

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report: October 24, 2017  
(Date of earliest event reported)

**AKAMAI TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation)

0-27275  
(Commission File Number)

04-3432319  
(IRS Employer Identification No.)

150 Broadway  
Cambridge, Massachusetts 02142  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (617) 444-3000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

**Item 2.02 Results of Operations and Financial Condition**

On October 24, 2017, Akamai Technologies, Inc. ("Akamai" or the "Company") announced its financial results for the fiscal quarter ended September 30, 2017. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information provided under this Form 8-K (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release dated October 24, 2017</a>

## 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 hereunto duly authorized.

Dated: October 24, 2017

AKAMAI TECHNOLOGIES, INC.

/s/ James Benson

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James Benson

Chief Financial Officer

## FOR IMMEDIATE RELEASE

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**AKAMAI REPORTS THIRD QUARTER 2017 FINANCIAL RESULTS**

**Company exceeds guidance on top and bottom line with revenue of \$621 million,  
 GAAP EPS of \$0.35 per diluted share and non-GAAP EPS of \$0.62 per diluted share**

**CAMBRIDGE, Mass. – October 24, 2017** – Akamai Technologies, Inc. (NASDAQ: AKAM), the world's largest and most trusted cloud delivery platform, today reported financial results for the third quarter ended September 30, 2017.

“Akamai delivered another strong quarter of top and bottom line performance,” said Dr. Tom Leighton, CEO of Akamai. “Revenue achievement in the quarter was driven by continued strong growth of our Cloud Security Solutions and an acceleration of traffic growth in our Media business.”

Akamai delivered the following financial results for the third quarter ended September 30, 2017:

**Revenue:** Revenue was \$621 million, a 6% increase over third quarter 2016 revenue of \$584 million and a 6% increase when adjusted for foreign exchange.\*

*Customer Revenue by Division<sup>(1)</sup>:*

- Web Division revenue was \$328 million, up 14% year-over-year and when adjusted for foreign exchange\*
- Media Division revenue was \$273 million, down 1% year-over-year and when adjusted for foreign exchange\*
- Enterprise and Carrier Division revenue was \$20 million, up 2% year-over-year and up 1% when adjusted for foreign exchange\*

*Revenue by Solution Category<sup>(2)</sup>:*

- Performance and Security Solutions revenue was \$381 million, up 11% year-over-year and up 10% when adjusted for foreign exchange\*
- Cloud Security Solutions revenue, a component of Performance and Security, was \$121 million, up 27% year-over-year and when adjusted for foreign exchange\*
- Media Delivery Solutions revenue was \$183 million, down 3% year-over-year and when adjusted for foreign exchange\*
- Services and Support Solutions revenue was \$57 million, up 12% year-over-year and when adjusted for foreign exchange\*

*Revenue by Geography:*

- U.S. revenue was \$409 million, up 1% year-over-year
- International revenue was \$213 million, up 18% year-over-year and when adjusted for foreign exchange\*

*Revenue from Internet Platform Customers<sup>(3)</sup>:*

- Revenue from Internet Platform Customers was \$51 million, down 13% year-over-year and when adjusted for foreign exchange\*
- Revenue excluding Internet Platform Customers was \$571 million, up 9% year-over-year and up 8% when adjusted for foreign exchange\*

**Income from operations:** GAAP income from operations was \$86 million, a 23% decrease from third quarter 2016. GAAP operating margin for the third quarter was 14%, down 5 percentage points from the same period last year.

Non-GAAP income from operations\* was \$142 million, a 13% decrease from third quarter 2016. Non-GAAP operating margin\* for the third quarter was 23%, down 5 percentage points from the same period last year.

**Net income:** GAAP net income was \$61 million, a 20% decrease from third quarter 2016. Non-GAAP net income\* was \$107 million, an 11% decrease from third quarter 2016.

**EPS:** GAAP EPS was \$0.35 per diluted share, a 19% decrease from third quarter 2016 and a 17% decrease when adjusted for foreign exchange.\* The year-over-year GAAP EPS growth rate, when adjusted for both foreign exchange\* and the dilutive impact of the Company's acquisition of Soasta, Inc.,\* was a decrease of 10%.

