equipment, net	101,121	—	101,121	106,753
Goodwill	35,083	—	35,083	35,083
Deferred income taxes	4,215	1,589	5,804	5,287
Other long-term assets	35,139	(21,264)	13,875	14,090
Total assets	$1,430,656	$(87,924)	$1,342,732	$1,398,795
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable	$2,817	$—	$2,817	$4,448
Accrued compensation and employee-related benefits	81,268	—	81,268	96,390
Other accrued liabilities	41,935	—	41,935	37,722
Income taxes payable	4,467	1,826	6,293	4,743
Deferred revenue	314,698	104,407	419,105	419,426
Total current liabilities	445,185	106,233	551,418	562,729
Deferred revenue	21,687	5,521	27,208	28,058
Other long-term liabilities	53,911	(746)	53,165	54,385
Total liabilities	520,783	111,008	631,791	645,172
Stockholders' equity				
Common stock	8	—	8	8
Additional paid-in capital	1,205,459	—	1,205,459	1,168,563
Accumulated other comprehensive loss	(10,571)	(1,972)	(12,543)	(11,991)
Accumulated deficit	(285,023)	(196,960)	(481,983)	(402,957)
Total stockholders' equity	909,873	(198,932)	710,941	753,623
Total liabilities and stockholders' equity	$1,430,656	$(87,924)	$1,342,732	$1,398,795

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Condensed Consolidated Statements of Operations (Unaudited) - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following schedule summarizes the impacts from the adoption of the new revenue recognition standard on our condensed consolidated statement of operations for the three months ended March 31, 2018:

	Three Months Ended March 31, 2018 As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	2017 As Reported (ASC 605)
	(in thousands)			
Revenues				
License	$108,793	$(3,127)	$105,666	$97,244
Maintenance and services	137,414	(19,036)	118,378	102,662
Total revenues	246,207	(22,163)	224,044	199,906
Cost of revenues				
License	3,954	(52)	3,902	3,267
Maintenance and services	28,471	61	28,532	23,388
Total cost of revenues	32,425	9	32,434	26,655
Gross profit	213,782	(22,172)	191,610	173,251
Operating expenses				
Sales and marketing	138,406	4,607	143,013	118,018
Research and development	93,505	—	93,505	84,302
General and administrative	32,250	—	32,250	24,445
Total operating expenses	264,161	4,607	268,768	226,765
Operating loss	(50,379)	(26,779)	(77,158)	(53,514)
Other income, net	1,462	(38)	1,424	1,225
Loss before income tax expense (benefit)	(48,917)	(26,817)	(75,734)	(52,289)
Income tax expense (benefit)	(2,445)	5,737	3,292	2,358
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)

Condensed Consolidated Statements of Comprehensive Loss (Unaudited) - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following schedule summarizes the impacts from the adoption of the new revenue recognition standard on our condensed consolidated statement of comprehensive loss for the three months ended March 31, 2018:

	Three Months Ended March 31, 2018 As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	2017 As Reported (ASC 605)
	(in thousands)			
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)
Other comprehensive income (loss), net of tax:				
Foreign currency translation	586	(289)	297	(824)
Net unrealized loss on available-for-sale securities	(849)	—	(849)	—
Comprehensive loss	$(46,735)	$(32,843)	$(79,578)	$(55,471)

Condensed Consolidated Statements of Cash Flows (Unaudited) - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following schedule summarizes the impacts from the adoption of the new revenue recognition standard on our condensed consolidated statement of cash flows for the three months ended March 31, 2018:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Operating activities				
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)
Adjustments to reconcile net loss to net cash provided by operating activities				
Depreciation and amortization expense	9,647	—	9,647	13,435
Amortization of premiums on investments, net	118	—	118	—
Stock-based compensation expense	55,763	—	55,763	49,195
Deferred income taxes	(4,226)	3,869	(357)	128
Changes in operating assets and liabilities				
Accounts receivable, net	73,012	—	73,012	76,878
Prepaid expenses and other assets	(22,891)	23,230	339	11,270
Income taxes receivable	(194)	—	(194)	6
Deferred revenue	(7,507)	3,521	(3,986)	4,008
Accounts payable and accrued liabilities	(4,279)	—	(4,279)	(16,620)
Income taxes payable	(356)	1,825	1,469	842
Net cash provided by operating activities	52,615	(109)	52,506	84,495
Investing activities				
Purchases of property and equipment	(5,251)	—	(5,251)	(23,238)
Purchases of investments	(102,450)	—	(102,450)	—
Maturities of investments	77,385	—	77,385	—
Sales of investments	99	—	99	—
Net cash used in investing activities	(30,217)	—	(30,217)	(23,238)
Financing activities				
Proceeds from issuance of common stock	2,492	—	2,492	4,309
Repurchases of common stock	(30,007)	—	(30,007)	(20,008)
Net cash used in financing activities	(27,515)	—	(27,515)	(15,699)
Effect of exchange rate changes on cash and cash equivalents	1,233	109	1,342	374
Net increase (decrease) in cash and cash equivalents	(3,884)	—	(3,884)	45,932
Cash and cash equivalents				
Beginning of period	627,878	—	627,878	908,717
End of period	$623,994	$—	$623,994	$954,649

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Disclosures Related to our Contracts with Customers

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. We record assets for amounts related to performance obligations that are satisfied but not yet billed and/or collected. These assets are recorded as contract assets rather than receivables when receipt of the consideration is conditional on something other than the passage of time. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. These liabilities are classified as current and non-current deferred revenue.

Contract Assets and Contract Liabilities

A summary of the activity impacting our contract assets during the three months ended March 31, 2018 is presented below:

	Contract Assets (in thousands)
Balances at December 31, 2017	$ —
Adoption of ASC 606	40,854
Contract assets transferred to receivables	(1,315)
Additions to contract assets	21,127
Balances at March 31, 2018	$ 60,666

As of March 31, 2018, our contract assets are expected to be transferred to receivables within the next 12 months and therefore are included in other current assets. There were no impairments of contract assets during the three months ended March 31, 2018.

A summary of the activity impacting our deferred revenue balances during the three months ended March 31, 2018 is presented below:

	Deferred Revenue (in thousands)
Balances at December 31, 2017	$ 447,484
Adoption of ASC 606	(105,933)
Deferred revenue recognized	(120,820)
Additional amounts deferred	115,654
Balances at March 31, 2018	$ 336,385

Assets Recognized from the Costs to Obtain our Contracts with Customers

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We amortize these deferred costs proportionate with related revenues over four years.

A summary of the activity impacting our deferred contract costs during the three months ended March 31, 2018 is presented below:

	Deferred Contract Costs (in thousands)
Balances at December 31, 2017	$ —
Adoption of ASC 606	25,489
Additional contract costs deferred	6,736
Amortization of deferred contract costs	(2,048)
Balances at March 31, 2018	$ 30,177

As of March 31, 2018, $8.9 million of our deferred contract costs are expected to be amortized within the next 12 months and therefore are included in other current assets. The remaining amount of our deferred contract costs are included in other long-term assets. There were no impairments of assets related to deferred contract costs

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during the three months ended March 31, 2018. There were no assets recognized related to the costs to fulfill contracts during the three months ended March 31, 2018 as these costs were not material.

Remaining Performance Obligations

Our contracts with customers include amounts allocated to performance obligations that will be satisfied at a later date. These amounts include additional performance obligations that are not yet recorded in the consolidated balance sheets. As of March 31, 2018, amounts allocated to these additional contractual obligations are $114.5 million, of which we expect to recognize $93.1 million as revenue over the next 24 months with the remaining amount thereafter.

Note 7. Stock-Based Compensation

Our 2004 Equity Incentive Plan (the "2004 Plan") authorized the granting of options to purchase shares of our Class B common stock, restricted stock units ("RSUs") and other stock-based awards to our employees, consultants, officers and directors. Our 2013 Equity Incentive Plan, as amended, (the "2013 Plan" and, together with the 2004 Plan, the "Plans"), which is the successor to our 2004 Plan, authorizes the granting of options to purchase shares of our Class A common stock, RSUs and other stock-based awards to our employees, consultants, officers and directors. Options granted under the Plans may be incentive or nonstatutory stock options. Incentive stock options may only be granted to employees. The term of each option is stated in the award agreement but shall be no more than ten years from the date of grant. The board of directors determines the period over which options and RSUs become vested. Currently, the vesting period for our options and RSUs is typically four years.

Our 2013 Employee Stock Purchase Plan ("2013 ESPP") allows eligible employees to purchase shares of our Class A common stock, at a discount, through payroll deductions of up to 15% of their eligible compensation, subject to plan limitations. The 2013 ESPP currently includes purchase periods approximately six months in duration starting on the first trading date on or after June 1st and December 1st of each year. Participants are able to purchase shares of our common stock at 85% of the lower of its fair market value on (i) the first day of the purchase period or on (ii) the purchase date, which is the last day of the purchase period.

A summary of the option activity during the three months ended March 31, 2018 follows:

	Options Outstanding			
	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	(in thousands)
Balances at December 31, 2017	3,017,113	$ 10.13		
Options exercised	(216,308)	11.52		
Balances at March 31, 2018	2,800,805	$ 10.03	4.09	$ 198,276
Vested and expected to vest at March 31, 2018	2,800,805	$ 10.03	4.09	$ 198,276
Exercisable at March 31, 2018	2,753,930	$ 9.26	4.01	$ 197,059

The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option.

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A summary of the RSU activity during the three months ended March 31, 2018 follows:

	Number of Shares Underlying Outstanding RSUs	Weighted-Average Grant-Date Fair Value per RSU
Non-Vested outstanding at December 31, 2017	7,178,015	$ 62.79
RSUs granted	2,376,440	83.32
RSUs vested	(1,222,641)	65.24
RSUs forfeited	(238,327)	63.38
Non-Vested outstanding at March 31, 2018	8,093,487	$ 68.43

An RSU award entitles the holder to receive shares of our Class A common stock as the award vests, which is generally based on length of service. Our non-vested RSUs do not have nonforfeitable rights to dividends or dividend equivalents. For awards subject to technology milestones, we recognize compensation cost over the estimated requisite service period if we believe it is probable that the associated technology milestone will be met. If our assessment of the probability of the technology milestone being met changes, we recognize the impact of the change in estimate in the period of the change.

Stock-based compensation expense is amortized using the straight-line method over the requisite service period. We account for forfeitures as they occur. As of March 31, 2018, total unrecognized compensation expense related to stock options and non-vested RSUs was $519.1 million, which is expected to be recognized over a weighted average period of 2.9 years.

The summary of shares available for issuance of equity-based awards (including stock options, RSUs and shares issuable under our 2013 ESPP) during the three months ended March 31, 2018 follows:

	Shares Available for Grant	
	2013 Plan	2013 ESPP
Balances at December 31, 2017	7,207,291	3,666,392
Authorized	4,023,117	804,623
Granted	(2,376,440)	—
Forfeited	238,327	—
Balances at March 31, 2018	9,092,295	4,471,015

Note 8. Income Taxes

The income tax provision for interim periods is generally determined using an estimate of our annual effective tax rate, excluding jurisdictions for which no benefit can be recognized due to valuation allowance, and adjusted for discrete items, if any, in the relevant period. The impact of adjustments to our effective tax rate for discrete items and non-deductible expenses is greater in periods close to break-even. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Our effective tax rate is impacted by and differs from the federal statutory rate primarily due to the full valuation allowance on our U.S. federal and state deferred tax assets, the effect of income or losses incurred in foreign jurisdictions where the statutory tax rate differs from the federal statutory rate and non-deductible stock-based compensation.

We recognized an income tax benefit of $2.4 million under ASC 606 for the three months ended March 31, 2018 compared to an income tax expense of $2.4 million for three months ended March 31, 2017. Our effective tax rate was 5.0% and (4.5)% for the three months ended March 31, 2018 and 2017, respectively. The difference in the effective tax rates between the three month periods is primarily attributable to additional income as a result of our adoption of ASC 606 combined with a year to date tax benefit in foreign jurisdictions, which was increased by the recognition of excess tax benefits of stock-based compensation during the period.

We recognized an income tax expense of $3.3 million under ASC 605 for the three months ended March 31, 2018 compared to an income tax expense of $2.4 million for the three months ended March 31, 2017. Our effective tax rate was (4.3)% and (4.5)% for the three months ended March 31, 2018 and 2017, respectively. The difference in the effective tax rates between the three month periods was related to an increase in taxes in foreign

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jurisdictions, offset by an income tax benefit from the recognition of excess tax benefits of stock-based compensation during the three months ended March 31, 2018. The difference in effective tax rates between ASC 606 and ASC 605 is primarily attributable to the differences in the amount of revenue recognized under ASC 606 as compared to ASC 605.

As a result of adopting ASC 606 in the first quarter of 2018, we recognized an immaterial amount of net deferred tax liabilities, which reduced our opening adjustment to stockholders' equity. During the first quarter of 2018, we also adopted ASU 2016-16 and recognized a U.S. deferred tax asset, which was fully offset by a corresponding increase to the valuation allowance on our U.S. federal and state deferred income tax assets.

We periodically evaluate the realizability of our net deferred tax assets based on all available evidence, both positive and negative such as historic results, future reversals of existing deferred tax liabilities, projected future taxable income, as well as prudent and feasible tax-planning strategies. Generally, more weight is given to objectively verifiable evidence, such as the cumulative loss in recent years. As of March 31, 2018, we maintain a full valuation allowance on our U.S. federal and state deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed with an effective date of January 1, 2018. The Act, which significantly revised U.S. tax law, included many important changes. On the same day, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to assist in addressing uncertainty in applying GAAP to the accounting and reporting of tax reform changes related to the Act. We considered these changes, including all available guidance, in determining our income tax provision for the period ending December 31, 2017. As of March 31, 2018, we have not yet completed our analysis of historical foreign earnings as well as potential correlative adjustments. As we complete the analysis, any subsequent adjustment to these amounts may be recorded to current income tax expense in that period. We expect to complete our analysis within the measurement period in accordance with SAB 118. No adjustments to the provisional amount have been made.

