

LIMELIGHT NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	September 30, 2018	June 30, 2018	December 31, 2017
	(Unaudited)	(Unaudited)	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 28,678	\$ 28,719	\$ 20,912
Marketable securities	23,957	16,851	28,404
Accounts receivable, net	26,147	31,862	32,381
Income taxes receivable	154	153	98
Prepaid expenses and other current assets	17,859	18,147	5,397
Total current assets	96,795	95,732	87,192
Property and equipment, net	27,392	26,303	28,991
Marketable securities, less current portion	40	40	40
Deferred income taxes	1,590	1,550	1,506
Goodwill	76,683	76,648	77,054
Other assets	2,434	2,235	1,665
Total assets	\$ 204,934	\$ 202,508	\$ 196,448
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 8,976	\$ 6,179	\$ 4,439
Deferred revenue	853	965	1,187
Income taxes payable	111	219	452
Provision for litigation	13,500	18,000	18,000
Other current liabilities	13,804	12,269	18,507
Total current liabilities	37,244	37,632	42,585
Deferred income taxes	174	124	144
Deferred revenue, less current portion	68	37	16
Provision for litigation, less current portion	-	-	9,000
Other long-term liabilities	385	389	558
Total liabilities	37,871	38,182	52,303
Commitments and contingencies			
Stockholders' equity:			
Convertible preferred stock, \$0.001 par value; 7,500 shares authorized; no shares issued and outstanding	-	-	-
Common stock, \$0.001 par value; 300,000 shares authorized; 113,198, 112,478 and 110,824 shares issued and outstanding at September 30, 2018, June 30, 2018 and December 31, 2017, respectively	113	112	111
Additional paid-in capital	509,846	506,684	502,312
Accumulated other comprehensive loss	(9,477)	(9,324)	(8,328)
Accumulated deficit	(333,419)	(333,146)	(349,950)
Total stockholders' equity	167,063	164,326	144,145
Total liabilities and stockholders' equity	\$ 204,934	\$ 202,508	\$ 196,448

LIMELIGHT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended					Nine Months Ended		
	September 30, 2018	June 30, 2018	Percent Change	September 30, 2017	Percent Change	September 30, 2018	September 30, 2017	Percent Change
Revenue	\$ 49,315	\$ 50,249	-2%	\$ 46,069	7%	\$ 151,678	\$ 136,173	11%
Cost of revenue:								
Cost of services (1)	21,519	21,206	1%	19,287	12%	63,779	57,758	10%
Depreciation - network	3,761	4,196	-10%	4,506	-17%	12,337	13,594	-9%
Total cost of revenue	<u>25,280</u>	<u>25,402</u>	0%	<u>23,793</u>	6%	<u>76,116</u>	<u>71,352</u>	7%
Gross profit	24,035	24,847	-3%	22,276	8%	75,562	64,821	17%
Gross profit percentage	48.7%	49.4%		48.4%		49.8%	47.6%	
Operating expenses:								
General and administrative (1)	7,851	7,517	4%	8,079	-3%	24,890	23,397	6%
Sales and marketing (1)	9,766	10,022	-3%	8,836	11%	30,068	27,100	11%
Research & development (1)	5,882	6,073	-3%	6,443	-9%	18,294	19,377	-6%
Depreciation and amortization	616	633	-3%	603	2%	1,837	1,789	3%
Total operating expenses	<u>24,115</u>	<u>24,245</u>	-1%	<u>23,961</u>	1%	<u>75,089</u>	<u>71,663</u>	5%
Operating (loss) income	(80)	602	-113%	(1,685)	-95%	473	(6,842)	-107%
Other income (expense):								
Interest expense	(10)	(7)	NM	(18)	NM	(76)	(42)	NM
Interest income	177	134	32%	127	39%	440	365	21%
Settlement and patent license income	-	14,900	NM	-	NM	14,900	-	NM
Other, net	(246)	(221)	NM	8	NM	(355)	249	NM
Total other (expense) income	<u>(79)</u>	<u>14,806</u>	NM	<u>117</u>	NM	<u>14,909</u>	<u>572</u>	NM
(Loss) income before income taxes	(159)	15,408	NM	(1,568)	NM	15,382	(6,270)	NM
Income tax expense	113	249	NM	188	NM	347	448	NM
Net (loss) income	<u>(272)</u>	<u>15,159</u>	NM	<u>(1,756)</u>	NM	<u>15,035</u>	<u>(6,718)</u>	NM
Net income (loss) per share:								
Basic	<u>\$ (0.00)</u>	<u>\$ 0.14</u>		<u>\$ (0.02)</u>		<u>\$ 0.13</u>	<u>\$ (0.06)</u>	
Diluted	<u>\$ (0.00)</u>	<u>\$ 0.13</u>		<u>\$ (0.02)</u>		<u>\$ 0.13</u>	<u>\$ (0.06)</u>	
Weighted average shares used in per share calculation:								
Basic	112,760	111,356		109,342		111,626	108,376	
Diluted	112,760	120,033		109,342		120,025	108,376	