Non-GAAP EPS was \$0.62 per diluted share, a 9% decrease from third quarter 2016 and an 8% decrease when adjusted for foreign exchange.\* The year-over-year non-GAAP EPS growth rate, when adjusted for both foreign exchange\* and the dilutive impact of the Company's acquisition of Soasta, Inc.,\* was a decrease of 5%.

**Adjusted EBITDA\*:** Adjusted EBITDA was \$226 million, a 5% decrease from third quarter 2016. Adjusted EBITDA margin\* was 36%, down 5 percentage points from the third quarter of 2016.

#### **Other third quarter 2017 results:**

- Cash from operations was \$236 million, or 38% of revenue
- Cash, cash equivalents and marketable securities as of September 30, 2017 was \$1.4 billion
- The Company spent \$129 million to repurchase 2.7 million shares of its common stock at an average price of \$47.75 per share
- The Company had approximately 170 million shares of common stock outstanding as of September 30, 2017

\* See Use of Non-GAAP Financial Measures below for definitions

- (1) Customer revenue by division – A customer-focused reporting view that reflects revenue from customers that are managed by the division. During the first quarter of 2017, the divisional categorization of certain customers was adjusted based on how those customer categorizations are currently being managed. The historical presentation of divisional revenue was revised in order to reflect the most recent categorization and to provide a comparable view for all periods presented.
- (2) Revenue by solution category – A product-focused reporting view that reflects revenue by solution purchased
- (3) Internet Platform Customers – Six customers that are large Internet platform companies: Amazon, Apple, Facebook, Google, Microsoft and Netflix

#### **Quarterly Conference Call**

Akamai will host a conference call today at 4:30 p.m. ET that can be accessed through 1-844-578-9671 (or 1-508-637-5655 for international calls) and using passcode 89360127. A live webcast of the call may be accessed at [www.akamai.com](http://www.akamai.com) in the Investor section. In addition, a replay of the call will be available for two weeks following the conference by calling 1-855-859-2056 (or 1-404-537-3406 for international calls) and using passcode 89360127. The archived webcast of this event may be accessed through the Akamai website.

#### **About Akamai**

As the world's largest and most trusted cloud delivery platform, Akamai makes it easier for its customers to provide the best and most secure digital experiences on any device, anytime, anywhere. Akamai's massively distributed platform is unparalleled in scale with over 200,000 servers across 130 countries, giving customers superior performance and threat protection. Akamai's portfolio of web and mobile performance, cloud security, enterprise access, and video delivery solutions are supported by exceptional customer service and 24/7 monitoring. To learn why the top financial institutions, e commerce leaders, media & entertainment providers, and government organizations trust Akamai please visit [www.akamai.com](http://www.akamai.com), [blogs.akamai.com](http://blogs.akamai.com), or @Akamai on Twitter.

**AKAMAI TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

<i>(in thousands)</i>	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 368,152	\$ 324,169
Marketable securities	383,849	512,849
Accounts receivable, net	400,839	368,596
Prepaid expenses and other current assets	142,943	104,303
Total current assets	1,295,783	1,309,917
Property and equipment, net	883,754	801,017
Marketable securities	661,929	779,311
Goodwill	1,358,762	1,228,503
Acquired intangible assets, net	176,288	149,463
Deferred income tax assets	18,930	8,982
Other assets	113,688	95,953
Total assets	<u>\$ 4,509,134</u>	<u>\$ 4,373,146</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 88,339	\$ 76,120
Accrued expenses	267,966	238,777
Deferred revenue	64,716	52,972
Other current liabilities	9,285	6,719
Total current liabilities	430,306	374,588
Deferred revenue	4,224	3,758
Deferred income tax liabilities	15,984	11,652
Convertible senior notes	657,131	640,087
Other liabilities	128,834	118,691
Total liabilities	1,236,479	1,148,776
Total stockholders' equity	3,272,655	3,224,370
Total liabilities and stockholders' equity	<u>\$ 4,509,134</u>	<u>\$ 4,373,146</u>