On July 27, 2015, the U.S. Tax Court issued an opinion related to litigation in Altera Corp v. Commissioner. This litigation relates to the treatment of stock-based compensation expense in an intercompany cost sharing arrangement with one of Altera's foreign subsidiaries. In its opinion, the U.S. Tax Court invalidated the portion of the Treasury regulations requiring the inclusion of stock-based compensation expense in such intercompany cost-sharing arrangements. On February 19, 2016, the IRS appealed the U.S. Tax Court's decision. As the final resolution of this litigation remains uncertain, we have not recorded potentially favorable benefits related to the current or prior periods. We will continue to monitor developments related to this case and the potential impact of those developments on our current and future financial statements.

Note 9. Commitments and Contingencies

Operating Lease Commitments and Expected Sublease Receipts

As of March 31, 2018, our principal obligations consisted of obligations outstanding under non-cancellable operating leases that expire at various dates through 2029. The following table represents our non-cancellable minimum lease payments, net of future expected sublease payments to be received under non-cancellable subleases, remaining as of March 31, 2018 (in thousands):

Period Ending	Operating Lease Commitments	Expected Sublease Receipts	Net
Remainder of 2018	$ 33,177	$(6,793)	$26,384
2019	41,480	(10,606)	30,874
2020	43,138	(7,113)	36,025
2021	43,603	(1,180)	42,423
2022	43,216	(597)	42,619
Thereafter	176,759	(121)	176,638
Total	$ 381,373	$(26,410)	$354,963

Contractual Commitments

Our contractual commitments are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included. There have been no material changes in our contractual commitments

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compared to those discussed in Note 10 in our Annual Report on Form 10-K for the year ended December 31, 2017.
Legal Proceedings
We are subject to certain routine legal 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 and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter.
We are not aware of any pending legal proceedings that we believe, individually or in the aggregate, would be expected to have a material adverse effect on our business, operating results, or financial condition. We may, in the future, be party to litigation arising in the ordinary course of business, including claims that we allegedly infringe upon third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and management resources.
Note 10. Segments and Information about Revenues by Geographic Area
The following table presents our revenues by geographic region of end users who purchased products or services for the periods presented below:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(dollars in thousands)			
United States and Canada	$167,799	$(13,356)	$154,443	$141,496
International	78,408	(8,807)	69,601	58,410
Total revenues	$246,207	$(22,163)	$224,044	$199,906

For the three months ended March 31, 2018 and 2017, no individual country other than the United States represented 10% or more of our total revenues. Revenues from Canada represented less than 5% of our total revenues.

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Note 11. Net Loss Per Share

The following table presents the computation of basic and diluted net loss per share for the three months ended March 31, 2018 and 2017 and includes additional information regarding the impacts from the adoption of the new revenue recognition standard for the three months ended March 31, 2018:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands, except per share amounts)			
Net loss per share - basic and diluted				
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)
Weighted average shares outstanding used to compute basic and diluted net loss per share	81,039		81,039	77,416
Net loss per share - basic and diluted	$(0.57)		$(0.98)	$(0.71)

The following shares were excluded from the computation of diluted net loss per share for the periods presented as their effect would have been antidilutive:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Shares subject to outstanding common stock awards	11,193	12,658

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this report and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 26, 2018.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act 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," "strategy," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. 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 II, Item 1A of this report. 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 after the date of such statements.

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Overview

Our mission is to help people see and understand data. Our software products put the power of data into the hands of everyday people, allowing a broad population of business users to engage with their data, ask questions, solve problems and create value. Based on innovative core technologies originally developed at Stanford University, our products dramatically reduce the complexity, inflexibility and expense associated with traditional business intelligence applications. We currently offer four key products: Tableau Desktop, a self-service powerful analytics product for anyone with data; Tableau Server, a business intelligence platform for organizations; Tableau Online, a hosted SaaS version of Tableau Server; and Tableau Public, a free cloud-based platform for analyzing and sharing public data.

We have sought to rapidly improve the capabilities of our products over time and intend to continue to invest in product innovation and leadership. We were founded in January 2003, and we introduced Tableau Desktop in December 2003, our first version of Tableau Server in March 2007, our first version of Tableau Public in February 2010 and our first version of Tableau Online in July 2013. Building on our foundational technology innovations, we continue to expand and improve our platform. Our most recent release, Tableau 2018.1, expanded our platform to include new web authoring capabilities. Tableau Server and Tableau Online customers can connect to data sources through the web and engage in end-to-end web authoring through their browser. In April 2018, we introduced Tableau Prep, a new data preparation product that integrates directly into the Tableau analytical workflow and can be shared with Tableau Server or Tableau Online. In April 2018, we also introduced new subscription offerings to help organizations scale analytics. Tableau Creator, Explorer and Viewer subscriptions each provide tailored combinations of new and existing analytical capabilities that are designed for different user needs from sophisticated analysts to casual users.

Our products are used by people of diverse skill levels across all kinds of organizations, including Fortune 500 corporations, small and medium-sized businesses, government agencies, universities, research institutions and non-profits. As of March 31, 2018, we had over 74,000 customer accounts. We define a customer account as a single purchaser of our products. Customer accounts are typically organizations. In some cases, organizations will have multiple groups purchasing our software, which we count as discrete customer accounts.

Our distribution strategy is designed to capitalize on the ease of use, low up-front cost, flexible deployment and collaborative capabilities of our software. To facilitate rapid adoption of our products, we provide fully-functional free trial versions of our products on our website and offer a flexible pricing model. After an initial trial or purchase, an organization has the flexibility to expand adoption of our products at any scale.

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We generate revenues primarily in the form of software license fees and related maintenance and services fees. Software license revenues include fees from the sales of perpetual, term and subscription licenses to new and existing customers. Revenues from term and subscription licenses have been increasing in recent periods as we have been transitioning to a more subscription-based business model. Revenues from term and subscription licenses include license revenues from Tableau Online, enterprise license agreements, term license sales and OEM arrangements. We expect revenues from term and subscription licenses to continue to become a larger percentage of our total license revenues as demand from our customer base continues to shift to cloud-based and subscription products and as our customers enter into additional enterprise license agreements.

Maintenance and services revenues primarily consist of revenues recognized from the sale of maintenance agreements (including support and unspecified upgrades and enhancements when and if they are available) and, to a lesser extent, for training and professional services that help our customers maximize the benefits from using our products. A substantial majority of our maintenance and services revenues to date have been attributable to revenues from maintenance agreements that are recognized ratably over the maintenance period. When purchasing a software license, a customer typically also purchases one year of maintenance service and has the opportunity to renew maintenance service annually thereafter. Some customers provide purchase commitments upfront for multiple years of subscription-based software licenses and maintenance services. We expect that maintenance and services revenues will continue to become a larger percentage of our total revenues as our customer base grows. We expect that the shift to a more subscription-based business model will result in a larger proportion of our total revenues that will be recognized from recurring sources and make our revenues more predictable.

We adopted the new revenue recognition accounting standard Accounting Standards Codification (“ASC”) 606 effective January 1, 2018 on a modified retrospective basis. Our results of operations as presented within the following discussion and analysis includes financial results for reporting periods during 2018, which are disclosed in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2018 have not been retroactively restated and are presented in conformity with amounts previously disclosed under the prior revenue recognition standard ASC 605. We have included additional information regarding the impacts from the adoption of the new revenue recognition standard for the three months ended March 31, 2018 and included financial results during 2018 under ASC 605 for comparison to the prior year. See Note 2 to the accompanying notes to the condensed consolidated financial statements for additional information related to our adoption of the new revenue recognition standard.

Our direct sales approach includes inside sales teams and field sales teams. We also sell our products through indirect sales channels including technology vendors, resellers, OEMs and independent software vendors ("ISV"). We view these partners as an extension of our team, playing an integral role in our growth. We plan to continue to invest in our partner programs to help us enter and grow in new markets while complementing our direct sales efforts.

With approximately 32% of our total ASC 606 revenues from customers located outside the United States and Canada for the three months ended March 31, 2018, we believe there is significant opportunity to expand our international business. Our products currently support eight languages, and we are expanding our direct sales force and indirect sales channels outside the United States.

Our quarterly results reflect seasonality in the sale of our products and services. Historically, we believe a pattern of increased software license sales in the fourth quarter, as a result of industry buying patterns, has positively impacted total revenues in that period, which has resulted in low or negative sequential revenue growth in the first quarter compared to the prior quarter. The impacts from our adoption of the new revenue recognition standard should be considered when comparing total ASC 606 revenues from the first quarter of 2018 to total ASC 605 revenues from the fourth quarter of 2017. We have presented total ASC 605 revenues for the first quarter of 2018 below for comparability against the prior quarter.

We continue to expand our customer base. As of March 31, 2018, we had over 74,000 customer accounts compared to over 57,000 customer accounts as of March 31, 2017.

During the three months ended March 31, 2018, we closed 301 sales transactions greater than $100,000, compared to 294 during the three months ended March 31, 2017. We had 13 customer accounts that purchased greater than $1.0 million during the three months ended March 31, 2018, compared to 10 during the three months ended March 31,

2017. We anticipate that the quantity of sales transactions greater than $100,000 and quantity of customer accounts that purchase more than $1.0 million during the quarter will continue to fluctuate on a quarter by quarter basis. These metrics are impacted by our transition to a more subscription-based business model as the unit sales price of each subscription license is lower than a comparable perpetual license.

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We use Subscription Annual Recurring Revenue ("Subscription ARR") and Total Annual Recurring Revenue ("Total ARR") to assess the results of our transition to a more subscription-based business model. Subscription ARR represents the annualized recurring value of all active subscription contracts at the end of a reporting period. Subscription ARR includes term licenses and renewals, subscription enterprise license agreements and Tableau Online subscriptions and renewals, and excludes distribution OEM license agreements and perpetual-style enterprise license agreements. As of March 31, 2018, Subscription ARR was $237.5 million, up from $72.0 million as of March 31, 2017. Total ARR represents the annualized recurring value of all active contracts at the end of a reporting period. Total ARR includes Subscription ARR and the annualized value of all maintenance contracts related to perpetual licenses active at the end of a reporting period. As of March 31, 2018, Total ARR was $641.9 million, up from $439.0 million as of March 31, 2017.

We measure renewal rates for our customers over a 12-month period of time, based on a dollar renewal rate for contracts expiring during that time period. Our renewal rate is measured three months after the 12-month period ends to account for late renewals. Our renewal rate for the 12-month period ended December 31, 2017 was over 90%.

Factors Affecting Our Performance

We believe that our performance and future success are dependent upon a number of factors, including our ability to continue to expand and further penetrate our customer base, including shifts in the mix of term-based and subscription license sales versus perpetual license sales; innovate and enhance our products; and invest in our infrastructure. While each of these areas presents significant opportunities for us, they also pose significant risks and challenges that we must successfully address. See the section of this report titled "Item 1A. Risk Factors."

Investment in Expansion and Further Penetration of Our Customer Base

Our performance depends on our ability to continue to attract new customers and to increase adoption of our products within our existing customer base, both domestically and internationally. Our ability to increase adoption among existing customers is important to our business model. We operate in a rapidly growing analytics and business intelligence software market. We believe that we are well-positioned in the market to expand our customer base and to increase adoption of our products within and across our existing customers, including further adoption of our term and subscription software licenses. Our term and subscription pricing reduces initial investment costs, allowing customers to more easily deploy Tableau at scale. We have recently introduced new subscription offerings to help organizations scale analytics. These offerings provide tailored combinations of new and existing analytical capabilities that are designed for different user needs from sophisticated analysts to casual users. We expect revenues from term and subscription licenses to continue to become a larger percentage of our total license revenues as demand from our customer base shifts to cloud-based and subscription products and as our customers enter into additional enterprise license agreements.

In order to expand and further penetrate our customer base, we have made and plan to continue to make investments in expanding our direct sales teams and indirect sales channels and increase our brand awareness. We plan to continue to increase the size of our sales and marketing team domestically and internationally. We also intend to continue to expand our online and offline marketing efforts to increase our brand awareness.

Investment in Innovation and Advancement of Our Products

Our performance is also dependent on the investments we make in our R&D efforts and in our ability to continue to innovate, improve our platform, adapt to new technologies or changes to existing technologies and allow our customers to analyze data from a large and expanding range of data stores. We intend to continue to invest in product innovation and leadership, including hiring top technical talent, focusing on core technology innovation and maintaining an agile organization that supports rapid release cycles.

Investment in Infrastructure

We have made and expect to continue to make investments in our infrastructure in connection with enhancing and expanding our operations domestically and internationally. We expect to continue to open new offices internationally and domestically. Our international expansion efforts have resulted and will result in increased costs and are subject to a variety of risks including those associated with communication and integration problems resulting from geographic dispersion and language and cultural differences as well as those associated with compliance with laws of multiple countries. Moreover, the investments we have made and will make in our international organization may not result in our expected benefits. We expect to rely on our current cash on hand and cash generated from our operations to fund these investments. These costs could adversely affect our operating results.

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Mix and Timing of Sales

Our business model results in a wide variety of sales transaction sizes. The time it takes to close a transaction, defined as the time between when a sales opportunity is entered into our customer relationship management system until when a related license agreement is signed with the customer, generally varies with the size of the transaction. Our enterprise license agreements generally have more extended sales cycles and take longer to close.

Components of Operating Results

Revenues

License revenues. License revenues consist of revenues recognized from the sale of perpetual, term and subscription licenses to new and existing customers. Our on-premises software licenses are sold both perpetually and through term-based license agreements. We also generate license revenues from the sale of software OEM arrangements and from sales of Tableau Online, a cloud-based subscription, which allows customers to access our software during a contractual period without taking possession of the software. Revenues from our cloud-based subscriptions are included in license revenues. We adopted the new revenue recognition accounting standard ASC 606 effective January 1, 2018 on a modified retrospective basis. The new revenue recognition standard materially impacts the way we recognize revenues related to our on-premises term-based software license agreements. See Note 2 to the accompanying notes to the condensed consolidated financial statements for additional information related to our adoption of the new revenue recognition standard.

Maintenance and services revenues. Maintenance and services revenues consist of revenues recognized from the sale of maintenance agreements (including support and unspecified upgrades and enhancements when and if they are available) and, to a lesser extent, for training and professional services. A substantial majority of our maintenance and services revenues to date have been attributable to revenues from maintenance agreements that are recognized ratably over the maintenance period. When purchasing a software license, a customer typically also purchases one year of maintenance service and has the opportunity to renew maintenance service annually thereafter. Some customers provide purchase commitments upfront for multiple years of subscription-based software licenses and maintenance services.

