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## NETSUITE ANNOUNCES FIRST QUARTER 2016 FINANCIAL RESULTS

- **Record Q1 Revenue of \$216.6 Million, a 31% Year-over-Year Increase**
- **Record Q1 Operating Cash Flows of \$31.3 Million, a 12% Year-over-Year Increase**

**SAN MATEO, Calif. - April 28, 2016**-NetSuite Inc. (NYSE: N), the industry's leading provider of cloud-based financials / ERP and omnichannel commerce software suites, today announced results for its first quarter ended March 31, 2016.

Total revenue for the first quarter of 2016 was \$216.6 million, representing a 31% increase over the same period in the prior year.

Cash flows from operations were \$31.3 million in the first quarter of 2016, up from \$28.0 million in the same period in the prior year.

On a GAAP basis, net loss for the first quarter of 2016 was \$29.7 million, or \$(0.37) per share, as compared to a net loss of \$22.7 million, or \$(0.29) per share, in the first quarter of 2015.

Non-GAAP net income for the first quarter of 2016 was \$9.0 million, or \$0.11 per share, which is comparable to the first quarter 2015 non-GAAP net income.

“NetSuite’s fiscal year 2016 started strong with record first quarter results as we grew year-over-year revenue by more than 30 percent for our fifteenth consecutive quarter.” said NetSuite CEO Zach Nelson. “Our financial results, and the results we are delivering for more than 10,000 companies operating around the globe, are driven by a new approach to building business software and by fantastic execution by our nearly 5,000 employees around the world.”

### Conference Call Details

A live audio webcast and replay of the call, together with detailed financial information, will be available on the Investor Relations section of NetSuite's website at <http://investors.netsuite.com>. The live call can be accessed by dialing 855-416-1337 (U.S.) or 779-232-4661 (outside the U.S.) and referencing passcode: 81102255. An audio replay will be available for two weeks after the call by dialing 855-859-2056 (U.S.) or 404-537-3406 (outside the U.S.), and referencing passcode: 81102255.

### About NetSuite

NetSuite Inc. is the industry’s leading provider of cloud-based financials / Enterprise Resource Planning (ERP) and omnichannel commerce software suites. In addition to financials/ERP and omnichannel commerce software suites, NetSuite offers a broad suite of applications, including financial management, ecommerce and retail management, commerce marketing automation and Professional Services Automation (PSA) that enable companies to manage most of their core business operations in its single

integrated suite. NetSuite software allows businesses to automate operations, streamline processes and access real-time business information anytime, anywhere. For more information about NetSuite, please visit [www.netsuite.com](http://www.netsuite.com).

### **Cautionary Note Regarding Forward-Looking Statements**

This press release and NetSuite's scheduled conference call contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 relating to, among other things, expectations, plans, prospects and financial results for NetSuite, including, but not limited to, our expectations regarding our products, market demand, future earnings, revenue and market share growth. These forward-looking statements are based upon the current expectations and beliefs of NetSuite's management as of the date of this press release and conference call, and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. All forward-looking statements made in this press release and during the conference call are based on information available to us as of the date thereof, and NetSuite disclaims any obligation to update these forward-looking statements.

In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: the market for on-demand services may develop more slowly than expected or than it has in the past; adverse and unpredictable macro-economic conditions or reduced investments in on-demand applications and information technology spending; quarterly operating results may fluctuate more than expected; unexpected disruptions of service at one or more of our data centers may occur; a security breach may impact operations; risks associated with material defects or errors in our software or the effect of undetected computer viruses could impact operations; the risk of technological developments and innovations by others; our ability to successfully identify other businesses and technologies for acquisition that will complement our business and the ability to successfully acquire and integrate those businesses and technologies; the risk of loss of power or disruption in Internet service; failure to manage growth and effectively scale the organization; failure to protect and enforce our intellectual property rights; assertions by third parties that we infringe their intellectual property rights; the ability to manage operations when faced with competitive pricing and marketing strategies by competitors or changing macro-economic conditions; the risk of losing key employees; evolving government regulation of the Internet, data privacy and ecommerce; changes to current accounting rules; changes in foreign exchange rates; and general political or destabilizing events, including war, conflict or acts of terrorism; and other risks and uncertainties.