**AKAMAI TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands, except per share data)</i>					
Revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Costs and operating expenses:					
Cost of revenue <sup>(1) (2)</sup>	225,468	214,650	204,467	645,821	605,526
Research and development <sup>(1)</sup>	57,226	53,373	42,341	162,761	120,873
Sales and marketing <sup>(1)</sup>	120,220	119,432	102,626	353,218	308,060
General and administrative <sup>(1) (2)</sup>	124,523	123,518	113,320	363,050	323,141
Amortization of acquired intangible assets	7,753	7,753	6,598	23,075	20,025
Restructuring charges	332	2,971	2,948	3,303	10,236
Total costs and operating expenses	535,522	521,697	472,300	1,551,228	1,387,861
Income from operations	85,877	87,211	111,765	288,316	336,064
Interest income	4,463	4,281	3,809	13,368	10,522
Interest expense	(4,746)	(4,646)	(4,666)	(13,989)	(13,958)
Other income, net	535	563	778	414	1,004
Income before provision for income taxes	86,129	87,409	111,686	288,109	333,632
Provision for income taxes	25,617	29,637	35,686	88,895	109,139
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Net income per share:					
Basic	\$ 0.35	\$ 0.33	\$ 0.44	\$ 1.16	\$ 1.28
Diluted	\$ 0.35	\$ 0.33	\$ 0.43	\$ 1.15	\$ 1.27
Shares used in per share calculations:					
Basic	170,976	172,674	174,429	172,269	175,444
Diluted	171,505	173,439	175,617	173,371	176,525

(1) Includes stock-based compensation (see supplemental table for figures)

(2) Includes depreciation and amortization (see supplemental table for figures)

**AKAMAI TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Cash flows from operating activities<sup>(1)</sup>:</b>					
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	97,178	89,206	84,511	272,917	250,294
Stock-based compensation	41,848	41,269	38,652	122,103	105,304
(Benefit) provision for deferred income taxes	(14,066)	7,396	(16,646)	25,302	(13,861)
Amortization of debt discount and issuance costs	4,746	4,646	4,666	13,989	13,958
Other non-cash reconciling items, net	2,046	1,738	4,866	3,655	8,367
Changes in operating assets and liabilities, net of effects of acquisitions:					
Accounts receivable	(1,326)	12,273	4,691	(19,199)	22,477
Prepaid expenses and other current assets	15,913	(3,043)	15,005	(34,195)	4,014
Accounts payable and accrued expenses	39,691	6,399	42,610	22,150	54,892
Deferred revenue	(9,415)	(470)	(5,241)	991	6,885
Other current liabilities	(2,250)	2,385	(2,301)	3,651	4,670
Other non-current assets and liabilities	1,414	5,062	5,035	(7,036)	6,097
Net cash provided by operating activities	236,291	224,633	251,848	603,542	687,590
<b>Cash flows from investing activities:</b>					
Cash paid for acquired businesses, net of cash acquired	—	(197,191)	(2,936)	(197,201)	(2,936)
Purchases of property and equipment and capitalization of internal-use software development costs	(119,740)	(97,005)	(79,870)	(307,926)	(240,351)
Purchases of short- and long-term marketable securities	(67,879)	(88,913)	(230,223)	(249,098)	(614,808)
Proceeds from sales and maturities of short- and long-term marketable securities	85,263	88,978	204,190	498,379	556,533
Other non-current assets and liabilities	(646)	(19)	(1,633)	(1,895)	(3,145)
Net cash used in investing activities	(103,002)	(294,150)	(110,472)	(257,741)	(304,707)
<b>Cash flows from financing activities:</b>					
Proceeds from the issuance of common stock under stock plans	16,060	8,150	15,244	41,740	42,339
Employee taxes paid related to net share settlement of stock-based awards	(6,784)	(7,417)	(6,150)	(48,122)	(38,560)
Repurchases of common stock	(129,014)	(105,148)	(95,157)	(306,629)	(294,867)
Other non-current assets and liabilities	—	(1,096)	—	(1,096)	—
Net cash used in financing activities	(119,738)	(105,511)	(86,063)	(314,107)	(291,088)
Effects of exchange rate changes on cash and cash equivalents	2,100	5,210	(154)	12,289	535
Net increase (decrease) in cash and cash equivalents	15,651	(169,818)	55,159	43,983	92,330
Cash and cash equivalents at beginning of period	352,501	522,319	326,644	324,169	289,473
Cash and cash equivalents at end of period	\$ 368,152	\$ 352,501	\$ 381,803	\$ 368,152	\$ 381,803