We also have a professional services organization focused on both training and assisting our customers to fully leverage the use of our products. We recognize the revenues associated with these professional services on a time and materials basis as we deliver the services or provide the training.

Cost of Revenues

Cost of license revenues. Cost of license revenues primarily consists of referral fees paid to third parties, expenses related to hosting our SaaS-based Tableau Online service, amortization of acquired intangible assets and other costs including providing support and allocated overhead. Allocated overhead includes overhead costs for depreciation of equipment, facilities (consisting of leasehold improvements amortization and rent) and technical operations (including costs for compensation of our personnel and costs associated with our infrastructure). We expect that the cost of license revenues will increase as a percentage of license revenues as sales of our term licenses and subscriptions to Tableau Online increase.

Cost of maintenance and services revenues. Cost of maintenance and services revenues includes salaries, benefits and stock-based compensation expense associated with our technical support and services organization, as well as allocated overhead, which includes facilities-related costs. We recognize expenses related to our technical support and services organization as they are incurred.

Gross Profit and Gross Margin

Gross profit is total revenues less total cost of revenues. Total gross margin is gross profit expressed as a percentage of total revenues.

Operating Expenses

Our operating expenses are classified into three categories: sales and marketing, research and development, and general and administrative. For each category, the largest component is personnel costs, which include salaries, payroll taxes, employee benefit costs, bonuses, commissions, as applicable and stock-based compensation expense.

Sales and marketing. Sales and marketing expenses primarily consist of personnel-related costs attributable to our sales and marketing personnel, commissions earned by our sales personnel, including the amortization of deferred costs of obtaining contracts with customers, other marketing and travel-related costs and

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allocated overhead, which includes facilities-related costs. We expect sales and marketing expenses to continue to increase, in absolute dollars, for the remainder of 2018 compared to 2017 primarily due to growth in our sales and marketing organization, both domestically and internationally. We expect sales and marketing expenses to be our largest category of operating expenses as we continue to expand our business.

Research and development. R&D expenses primarily consist of personnel-related costs attributable to our R&D personnel and contractors, as well as allocated overhead, which includes facilities-related costs. We have devoted our product development efforts primarily to incorporate additional features, improve our platform, support additional languages, develop new products and adapt to new technologies or changes to existing technologies. We expect that our R&D expenses will continue to increase, in absolute dollars, for the remainder of 2018 compared to 2017 as we increase our R&D headcount to further enhance and develop our products.

General and administrative. General and administrative expenses primarily consist of personnel-related costs attributable to our executive, finance, legal, human resources and administrative personnel, allocated overhead, which includes facilities-related costs, as well as outsourced legal, accounting and other professional services fees. We expect that general and administrative expenses will continue to increase, in absolute dollars, for the remainder of 2018 compared to 2017 as we further expand our operations both domestically and internationally.

Other Income (Expense), Net

Other income (expense), net consists primarily of gains and losses on foreign currency transactions and interest income on our cash and cash equivalents and investment balances. We expect interest income will continue to increase, in absolute dollars, for the remainder of 2018 as compared to 2017 due to interest income associated with our investments in fixed income securities, which we began investing in during the third quarter of 2017, and due to rising interest rates.

Income Tax Expense (Benefit)

Our income taxes are based on the amount of our taxable income and enacted federal, state and foreign tax rates, adjusted for allowable credits, deductions and the valuation allowance against deferred tax assets, as applicable. Our provision for income taxes consists of federal, state and foreign taxes.

We generally conduct our international operations through wholly-owned subsidiaries, branches and representative offices and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our corporate structure and intercompany arrangements align with the international expansion of our business activities. The application of the tax laws of various jurisdictions, including the United States, to our international business activities is subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine the manner in which we operate our business is not consistent with the manner in which we report our income to the jurisdictions. If such a disagreement were to occur, and our positions were not sustained, we could be required to pay additional taxes, interest and penalties, resulting in higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Additionally, our future worldwide tax rate and financial position may be affected by changes in the relevant tax laws, interpretation of such tax laws or the influence of certain tax policy efforts of the European Union and the Organization for Economic Co-operation and Development ("OECD").

Our income tax provision may be significantly affected by changes to our estimates for taxes in jurisdictions in which we operate and other estimates utilized in determining our global effective tax rate. Actual results may also differ from our estimates based on changes in tax laws and economic conditions. Such changes could have a substantial impact on the income tax provision and effective income tax rate.

We are subject to the continuous examinations of our income tax returns by the taxing authorities in various tax jurisdictions, which authorities may assess additional income tax liabilities against us. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different from our historical income tax provisions. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of condensed 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

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our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows could be affected.

We adopted the new revenue recognition accounting standard ASC 606 effective January 1, 2018 on a modified retrospective basis. See Note 2 to the accompanying notes to the condensed consolidated financial statements for additional information related to our adoption of the new revenue recognition standard. There were no other material changes to our critical accounting policies and estimates compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K, filed with the SEC on February 26, 2018.

Recent Accounting Pronouncements

The anticipated impact of recent accounting pronouncements is discussed in Note 2 to the accompanying notes to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

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Results of Operations

The following tables set 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. We adopted the new revenue recognition accounting standard ASC 606 effective January 1, 2018 on a modified retrospective basis. Our results of operations presented in the following tables include financial results for reporting periods during 2018, which are disclosed in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to 2018 have not been retroactively restated and are presented in conformity with amounts previously disclosed under the prior revenue recognition standard ASC 605. We have included additional information regarding the impacts from the adoption of the new revenue recognition standard for the quarter ended March 31, 2018 and included financial results during 2018 under ASC 605 for comparison to the prior year. See Note 2 to the accompanying notes to the condensed consolidated financial statements for additional information related to our adoption of the new revenue recognition standard.

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Condensed Consolidated Statements of Operations Data:				
Revenues				
License	$108,793	$(3,127)	$105,666	$97,244
Maintenance and services	137,414	(19,036)	118,378	102,662
Total revenues	246,207	(22,163)	224,044	199,906
Cost of revenues				
License	3,954	(52)	3,902	3,267
Maintenance and services	28,471	61	28,532	23,388
Total cost of revenues (1)	32,425	9	32,434	26,655
Gross profit	213,782	(22,172)	191,610	173,251
Operating expenses				
Sales and marketing (1)	138,406	4,607	143,013	118,018
Research and development (1)	93,505	—	93,505	84,302
General and administrative (1)	32,250	—	32,250	24,445
Total operating expenses	264,161	4,607	268,768	226,765
Operating loss	(50,379)	(26,779)	(77,158)	(53,514)
Other income, net	1,462	(38)	1,424	1,225
Loss before income tax expense (benefit)	(48,917)	(26,817)	(75,734)	(52,289)
Income tax expense (benefit)	(2,445)	5,737	3,292	2,358
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)

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

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Cost of revenues	$2,987	$2,577
Sales and marketing	20,015	18,092
Research and development	25,157	23,515

General and administrative	7,604	5,011

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	Three Months Ended March 31,		
	2018		2017
	As Reported (ASC 606)	Without Adoption (ASC 605)	As Reported (ASC 605)
	(as a percentage of total revenues)		
Condensed Consolidated Statements of Operations Data:			
Revenues			
License	44.2 %	47.2 %	48.6 %
Maintenance and services	55.8 %	52.8 %	51.4 %
Total revenues	100.0 %	100.0 %	100.0 %
Cost of revenues			
License	1.6 %	1.7 %	1.6 %
Maintenance and services	11.6 %	12.7 %	11.7 %
Total cost of revenues	13.2 %	14.5 %	13.3 %
Gross profit	86.8 %	85.5 %	86.7 %
Operating expenses			
Sales and marketing	56.2 %	63.8 %	59.0 %
Research and development	38.0 %	41.7 %	42.2 %
General and administrative	13.1 %	14.4 %	12.2 %
Total operating expenses	107.3 %	120.0 %	113.4 %
Operating loss	(20.5)%	(34.4)%	(26.8)%
Other income, net	0.6 %	0.6 %	0.6 %
Loss before income tax expense (benefit)	(19.9)%	(33.8)%	(26.2)%
Income tax expense (benefit)	(1.0)%	1.5 %	1.2 %
Net loss	(18.9)%	(35.3)%	(27.3)%

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Comparison of Three Months Ended March 31, 2018 and 2017

Revenues

	Three Months Ended March 31,				% Change	
	2018			2017		
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	As Reported	Without Adoption
	(dollars in thousands)					
Revenues						
License	$108,793	$(3,127)	$105,666	$97,244	11.9%	8.7 %
Maintenance and services	137,414	(19,036)	118,378	102,662	33.9%	15.3 %
Total revenues	$246,207	$(22,163)	$224,044	$199,906	23.2%	12.1 %

Total ASC 605 revenues were $224.0 million for the three months ended March 31, 2018 compared to $199.9 million for the three months ended March 31, 2017, an increase of $24.1 million. The increase in total ASC 605 revenues was largely related to an increase in maintenance and services revenues resulting from our growing customer base. For example, as of March 31, 2018, we had over 74,000 customer accounts compared to over 57,000 customer accounts as of March 31, 2017.

ASC 605 license revenues were $105.7 million for the three months ended March 31, 2018 compared to $97.2 million for the three months ended March 31, 2017, an increase of $8.4 million. The increase in ASC 605 license revenues was impacted by the continued growth in customer demand for our term and subscription licenses. Revenues from term and subscription licenses represented approximately 54% of total ASC 605 license revenues during the three months ended March 31, 2018 as compared to approximately 19% during the three months ended March 31, 2017. Our term and subscription licenses have lower unit sales prices and are generally recognized ratably under ASC 605 as compared to our perpetual licenses, which have comparably higher unit sales prices and are recognized upfront under ASC 605. The growth in customer demand for our term and subscription licenses has also increased the amount of amortized license revenues under ASC 605 for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017.

ASC 605 maintenance and services revenues were $118.4 million for the three months ended March 31, 2018 compared to $102.7 million for the three months ended March 31, 2017, an increase of $15.7 million, driven by our growing customer base. Total ASC 605 revenues derived from our customer accounts outside of the United States and Canada increased, as a percentage of total ASC 605 revenues, to 31% for the three months ended March 31, 2018 from 29% for the three months ended March 31, 2017.

Total ASC 606 revenues were $246.2 million for the three months ended March 31, 2018 compared to total ASC 605 revenues of $224.0 million. The new revenue recognition standard materially impacts the timing of revenue recognition related to our on-premises term license agreements. Prior to our adoption of the new revenue recognition standard, we historically recognized revenue under ASC 605 related to on-premises term license agreements ratably over the term of the licensing agreement. Term license revenues were then included in license revenues. Under the new revenue recognition standard, revenue allocable to the license portion of the arrangement is recognized in license revenues upon delivery of the license. Maintenance and services revenues continue to be recognized ratably.

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Cost of Revenues and Gross Margin

	Three Months Ended March 31,					
	2018			2017	% Change	
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	As Reported	Without Adoption
	(dollars in thousands)					
Cost of revenues						
License	$3,954	$ (52)	$ 3,902	$ 3,267	21.0%	19.4 %
Maintenance and services	28,471	61	28,532	23,388	21.7%	22.0 %
Total cost of revenues	$32,425	$ 9	$ 32,434	$ 26,655	21.6%	21.7 %

	Three Months Ended March 31,		
	2018		2017
	As Reported (ASC 606)	Without Adoption (ASC 605)	As Reported (ASC 605)
Gross Margin			
License	96.4%	96.3 %	96.6 %
Maintenance and services	79.3%	75.9 %	77.2 %
Total gross margin	86.8%	85.5 %	86.7 %

Total cost of revenues was $32.4 million for the three months ended March 31, 2018 compared to $26.7 million for the three months ended March 31, 2017. The increase of $5.8 million was largely related to an increase in compensation expense of $4.1 million, which includes a $0.4 million increase in stock-based compensation expense, primarily due to headcount growth to support the delivery of our maintenance and services and to support Tableau Online.

Operating Expenses

	Three Months Ended March 31,					
	2018			2017	% Change	
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)	As Reported	Without Adoption
	(dollars in thousands)					
Operating expenses						
Sales and marketing	$138,406	$ 4,607	$143,013	$118,018	17.3%	21.2 %
Research and development	93,505	$ —	93,505	84,302	10.9%	10.9 %
General and administrative	32,250	$ —	32,250	24,445	31.9%	31.9 %
Total operating expenses	$264,161	$ 4,607	$268,768	$226,765	16.5%	18.5 %

Sales and Marketing

ASC 605 sales and marketing expenses were $143.0 million for the three months ended March 31, 2018 compared to $118.0 million for the three months ended March 31, 2017. The increase of $25.0 million was largely related to an increase in compensation expense of $18.9 million, which includes a $1.9 million increase in stock-based compensation expense, primarily due to headcount growth. The remainder of the increase was primarily attributable to a $3.0 million increase for travel-related costs.

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ASC 606 sales and marketing expenses were $138.4 million for the three months ended March 31, 2018 compared to ASC 605 sales and marketing expenses of $143.0 million for the three months ended March 31, 2018. The difference of $4.6 million relates to the deferral of sales compensation expense under ASC 606. All of our sales compensation costs are expensed as incurred under ASC 605.

Research and Development

Research and development expenses were $93.5 million for the three months ended March 31, 2018 compared to $84.3 million for the three months ended March 31, 2017. The increase of $9.2 million was largely related to an increase in compensation expense of $9.9 million, which includes a $1.6 million increase in stock-based compensation expense, primarily due to headcount growth.

General and Administrative

General and administrative expenses were $32.3 million for the three months ended March 31, 2018 compared to $24.4 million for the three months ended March 31, 2017. The increase of $7.8 million was largely related to an increase in compensation expense of $4.8 million, which includes a $2.6 million increase in stock-based compensation expense, primarily due to headcount growth.

Other Income, Net

	Three Months Ended March 31, 2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Other income, net	$1,462	$ (38)	$ 1,424	$ 1,225

Other income, net for the three months ended March 31, 2018 increased primarily due to an increase in interest income earned on our cash equivalent and investment balances.

Income Tax Expense (Benefit)

	Three Months Ended March 31, 2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(dollars in thousands)			
Income tax expense (benefit)	$(2,445)	$ 5,737	$3,292	$2,358
Effective tax rate	5.0 %		(4.3)%	(4.5)%

Our ASC 605 effective tax rate for the three months ended March 31, 2018 was (4.3)% compared to (4.5)% for the three months ended March 31, 2017. The difference in the effective tax rates between the three month periods was related to an increase in taxes in foreign jurisdictions, offset by an income tax benefit from the recognition of excess tax benefits of stock-based compensation during the three months ended March 31, 2018.

