

INFORMATICA CORP  
Form 10-Q  
April 30, 2015  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2015

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Commission File Number: 0-25871

INFORMATICA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

77-0333710

(I.R.S. Employer  
Identification No.)

2100 Seaport Boulevard

Redwood City, California 94063

(Address of principal executive offices and zip code)

(650) 385-5000

(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 (the "Exchange Act") 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. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, 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). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of April 24, 2015, there were approximately 104,311,000 shares of the registrant's Common Stock outstanding.

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## PART I: FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## INFORMATICA CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$257,236	\$368,531
Short-term investments	241,478	353,130
Accounts receivable, net of allowances of \$3,549 and \$3,465, respectively	164,219	235,705
Deferred tax assets	44,538	46,867
Prepaid expenses and other current assets	32,720	25,447
Total current assets	740,191	1,029,680
Property and equipment, net	155,699	159,708
Goodwill	542,725	551,196
Other intangible assets, net	39,265	43,161
Long-term deferred tax assets	32,677	32,032
Other assets	17,247	13,809
Total assets	\$1,527,804	\$1,829,586
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$13,022	\$12,009
Accrued liabilities	56,340	60,404
Accrued compensation and related expenses	46,628	88,336
Income taxes payable	2,694	6,895
Deferred revenues	328,007	324,296
Total current liabilities	446,691	491,940
Long-term deferred revenues	17,392	14,679
Long-term income taxes payable	28,347	30,350
Other liabilities	3,577	3,666
Total liabilities	496,007	540,635
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.001 par value; 200,000 shares authorized; 104,212 shares and 108,704 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	104	109
Additional paid-in capital	510,919	773,419
Accumulated other comprehensive loss	(47,994	) (31,789
Retained earnings	568,768	547,212
Total stockholders' equity	1,031,797	1,288,951
Total liabilities and stockholders' equity	\$1,527,804	\$1,829,586
See accompanying notes to condensed consolidated financial statements.		

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		
	March 31,		
	2015	2014	
Revenues:			
Software	\$103,726	\$103,043	
Service	146,810	140,054	
Total revenues	250,536	243,097	
Cost of revenues:			
Software	3,376	3,119	
Service	40,551	40,229	
Amortization of acquired technology	2,750	3,985	
Total cost of revenues	46,677	47,333	
Gross profit	203,859	195,764	
Operating expenses:			
Research and development	50,677	45,685	
Sales and marketing	97,402	91,584	
General and administrative	22,457	20,053	
Amortization of intangible assets	1,091	1,536	
Acquisitions and other charges	—	89	
Total operating expenses	171,627	158,947	
Income from operations	32,232	36,817	
Interest income	871	1,153	
Interest expense	(86	) (127	)
Other income (expense), net	368	(84	)
Income before income taxes	33,385	37,759	
Income tax provision	11,828	12,906	
Net income	\$21,557	\$24,853	
Basic net income per common share	\$0.20	\$0.23	
Diluted net income per common share	\$0.20	\$0.22	
Shares used in computing basic net income per common share	105,928	109,164	
Shares used in computing diluted net income per common share	107,424	111,935	
See accompanying notes to condensed consolidated financial statements.			

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Net income	\$21,557	\$24,853
Other comprehensive income (loss):		
Change in foreign currency translation adjustment, net of tax benefit (expense) of \$1,560 and \$(161)	(17,003	) 569
Available-for-sale investments:		
Change in net unrealized gain, net of tax expense of \$(155) and \$(57)	251	93
Less: reclassification adjustment for net gain included in net income, net of tax expense of \$(2) and \$(1)	(3	) (2
Net change, net of tax expense of \$(153) and \$(56)	248	91
Cash flow hedges:		
Change in unrealized gain, net of tax expense of \$(476) and \$(550)	771	898
Less: reclassification adjustment for net (gain) loss included in net income, net of tax benefit (expense) of \$(137) and \$185	(221	) 301
Net change, net of tax expense of \$(339) and \$(735)	550	1,199
Total other comprehensive (loss) income, net of tax effect	(16,205	) 1,859
Total comprehensive income, net of tax effect	\$5,352	\$26,712
See accompanying notes to condensed consolidated financial statements.		