(1) On January 1, 2017, the Company adopted Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. Under this standard, excess tax benefits are no longer classified as a reduction of cash flows from operating activities. The Company retrospectively adopted this standard and revised cash flows from operating activities by \$0.4 million and \$3.1 million for the three and nine months ended September 30, 2016, respectively. The increase caused a corresponding decrease to cash flows from financing activities.

**AKAMAI TECHNOLOGIES, INC.**  
**SUPPLEMENTAL REVENUE DATA BY DIVISION**

<i>(in thousands)</i>	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Customer revenue by division<sup>(1)</sup>:</b>					
Web Division	\$ 327,926	\$ 314,988	\$ 288,104	\$ 947,600	\$ 828,662
Media Division	273,415	276,071	276,205	834,887	843,756
Enterprise and Carrier Division	20,058	17,849	19,756	57,057	51,507
Total revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
<b>Revenue growth rates year-over-year:</b>					
Web Division	14 %	15 %	17 %	14 %	16 %
Media Division	(1)	(2)	(5)	(1)	(2)
Enterprise and Carrier Division	2	9	41	11	32
Total revenue	6 %	6 %	6 %	7 %	7 %
<b>Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates<sup>(2)</sup>:</b>					
Web Division	14 %	16 %	16 %	15 %	16 %
Media Division	(1)	(1)	(5)	(1)	(2)
Enterprise and Carrier Division	1	10	41	11	33
Total revenue	6 %	7 %	5 %	7 %	7 %

**AKAMAI TECHNOLOGIES, INC.**  
**SUPPLEMENTAL REVENUE DATA BY SOLUTION CATEGORY**

<i>(in thousands)</i>	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Revenue by solution category<sup>(3)</sup>:</b>					
Performance and Security Solutions	\$ 381,461	\$ 375,807	\$ 345,118	\$ 1,126,416	\$ 987,623
Media Delivery Solutions	182,753	178,905	188,075	549,054	591,091
Services and Support Solutions	57,185	54,196	50,872	164,074	145,211
Total revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
Cloud Security Solutions revenue	\$ 121,420	\$ 115,135	\$ 95,232	\$ 346,313	\$ 262,872
<b>Revenue growth rates year-over-year:</b>					
Performance and Security Solutions	11 %	15 %	19 %	14 %	17 %
Media Delivery Solutions	(3)	(9)	(14)	(7)	(9)
Services and Support Solutions	12	12	17	13	17
Total revenue	6 %	6 %	6 %	7 %	7 %
Cloud Security Solutions revenue growth rates	27 %	32 %	46 %	32 %	45 %
<b>Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates<sup>(2)</sup>:</b>					
Performance and Security Solutions	10 %	16 %	19 %	15 %	17 %
Media Delivery Solutions	(3)	(9)	(15)	(7)	(9)
Services and Support Solutions	12	13	16	13	17
Total revenue	6 %	7 %	5 %	7 %	7 %
Cloud Security Solutions revenue growth rates	27 %	34 %	46 %	33 %	45 %

- (1) See customer revenue by division definition in press release  
(2) See Use of Non-GAAP Financial Measures below for a definition  
(3) See revenue by solution category definition in press release

**AKAMAI TECHNOLOGIES, INC.**  
**SUPPLEMENTAL REVENUE DATA BY GEOGRAPHY**

<i>(in thousands)</i>	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Revenue by geography:</b>					
U.S.	\$ 408,544	\$ 403,085	\$ 404,065	\$ 1,218,194	\$ 1,196,433
International	212,855	205,823	180,000	621,350	527,492
Total revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
<b>Revenue growth rates year-over-year:</b>					
U.S.	1%	2%	1%	2%	1%
International	18	16	20	18	23
Total revenue	6%	6%	6%	7%	7%
<b>Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates<sup>(1)</sup>:</b>					
U.S.	1%	2%	1%	2%	1%
International	18	19	17	20	23
Total revenue	6%	7%	5%	7%	7%