Our ASC 606 effective tax rate for the three months ended March 31, 2018 was 5.0% compared to (4.5)% for the three months ended March 31, 2017. The difference in the effective tax rates between the three month periods is primarily attributable to additional income as a result of our adoption of ASC 606 combined with a year to date tax benefit in foreign jurisdictions, which was increased by the recognition of excess tax benefits of stock-based compensation during the period. The difference in effective tax rates between ASC 606 and ASC 605 is primarily attributable to the differences in the amount of revenue recognized under ASC 606 as compared to ASC 605.

See Note 8 to the accompanying notes to the condensed consolidated financial statements for additional information.

Non-GAAP Financial Measures

We believe that the use of non-GAAP gross profit and gross margin, non-GAAP operating income (loss) and operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per basic and diluted common

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share and free cash flow is helpful to our investors. These measures, which we refer to as our non-GAAP financial measures, are not prepared in accordance with GAAP. Non-GAAP gross profit is calculated by excluding stock-based compensation expense and expense related to amortization of acquired intangible assets, each to the extent attributable to the cost of revenues, from gross profit. Non-GAAP gross margin is the ratio calculated by dividing non-GAAP gross profit by total revenues. Non-GAAP operating income (loss) is calculated by excluding stock-based compensation expense and expense related to amortization of acquired intangible assets from operating income (loss). Non-GAAP operating margin is the ratio calculated by dividing non-GAAP operating income (loss) by total revenues. Non-GAAP net income (loss) is calculated by excluding stock-based compensation expense, expense related to amortization of acquired intangible assets and non-GAAP income tax adjustments from net income (loss). Non-GAAP net income (loss) per basic and diluted common share is calculated by dividing non-GAAP net income (loss) by the basic and diluted weighted average shares outstanding. Non-GAAP diluted weighted average shares outstanding includes the effect of dilutive shares in periods of non-GAAP net income.

Non-GAAP financial information is adjusted for a tax rate equal to our estimated tax rate on non-GAAP income over a three-year financial projection. This long-term rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures. To determine this long-term non-GAAP tax rate, we evaluate a three-year financial projection that excludes the impact of non-cash stock-based compensation expense and expense related to amortization of acquired intangible assets. The long-term 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 long-term non-GAAP tax rates applied to the three months ended March 31, 2018 and 2017 were 20% and 30%, respectively. We applied these same non-GAAP tax rates to our financial results presented in accordance with each ASC 606 and ASC 605. The long-term non-GAAP tax rates applied to the three months ended March 31, 2018 and 2017 assumes our deferred income tax assets will be realized based upon projected future taxable income excluding stock-based compensation expense. We anticipate using the long-term non-GAAP tax rate applied to the three months ended March 31, 2018 in future periods and may provide updates to this rate on an annual basis, or more frequently if material changes occur.

Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company's non-cash expenses, we believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows for more meaningful comparisons between our operating results from period to period. The expense related to amortization of acquired intangible assets is dependent upon estimates and assumptions, which can vary significantly and are unique to each asset acquired; therefore, we believe non-GAAP measures that adjust for the amortization of acquired intangible assets provides investors a consistent basis for comparison across accounting periods. All of these non-GAAP financial measures are important tools for financial and operational decision-making and for evaluating our operating results over different periods of time.

We calculate free cash flow as net cash provided by operating activities less net cash used in investing activities for 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 by our business that can be used for strategic opportunities, including investing in our business, making strategic acquisitions, repurchasing our common stock and strengthening our balance sheet. All of our non-GAAP financial measures are important tools for financial and operational decision-making and for evaluating our own operating results over different periods of time.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently. In addition, 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 other companies and exclude expenses that may have a material impact on 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. Because of the significant impact of the adoption of ASC 606 on our results of operations, non-GAAP financial measures for the first quarter of 2018 (computed in accordance with ASC 606) are not as comparable to non-GAAP financial measures for the first quarter of 2017 (computed in accordance with ASC 605). The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. We urge our investors to review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below and not to rely on any single financial measure to evaluate our business.

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The following table summarizes our non-GAAP financial measures:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(dollars in thousands)			
Non-GAAP gross profit	$217,118	$(22,172)	$194,946	$175,923
Non-GAAP gross margin	88.2 %		87.0 %	88.0 %
Non-GAAP operating income (loss)	$5,733	$(26,779)	$(21,046)	$(4,224)
Non-GAAP operating margin	2.3 %		(9.4)%	(2.1)%
Non-GAAP net income (loss)	$5,756	$(21,454)	$(15,698)	$(2,099)
Free cash flow	$47,364	$(109)	$47,255	$61,257

The following table presents the reconciliation of gross profit to non-GAAP gross profit:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Gross profit	$213,782	$(22,172)	$191,610	$173,251
Excluding: Stock-based compensation expense attributable to cost of revenues	2,987	—	2,987	2,577
Excluding: Amortization of acquired intangible assets	349	—	349	95
Non-GAAP gross profit	$217,118	$(22,172)	$194,946	$175,923

The following table presents the reconciliation of gross margin to non-GAAP gross margin:

	Three Months Ended March 31,		
	2018		2017
	As Reported (ASC 606)	Without Adoption (ASC 605)	As Reported (ASC 605)
Gross margin	86.8 %	85.5 %	86.7 %
Excluding: Stock-based compensation expense attributable to cost of revenues	1.2 %	1.3 %	1.3 %
Excluding: Amortization of acquired intangible assets	0.1 %	0.2 %	0.0 %
Non-GAAP gross margin	88.2 %	87.0 %	88.0 %

The following table presents the reconciliation of operating loss to non-GAAP operating income (loss):

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	Three Months Ended March 31, 2018 As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	2017 As Reported (ASC 605)
	(in thousands)			
Operating loss	$(50,379)	$(26,779)	$(77,158)	$(53,514)
Excluding: Stock-based compensation expense	55,763	—	55,763	49,195
Excluding: Amortization of acquired intangible assets	349	—	349	95
Non-GAAP operating income (loss)	$5,733	$(26,779)	$(21,046)	$(4,224)

The following table presents the reconciliation of operating margin to non-GAAP operating margin:

	Three Months Ended March 31, 2018 As Reported (ASC 606)	Without Adoption (ASC 605)	2017 As Reported (ASC 605)
Operating margin	(20.5)%	(34.4)%	(26.8)%
Excluding: Stock-based compensation expense	22.6%	24.9%	24.6%
Excluding: Amortization of acquired intangible assets	0.1%	0.2%	0.0%
Non-GAAP operating margin	2.3%	(9.4)%	(2.1)%

The following table presents the reconciliation of net loss to non-GAAP net income (loss) and non-GAAP net income (loss) per basic and diluted common share:

	Three Months Ended March 31, 2018 As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	2017 As Reported (ASC 605)
	(in thousands, except per share amounts)			
Net loss	$(46,472)	$(32,554)	$(79,026)	$(54,647)
Excluding: Stock-based compensation expense	55,763	—	55,763	49,195
Excluding: Amortization of acquired intangible assets	349	—	349	95
Income tax adjustments	(3,884)	11,100	7,216	3,258
Non-GAAP net income (loss)	$5,756	$(21,454)	$(15,698)	$(2,099)
Weighted average shares used to compute non-GAAP basic net income (loss) per share	81,039		81,039	77,416
Effect of potentially dilutive shares: stock awards	4,020		—	—
Weighted average shares used to compute non-GAAP diluted net income (loss) per share	85,059		81,039	77,416
Non-GAAP net income (loss) per share:				
Basic	$0.07		$(0.19)	$(0.03)
Diluted	$0.07		$(0.19)	$(0.03)

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The following table presents the reconciliation of net cash provided by operating activities to free cash flow:

	Three Months Ended March 31,			
	2018			2017
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
	(in thousands)			
Net cash provided by operating activities	$52,615	$ (109)	$52,506	$84,495
Less: Purchases of property and equipment	5,251	$ —	5,251	23,238
Free cash flow	$47,364	$ (109)	$47,255	$61,257
Net cash used in investing activities	$(30,217)	$ —	$(30,217)	$(23,238)
Net cash used in financing activities	$(27,515)	$ —	$(27,515)	$(15,699)
Effect of exchange rate changes on cash and cash equivalents	$1,233	$ 109	$1,342	$374

Non-GAAP Operating Income (Loss)

ASC 605 non-GAAP operating loss for the three months ended March 31, 2018 was $21.0 million compared to a non-GAAP operating loss of $4.2 million for the three months ended March 31, 2017. The decrease was primarily due to increases in our operating expenses relative to our total ASC 605 revenues. Increases in operating expenses were largely related to additional compensation expense, primarily resulting from headcount growth. Our ASC 605 revenue growth was impacted by changes in the mix of our sales of term and subscription licenses relative to sales of our perpetual licenses.

ASC 606 non-GAAP operating income for the three months ended March 31, 2018 was $5.7 million as compared to a ASC 605 non-GAAP operating loss of $21.0 million. The difference in the amount of non-GAAP operating income under ASC 606 as compared to ASC 605 primarily relates to differences in the amount of revenue recognized under ASC 606 as compared to ASC 605.

Non-GAAP Net Income (Loss)

ASC 605 non-GAAP net loss for the three months ended March 31, 2018 was $15.7 million compared to a non-GAAP net loss of $2.1 million for the three months ended March 31, 2017. The decrease was primarily attributable to the increase in non-GAAP operating loss.

ASC 606 non-GAAP net income for the three months ended March 31, 2018 was $5.8 million compared to ASC 605 non-GAAP net loss of $15.7 million. The difference in the amount of non-GAAP net income (loss) under ASC 606 compared to ASC 605 primarily relates to differences in the amount of revenue recognized under ASC 606 as compared to ASC 605.

Free Cash Flow

Free cash flow for the three months ended March 31, 2018 was $47.4 million compared to free cash flow of $61.3 million for the three months ended March 31, 2017. The decrease of $13.9 million was driven by a decrease in net cash provided by operating activities.

Liquidity and Capital Resources

As of March 31, 2018, we had cash and cash equivalents totaling $624.0 million, investments of $399.1 million, accounts receivable, net of $132.6 million and $652.4 million of working capital.

The following tables show our cash and cash equivalents, investments and our cash flows from operating activities, investing activities and financing activities for the stated periods:

	March 31, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	$623,994	$ 627,878
Short-term investments	241,652	226,787
Long-term investments	157,497	148,364

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	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Net cash provided by operating activities	$52,615	$84,495
Net cash used in investing activities	(30,217)	(23,238)
Net cash used in financing activities	(27,515)	(15,699)
Effect of exchange rate changes	1,233	374
Net increase (decrease) in cash and cash equivalents	$(3,884)	$45,932

As of March 31, 2018, our cash and cash equivalents and short-term investments were held for working capital purposes and were held in cash deposits, money market funds, U.S. treasury securities, U.S. agency securities and corporate bonds. We intend to continue making capital expenditures to support the growth in our business and operations. We believe that our existing cash and cash equivalents and short-term investments, together with cash generated from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support R&D efforts, the continued expansion of sales and marketing activities, the introduction of new and enhanced product and services offerings and the continued market acceptance of our products.

Operating Activities

Net cash provided by operating activities was $52.6 million for the three months ended March 31, 2018 as a result of a net loss of $46.5 million, adjusted for stock-based compensation expense of $55.8 million and non-cash depreciation and amortization expense of $9.6 million related to capital assets. Net cash provided by operating activities was also impacted by a $73.0 million decrease in accounts receivable, net, a $22.9 million increase in prepaid expenses and other assets, a $7.5 million decrease in deferred revenue and a $4.3 million decrease in accounts payable and accrued liabilities. The decrease in accounts receivable, net, and the decrease in deferred revenue were primarily due to seasonality of license and maintenance agreement sales, which are typically highest in the fourth quarter. The increase in prepaid expenses and other assets was primarily due to contract assets resulting from revenue recorded during the period under ASC 606 that was not yet billed and to a lesser extent commissions costs incurred during the period that were deferred under ASC 606. The decrease in accounts payable and accrued liabilities was primarily due to the timing of payments.

Net cash provided by operating activities was $84.5 million for the three months ended March 31, 2017 as a result of a net loss of $54.6 million, adjusted for stock-based compensation expense of $49.2 million and non-cash depreciation and amortization expense of $13.4 million related to capital assets. Net cash provided by operating activities was also impacted by a $76.9 million decrease in accounts receivable, net, a $16.6 million decrease in accounts payable and accrued liabilities, an $11.3 million decrease in prepaid expenses and other assets and a $4.0 million increase in deferred revenue. The decrease in accounts receivable, net, was primarily due to seasonality of license and maintenance agreement sales, which are typically highest in the fourth quarter. The decrease in accounts payable and accrued liabilities was primarily due to accrued purchases of property and equipment as of December 31, 2016 that were paid during the first quarter of 2017. The increase in deferred revenue was primarily due to increased sales of maintenance agreements and an increase in term and subscription license sales which had ratable revenue recognition in 2017 under our historical accounting policy.

Investing Activities

Cash used in investing activities was $30.2 million for the three months ended March 31, 2018. The cash used for this period was attributable to purchases of investments of $102.5 million and capital expenditures to support the growth of our business of $5.3 million, partially offset by maturities of investments of $77.4 million.

Cash used in investing activities was $23.2 million for the three months ended March 31, 2017. The cash used for this period was attributable to capital expenditures to support the growth of our business, including hardware, software, office equipment and leasehold improvements.

Financing Activities

Net cash used in financing activities was $27.5 million for the three months ended March 31, 2018 as a result of repurchases of common stock under our stock repurchase program of $30.0 million, partially offset by proceeds from the exercise of stock options of $2.5 million.

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Net cash used in financing activities was $15.7 million for the three months ended March 31, 2017 as a result of repurchases of common stock under our stock repurchase program of $20.0 million, partially offset by proceeds from the exercise of stock options of $4.3 million.

Stock Repurchase Program

On November 1, 2016, we announced that our board of directors approved a stock repurchase program, under which we were authorized to repurchase up to $200 million of our outstanding Class A common stock. The repurchase program has no expiration date and may be modified, suspended or discontinued at any time. We have funded and expect to continue to fund the stock repurchase program with cash on hand and future cash from operations.