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Operating activities:		
Net income	\$21,557	\$24,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,770	4,300
Stock-based compensation	15,090	14,246
Deferred income taxes	1,169	(2,063)
Tax benefits from stock-based compensation	1,527	284
Excess tax benefits from stock-based compensation	(1,846)	(1,660)
Amortization of intangible assets and acquired technology	3,841	5,521
Changes in operating assets and liabilities:		
Accounts receivable	71,486	43,360
Prepaid expenses and other assets	(7,367)	(3,127)
Accounts payable and accrued liabilities	(44,195)	(27,845)
Income taxes payable	(6,703)	(9,101)
Deferred revenues	6,911	13,975
Net cash provided by operating activities	66,240	62,743
Investing activities:		
Purchases of property and equipment	(2,330)	(6,200)
Purchases of investments	(17,567)	(104,490)
Investment in equity interest, net	(534)	—
Maturities of investments	29,921	60,180
Sales of investments	99,180	2,752
Net cash provided by (used in) investing activities	108,670	(47,758)
Financing activities:		
Net proceeds from issuance of common stock	25,596	23,303
Repurchases and retirement of common stock	(300,000)	(23,323)
Withholding taxes related to restricted stock units net share settlement	(4,719)	(3,056)
Payment of contingent consideration	—	(3,061)
Excess tax benefits from stock-based compensation	1,846	1,660
Net cash used in financing activities	(277,277)	(4,477)
Effect of foreign exchange rate changes on cash and cash equivalents	(8,928)	122
Net (decrease) increase in cash and cash equivalents	(111,295)	10,630
Cash and cash equivalents at beginning of period	368,531	297,818
Cash and cash equivalents at end of period	\$257,236	\$308,448
See accompanying notes to condensed consolidated financial statements.		

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INFORMATICA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of Informatica Corporation (“Informatica,” or the “Company”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States of America. However, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed, or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the financial statements include all normal and recurring adjustments that are necessary to fairly present the results of the interim periods presented. All of the amounts included in this Quarterly Report on Form 10-Q related to the condensed consolidated financial statements and notes thereto as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 are unaudited. The interim results presented are not necessarily indicative of results for any subsequent interim period, the year ending December 31, 2015, or any other future period. On April 6, 2015, the Company entered into a definitive agreement to be acquired by the Canada Pension Plan Investment Board and investment funds advised by Permira Advisers LLC for \$48.75 in cash for each share of our common stock. For further information, see Note 14.

Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments, and assumptions. For example, the Company makes estimates, judgments, and assumptions in determining vendor-specific objective evidence (“VSOE”) and, estimated selling price (“ESP”) used in revenue recognition, the realizability of deferred tax assets, uncertain tax positions, fair value of acquired tangible and intangible assets and liabilities assumed during acquisitions, the number of reporting segments, the recoverability of intangible assets and their useful lives, the fair value of stock options and forfeiture estimates used in calculating stock-based compensations, number of performance-based restricted stock units that the Company expects to vest, and the collectability of accounts receivable. The Company believes that the estimates, judgments, and assumptions upon which it relies are reasonable based on information available at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Any material differences between these estimates and actual results will impact the Company's condensed consolidated financial statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

These unaudited, condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K, as amended, filed with the SEC. The consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements of the Company. The Company's significant accounting policies are described in Note 2 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Certain reclassifications have been made within the condensed consolidated statement of cash flows to conform to the current year presentation. A change was made to present redemptions by issuers of debt securities held by the Company as part of net cash provided by maturities of investments to reflect that these redemptions are an acceleration of the maturity of the debt investment. Redemptions were previously presented as part of net cash provided by sales of investments. This change in presentation did not affect total net cash used in investing activities and conforming changes have been made for all prior periods presented. Net cash provided by redemptions of \$14.0 million was reclassified from sales of investments to maturities of investments for the three months ended March 31,

2014.