**AKAMAI TECHNOLOGIES, INC.**  
**SUPPLEMENTAL REVENUE DATA FOR INTERNET PLATFORM CUSTOMERS**

<i>(in thousands)</i>	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue from Internet Platform Customers <sup>(2)</sup>	\$ 50,567	\$ 51,169	\$ 58,012	\$ 153,103	\$ 192,014
Revenue excluding Internet Platform Customers	570,832	557,739	526,053	1,686,441	1,531,911
Total revenue	\$ 621,399	\$ 608,908	\$ 584,065	\$ 1,839,544	\$ 1,723,925
<b>Revenue growth rates year-over-year:</b>					
Revenue from Internet Platform Customers	(13)%	(17)%	(39)%	(20)%	(33)%
Revenue excluding Internet Platform Customers	9	9	15	10	15
Total revenue	6%	6%	6%	7%	7%
<b>Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates<sup>(1)</sup>:</b>					
Revenue from Internet Platform Customers	(13)%	(17)%	(40)%	(20)%	(33)%
Revenue excluding Internet Platform Customers	8	10	15	11	15
Total revenue	6%	7%	5%	7%	7%

(1) See Use of Non-GAAP Financial Measures below for a definition  
(2) See Internet Platform Customers definition in press release

**AKAMAI TECHNOLOGIES, INC.**  
**OTHER SUPPLEMENTAL FINANCIAL DATA**

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands, except end of period statistics)</i>					
<b>Stock-based compensation:</b>					
Cost of revenue	\$ 5,296	\$ 5,074	\$ 4,701	\$ 15,055	\$ 13,224
Research and development	10,100	9,614	7,727	28,743	20,917
Sales and marketing	15,672	13,951	14,729	44,780	40,340
General and administrative	10,780	12,630	11,495	33,525	30,823
Total stock-based compensation	\$ 41,848	\$ 41,269	\$ 38,652	\$ 122,103	\$ 105,304
<b>Depreciation and amortization:</b>					
Network-related depreciation	\$ 64,369	\$ 59,170	\$ 57,521	\$ 180,383	\$ 171,310
Other depreciation and amortization	19,320	17,727	16,409	55,256	47,297
Depreciation of property and equipment	83,689	76,897	73,930	235,639	218,607
Capitalized stock-based compensation amortization	5,046	3,972	3,544	12,489	10,429
Capitalized interest expense amortization	690	584	439	1,714	1,233
Amortization of acquired intangible assets	7,753	7,753	6,598	23,075	20,025
Total depreciation and amortization	\$ 97,178	\$ 89,206	\$ 84,511	\$ 272,917	\$ 250,294
<b>Capital expenditures, excluding stock-based compensation and interest expense<sup>(1)(2)</sup>:</b>					
Purchases of property and equipment	\$ 62,755	\$ 64,522	\$ 51,332	\$ 183,777	\$ 152,125
Capitalized internal-use software development costs	45,213	40,957	35,507	123,255	106,967
Total capital expenditures, excluding stock-based compensation and interest expense	\$ 107,968	\$ 105,479	\$ 86,839	\$ 307,032	\$ 259,092
<b>End of period statistics:</b>					
Number of employees	7,438	7,084	6,334		

(1) Capital expenditures presented in this table are reported on an accrual basis, which differs from the cash-basis presentation in the statements of cash flows. The primary difference between the two is the change in purchases of property and equipment and capitalization of internal-use software development costs accrued for, but not paid, at period end.