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

LIMELIGHT NETWORKS, INC.
SUPPLEMENTAL FINANCIAL DATA
(In thousands)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Share-based compensation:					
Cost of services	\$ 352	\$ 350	\$ 352	\$ 1,059	\$ 1,075
General and administrative	1,887	1,969	1,565	5,666	4,773
Sales and marketing	638	633	611	1,874	1,848
Research and development	544	605	584	1,746	1,746
Total share-based compensation	<u>\$ 3,421</u>	<u>\$ 3,557</u>	<u>\$ 3,112</u>	<u>\$ 10,345</u>	<u>\$ 9,442</u>
Depreciation and amortization:					
Network-related depreciation	\$ 3,761	\$ 4,196	\$ 4,506	\$ 12,337	\$ 13,594
Other depreciation and amortization	616	633	603	1,837	1,789
Total depreciation and amortization	<u>\$ 4,377</u>	<u>\$ 4,829</u>	<u>\$ 5,109</u>	<u>\$ 14,174</u>	<u>\$ 15,383</u>
Net increase (decrease) in cash, cash equivalents and marketable securities:	<u>\$ 7,065</u>	<u>\$ 1,875</u>	<u>\$ (2,904)</u>	<u>\$ 3,319</u>	<u>\$ (8,495)</u>
End of period statistics:					
Approximate number of active customers	667	689	753	667	753
Number of employees and employee equivalents	551	549	535	551	535

LIMELIGHT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Operating activities					
Net (loss) income	\$ (272)	\$ 15,159	\$ (1,756)	\$ 15,035	\$ (6,718)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,377	4,829	5,109	14,174	15,383
Share-based compensation	3,421	3,557	3,112	10,345	9,442
Settlement and patent license income	-	(14,900)	-	(14,900)	-
Foreign currency remeasurement (gain) loss	64	(271)	79	(97)	658
Deferred income taxes	(16)	(111)	(73)	(86)	(217)
Gain on sale of property and equipment	(18)	(97)	(2)	(131)	(94)
Accounts receivable charges	157	78	242	453	732
Amortization of premium on marketable securities	24	25	65	82	228
Changes in operating assets and liabilities:					
Accounts receivable	5,558	493	(800)	5,781	(2,026)
Prepaid expenses and other current assets	(2,757)	(655)	(322)	(2,530)	545
Income taxes receivable	7	61	13	(56)	34
Other assets	(192)	(72)	13	(759)	21
Accounts payable and other current liabilities	3,058	(3,298)	2,048	(2,526)	4,749
Deferred revenue	(82)	37	(47)	85	(450)
Income taxes payable	(113)	160	46	(350)	180
Payments related to litigation, net	(1,520)	(1,520)	(4,500)	(7,540)	(13,500)
Other long term liabilities	(4)	(19)	(202)	(173)	(584)
Net cash provided by operating activities	<u>11,692</u>	<u>3,456</u>	<u>3,025</u>	<u>16,807</u>	<u>8,383</u>
Investing activities					
Purchases of marketable securities	(15,962)	-	(2,864)	(15,962)	(10,383)
Sale and maturities of marketable securities	8,850	7,000	3,500	20,365	17,744
Purchases of property and equipment	(4,214)	(4,291)	(5,328)	(10,495)	(15,806)
Proceeds from sale of property and equipment	18	97	3	131	83
Net cash (used in) provided by investing activities	<u>(11,308)</u>	<u>2,806</u>	<u>(4,689)</u>	<u>(5,961)</u>	<u>(8,362)</u>
Financing activities					
Payment of employee tax withholdings related to restricted stock vesting	(996)	(1,206)	(655)	(3,808)	(2,571)
Cash paid for purchase of common stock	-	-	-	(3,800)	-
Proceeds from employee stock plans	737	4,032	12	4,799	1,200
Net cash (used in) provided by financing activities	<u>(259)</u>	<u>2,826</u>	<u>(643)</u>	<u>(2,809)</u>	<u>(1,371)</u>
Effect of exchange rate changes on cash and cash equivalents	(166)	(232)	79	(271)	360
Net increase (decrease) in cash and cash equivalents	(41)	8,856	(2,228)	7,766	(990)
Cash and cash equivalents, beginning of period	28,719	19,863	22,972	20,912	21,734
Cash and cash equivalents, end of period	<u>\$ 28,678</u>	<u>\$ 28,719</u>	<u>\$ 20,744</u>	<u>\$ 28,678</u>	<u>\$ 20,744</u>