Recent Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, as part of its simplification initiative and clarifies how customers in cloud computing arrangements should determine whether the arrangement includes a software license. Existing GAAP does not include explicit guidance about a customer's accounting for fees paid in a

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

cloud computing arrangement. This ASU eliminates the current requirement that customers analogize to the leases standard when determining the assets acquired in a software license arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software licenses element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. As a result of this ASU, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The ASU is effective for us beginning in 2016, with early adoption permitted. An entity can elect to adopt the ASU either (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The Company is currently assessing its pending adoption of ASU 2015-05 on its consolidated financial statements and disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs, that requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct reduction from the debt liability, consistent with debt discounts, rather than as an asset. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this update. This ASU is part of the FASB's initiative to reduce complexity in accounting standards and is effective for the Company beginning in 2016 and early adoption is permitted. The standard requires full retrospective adoption, meaning the standard is applied to all periods presented. The Company is currently assessing its pending adoption of ASU 2015-03 on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good and services. The standard will be effective for the Company in the first quarter of 2017. ASU 2014-09 allows for two methods of adoption: (a) "full retrospective" adoption, meaning the standard is applied to all periods presented, or (b) "modified retrospective" adoption, meaning the cumulative effect of applying ASU 2014-09 is recognized as an adjustment to the 2017 opening retained earnings balance. Early adoption is not permitted. The Company has not yet selected a transition method and is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and disclosures.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for the Company in its first quarter of 2016 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-12 to have a material impact on its consolidated financial statements and disclosures.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the Company in the first quarter of 2017 with early adoption permitted. The Company does not expect its pending adoption of ASU 2014-15 to have an impact on the consolidated financial statements and disclosures. There have been no other changes to the Company's significant accounting policies since the end of 2014.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Fair Value Measurement of Financial Assets and Liabilities

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of March 31, 2015 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds <sup>(i)</sup>	\$1,369	\$1,369	\$—	\$—
Time deposits <sup>(ii)</sup>	21,773	21,773	—	—
Marketable debt securities <sup>(ii)</sup>	223,705	—	223,705	—
Total money market funds, time deposits, and marketable debt securities	246,847	23,142	223,705	—
Foreign currency derivatives <sup>(iii)</sup>	555	—	555	—
Total assets	\$247,402	\$23,142	\$224,260	\$—
Liabilities:				
Foreign currency derivatives <sup>(iv)</sup>	\$204	\$—	\$204	\$—
Total liabilities	\$204	\$—	\$204	\$—

The following table summarizes financial assets and financial liabilities that the Company measures at fair value on a recurring basis as of December 31, 2014 (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds <sup>(i)</sup>	\$15,344	\$15,344	\$—	\$—
Time deposits <sup>(ii)</sup>	26,395	26,395	—	—
Marketable debt securities <sup>(ii)</sup>	326,735	—	326,735	—
Total money market funds, time deposits, and marketable debt securities	368,474	41,739	326,735	—
Foreign currency derivatives <sup>(iii)</sup>	310	—	310	—
Total assets	\$368,784	\$41,739	\$327,045	\$—
Liabilities:				
Foreign currency derivatives <sup>(v)</sup>	\$915	\$—	\$915	\$—
Total liabilities	\$915	\$—	\$915	\$—

(i) Included in cash and cash equivalents on the condensed consolidated balance sheets.

(ii) Included in either cash and cash equivalents or short-term investments on the condensed consolidated balance sheets.

(iii) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

(iv) Included in accrued liabilities on the consolidated balance sheets.

(v) Included in accrued liabilities and other liabilities on the consolidated balance sheets.

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INFORMATICA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Money Market Funds, Time Deposits, and Marketable Debt Securities

The Company uses a market approach for determining the fair value of all its Level 1 and Level 2 money market funds, time deposits, and marketable securities. The Company's marketable securities consist of certificates of deposit, commercial paper, corporate notes and bonds, municipal securities, and U.S. government and agency notes and bonds. To value its money market funds and time deposits, the Company values the funds at \$1 stable net asset value, which is the market pricing convention for identical assets that the Company has the ability to access. To value its certificates of deposit and commercial paper, the Company uses mathematical calculations to arrive at fair value for these securities, which generally have short maturities and infrequent secondary market trades. For example, in the absence of any observable transactions, the Company may accrete from purchase price at purchase date to face value at maturity. In the event that a transaction is observed on the same security in the marketplace, and the price on that subsequent transaction clearly reflects the market price on that day, the Company will adjust the price in the system to the observed transaction price and follow a revised accretion schedule to determine the daily price.