(2) See Use of Non-GAAP Financial Measures below for a definition

## AKAMAI TECHNOLOGIES, INC.

## RECONCILIATION OF GAAP TO NON-GAAP INCOME FROM OPERATIONS, NET INCOME AND NET INCOME PER DILUTED SHARE

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands, except per share data)</i>					
Income from operations	\$ 85,877	\$ 87,211	\$ 111,765	\$ 288,316	\$ 336,064
GAAP operating margin	14%	14%	19%	16%	19%
Amortization of acquired intangible assets	7,753	7,753	6,598	23,075	20,025
Stock-based compensation	41,848	41,269	38,652	122,103	105,304
Amortization of capitalized stock-based compensation and capitalized interest expense	5,736	4,556	3,983	14,203	11,662
Restructuring charges	332	2,971	2,948	3,303	10,236
Acquisition-related costs	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Operating adjustments	56,199	59,606	52,422	166,063	148,640
Non-GAAP income from operations	\$ 142,076	\$ 146,817	\$ 164,187	\$ 454,379	\$ 484,704
Non-GAAP operating margin	23%	24%	28%	25%	28%
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Operating adjustments (from above)	56,199	59,606	52,422	166,063	148,640
Amortization of debt discount and issuance costs	4,746	4,646	4,666	13,989	13,958
Income tax-effect of above non-GAAP adjustments and certain discrete tax items	(14,802)	(13,974)	(12,939)	(44,243)	(37,094)
Non-GAAP net income	\$ 106,655	\$ 108,050	\$ 120,149	\$ 335,023	\$ 349,997
GAAP net income per diluted share	\$ 0.35	\$ 0.33	\$ 0.43	\$ 1.15	\$ 1.27
Amortization of acquired intangible assets	0.05	0.04	0.04	0.13	0.11
Stock-based compensation	0.24	0.24	0.22	0.70	0.60
Amortization of capitalized stock-based compensation and capitalized interest expense	0.03	0.03	0.02	0.08	0.07
Restructuring charges	—	0.02	0.02	0.02	0.06
Acquisition-related costs	—	0.02	—	0.02	—
Legal matter costs	—	—	—	—	0.01
Amortization of debt discount and issuance costs	0.03	0.03	0.03	0.08	0.08
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(0.09)	(0.08)	(0.07)	(0.26)	(0.21)
Non-GAAP net income per diluted share	\$ 0.62	\$ 0.62	\$ 0.68	\$ 1.93	\$ 1.98
Shares used in diluted per share calculations	171,505	173,439	175,617	173,371	176,525

**AKAMAI TECHNOLOGIES, INC.**  
**RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA**

	Three Months Ended			Nine Months Ended	
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<i>(in thousands, except per share data)</i>					
Net income	\$ 60,512	\$ 57,772	\$ 76,000	\$ 199,214	\$ 224,493
Interest income	(4,463)	(4,281)	(3,809)	(13,368)	(10,522)
Provision for income taxes	25,617	29,637	35,686	88,895	109,139
Depreciation and amortization	83,689	76,897	73,930	235,639	218,607
Amortization of capitalized stock-based compensation and capitalized interest expense	5,736	4,556	3,983	14,203	11,662
Amortization of acquired intangible assets	7,753	7,753	6,598	23,075	20,025
Stock-based compensation	41,848	41,269	38,652	122,103	105,304
Restructuring charges	332	2,971	2,948	3,303	10,236
Acquisition-related costs	530	3,057	241	3,379	523
Legal matter costs	—	—	—	—	890
Amortization of debt discount and issuance costs	4,746	4,646	4,666	13,989	13,958
Other income, net	(535)	(563)	(778)	(414)	(1,004)
Adjusted EBITDA	\$ 225,765	\$ 223,714	\$ 238,117	\$ 690,018	\$ 703,311
Adjusted EBITDA margin	36%	37%	41%	38%	41%

## Use of Non-GAAP Financial Measures

In addition to providing financial measurements based on generally accepted accounting principles in the United States of America (GAAP), Akamai provides additional financial metrics that are not prepared in accordance with GAAP (non-GAAP). Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, to measure executive compensation and to evaluate Akamai's financial performance. These non-GAAP financial measures are non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per share, Adjusted EBITDA, Adjusted EBITDA margin, capital expenditures and impact of foreign currency exchange rates, as discussed below.