LIMELIGHT NETWORKS, INC.
Reconciliation of U.S. GAAP Net Income (Loss) to Non-GAAP Net Income
(In thousands)
(Unaudited)

	Three Months Ended						Nine Months Ended			
	September 30, 2018		June 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
U.S. GAAP net (loss) income	\$ (272)	\$ (0.00)	\$ 15,159	\$ 0.14	\$ (1,756)	\$ (0.02)	\$ 15,035	\$ 0.13	\$ (6,718)	\$ (0.06)
Settlement and patent license income	-	-	(14,900)	(0.13)	-	-	(14,900)	(0.13)	-	-
Share-based compensation	3,421	0.03	3,557	0.03	3,112	0.03	10,345	0.09	9,442	0.09
Litigation expenses	19	0.00	215	0.00	863	0.01	2,904	0.03	4,048	0.04
Non-GAAP net income	<u>\$ 3,168</u>	<u>\$ 0.03</u>	<u>\$ 4,031</u>	<u>\$ 0.04</u>	<u>\$ 2,219</u>	<u>\$ 0.02</u>	<u>\$ 13,384</u>	<u>\$ 0.12</u>	<u>\$ 6,772</u>	<u>\$ 0.06</u>
Weighted average basic shares used in per share calculation		112,760		111,356		109,342		111,626		108,376

LIMELIGHT NETWORKS, INC.
Reconciliation of U.S. GAAP Net Income (Loss) to EBITDA to Adjusted EBITDA
(In thousands)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
U.S. GAAP net (loss) income	\$ (272)	\$ 15,159	\$ (1,756)	\$ 15,035	\$ (6,718)
Depreciation and amortization	4,377	4,829	5,109	14,174	15,383
Interest expense	10	7	18	76	42
Interest and other (income) expense	69	87	(135)	(85)	(614)
Income tax expense	113	249	188	347	448
EBITDA	\$ 4,297	\$ 20,331	\$ 3,424	\$ 29,547	\$ 8,541
Settlement and patent license income	-	(14,900)	-	(14,900)	-
Share-based compensation	3,421	3,557	3,112	10,345	9,442
Litigation expenses	19	215	863	2,904	4,048
Adjusted EBITDA	<u>\$ 7,737</u>	<u>\$ 9,203</u>	<u>\$ 7,399</u>	<u>\$ 27,896</u>	<u>\$ 22,031</u>

Limelight Networks, Inc.
2018 Guidance

	<u>October 18, 2018</u>	<u>July 19, 2018</u>	<u>April 19, 2018</u>	<u>February 7, 2018</u>
Revenue	No change	\$200 to \$203 million	\$198 to \$202 million	\$196 to \$200 million
Gross margin percentage	No change	No change	Expansion of 150 basis points over 2017	Expansion of more than 100 basis points over 2017
GAAP EPS	\$0.12 to \$0.14	No change	\$0.07 to \$0.11	\$(0.07) to \$(0.03)
Non-GAAP EPS	\$0.14 to \$0.17	No change	\$0.13 to \$0.17	\$0.11 to \$0.15
Adjusted EBITDA	\$35 to \$37 million	No change	\$33 to \$37 million	\$32 to \$36 million
Capital expenditures	Below \$18 million	Below \$20 million	\$20 to \$22 million	\$22 to \$24 million