During the three months ended March 31, 2018, we repurchased 366,160 shares of our outstanding Class A common stock at an average price of $81.95 per share for $30.0 million. During the three months ended March 31, 2017, we repurchased 383,411 shares of our outstanding Class A common stock at an average price of $52.18 per share for $20.0 million. All repurchases were made in open market transactions using cash on hand and all of the shares repurchased were retired. As of March 31, 2018, we were authorized to repurchase $70.0 million of our Class A common stock under our repurchase program.

On April 26, 2018, our board of directors authorized us to repurchase up to an additional $300 million of our Class A common stock under our previously announced stock repurchase program. Including the additional $300 million, we are authorized to repurchase up to a remaining $370.0 million of our Class A common stock under the existing stock repurchase program. As of March 31, 2018, we had repurchased and retired 2,077,105 shares of our Class A common stock, under the existing stock repurchase program, for a total purchase price of $130.0 million.

Obligations and Commitments

As of March 31, 2018, our principal obligations consisted of obligations outstanding under non-cancellable operating leases that expire at various dates through 2029. See Note 9 to the accompanying notes to the condensed consolidated financial statements for additional information on our operating leases including changes to our principal lease commitments compared to those discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Our contractual commitments are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included. There have been no material changes in our contractual commitments compared to those discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2017.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes there have been no material changes to our quantitative and qualitative disclosures about market risks during the three months ended March 31, 2018, compared to those discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 26, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2018, our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

We adopted the new revenue recognition standard effective during the first quarter of 2018 on a modified retrospective basis. As a result, we implemented changes to our internal control over financial reporting, including changes to our business systems. There were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we may be involved in various legal proceedings and claims related to intellectual property rights, commercial disputes, employment and wage and hour laws, alleged securities laws violations or other investor claims and other matters. For example, we have been, and may in the future be, put on notice and sued by third parties for alleged infringement of their proprietary rights, including patent infringement. We evaluate these claims and lawsuits with respect to their potential merits, our potential defenses and counter claims, and the expected effect on us of defending the claims and a potential adverse result. We are not presently a party to any legal proceedings that in the opinion of our management, if determined adversely to us, would have a material adverse effect on our business, financial condition or operating results.

The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, lead to attempts on the part of other parties to make similar claims and require us to change our technology, change our business practices and pay monetary damages or enter into royalty or licensing agreements, which could materially adversely affect our financial condition or operating results.

We make a provision for a liability relating to a claim when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. When we make such provisions, they are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. In management's opinion, resolution of currently outstanding matters is not expected to have a material adverse impact on our consolidated results of operations, cash flows or financial position. However, depending on the nature and timing of any such dispute, an unfavorable resolution of the matter could materially affect our future results of operations or cash flows, or both, of a particular quarter.

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ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below. You should carefully consider the following risks and all of the other information contained in this report, including our condensed consolidated financial statements and related notes, before making an investment decision. While we believe that the risks and uncertainties described below are the material risks currently facing us, additional risks that we do not yet know of or that we currently think are immaterial may also arise and materially affect our business. If any of the following risks materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our Class A common stock could decline, and you may lose some or all of your investment.

Risks Related to Our Business and Industry

Due to our growth, we have a limited operating history at our current scale, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a relatively short history operating our business at its current scale. We continue to increase the number of our employees and expand our operations worldwide. Furthermore, we operate in an industry that is characterized by rapid technological innovation, intense competition, changing customer needs and frequent introductions of new products, technologies and services. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in evolving industries. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in the market, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

Our future success will depend in large part on our ability to, among other things:

- hire, integrate, train and retain skilled talent, including members of our direct sales force and software engineers;
- maintain and expand our business, including our operations and infrastructure to support our growth, both domestically and internationally;
- increase the number and value of enterprise sales transactions;
- manage the transition to a subscription-based business model successfully;
- compete with other companies, custom development efforts and open source initiatives that are currently in, or may in the future enter, the market for our software;
- maintain and improve the security of our technology and infrastructure;
- expand our customer base, both domestically and internationally;
- renew maintenance and subscription agreements with, and sell additional products to, existing customers;
- improve the performance and capabilities of our software;
- price and package our product and service offerings successfully;
- maintain high customer satisfaction and ensure quality and timely releases of our products and product enhancements;
- maintain, expand and support our indirect sales channels and strategic partner network;
- maintain the quality of our website infrastructure to minimize latency when downloading or utilizing our software;
- make our software available on public cloud service providers;
- increase market awareness of our products and enhance our brand; and
- maintain compliance with applicable governmental regulations and other legal obligations, including those related to intellectual property, data protection and privacy, security, international sales and taxation.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this "Risk Factors" section, our business will be adversely affected and our results of operations will suffer.

We may not be able to sustain our revenue growth rate or achieve profitability in the future.

We incurred a net loss in each quarter and for the full year of 2017, as well as the first quarter of 2018. We expect expenses to continue to increase as we make investments in our sales and marketing and research and development organizations, expand our operations and infrastructure both domestically and internationally and develop new products and new features for, and enhancements of, our existing products.

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Moreover, as we grow our business, we expect our revenue growth rates to continue to slow in future periods due to a number of reasons, which may include slowing demand for our products, shifts in customer demand and spending on licenses for our products, shifts in sales of subscription-based versus perpetual licenses, increasing competition, a decrease in the growth of our overall market, our failure, for any reason, to continue to capitalize on growth opportunities, the maturation of our business or the decline in the number of organizations into which we have not already expanded. Additionally, our revenue growth rates for the three months ended March 31, 2018 computed in accordance with ASC 606 as compared to our financial results for the three months ended March 31, 2017 computed in accordance with ASC 605 were positively impacted by our adoption of the new revenue recognition standard effective January 1, 2018. For example, prior to our adoption of the new revenue recognition standard, we historically recognized revenue related to on-premises term license agreements ratably over the term of the licensing agreement. Under the new revenue recognition standard, revenue allocable to the license portion of the arrangement is recognized upon delivery of the license. Accordingly, our historical results or revenue growth should not be considered indicative of our future performance.

If we fail to successfully manage the transition to a subscription-based business model, our results of operations could be negatively impacted.

We are currently transitioning to a more subscription-based business model. In April 2018, we introduced new subscription offerings to help organizations scale analytics. Tableau Creator, Explorer and Viewer subscriptions each provide tailored combinations of new and existing analytical capabilities that are designed for different user needs, from sophisticated analysts to casual users. It is uncertain whether this transition will prove successful or whether we will be able to develop this business model more quickly than our competitors. Market acceptance of our product and service offerings will be dependent on our ability (1) to include functionality and usability that address our customers' requirements, and (2) to optimally price our products in light of marketplace conditions, our costs and customer demand. This transition may have negative revenue implications. If we are unable to respond to these competitive factors, our business could be harmed.

This subscription strategy may give rise to a number of risks, including the following:

- our revenue growth may decline more than anticipated over the short-term as a result of this strategy;
- if new or current customers desire only perpetual licenses, our subscription sales may lag behind our expectations;
- the shift to a subscription strategy may raise concerns among our customer base, including concerns regarding changes to pricing over time and access to files once a subscription has expired;
- we may be unsuccessful in maintaining or implementing our target pricing or new pricing models, product adoption and projected renewal rates, or we may select a target price or new pricing model that is not optimal and could negatively affect our sales or earnings;
- our customers may shift purchases to our lower priced subscription offerings, which could negatively affect our financial results;
- our shift to a subscription licensing model may result in confusion among new or existing customers (which can slow adoption rates), partners, resellers and investors;
- if our customers do not renew their subscriptions, our revenue may decline over the long-term and our business may suffer;
- our relationships with existing partners that resell perpetual license products may be damaged; and
- we may incur sales compensation costs at a higher than forecasted rate if the pace of our subscription transition is faster than anticipated.

If customers demand products that provide business analytics via a SaaS business model, our business could be adversely affected.

We believe that companies have begun to expect that key software be provided through a SaaS model. We have used and expect to use our current cash or future cash flows to fund further development of our Tableau Online product, and we may encounter difficulties that cause our costs to exceed our current expectations. Moreover, as demand increases, we will need to make additional investments in related infrastructure such as server farms, data centers, network bandwidth and technical operations personnel. All of these investments could negatively affect our operating results. Even if we make these investments, we may be unsuccessful in achieving significant market acceptance of this product. Moreover, sales of a potential future SaaS offering by our competitors could adversely affect sales of all of our existing products. In addition, increasing sales of our SaaS offering could cannibalize license sales of our on-premises desktop and server products to our existing and prospective customers, which could negatively impact our overall sales growth. The migration of our customers to a SaaS model

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would also change the manner in which we recognize revenue, which could adversely affect our operating results and business operations.

If we are unable to attract, integrate and retain additional qualified personnel, including executive, top sales and technical talent, our business could be adversely affected.

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled executive, technical, managerial, sales and other personnel. If we do not successfully integrate these or other new hires, it could impede or negatively impact our business operations and strategic direction including our sales execution, marketing and product development planning and implementation processes. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. These companies also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than those we have to offer. In addition, new hires often require significant training and, in many cases, take significant time before they achieve full productivity. We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographies, we will need to attract and recruit skilled personnel in those areas. We have limited experience with recruiting in geographies outside of the United States, and may face additional challenges in attracting, integrating and retaining international employees. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational, sales and managerial requirements, as well as executive leadership requirements, on a timely basis or at all, our business will be adversely affected.

Volatility or lack of positive 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 are vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested 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 or the market price of our common stock decreases significantly, impacting the value of their unvested restricted stock unit awards. If we are unable to appropriately incentivize and retain our employees through equity compensation, or if we need to increase our compensation expenses in order to appropriately incentivize and retain our employees, our business, results of operations, financial condition and cash flows would be adversely affected.

We are dependent on the continued services and performance of our senior management and other key personnel, the loss of any of whom could adversely affect our business.

Our future success depends in large part on the continued contributions of our senior management and other key personnel. In particular, the leadership of key management personnel is critical to the successful management of our company, the development of our products and our strategic direction. Our senior management and key personnel are all employed on an at-will basis, which means that they could terminate their employment with us at any time, for any reason and without notice. On February 1, 2018, we announced that Tom Walker, Chief Financial Officer, had resigned effective as of that date, and Damon Fletcher, Senior Vice President, Finance, had been appointed as Interim Chief Financial Officer. We are currently conducting a search for a permanent Chief Financial Officer, including consideration of internal and external candidates. If we do not successfully manage this or any similar future transition, it could impede or negatively impact our business operations and strategic direction including our sales execution, marketing and product development planning and implementation process. The loss of any of our key management personnel could significantly delay or prevent the achievement of our development and strategic objectives and adversely affect our business. We do not maintain "key person" insurance for any member of our senior management team or any of our other key employees.

Our growth depends on being able to expand our direct sales force successfully.

In order to increase our revenues and profitability, we must increase the size of our direct sales force, both in the United States and internationally, to generate additional revenues from new and existing customers. We intend to further increase our number of direct sales professionals.

We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of direct sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, as we continue to grow, a large percentage of our sales force may be new to our company and our products, which may adversely affect our sales if we cannot train our sales force quickly or effectively. Attrition rates may increase and we may face integration challenges as we continue to seek to expand our sales force. 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.

We have been growing and expect to continue to invest in our growth for the foreseeable future. If we fail to manage this growth effectively, our business and results of operations will be adversely affected.

We intend to continue to grow our business. For example, we plan to continue to hire new employees, particularly in our sales and engineering groups. If we cannot adequately train these new employees, including our direct sales force, our sales productivity could be impacted or our customers may lose confidence in the knowledge and capability of our employees. In addition, we are expanding internationally, establishing operations in additional countries outside the United States, and we intend to make substantial investments to continue our international expansion efforts. We must successfully manage our growth to achieve our objectives. Although our business has experienced significant growth in the past, our growth has slowed in recent periods, and we cannot provide any assurance that our business will continue to grow at any particular rate, or at all.

Our ability to effectively manage the growth of our business will depend on a number of factors, including our ability to do the following:

- effectively recruit, integrate, train and motivate a large number of new employees, including our direct sales force, while retaining existing employees, maintaining the beneficial aspects of our corporate culture and effectively executing our business plan;
- satisfy existing customers and attract new customers;
- successfully introduce new products and enhancements;
- continue to improve our operational, financial and management controls;
- protect and further develop our strategic assets, including our intellectual property rights; and
- make sound business decisions in light of the scrutiny associated with operating as a public company.

These activities will require significant capital expenditures and allocation of valuable management and employee resources, and our growth will continue to place significant demands on our management and our operational and financial infrastructure.

Our future financial performance and our ability to execute on our business plan will depend, in part, on our ability to effectively manage any future growth. There are no guarantees we will be able to do so in an efficient or timely manner, or at all. In particular, any failure to successfully implement systems enhancements and improvements necessary to scale the business or adopt new accounting or other compliance requirements will likely negatively impact 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. Moreover, if we do not effectively manage the growth of our business and operations, the quality of our software could suffer, which could negatively affect our brand, results of operations and overall business.

We face intense competition, and we may not be able to compete effectively, which could reduce demand for our products and adversely affect our business, growth, revenues and market share.

The market for our products is intensely and increasingly competitive and subject to rapidly changing technology and evolving standards. In addition, many companies in our target market are offering, or may soon offer, products and services that may compete with our products.

Our current primary competitors generally fall into the following categories:

- large technology companies, including suppliers of traditional business intelligence products and/or cloud-based offerings that provide one or more capabilities that are competitive with our products, such as Amazon.com, Inc., Google Inc., IBM, Microsoft Corporation, Oracle Corporation, Salesforce and SAP SE;
-

business analytics software companies, such as MicroStrategy, Qlik and TIBCO Spotfire (a subsidiary of TIBCO Software Inc.); and

- SaaS-based products or cloud-based analytics providers.

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In addition, we may compete with open source initiatives and custom development efforts. We expect competition to increase as other established and emerging companies enter the business analytics software market, as customer requirements evolve and as new products and technologies are introduced such as artificial intelligence and machine learning technologies. We expect this to be particularly true with respect to our SaaS-based offering. This is a relatively new and evolving area of business analytics solutions, and we anticipate competition to increase based on customer demand for these types of products.