Management believes that these non-GAAP financial measures reflect Akamai's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate Akamai's operating results and future prospects in the same manner as management. These non-GAAP financial measures may exclude expenses and gains that may be unusual in nature, infrequent or not reflective of Akamai's ongoing operating results.

The non-GAAP financial measures do not replace the presentation of Akamai's GAAP financial results and should only be used as a supplement to, not as a substitute for, Akamai's financial results presented in accordance with GAAP. Akamai has provided a reconciliation of each non-GAAP financial measure used in its financial reporting and investor presentations to the most directly comparable GAAP financial measure. This reconciliation captioned "Reconciliation of GAAP to Non-GAAP Financial Measures" can be found on the Investor Relations section of Akamai's website.

The non-GAAP adjustments, and Akamai's basis for excluding them from non-GAAP financial measures, are outlined below:

- **Amortization of acquired intangible assets** – Akamai has incurred amortization of intangible assets, included in its GAAP financial statements, related to various acquisitions Akamai has made. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization can vary significantly and are unique to each acquisition; therefore, Akamai excludes amortization of acquired intangible assets from its non-GAAP financial measures to provide investors with a consistent basis for comparing pre- and post-acquisition operating results.
- **Stock-based compensation and amortization of capitalized stock-based compensation** – Although stock-based compensation is an important aspect of the compensation paid to Akamai's employees, the grant date fair value varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of Akamai's current financial results to previous and future periods difficult to interpret; therefore, Akamai believes it is useful to exclude stock-based compensation and amortization of capitalized stock-based compensation from its non-GAAP financial measures in order to highlight the performance of Akamai's core business and to be consistent with the way many investors evaluate its performance and compare its operating results to peer companies.
- **Acquisition-related costs** – Acquisition-related costs include transaction fees, advisory fees, due diligence costs and other direct costs associated with strategic activities. In addition, subsequent adjustments to Akamai's initial estimated amounts of contingent consideration and indemnification associated with specific acquisitions are included within acquisition-related costs. These amounts are impacted by the timing and size of the acquisitions. Akamai excludes acquisition-related costs from its non-GAAP financial measures to provide a useful comparison of Akamai's operating results to prior periods and to its peer companies because such amounts vary significantly based on the magnitude of the acquisition transactions.
- **Restructuring charges** – Akamai has incurred restructuring charges that are included in its GAAP financial statements, primarily related to workforce reductions and estimated costs of exiting facility lease commitments. Akamai excludes these items from its non-GAAP financial measures when evaluating its continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of its business.

- **Amortization of debt discount and issuance costs and amortization of capitalized interest expense** – In February 2014, Akamai issued \$690 million of convertible senior notes due 2019 with a coupon interest rate of 0%. The imputed interest rate of the convertible senior notes was approximately 3.2%. This is a result of the debt discount recorded for the conversion feature that is required to be separately accounted for as equity under GAAP, thereby reducing the carrying value of the convertible debt instrument. The debt discount is amortized as interest expense together with the issuance costs of the debt. All of Akamai's interest expense is comprised of these non-cash components and is excluded from management's assessment of the company's operating performance because management believes the non-cash expense is not representative of ongoing operating performance.
- **Legal matter costs** – Akamai has incurred losses from the settlement of legal matters and costs with respect to its internal U.S. Foreign Corrupt Practices Act ("FCPA") investigation in addition to the disgorgement Akamai was required to pay to resolve it. Akamai believes excluding these amounts from its non-GAAP financial measures is useful to investors as the types of events giving rise to them are not representative of Akamai's core business operations.
- **Income tax effect of non-GAAP adjustments and certain discrete tax items** – The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect of non-GAAP adjustments is the difference between GAAP and non-GAAP income tax expense. Non-GAAP income tax expense is computed on non-GAAP pre-tax income (GAAP pre-tax income adjusted for non-GAAP adjustments) and excludes certain discrete tax items (such as recording or releasing of valuation allowances), if any. Akamai believes that applying the non GAAP adjustments and their related income tax effect allows Akamai to highlight income attributable to its core operations.