To determine the fair value of its corporate notes and bonds, municipal securities, and U.S. government and agency notes and bonds, the Company uses a third party pricing source for each security. If the market price is not available from the third party source, pricing from the Company's investment custodian is used.

Foreign Currency Derivatives and Hedging Instruments

The Company uses the income approach to value the derivatives using observable Level 2 market inputs at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the derivative assets and liabilities. The Company records its derivative assets and liabilities at gross in the condensed consolidated balance sheet and uses mid-market pricing as a practical expedient for fair value measurements. Key inputs for foreign currency derivatives are the spot rates, forward rates, interest rates, and credit derivative market rates. The spot rate for each foreign currency is the same spot rate used for all balance sheet translations at the measurement date and is sourced from the Federal Reserve Bulletin. The following values are interpolated from commonly quoted intervals available from Bloomberg: forward points and the London Interbank Offered Rate ("LIBOR") used to discount and determine the fair value of assets and liabilities. Credit default swap spread curves identified per counterparty at month end in Bloomberg are used to discount derivative assets for counterparty non-performance risk, all of which have terms of twelve months or less. The Company discounts derivative liabilities to reflect the Company's own potential non-performance risk to lenders and has used the spread over LIBOR on its most recent corporate borrowing rate.

The counterparties associated with the Company's foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration; therefore, the Company does not consider counterparty concentration and non-performance to be material risks at this time. Both the Company and the counterparties are expected to perform under the contractual terms of the instruments.

There were no transfers between Level 1 and Level 2 categories during the three months ended March 31, 2015 and 2014.

See Note 5. Accumulated Other Comprehensive Income (Loss), Note 6. Derivative Financial Instruments, and Note 11. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements for a further discussion.

Note 2. Cash, Cash Equivalents, and Short-Term Investments

The Company's short-term investments are classified as available-for-sale as of the balance sheet date and are reported at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in stockholders' equity, net of tax. Realized gains or losses and other-than-temporary impairments, if any, on available-for-sale securities are reported in other income or expense as incurred. Realized gains recognized for the three months ended March 31, 2015 and 2014 were negligible. The cost of securities sold was determined based on the specific identification method.



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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the Company's cash, cash equivalents, and short-term investments as of March 31, 2015 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	\$251,867	\$—	\$—	\$251,867
Cash equivalents:				
Money market funds	1,369	—	—	1,369
Commercial Paper	4,000	—	—	4,000
Total cash equivalents	5,369	—	—	5,369
Total cash and cash equivalents	257,236	—	—	257,236
Short-term investments:				
Certificates of deposit	1,920	—	—	1,920
Commercial paper	8,992	—	—	8,992
Corporate notes and bonds	114,165	157	(86	) 114,236
Federal agency notes and bonds	29,072	35	(6	) 29,101
Time deposits	21,773	—	—	21,773
Municipal notes and bonds	65,363	98	(5	) 65,456
Total short-term investments	241,285	290	(97	) 241,478
Total cash, cash equivalents, and short-term investments	\$498,521	\$290	\$(97	) \$498,714

The following table summarizes the Company's cash, cash equivalents, and short-term investments as of December 31, 2014 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash	\$353,187	\$—	\$—	\$353,187
Cash equivalents:				
Money market funds	15,344	—	—	15,344
Total cash equivalents	15,344	—	—	15,344
Total cash and cash equivalents	368,531	—	—	368,531
Short-term investments:				
Certificates of deposit	1,920	—	—	1,920
Commercial paper	1,996	—	—	1,996
Corporate notes and bonds	196,401	84	(371	) 196,114
Federal agency notes and bonds	51,987	13	(44	) 51,956
Time deposits	26,395	—	—	26,395
Municipal notes and bonds	74,639	128	(18	) 74,749
Total short-term investments	353,338	225	(433	) 353,130
Total cash, cash equivalents, and short-term investments	\$721,869	\$225	\$(433	) \$721,661

See Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for further information regarding the fair value of the Company's financial instruments.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the fair value and gross unrealized losses related to the Company's short-term investments, aggregated by investment category that have been in a continuous unrealized loss position for less than twelve months, at March 31, 2015 (in thousands):