Many of our competitors, particularly the large software companies named above, have longer operating histories, significantly greater financial, technical, marketing, distribution, professional services or other resources and greater name recognition than we do. In addition, many of our competitors have strong relationships with current and potential customers and extensive knowledge of the business analytics industry. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, for example by offering and expanding capabilities of SaaS-based products that compete with our on-premises products and our SaaS product offerings, or devote greater resources to the development, promotion and sale of their products than we do. Moreover, many of these competitors are bundling their analytics products into larger deals or maintenance renewals, often at significant discounts. Increased competition may lead to price cuts, alternative pricing structures or the introduction of products available for free or a nominal price, fewer customer orders, reduced gross margins, longer sales cycles and loss of market share. We may not be able to compete successfully against current and future competitors, and our business, results of operations and financial condition will be harmed if we fail to meet these competitive pressures.

Our ability to compete successfully in our market depends on a number of factors, both within and outside of our control. Some of these factors include ease and speed of product deployment and use, discovery and visualization capabilities, analytical and statistical capabilities, performance and scalability, the quality and reliability of our customer service and support, total cost of ownership, return on investment and brand recognition. Any failure by us to compete successfully in any one of these or other areas may reduce the demand for our products, as well as adversely affect our business, results of operations and financial condition.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others. By doing so, these competitors may increase their ability to meet the needs of our customers or potential customers. In addition, our current or prospective indirect sales channel partners may establish cooperative relationships with our current or future competitors. These relationships may limit our ability to sell or certify our products through specific distributors, technology providers, database companies and distribution channels and allow our competitors to rapidly gain significant market share. These developments could limit our ability to obtain revenues from existing and new customers and to maintain maintenance and support revenues from our existing and new customers. If we are unable to compete successfully against current and future competitors, our business, results of operations and financial condition would be harmed.

Interruptions or performance problems, including any caused by cyber-attacks or associated with our technology and infrastructure, may adversely affect our business and results of operations.

We have in the past experienced, and may in the future experience, performance issues due to a variety of factors, including infrastructure changes, human or software errors, website or third-party hosting disruptions or capacity constraints due to a number of potential causes including technical failures, cyber-attacks, security vulnerabilities, natural disasters or fraud. If our security is compromised, our website is unavailable or our users are unable to download our software within a reasonable amount of time or at all, our business could be negatively affected. Moreover, if our security measures, products or services are subject to cyber-attacks that degrade or deny the ability of users to access our website, Tableau Online, or other products or services, our products or services may be perceived as unsecure and we may incur significant legal and financial exposure. In particular, our cloud-based products, Tableau Online and Tableau Public, may be especially vulnerable to interruptions, performance problems or cyber-attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. These cloud-based products are hosted at third-party data centers that are not under our direct control. If these data centers were to be damaged or suffer disruption, our ability to provide these products to our customers could be impaired and our reputation could be harmed. Moreover, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may lose trust in the security of business intelligence or analytics platforms generally, which could adversely impact our ability to retain existing customers or attract new ones.

In addition, it may become increasingly difficult to maintain and improve our website performance, especially during peak usage times and as our software becomes more complex and our user traffic increases. Adverse consequences could include unanticipated system disruptions, slower response times, degradation in level of customer support, and impaired quality of users' experiences, and could result in customer dissatisfaction and the

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loss of existing customers. We expect to continue to make significant investments to maintain and improve website performance and security and to enable rapid and secure releases of new features and applications for our software. 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 results of operations may be adversely affected.

We also rely on SaaS technologies from third parties in order to operate critical functions of our business, including financial management services from NetSuite Inc. and customer relationship management services from Salesforce. If these services become unavailable due to extended outages or interruptions, security vulnerabilities or cyber-attacks, or because they are no longer available on commercially reasonably terms or prices, our expenses could increase, our ability to manage these critical functions could be interrupted and our processes for managing sales of our software 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.

Real or perceived errors, failures, bugs or security flaws in our software could adversely affect our results of operations and growth prospects.

Because our software is complex, undetected errors, failures, bugs or security flaws may occur, especially when new versions or updates are released. Our 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 computing environments may expose undetected errors, compatibility issues, failures, bugs or security flaws in our software. Despite testing by us, errors, failures, bugs or security flaws may not be found in our software until it is released to our customers. Moreover, our customers could incorrectly implement or inadvertently misuse our software, which could result in customer dissatisfaction and adversely impact the perceived utility of our products as well as our brand. Any of these real or perceived errors, compatibility issues, failures, bugs or security flaws in our software could result in negative publicity, reputational harm, loss of or delay in market acceptance of our software, 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. 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 results of operations and growth prospects.

Our success is highly dependent on our ability to further penetrate the existing market for business analytics software as well as the growth and expansion of that market.

Although the overall market for business analytics software is well-established, the market for business analytics software like ours is relatively new, rapidly evolving and unproven. Our future success will depend in large part on our ability to further penetrate the existing market for business analytics software, as well as the continued growth and expansion of what we believe to be an emerging market for analytics solutions and platforms that are faster, easier to adopt, easier to use and more focused on self-service capabilities. It is difficult to predict customer adoption and renewal rates, customer demand for our products, the size, growth rate and expansion of these markets, the entry of competitive products or the success of existing competitive products. Our ability to further penetrate the existing market and any expansion of the emerging market depends on a number of factors, including the cost, performance and perceived value associated with our products, as well as customers' willingness to adopt a different approach to data analysis. Furthermore, many potential customers have made significant investments in legacy business analytics software systems and may be unwilling to invest in new software. If we are unable to further penetrate the existing market for business analytics software, the emerging market for self-service analytics solutions fails to grow or expand, or either of these markets decreases in size, our business, results of operations and financial condition would be adversely affected.

Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.

Our revenues and results of operations could vary significantly from quarter to quarter as a result of various factors, some of which are outside of our control, such as:

- the timing of satisfying revenue recognition criteria, particularly with regard to large enterprise license agreements and other sales transactions, and as a result of our adoption of the new revenue standard on January 1, 2018;
- the transition from perpetual license transactions to term and subscription license transactions, which have lower unit sales prices than comparable perpetual licenses;

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- the expansion of our customer base;
- the renewal of maintenance agreements with, and sales of additional products to, existing customers;
- seasonal variations in our sales, which have generally historically been highest in the fourth quarter of a calendar year and lowest in the first quarter;
- the size, timing and terms of our perpetual license sales to both existing and new customers;
- changes in the mix of term and subscription license sales versus perpetual license sales;
- the mix of direct sales versus sales through our indirect sales channels;
- the introduction of products and product enhancements by existing competitors or new entrants into our market, and changes in pricing for products offered by us or our competitors;
- customers delaying purchasing decisions in anticipation of new products or product enhancements by us or our competitors or otherwise;
- changes in customers' budgets;
- customer acceptance of and willingness to pay for new versions of our products;
- seasonal variations related to sales and marketing and other activities, such as expenses related to our annual customer conferences;
- cyber attacks or incidents; and
- general economic and political conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers operate.

Additional factors include:

- costs related to the hiring, training and maintenance of our direct sales force;
- the timing and growth of our business, in particular through our hiring of new employees and international expansion;
- our ability to control costs, including our operating expenses;
- the effect of changes in tax law, such as the effect of the Tax Cuts and Jobs Act that was enacted on December 22, 2017; and
- fluctuations in our effective tax rate.

Any one of these or other factors discussed elsewhere in this report may result in fluctuations in our revenues and operating results, meaning that quarter-to-quarter comparisons of our revenues, results of operations and cash flows may not necessarily be indicative of our future performance.

We may not be able to accurately predict our future revenues or results of operations. For example, a large percentage of the revenues we recognize each quarter has been attributable to sales made in the last month of that same quarter. Our license revenues in particular can be impacted by short-term shifts in customer demand and spending as license revenues from perpetual and term license sales are generally recognized upfront. As a result, our ability to forecast revenues on a quarterly or longer-term basis is limited. In addition, we base our current and future expense levels on our operating plans and sales forecasts, and our operating expenses are expected to be relatively fixed in the short term. Accordingly, 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. The variability and unpredictability of these and other factors could result in our failing to meet or exceed financial expectations for a given period.

If we are unable to attract new customers and expand sales to existing customers, both domestically and internationally, our growth could be slower than we expect and our business may be harmed.

Our future growth depends in part upon increasing our customer base. Our ability to achieve growth in revenues in the future will depend, in large part, upon the effectiveness of our marketing efforts, both domestically and internationally, and our ability to attract new customers. This may be particularly challenging where an organization has already invested substantial personnel and financial resources to integrate traditional business intelligence products into its business, as such organization may be reluctant or unwilling to invest in a new product. If we fail to attract new customers and maintain and expand those customer relationships, our revenues will grow more slowly than expected and our business will be harmed.

Our future growth also depends upon expanding sales of our products to and renewing license and maintenance agreements with existing customers and their organizations. This includes customers of all sizes and scales. If our customers do not purchase additional licenses or capabilities, our revenues may grow more slowly than expected, may not grow at all or may decline. Additionally, increasing incremental sales to our current customer base requires increasingly sophisticated and costly sales efforts that are targeted at senior management. There can be no assurance that our efforts would result in expanding sales to existing customers and additional

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revenues. If our expansion sales efforts to our customers are not successful, our business would suffer. Our software is currently licensed and sold under perpetual, term and subscription license agreements, and we are currently transitioning to a more subscription-based business model. Due to the differences in unit sales prices of perpetual versus term or subscription license sales, shifts in the mix of term and subscription license sales could produce significant variations in the revenue we recognize in a given period. In addition, all of our maintenance and support agreements are sold on a term basis. In order for us to grow our revenues and increase profitability, it is important that our existing customers renew their maintenance and support agreements and their term licenses, if applicable, when the initial contract term expires. Our customers have no obligation to renew their term licenses or maintenance and support contracts with us after the initial terms have expired. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our software or professional services, our pricing or pricing structure, the pricing or capabilities of products or services offered by our competitors, the effects of economic conditions, or reductions in our customers' spending levels. If our customers do not renew their agreements with us, or renew on terms less favorable to us, our revenues may decline.

Our success depends on increasing the number and value of enterprise sales transactions, which typically involve a longer sales cycle, greater deployment challenges and additional support and services than sales to individual purchasers of our products.

Growth in our revenues and profitability depends in part on our ability to complete more and larger enterprise sales transactions. During three months ended March 31, 2018, we closed 301 sales transactions greater than $100,000 compared to 294 transactions greater than $100,000 during the three months ended March 31, 2017, representing a 2% increase in the number of transactions. This metric has been, and we expect will continue to be, impacted by our transition to a more subscription-based business model as the unit sales price of each subscription license is lower than a comparable perpetual license. We anticipate that the quantity of sales transactions greater than $100,000 will continue to fluctuate on a quarter by quarter basis. These larger transactions may involve significant customer negotiation and are typically completed near the end of the quarter. Enterprise customers may undertake a significant evaluation process, which can last from several months to a year or longer. For example, in recent periods, excluding renewals, our transactions over $100,000 have generally taken over three months to close. Any individual transaction may take substantially longer than three months to close. Events may occur during this period that affect the size or timing of a purchase or even cause cancellations, which may lead to greater unpredictability in our business and results of operations. We will spend substantial time, effort and money on enterprise sales efforts without any assurance that our efforts will produce any sales.

We may also face unexpected deployment challenges with enterprise customers or more complicated installations of our software platform. It may be difficult to deploy our software platform if the customer has unexpected database, hardware or software technology issues. Additional deployment complexities may occur if a customer hires a third party to deploy or implement our products or if one of our indirect sales channel partners leads the implementation of our products. In addition, enterprise customers may demand more configuration and integration services, which increase our upfront investment in sales and deployment efforts, with no guarantee that these customers will increase the scope of their use. As a result of these factors, we must devote a significant amount of sales support and professional services resources to individual customers, increasing the cost and time required to complete sales. Any difficulties or delays in the initial implementation, configuration or integration of our products could cause customers to reject our software or lead to the delay in or failure to obtain future orders, which would harm our business, results of operations and financial condition.

We derive substantially all of our revenues from a limited number of software products.

We currently derive and expect to continue to derive substantially all of our revenues from our Tableau Desktop, Tableau Server and Tableau Online software products. Further, in April 2018, we released Tableau Prep, a new data preparation product that integrates directly into the Tableau analytical workflow and can be shared with Tableau Server or Tableau Online. As such, the continued growth in market demand of these software products is critical to our continued success. Demand for our software is affected by a number of factors, including continued market acceptance of our products, the timing of development and release of new products by our competitors, price or product packaging changes by us or by our competitors, technological change, growth or contraction in the traditional and expanding business analytics market and general economic conditions and trends. If our competitors offer products or functionality similar to ours at more attractive prices, we may have to reduce our prices, which may cause our revenues to decline. Further, if we are unable to continue to meet customer demands or to achieve more widespread market acceptance of our software, or we cannot successfully meet our customers' needs or innovate on their needs timely, our business, results of operations, financial condition and growth prospects will be materially and adversely affected.

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If our new products and product enhancements do not achieve sufficient market acceptance, our results of operations and competitive position will suffer.

We spend substantial amounts of time and money to research and develop new software and enhanced versions of our existing software to incorporate additional features, improve functionality, function in concert with new technologies or changes to existing technologies and allow our customers to analyze a wide range of data sources. For example, in January 2018, we released Hyper, our new in-memory data engine, which was a significant upgrade to our existing Hybrid Data Architecture. Further, in April 2018, we released Tableau Prep, a new data preparation product that integrates directly into the Tableau analytical workflow and can be shared with Tableau Server or Tableau Online. When we develop a new product or an enhanced version of an existing product, we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop and introduce new or enhanced products, such as Hyper or Tableau Prep, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market.

Further, we may make changes to our software that our customers do not find useful. 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 software. We may also face unexpected problems or challenges in connection with new product or feature introductions.

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

- failure to predict market demand accurately in terms of software functionality and capability or to supply software that meets this demand in a timely fashion;
- inability to operate effectively with the technologies, systems or applications of our existing or potential customers;
- defects, errors or failures;
- negative publicity about their performance or effectiveness;
- delays in releasing our new software or enhancements to our existing software to the market;
- the introduction or anticipated introduction of competing products by our competitors;
- an ineffective sales force;
- poor business conditions for our end-customers, causing them to delay purchases; and
- the reluctance of customers to purchase software incorporating open source software.

In addition, because our products are designed to operate on and with a variety of systems, we will need to continuously modify and enhance our products to keep pace with changes in technology. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion.