Customers who purchase our services should make sure the decisions are based on features that are currently available. Please be advised that any unreleased services or features from NetSuite referenced in today's discussion or other public statements are not currently available and may not be delivered on time or at all.

For a detailed discussion of these and other cautionary statements, please refer to the risk factors discussed in filings with the U.S. Securities and Exchange Commission ("SEC"), including but not limited to our Annual Report on Form 10-K filed on February 24, 2016 and any subsequently filed reports on Forms 10-K, 10-Q and 8-K. All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval system ("EDGAR") at [www.sec.gov](http://www.sec.gov) or NetSuite's website at [www.netsuite.com](http://www.netsuite.com).

### **Non-GAAP Financial Measures**

Our stated results include certain non-GAAP financial measures, including non-GAAP operating income, net income, weighted average shares outstanding, and net income per share. Non-GAAP operating income excludes expenses related to stock-based compensation expense, amortization of intangible assets,

and transaction costs for business combinations. Non-GAAP net income excludes expenses related to stock-based compensation expense, amortization of intangible assets, transaction costs for business combinations, non-cash interest expense on convertible debt and income tax benefit associated with business combination. Non-GAAP operating income and non-GAAP net income exclude these expenses as they are often excluded by other companies to help investors understand the operational performance of their business, and in the case of stock-based compensation, can be difficult to predict. We believe these adjustments provide useful comparative information to investors.

We consider these non-GAAP financial measures to be important because they provide useful measures of our operating performance and are used by our management for that purpose. In addition, investors often use measures such as these to evaluate the operating performance of a company. Non-GAAP results are presented for supplemental informational purposes only for understanding our operating results. The non-GAAP results should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles, and may be different from non-GAAP measures used by other companies.

A copy of this press release can be found on our Investor Relations website at [www.netsuite.com/investors](http://www.netsuite.com/investors). The contents of the website are not incorporated by reference into this press release.

NOTE: NetSuite and the NetSuite logo are registered service marks of NetSuite Inc.

**NetSuite Inc.**  
**Condensed Consolidated Balance Sheets**  
*(dollars in thousands)*  
*(unaudited)*

	<i>March 31,</i> <i>2016</i>	<i>December 31,</i> <i>2015</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 309,151	\$ 289,966
Short-term marketable securities	73,680	74,748
Accounts receivable, net of allowances of \$2,824 and \$1,988 as of March 31, 2016 and December 31, 2015, respectively	162,795	176,720
Deferred commissions	67,097	69,579
Other current assets	57,738	44,087
Total current assets	<u>670,461</u>	<u>655,100</u>
Marketable securities, non-current	4,471	13,875
Property and equipment, net	95,278	89,643
Deferred commissions, non-current	16,345	15,287
Goodwill	300,261	291,956
Other intangible assets, net	58,471	60,980
Other assets	10,176	10,756
Total assets	<u>\$ 1,155,463</u>	<u>\$ 1,137,597</u>
<b>Liabilities and total equity</b>		
Current liabilities:		
Accounts payable	\$ 3,039	\$ 3,545
Deferred revenue	418,229	404,986
Accrued compensation	51,610	55,586
Accrued expenses	35,664	37,901
Other current liabilities	24,093	17,032
Total current liabilities	<u>532,635</u>	<u>519,050</u>
Long-term liabilities:		
Convertible 0.25% senior notes, net	278,031	274,576
Deferred revenue, non-current	20,678	22,743
Other long-term liabilities	15,382	15,027
Total long-term liabilities	<u>314,091</u>	<u>312,346</u>
Total liabilities	<u>846,726</u>	<u>831,396</u>
Total equity:		
Common stock	804	798
Additional paid-in capital	1,023,512	992,362
Accumulated other comprehensive loss	(11,884)	(13,009)
Accumulated deficit	(703,695)	(673,950)
Total equity	<u>308,737</u>	<u>306,201</u>
Total liabilities and total equity	<u>\$ 1,155,463</u>	<u>\$ 1,137,597</u>