Akamai's definitions of its non-GAAP financial measures are outlined below:

**Non-GAAP income from operations** – GAAP income from operations adjusted for the following items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; amortization of capitalized interest expense; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; and other non-recurring or unusual items that may arise from time to time.

**Non-GAAP operating margin** – Non-GAAP income from operations stated as a percentage of revenue.

**Non-GAAP net income** – GAAP net income adjusted for the following tax-affected items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; certain gains and losses on investments; and other non-recurring or unusual items that may arise from time to time.

**Non-GAAP net income per share** – Non-GAAP net income divided by basic weighted average or diluted common shares outstanding. Basic weighted average shares outstanding are those used in GAAP net income per share calculations. Diluted weighted average shares outstanding are adjusted in non-GAAP per share calculations for the shares that would be delivered to Akamai pursuant to the note hedge transaction entered into in connection with the issuance of \$690 million of convertible senior notes due 2019. Under GAAP, shares delivered under hedge transactions are not considered offsetting shares in the fully-diluted share calculation until they are delivered. However, the company would receive a benefit from the note hedge transaction and would not allow the dilution to occur, so management believes that adjusting for this benefit provides a meaningful view of operating performance. Unless and until Akamai's weighted average stock price is greater than \$89.56, the initial conversion price, there will be no difference between GAAP and non-GAAP diluted weighted average common shares outstanding.

**Adjusted EBITDA** – GAAP net income excluding the following items: interest income; income taxes; depreciation and amortization of tangible and intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; benefit from adoption of software development activities; gains and other activity related to divestiture of a business; gains and losses on legal settlements; costs incurred with respect to Akamai's internal FCPA investigation; foreign exchange gains and losses; loss on early extinguishment of debt; amortization of debt discount and issuance costs; amortization of capitalized interest expense; certain gains and losses on investments; and other non-recurring or unusual items that may arise from time to time.

**Adjusted EBITDA margin** – Adjusted EBITDA stated as a percentage of revenue.

**Capital expenditures, or capex, excluding stock-based compensation and interest expense** – Purchases of property and equipment and capitalization of internal-use software development costs presented on an accrual basis, which differs from the cash-basis presentation included in the statements of cash flows. The primary difference between the two is the change in purchases of property and equipment and capitalization of internal-use software development costs accrued for, but not paid, at period end.

**Impact of Foreign Currency Exchange Rates** – Revenue and earnings from international operations have historically been an important contributor to Akamai's financial results. Consequently, Akamai's financial results have been impacted, and management expects they will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, when the local currencies of our foreign subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted.

Because exchange rates are a meaningful factor in understanding period-to-period comparisons, management believes the presentation of the impact of foreign currency exchange rates on revenue and earnings enhances the understanding of our financial results and evaluation of performance in comparison to prior periods. The dollar impact of changes in foreign currency exchange rates presented is calculated by translating current period results using monthly average foreign currency exchange rates from the comparative period and comparing them to the reported amount. The percentage change at constant currency presented is calculated by comparing the prior period amounts as reported and the current period amounts translated using the same monthly average foreign currency exchange rates from the comparative period.

**EPS growth rates, adjusted for the Soasta acquisition** – Earnings per share adjusted for the April 6, 2017 acquisition of Soasta, Inc.

#### **Akamai Statement Under the Private Securities Litigation Reform Act**

This release and/or our quarterly earnings conference call scheduled for later today contain information about future expectations, plans and prospects of Akamai's management that constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995, including statements about expected revenue growth and future profitability levels. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including, but not limited to, failure of our investments in innovation to generate solutions that are accepted in the market; inability to increase our revenue at the same rate as in the past and keep our expenses from increasing at a greater rate than our revenues; delay in developing or failure to develop new service offerings or functionalities, and if developed, lack of market acceptance of such service offerings and functionalities or failure of such solutions to operate as expected, and other factors that are discussed in the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other documents periodically filed with the SEC.

In addition, the statements in this press release and on such call represent Akamai's expectations and beliefs as of the date of this press release. Akamai anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Akamai may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Akamai's expectations or beliefs as of any date subsequent to the date of this press release.