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

Breaches in our security, cyber-attacks or other cyber-risks could expose us to significant liability and cause our business and reputation to suffer.

Our operations involve transmission and processing of our customers' confidential, proprietary and sensitive information including, in some cases, personally identifiable information and credit card information. We have legal and contractual obligations to protect the confidentiality and appropriate use of customer data. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks as a result of third party action, employee error or misconduct. Security risks, including but not limited to, unauthorized use or disclosure of customer data, theft of proprietary information, denial of service attacks, loss or corruption of customer data, and computer hacking attacks or other cyber-attacks, could expose us to substantial litigation expenses and damages, indemnity and other contractual obligations, government fines and penalties, mitigation expenses and other liabilities. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until successfully launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose potential sales and existing customers, our ability to operate our business could be impaired, and we may incur significant liabilities.

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Our failure to adequately protect personal information could have a material adverse effect on our business.
A wide variety of local, state, national and international laws, directives and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. These data protection and privacy-related laws and regulations continue to evolve and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines, imprisonment of company officials and public censure, claims for damages by end-customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing end-customers and prospective end-customers), any of which could have a material adverse effect on our operations, financial performance and business. Changing definitions of personal data and personal information, within the European Union, the United States and elsewhere, especially relating to classification of IP addresses, machine identification, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. For example, the European Union adopted a new law governing data practices and privacy called the General Data Protection Regulation ("GDPR"), which becomes effective May 25, 2018. The law creates a range of new compliance obligations, which could cause us to change our business practices, and will increase financial penalties for noncompliance significantly.
Our products use third-party software and services that may be difficult to replace or cause errors or failures of our products that could lead to a loss of customers or harm to our reputation and our operating results.
We license third-party software and depend on services from various third parties for use in our products. In the future, this software or these services may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of the software or services could result in decreased functionality of our products until equivalent technology is either developed by us or, if available from another provider, is identified, obtained and integrated, which could harm our business. In addition, any errors or defects in or failures of the third-party software or services could result in errors or defects in our products or cause our products to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.
We will need to maintain our relationships with third-party software and service providers and to obtain software and services from such providers that do not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver effective products to our customers and could harm our operating results.
If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork, passion and focus on execution that we believe contribute to our success, and our business may be harmed.
We believe that our corporate culture has been a critical component to our success. We have invested substantial time and resources in building our team. As we grow and mature as a public company, we may find it difficult to maintain our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to recruit and retain personnel and effectively focus on and pursue our corporate objectives.
Our success depends on our ability to maintain and expand our indirect sales channels.
Historically, we have used indirect sales channel partners, such as OEMs, technology partners, systems integrators and resellers, to a limited degree. Indirect sales channel partners are becoming an increasingly important aspect of our business, particularly with regard to enterprise and international sales. Our future growth in revenues and profitability depends in part on our ability to identify, establish and retain successful channel partner relationships in the United States and internationally, which will take significant time and resources and involve significant risk.
We cannot be certain that we will be able to identify suitable indirect sales channel partners. To the extent we do identify such partners, we will need to negotiate the terms of a commercial agreement with them under which the partner would distribute our products. We cannot be certain that we will be able to negotiate commercially-attractive terms with any channel partner, if at all. In addition, all channel partners must be trained to distribute our products. In order to develop and expand our distribution channel, we must develop and improve our processes for channel partner introduction and training.

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We also cannot be certain that we will be able to maintain successful relationships with any channel partners. These channel partners may not have an exclusive relationship with us and may offer customers the products of several different companies, including products that compete with ours. With or without an exclusive relationship, we cannot be certain that they will prioritize or provide adequate resources for selling our products. A lack of support by any of our channel partners may harm our ability to develop, market, sell or support our products, as well as harm our brand. There can be no assurance that our channel partners will comply with the terms of our commercial agreements with them or will continue to work with us when our commercial agreements with them expire or are up for renewal. If we are unable to maintain our relationships with these channel partners, or these channel partners fail to live up to their contractual obligations, our business, results of operations and financial condition could be harmed.

Our long-term growth depends in part on being able to expand internationally on a profitable basis.

Historically, we have generated a substantial majority of our revenues from customers inside the United States and Canada. For example, approximately 68% of our total ASC 606 revenues in the three months ended March 31, 2018 was derived from sales within the United States and Canada. We plan to continue to expand our international operations as part of our growth strategy. Our international operations subject us to a variety of risks and challenges, including:

- increased management, travel, infrastructure, legal compliance and regulation costs associated with having multiple international operations;
- management communication and integration problems resulting from geographic dispersion and language and cultural differences;
- sales and customer service challenges associated with operating in different countries;
- increased reliance on indirect sales channel partners outside the United States;
- 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 or political conditions in each country or region;
- economic uncertainty around the world and adverse effects arising from economic interdependencies across countries and regions;
- uncertainty around how the United Kingdom's vote to exit the European Union, commonly referred to as "Brexit," will impact the United Kingdom's access to the European Union Single Market, the related regulatory environment, the global economy and the resulting impact on our business;
- compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;
- compliance with laws and regulations for foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our software in certain foreign markets and the risks and costs of non-compliance;
- 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 related effects on our results of operations;
- difficulties in transferring or, if we determine to do so, repatriating funds from or converting currencies in certain countries;
- the need for localized software and licensing programs;
- reduced protection for intellectual property rights in certain countries and practical difficulties and costs of enforcing rights abroad; and
- compliance with the laws of numerous foreign taxing jurisdictions and overlapping of different tax regimes.

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

For example, 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 government requirements as they change from time to time. Failure to comply with these regulations could have adverse effects on our business. In addition, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. laws and regulations applicable to us. As we grow, we continue to implement compliance procedures designed to prevent violations of these laws and regulations. There can be no assurance that all of our employees, contractors, indirect sales channel partners and agents will comply with the formal policies we will implement, or applicable laws and regulations. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties, or the prohibition of the importation or exportation of our software and services and could have a material adverse effect on our business and results of operations.

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

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

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

Our business is highly dependent upon our brand recognition and reputation, and the failure to maintain or enhance our brand recognition or reputation would likely adversely affect our business and results of operations.

We believe that maintaining and enhancing the Tableau brand identity and our reputation are critical to our relationships with our customers and channel partners and to our ability to attract new customers and channel partners. We also believe that the importance of our brand recognition and reputation will continue to increase as competition in our market continues to develop. Our success in this area will depend on a wide range of factors, some of which are beyond our control, including the following:

- the efficacy of our marketing efforts;
- our ability to continue to offer high-quality, innovative and error- and bug-free products;
- our ability to retain existing customers and obtain new customers;
- our ability to maintain high customer satisfaction;
- the quality and perceived value of our products;
- our ability to successfully differentiate our products from those of our competitors;
- actions of our competitors and other third parties;
- our ability to provide customer support and professional services;
- any misuse or perceived misuse of our products;
- positive or negative publicity;
- interruptions, delays or attacks on our website; and
- litigation- or regulatory-related developments.

Our brand promotion activities may not be successful or yield increased revenues.

Independent industry analysts often provide reviews of our products, as well as those of our competitors, and perception of our products 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.

Furthermore, negative publicity, whether or not justified, relating to events or activities attributed to us, our employees, our partners or others associated with any of these parties, may tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity may reduce demand for our products and have an adverse effect on our business, operating results and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brand may be costly and time consuming, and such efforts may not ultimately be successful.

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Economic uncertainties or downturns could materially adversely affect our business.

Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, the continued sovereign debt crisis, potential future government shutdowns, the federal government's failure to raise the debt ceiling, financial and credit market fluctuations, political deadlock, natural catastrophes, warfare and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments, including corporate spending on business analytics software in general and negatively affect the rate of growth of our business.

The inability of legislators to pass additional short- or longer-term spending bills could lead to additional shutdowns or other disruptions. In addition, general worldwide economic conditions have experienced a significant downturn and continue to remain unstable, particularly in light of the Brexit referendum. These conditions 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 decisions to purchase our products, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Furthermore, during challenging economic times our customers may tighten their budgets and face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. In turn, we may be required to increase our allowance for doubtful accounts, which would adversely affect our financial results.

To the extent purchases of our software 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 products. 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 software.

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

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

Our success depends, in part, on our ability to protect proprietary methods and technologies that we develop or license under patent and other intellectual property laws of the United States, so that we can prevent others from using our inventions and proprietary information. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology, and our business might be adversely affected. However, defending our intellectual property rights might entail significant expenses. Any of our patent rights, copyrights, trademarks or other intellectual property rights may be challenged by others, weakened or invalidated through administrative process or litigation.

As of March 31, 2018, we had 31 issued U.S. patents covering our technology and 63 patent applications pending for examination in the United States. We also had 11 pending patent applications internationally as of March 31, 2018 including filings at the European Patent Office and in Canada and Australia. The patents that we own or license from others (including those that have issued or may issue in the future) may not provide us with any competitive advantages or may be challenged by third parties, 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 prosecute all necessary or desirable patent applications 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 validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. Any patents that are issued may subsequently be invalidated or otherwise limited, allowing other companies to develop offerings that compete with ours, which could adversely affect our competitive business position, business prospects and financial condition. In addition, issuance of a patent does not guarantee that we have a right to practice the patented invention. Patent applications in the United States are typically not published until 18 months after filing or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries.

We cannot be certain that third parties do not have blocking patents that could be used to prevent us from marketing or practicing our patented software or technology.

Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our software is available. The laws of some foreign countries may not be as protective of

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intellectual property rights as those in the United States (in particular, some foreign jurisdictions do not permit patent protection for software), and mechanisms for enforcement of intellectual property rights may be inadequate. Additional uncertainty may result from changes to intellectual property legislation enacted in the United States, including the recent America Invents Act, and other national governments and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.
We rely in part on trade secrets, proprietary know-how and other confidential information to maintain our competitive position. Although we endeavor to enter into non-disclosure agreements with our employees, licensees and others who may have access to this information, we cannot assure you 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 monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert counterclaims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially viable. Any litigation, whether or not 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, results of operations, financial condition and cash flows.
We may 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. 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 business analytics software market.
There may be third-party intellectual property rights, including issued or pending patents that cover significant aspects of our technologies or business methods. Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software and may be unable to compete effectively. Any of these results would adversely affect our business, results of operations, financial condition and cash flows.

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Our use of open source software could negatively affect our ability to sell our software and subject us to possible litigation.

We use open source software in our software and expect to continue to use open source software in the future. We may face claims from others claiming ownership of, or seeking to enforce the license terms applicable to such open source software, including by demanding release of the open source software, derivative works or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our software, any of which would have a negative effect on our business and results of operations. In addition, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs. Finally, we cannot assure you that we have not incorporated open source software into our software in a manner that may subject our proprietary software to an open source license that requires disclosure, to customers or the public, of the source code to such proprietary software. Any such disclosure would have a negative effect on our business and the value of our software.

We may be subject to litigation for a variety of claims, which could adversely affect our results of operations, harm our reputation or otherwise negatively impact our business.

In addition to intellectual property litigation, we may be subject to other claims arising from our normal business activities. These may include claims, lawsuits and proceedings involving labor and employment, wage and hour, commercial, alleged securities laws violations or other investor claims and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation could require us to change our technology or our business practices, pay monetary damages or enter into royalty or licensing arrangements, which could adversely affect our results of operations and cash flows, harm our reputation or otherwise negatively impact our business.

Our success depends in part on maintaining and increasing our sales to customers in the public sector.

We derive a portion of our revenues from contracts with federal, state, local and foreign governments and agencies, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that our efforts will produce any sales. Factors that could impede our ability to maintain or increase the amount of revenues derived from government contracts include:

- changes in fiscal or contracting policies;
- decreases in available government funding;
- changes in government programs or applicable requirements;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- potential delays or changes in the government appropriations or other funding authorization processes;
- governments and governmental agencies requiring contractual terms that are unfavorable to us, such as most-favored-nation pricing provisions; 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 our software in the future or otherwise have an adverse effect on our business, results of operations, financial condition and cash flows.

Further, to increase our sales to customers in the public sector, we must comply with laws and regulations relating to the formation, administration, performance and pricing of contracts with the public sector, including U.S. federal, state and local governmental bodies, which affect how we and our channel partners do business in connection with governmental agencies. These laws and regulations may impose added costs on our business, and failure to comply with these laws and regulations or other applicable requirements, including non-compliance in the past, could lead to claims for damages from our channel partners or government customers, penalties, termination of contracts, loss of intellectual property rights 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, results of operations, financial condition and cash flows.

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Acquisitions could disrupt our business and adversely affect our results of operations, financial condition and cash flows.

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

- an acquisition may negatively affect our results of operations, financial condition or cash flows because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, including potential write- downs of deferred revenues, 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;
- we may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any company that we acquire, particularly if key personnel of the acquired company decide not to work for us;
- 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 we acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- 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;
- challenges inherent in effectively managing an increased number of employees in diverse locations;
- the potential strain on our financial and managerial controls and reporting systems and procedures;
- potential known and unknown liabilities or deficiencies associated with an acquired company that were not identified in advance;
- our use of cash to pay for acquisitions would limit other potential uses for our cash and affect our liquidity;
- if we incur debt to fund such acquisitions, such debt may subject us to material restrictions on our ability to conduct our business as well as financial maintenance covenants;
- the risk of impairment charges related to potential write-downs of acquired assets or goodwill in future acquisitions;
- to the extent that we issue a significant amount of equity or convertible debt securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease; and
- managing the varying intellectual property protection strategies and other activities of an acquired company.

We may not succeed in addressing these or other risks or any other problems encountered in connection with the integration of any acquired business. The inability to integrate successfully the business, technologies, products, personnel or operations of any acquired business, or any significant delay in achieving integration, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Governmental export or import controls could limit our ability to compete in foreign markets and subject us to liability if we violate them.

Our products are subject to U.S. export controls, and we incorporate encryption technology into certain of our products. These products and the underlying technology may be exported only with the required export authorizations, including by license, a license exception or other appropriate government authorizations. U.S. export controls may require submission of an encryption registration, product classification and annual or semi-annual reports. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export authorization for our products, when applicable, could harm our international sales and adversely affect our revenues. Compliance with applicable regulatory requirements regarding the export of our products, including with respect to new releases of our software, may create delays in the introduction of our product releases in international markets, prevent our customers with international operations from deploying our products or, in some cases, prevent the export of our products to some countries altogether. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, we may be fined or other penalties could be imposed, including a

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denial of certain export privileges. Moreover, any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and results of operations.