**NetSuite Inc.**  
**Condensed Consolidated Statements of Operations**  
*(dollars and shares in thousands, except per share amounts)*  
*(unaudited)*

	<i>Three months ended</i>				
	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>September 30, 2015</i>	<i>June 30, 2015</i>	<i>March 31, 2015</i>
<b>Revenue:</b>					
Subscription and support	\$ 173,334	\$ 164,536	\$ 154,661	\$ 140,922	\$ 132,974
Professional services and other	43,244	41,693	38,162	36,358	31,843
<b>Total revenue</b>	<b>216,578</b>	<b>206,229</b>	<b>192,823</b>	<b>177,280</b>	<b>164,817</b>
<b>Cost of revenue:</b>					
Subscription and support (1)	29,791	27,594	25,983	22,454	20,990
Professional services and other (1)	42,061	40,236	40,113	36,687	31,371
<b>Total cost of revenue</b>	<b>71,852</b>	<b>67,830</b>	<b>66,096</b>	<b>59,141</b>	<b>52,361</b>
<b>Gross profit</b>	<b>144,726</b>	<b>138,399</b>	<b>126,727</b>	<b>118,139</b>	<b>112,456</b>
<b>Operating expenses:</b>					
Product development (1)	37,852	37,176	36,112	32,537	29,719
Sales and marketing (1)	109,691	107,539	102,145	95,803	83,254
General and administrative (1)	22,294	21,202	21,824	25,642	18,433
<b>Total operating expenses</b>	<b>169,837</b>	<b>165,917</b>	<b>160,081</b>	<b>153,982</b>	<b>131,406</b>
<b>Operating loss</b>	<b>(25,111)</b>	<b>(27,518)</b>	<b>(33,354)</b>	<b>(35,843)</b>	<b>(18,950)</b>
Other income / (expenses) and income taxes, net (1)	(4,634)	(4,885)	(3,986)	3,556	(3,763)
<b>Net loss</b>	<b>(29,745)</b>	<b>(32,403)</b>	<b>(37,340)</b>	<b>(32,287)</b>	<b>(22,713)</b>
<b>Net loss per share</b>	<b>\$ (0.37)</b>	<b>\$ (0.41)</b>	<b>\$ (0.47)</b>	<b>\$ (0.41)</b>	<b>\$ (0.29)</b>
<b>Weighted average number of shares used in computing net loss per common share</b>	<b>80,086</b>	<b>79,615</b>	<b>79,186</b>	<b>77,975</b>	<b>77,276</b>

- (1) Includes stock-based compensation expense, amortization of intangible assets, transaction costs for business combinations, non-cash interest expense on convertible debt and income tax benefit associated with business combination as follows:

	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>September 30, 2015</i>	<i>June 30, 2015</i>	<i>March 31, 2015</i>
<b>Cost of revenue:</b>					
Subscription and support	\$ 3,772	\$ 3,603	\$ 3,438	\$ 2,646	\$ 2,513
Professional services and other	2,647	2,750	4,296	2,826	2,796
<b>Operating expenses:</b>					
Product development	9,485	8,488	8,094	8,421	7,784
Sales and marketing	11,495	12,307	12,940	11,196	9,271
General and administrative	7,885	6,142	8,270	13,524	6,074
Other income / (expenses) and income taxes, net	(3,455)	(3,452)	(2,932)	4,613	(3,294)
<b>Total</b>	<b>\$ 38,739</b>	<b>\$ 36,742</b>	<b>\$ 39,970</b>	<b>\$ 34,000</b>	<b>\$ 31,732</b>

**NetSuite Inc.**  
**Reconciliation of GAAP Results to Non-GAAP Results**  
*(dollars and shares in thousands, except per share amounts)*  
*(unaudited)*

	<i>Three months ended</i>				
	<i>March 31, 2016</i>	<i>December 31, 2015</i>	<i>September 30, 2015</i>	<i>June 30, 2015</i>	<i>March 31, 2015</i>
<b>Reconciliation between GAAP operating loss and non-GAAP operating income:</b>					
Operating loss	\$ (25,111)	\$ (27,518)	\$ (33,354)	\$ (35,843)	\$ (18,950)
<b>Reversal of non-GAAP expenses:</b>					
Stock-based compensation and amortization of capitalized stock-based compensation (a)	29,655	27,724	28,686	28,489	25,331
Amortization of intangible assets and business combination costs (b)	5,629	5,566	8,352	10,124	3,107
Non-GAAP operating income	<u>\$ 10,173</u>	<u>\$ 5,772</u>	<u>\$ 3,684</u>	<u>\$ 2,770</u>	<u>\$ 9,488</u>
<b>Numerator:</b>					
<b>Reconciliation between GAAP net loss and non-GAAP net income:</b>					
Net loss	\$ (29,745)	\$ (32,403)	\$ (37,340)	\$ (32,287)	\$ (22,713)
Stock-based compensation and amortization of capitalized stock-based compensation (a)	29,655	27,724	28,686	28,489	25,331
Amortization of intangible assets and business combination costs (b)	5,629	5,566	8,352	10,124	3,107
Non-cash interest expense on convertible debt (c)	3,455	3,452	3,447	3,346	3,294
Income tax benefit associated with business combination (d)	—	—	(515)	(7,959)	—
Non-GAAP net income	<u>\$ 8,994</u>	<u>\$ 4,339</u>	<u>\$ 2,630</u>	<u>\$ 1,713</u>	<u>\$ 9,019</u>
<b>Denominator:</b>					
<b>Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income / (loss) per common share:</b>					
Weighted average number of shares used in computing net loss per common share	80,086	79,615	79,186	77,975	77,276
Effect of dilutive securities (stock options, restricted stock awards and ESPP) (e)	737	1,042	1,188	1,296	1,477
Non-GAAP weighted average shares used in computing non-GAAP net income per common share	<u>80,823</u>	<u>80,657</u>	<u>80,374</u>	<u>79,271</u>	<u>78,753</u>
GAAP net loss per share	<u>\$ (0.37)</u>	<u>\$ (0.41)</u>	<u>\$ (0.47)</u>	<u>\$ (0.41)</u>	<u>\$ (0.29)</u>
Non-GAAP net income per share	<u>\$ 0.11</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.11</u>

**Use of Non-GAAP Financial Measures**

To supplement our condensed consolidated financial statements presented on a GAAP basis, NetSuite uses non-GAAP measures of operating income, net income, weighted average shares outstanding and net income per share, which are adjusted to exclude stock-based compensation expense, amortization of acquisition-related intangible assets, transaction costs for business combinations, non-cash interest expense on convertible debt and income tax benefits associated with business

combinations and includes dilutive shares where applicable. We believe these adjustments are appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future.

These adjustments to our current period GAAP results are made with the intent of providing both management and investors a more complete understanding of NetSuite's underlying operating results and trends and our marketplace performance.

The non-GAAP results are an indication of our baseline performance that are considered by management for the purpose of making operational decisions. In addition, these non-GAAP results are the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for operating loss, net loss or basic and diluted net loss per share prepared in accordance with generally accepted accounting principles in the United States. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and are subject to limitations.

While a large component of our expense in certain periods, we believe investors may want to exclude the effects of these items in order to compare our financial performance with that of other companies and between time periods:

- (a) Stock-based compensation is a non-cash expense accounted for in accordance with FASB ASC Topic 718. We believe that the exclusion of stock-based compensation expense allows for financial results that are more indicative of our operational performance and provide for a useful comparison of our operating results to prior periods and to our peer companies because stock-based compensation expense varies from period to period and company to company due to such things as differing valuation methodologies and changes in stock price. Additionally, we capitalize equity based compensation costs in connection with our capitalization of internally developed software costs. These equity based compensation costs are included in cost of revenue when the internally developed software costs are amortized. As such, we included these costs in the stock-based compensation line item to determine both non-GAAP operating income and non-GAAP net income.
- (b) Amortization of intangible assets and transaction costs related to business combinations resulted principally from mergers and acquisitions. Expense for the amortization of intangible assets is a non-cash item, and we believe the exclusion of this amortization expense provides for a useful comparison of our operating results to prior periods and to our peer companies. Business combinations result in non-continuing operating expenses which would not otherwise have been incurred by us in the normal course of our business operations. We believe the exclusion of acquisition related expense items allows for financial results that are more indicative of our continuing operations and provide for a useful comparison of our operating results to prior periods and to our peer companies.
- (c) During the second quarter of 2013, we issued \$310.0 million in senior convertible debt with a coupon interest rate of 0.25%. Interest is paid semiannually on June 1 and December 1 over the five year term of the debt. In connection with this convertible debt, we are required to recognize non-cash interest expense, including debt transaction costs, in accordance with the authoritative accounting guidance for convertible debt that may be settled in cash. We exclude this incremental non-cash interest expense, including debt transaction costs, for purposes of calculating non-GAAP net income and non-GAAP net income per share. We believe that excluding these expenses from our non-GAAP measures is useful to investors because the incremental interest expense does not represent a cash outflow for the company and the debt transactions cost do not represent a cash outflow for the company except in the period the debt was issued and therefore both are not indicative of our continuing operations or meaningful in evaluating current versus past business results. Finally, we believe that non-GAAP measures of profitability that exclude non-cash interest expense and debt transaction costs are widely used by analysts and investors.
- (d) In connection with our business acquisitions in the second and third quarters of 2015, we recorded an income tax benefit that reduced our income tax provision in each of the respective quarters. These income tax benefits are non-cash items that would not otherwise have been incurred in the normal course of our business operations. We believe that the exclusion of acquisition related items allows for financial results that are more indicative of our continuing operations and provide for a useful comparison of our operating results to prior periods and to our peer companies.
- (e) These securities are anti-dilutive on a GAAP basis as a result of the Company's net loss, but are considered dilutive on a non-GAAP basis in periods where the Company has reported positive non-GAAP earnings.

**NetSuite Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(dollars in thousands)*  
*(unaudited)*

	<i>Three Months Ended March 31,</i>	
	<i>2016</i>	<i>2015</i>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (29,745)	\$ (22,713)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	8,909	6,500
Amortization of other intangible assets	4,906	3,097
Amortization of debt discount and transaction costs	3,455	3,294
Provision for accounts receivable allowances	850	347
Stock-based compensation	29,354	25,069
Amortization of deferred commissions	28,705	22,349
Excess tax benefit on stock-based compensation	(6)	(55)
<b>Changes in operating assets and liabilities, net of acquired assets and liabilities:</b>		
Accounts receivable	13,173	16,134
Deferred commissions	(27,280)	(20,108)
Other current assets	(13,075)	(8,271)
Other assets	814	466
Accounts payable	5	(865)
Accrued compensation	(4,420)	(6,449)
Deferred revenue	10,673	8,940
Other current liabilities	4,130	401
Other long-term liabilities	866	(169)
<b>Net cash provided by operating activities</b>	<b>31,314</b>	<b>27,967</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(13,204)	(11,764)
Capitalized internal use software	(538)	(936)
Cash paid in business combinations, net of amounts received	(9,269)	—
Purchases of marketable securities	(33,100)	(33,798)
Maturities of marketable securities	35,685	45,573
Sales of marketable securities	7,780	104
<b>Net cash used in investing activities</b>	<b>(12,646)</b>	<b>(821)</b>
<b>Cash flows from financing activities:</b>		
Payments under capital leases	(16)	(51)
Payments under capital leases and long-term debt - related party	(713)	(682)
Payments related to business combinations	—	(600)
RSUs acquired to settle employee withholding liability	(53)	(6,818)
Excess tax benefit on stock-based compensation	6	55
Proceeds from issuance of common stock	1,657	1,060
<b>Net cash provided by / (used in) financing activities</b>	<b>881</b>	<b>(7,036)</b>
Effect of exchange rate changes on cash and cash equivalents	(364)	(1,045)
<b>Net change in cash and cash equivalents</b>	<b>19,185</b>	<b>19,065</b>
Cash and cash equivalents at beginning of period	289,966	367,769
<b>Cash and cash equivalents at end of period</b>	<b>\$ 309,151</b>	<b>\$ 386,834</b>