Determining our income tax rate is complex and subject to uncertainty.

The computation of the provision for income taxes is complex, as it is based on the laws of numerous taxing jurisdictions and requires significant judgment in the application of complicated rules governing accounting for income tax provisions under generally accepted accounting principles in the United States ("GAAP"). Our provision for income taxes for interim quarters is based on numerous assumptions and a forecast of our U.S. and non-U.S. effective tax rates for the year, which includes estimates of profits and losses by jurisdiction. Various items cannot be accurately forecasted and future events may be treated as discrete to the period in which they occur. Our provision for income taxes can be materially impacted by many factors including the geographical mix of our profits and losses, changes in our business, such as internal restructuring and acquisitions, changes in tax laws and accounting guidance and other regulatory, legislative or judicial developments, tax audit determinations, changes in our uncertain tax positions, changes in our intent and capacity to permanently reinvest foreign earnings, changes to our transfer pricing practices, tax deductions attributed to equity compensation and changes in our need for a valuation allowance for deferred tax assets. Any estimates and assumptions of these matters may turn out to be incorrect. For these reasons, our overall global tax rate may be materially different than our forecast.

We may have additional tax liabilities, which could harm our business, operating results, financial condition and prospects.

Significant judgments and estimates are required in determining the provision for income taxes and other tax liabilities. Our tax expense may be impacted if our intercompany transactions, which are required to be computed on an arm's-length basis, are challenged and successfully disputed by the taxing authorities. Also, our tax expense could be impacted depending on the applicability of withholding taxes and other indirect taxes on software licenses and related intercompany transactions in certain jurisdictions. In determining the adequacy of income taxes, we assess the likelihood of adverse outcomes that could result if our tax positions were challenged by the Internal Revenue Service ("IRS") and other taxing authorities. The taxing authorities in the United States and other countries where we do business regularly examine our income and other tax returns. The ultimate outcome of any tax examination cannot be predicted with certainty. Should the IRS or other taxing authorities assess additional taxes as a result of an examination, we may be required to record charges to our operations.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

Recently enacted U.S. tax legislation will significantly change the taxation of U.S.-based multinational corporations, by, among other things, reducing the U.S. corporate income tax rate, adopting elements of a territorial tax system, assessing a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes on certain foreign-sourced earnings. The legislation is unclear in some respects and will require interpretations and implementing regulations by the IRS as well as state tax authorities, and the legislation could be subject to potential amendments and technical corrections, any of which could lessen or increase certain adverse impacts of the legislation. Any changes to or the reform of current U.S. tax laws that may be enacted in the future could impact the tax treatment of our foreign earnings. While the impact of our accumulated foreign earnings to date is not significant, this may change in the future. In addition, due to the expansion of our international business activities, the foregoing changes in the U.S. taxation of such activities and any future changes may increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

Our international operations subject us to potentially adverse tax consequences.

We generally conduct our international operations through wholly-owned subsidiaries, branches and representative offices and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our corporate structure is aligned with our international operations, with many of our international subsidiaries held by our wholly-owned subsidiary in Ireland, which provides order processing and technical and administrative support to all of our international operations, except for those in Canada and Japan. Such corporate structures are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. 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 positions were not sustained, we could be required to pay additional taxes, interest and penalties, resulting in higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Additionally, our future worldwide tax rate and financial position may be affected by changes in the relevant tax laws, interpretation of such tax laws or the influence of tax policy around the world. In addition, our future income tax rates could be adversely affected by lower than anticipated earnings in jurisdictions that have lower statutory tax rates and higher than anticipated earnings in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations or accounting principles. For example, we have and may in the future incur losses in certain international subsidiaries that could result in an effective tax rate that is significantly higher than the U.S. statutory tax rate.

Our tax rate may vary significantly depending on our stock price.

The tax effects of the accounting for share-based compensation may significantly impact our effective tax rate from period to period. In periods in which our stock price is higher than the grant price of the share-based compensation vesting in that period, we will recognize excess tax benefits that will decrease our effective tax rate. In future periods in which our stock price is lower than the grant price of the share-based compensation vesting in that period, our effective tax rate may increase. The amount and value of share-based compensation issued relative to our earnings in a particular period will also affect the magnitude of the impact of share-based compensation on our effective tax rate. These tax effects are dependent on our stock price, which we do not control, and a decline in our stock price could significantly increase our effective tax rate and adversely affect our financial results.

Natural or man-made disasters and other similar events may significantly disrupt our business and negatively impact our results of operations and financial condition.

Any of our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, which may render it difficult or impossible for us to operate our business for some period of time. For example, we host our Tableau Online and Tableau Public products from a data center located in the San Francisco Bay Area, a region known for seismic activity. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. Any disruptions in our operations could negatively impact our business and results of operations and harm our reputation. In addition, we may not carry sufficient business insurance to compensate for losses that may occur. Any such losses or damages could have a material adverse effect on our business, results of operations and financial condition. In addition, the facilities of significant customers or major strategic partners may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or material adverse effects on our business.

Changes in financial accounting standards may cause adverse and unexpected revenue fluctuations and impact our reported results of operations.

We prepare our financial statements in conformity with GAAP. These accounting principles are subject to interpretation or changes by the FASB and the SEC. New accounting pronouncements and varying interpretations of accounting standards and practices have occurred in the past and are expected to occur in the future. A change in accounting standards or practices could harm our operating results and may even affect our reporting of transactions completed before the change is effective. Examples of new accounting pronouncements include ASU 2014-09, referred to throughout this report as ASC 606, or the new revenue recognition standard, related to revenue recognition and ASU 2016-02 related to lease accounting. We adopted ASC 606 effective January 1, 2018 on a modified retrospective basis. As further discussed in Note 2 to the accompanying notes to the condensed consolidated financial statements, this standard significantly impacted our results for three months ended March 31, 2018 as compared to prior years as it changed the way we recognize revenue and the timing of revenue recognition related to our on-premises term license agreements. These or other changes to existing rules may harm our operating results and affect the comparability of our results from period to period.

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

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Although we expect an increasing number of sales contracts to be denominated in currencies other than the U.S. dollar in the future, the majority of our sales contracts have historically been denominated in U.S. dollars, and therefore most of our revenues have not been subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our software to our customers outside of the United States, which could adversely affect our business, results of operations, financial condition and cash flows. For example, the U.S. election, subsequent actions of the new administration and the

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Brexit referendum have caused significant volatility in global stock markets and currency exchange rate fluctuations. In addition, we incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of such expenses being higher. This could have a negative impact on our reported results of operations. Although we may in the future decide to undertake foreign exchange hedging transactions to cover a portion of our foreign currency exchange exposure, we currently do not hedge our exposure to foreign currency exchange risks.

Adverse economic or market conditions may harm our business or impact our investment portfolio

We maintain an investment portfolio of various holdings, types, and maturities. These investments are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by unusual events that affect global financial markets. A significant part of our investment portfolio comprises U.S. government securities. If global credit and equity markets decline for long periods, or if there is a downgrade of the U.S. government credit rating due to an actual or threatened default on government debt, our investment portfolio may be adversely affected and we could determine that more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results.

We may require additional capital to fund our business and support our growth, and our inability to generate and obtain such capital on acceptable terms, or at all, could harm our business, operating results, financial condition and prospects.

We intend to continue to make substantial investments to fund our business and support our growth. In addition, we may require additional funds to respond to business challenges, including the need to develop new features or enhance our software, improve our operating infrastructure or acquire or develop complementary businesses and technologies. As a result, we may need to engage in equity or debt financings to provide the funds required for these and other business endeavors. 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. 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. We may not be able to obtain such 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. In addition, our inability to generate or obtain the financial resources needed may require us to delay, scale back, or eliminate some or all of our operations, which may have a material adverse effect on our business, operating results, financial condition and prospects.

Risks Related to Ownership of Our Class A Common Stock

Our stock price has been and will likely continue to be volatile or may decline regardless of our operating performance, resulting in the potential for substantial losses for our stockholders.

The trading price for shares of our Class A common stock has been, and is likely to continue to be, volatile for the foreseeable future. For example, since shares of our Class A common stock were sold in our initial public offering in May 2013 at a price of $31.00 per share, our Class A common stock's daily closing price on the New York Stock Exchange has ranged from $37.22 to $128.74 through May 2, 2018. On May 2, 2018, the closing price of our Class A common stock was $85.18.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the factors listed below and other factors described in this "Risk Factors" section:

- actual or anticipated fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors on a quarterly basis;

- 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;

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- 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 the overall stock market, including as a result of trends in the economy as a whole;
- changes in our board of directors or management;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- lawsuits threatened or filed against us;
- short sales, hedging and other derivative transactions involving our capital stock;
- general economic conditions in the United States and abroad;
- cyber attacks or incidents; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, stock markets 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 operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. Involvement in securities litigation 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.

Substantial future sales of shares of our Class A common stock could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock into the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock.

In addition, as of March 31, 2018, we had options outstanding that, if fully exercised, would result in the issuance of approximately 0.2 million and 2.6 million shares of Class A and Class B common stock, respectively. Our Class B common stock converts into Class A common stock on a one-for-one basis. All of the shares of Class A common stock issuable upon the exercise of options (or upon conversion of shares of Class B common stock issued upon the exercise of options) have been registered for public resale under the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, these shares will be able to be freely sold in the public market upon issuance as permitted by any applicable vesting requirements.

Future sales and issuances of our capital stock or rights to purchase capital stock could result in dilution of the percentage ownership of our stockholders and could cause our stock price to decline.

We may issue additional securities in the future. Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell Class A common stock, convertible securities and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences and privileges senior to those of holders of our Class A common stock.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

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

The dual class structure of our common stock and the existing ownership of capital stock by our executive officers, directors and their affiliates have the effect of concentrating voting control with our executive

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officers, directors and their affiliates for the foreseeable future, which will limit the ability of our other investors to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. As of March 31, 2018, the holders of shares of Class B common stock collectively beneficially owned shares representing approximately 67% of the voting power of our outstanding capital stock. Our executive officers and directors and their affiliates, collectively beneficially owned shares representing a majority of the voting power of our outstanding capital stock as of that date. Consequently, the holders of Class B common stock, including our executive officers and directors and their affiliates, collectively control all matters submitted to our stockholders for approval. This concentrated control limits the ability of our other investors to influence corporate matters for the foreseeable future. For example, these stockholders control elections of directors, amendments of our certificate of incorporation or bylaws, increases to the number of shares available for issuance under our equity incentive plans or adoption of new equity incentive plans, and approval of any merger or sale of assets for the foreseeable future. This control may adversely affect the market price of our Class A common stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long-term, which may include our executive officers and directors and their affiliates.

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

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

In addition, changing laws, regulations and standards 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 and standards 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 new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

Being a public company and these new rules and regulations have made it more expensive for us to obtain director and officer liability insurance, and in the future we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee and qualified executive officers.

As a result of disclosure of information in our filings with the SEC our business and financial condition have become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and results of operations.

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

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

Our share repurchase program may not achieve its objective to enhance long-term stockholder value and could increase the volatility of our stock price.

On November 1, 2016, we announced that our board of directors approved a stock repurchase program, under which we may repurchase up to $200 million of our outstanding Class A common stock. As of March 31, 2018, we had repurchased and retired 2,077,105 shares of our Class A common stock, under the existing stock repurchase program, for a total purchase price of $130.0 million. On April 26, 2018, our board of directors authorized us to repurchase up to an additional $300 million of our Class A common stock under our previously announced stock repurchase program. Including the additional $300 million, we are authorized to repurchase up to a remaining $370.0 million of our Class A common stock under the existing stock repurchase program. We cannot guarantee that our repurchase program will enhance long-term stockholder value. For example, the market price of our common stock may decline below the levels at which we repurchase our stock, and short-term stock price fluctuations could reduce the program's effectiveness. Our repurchases of common stock could also affect the market price of our common stock or increase its volatility. For example, the existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, the program does not obligate us to repurchase any dollar amount or number of shares of common stock and may be modified, suspended or discontinued at any time, and any of which could cause the market price of our stock to decline.

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 amended and restated certificate of incorporation and bylaws include provisions that:

- establish a classified board of directors so that not all members of our board of directors are elected at one time;
- permit the board of directors to establish the number of directors and fill any vacancies and newly-created directorships;
- provide that directors may only be removed for cause;
- require super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

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 holder of at least 15% of our capital stock for a period of three years following the date on which the stockholder became a 15% stockholder.

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ITEM 2. UNREGISTERED SALE OF SECURITIES AND USE OF PROCEEDS

Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

The following table sets forth for the indicated period, share repurchases of our Class A common stock.

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Program	Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
January 1, 2018 - January 31, 2018	—	$ —	—	$ 100,000
February 1, 2018 - February 28, 2018	317,261	$ 81.97	317,261	$ 73,993
March 1, 2018 - March 31, 2018	48,899	$ 81.82	48,899	$ 69,992

(1) All repurchases were made as part of our publicly announced stock repurchase program. On November 1, 2016, we announced that our board of directors approved a stock repurchase program, under which we may repurchase up to $200 million of our outstanding Class A common stock. The repurchase program has no expiration date and may be modified, suspended or discontinued at any time. On April 26, 2018, our board of directors authorized us to repurchase up to an additional $300 million of our Class A common stock under our previously announced stock repurchase program. Including the additional $300 million, we are authorized to repurchase up to a remaining $370.0 million of our Class A common stock under the existing stock repurchase program. For further information regarding our stock repurchase program, see Note 5 to the accompanying notes to the condensed consolidated financial statements.

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ITEM 6. EXHIBITS

Exhibits

Exhibit Number	Description
3.1[1]	Amended and Restated Certificate of Incorporation of Tableau Software, Inc.
3.2[2]	Amended and Restated Bylaws of Tableau Software, Inc.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Definition Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Registrant's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

(1) Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2013 (File No. 001-35925) and incorporated herein by reference.

(2) Filed as Exhibit 3.4 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-187683), filed with the Securities and Exchange Commission on April 2, 2013 and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements 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 this 7th day of May 2018.

TABLEAU SOFTWARE, INC.
By: /s/ Damon Fletcher

Damon Fletcher
Interim Chief Financial Officer (principal
financial and accounting officer
and duly authorized signatory)