	Less Than 12 months	
	Fair Value	Gross Unrealized Losses
Corporate notes and bonds	\$32,411	\$(83 )
Federal agency notes and bonds	12,009	(6 )
Municipal notes and bonds	6,542	(5 )
Total	\$50,962	\$(94 )

The following table summarizes the fair value and gross unrealized losses related to the Company's short-term investments, aggregated by investment category that have been in a continuous unrealized loss position for greater than twelve months, at March 31, 2015 (in thousands):

	Greater Than 12 months	
	Fair Value	Gross Unrealized Losses
Corporate notes and bonds	\$1,026	\$(3 )
Total	\$1,026	\$(3 )

The changes in value of these investments are primarily related to changes in interest rates and are considered to be temporary in nature.

The following table summarizes the cost and estimated fair value of the Company's short-term investments by contractual maturity at March 31, 2015 (in thousands):

	Cost	Fair Value
Due within one year	\$152,265	\$152,363
Due in one year to two years	66,507	66,541
Due after two years	22,513	22,574
Total	\$241,285	\$241,478

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Note 3. Intangible Assets and Goodwill

The carrying amounts of the intangible assets other than goodwill as of March 31, 2015 and December 31, 2014 are as follows (in thousands, except years):

	March 31, 2015			December 31, 2014			Weighted Average Useful Life (Years)
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	
Developed and core technology	\$145,875	\$(114,919)	) \$30,956	\$145,929	\$(112,169)	) \$33,760	6
Other Intangible Assets:							
Customer relationships	45,177	(40,659)	) 4,518	45,178	(39,766)	) 5,412	5
All other <sup>(i)</sup>	19,145	(15,354)	) 3,791	19,145	(15,156)	) 3,989	4-9
Total other intangible assets	64,322	(56,013)	) 8,309	64,323	(54,922)	) 9,401	
Total intangible assets, net	\$210,197	\$(170,932)	) \$39,265	\$210,252	\$(167,091)	) \$43,161	

(i) All other includes vendor relationships, trade names, covenants not to compete, and patents.

Total amortization expense related to intangible assets was \$3.8 million and \$5.5 million for the three months ended March 31, 2015 and 2014, respectively. Certain intangible assets were recorded in foreign currencies; and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments. As of March 31, 2015, the amortization expense related to identifiable intangible assets in future periods is expected to be as follows (in thousands):

	Acquired Technology	Other Intangible Assets <sup>(ii)</sup>	Total Intangible Assets
Remaining 2015	\$7,615	\$3,210	\$10,825
2016	8,883	2,449	11,332
2017	6,870	1,152	8,022
2018	4,756	729	5,485
2019	2,331	449	2,780
Thereafter	501	320	821
Total expected amortization expense	\$30,956	\$8,309	\$39,265

(ii) Other Intangible Assets includes customer relationships, vendor relationships, trade names, covenants not to compete, and patents.



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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The changes in the carrying amount of goodwill for the three months ended March 31, 2015 are as follows (in thousands):

	March 31, 2015
Beginning balance as of December 31, 2014	\$551,196
Goodwill from acquisition	—
Subsequent goodwill adjustments	(8,471 )
Ending balance as of March 31, 2015	\$542,725

During the three months ended March 31, 2015, the Company recorded subsequent goodwill net reductions of \$8.5 million primarily related to foreign currency translation adjustments. The goodwill is partially deductible for tax purposes. See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion of goodwill from acquisitions.

## Note 4. Borrowings

## Credit Agreement

On September 26, 2014, the Company entered into a Credit Agreement (the “Credit Agreement”) that matures on September 26, 2019. The Credit Agreement provides for an unsecured revolving credit facility in an amount of up to \$220.0 million, with an option for the Company to request to increase the revolving loan commitments or to enter into tranches of term loans in an aggregate amount of up to \$30.0 million, for a total credit facility of up to \$250.0 million. The revolving credit facility has sublimits for swingline loans available on a same day basis of up to \$10.0 million and for the issuance of standby letters of credit in a face amount up to \$20.0 million. No amounts were outstanding under the Credit Agreement as of March 31, 2015, and a total of \$220.0 million remained available for borrowing.

Revolving loans accrue interest at a per annum rate based on either, at the Company's election, (i) the base rate plus a margin ranging from 0.50% to 1.00% depending on the Company's consolidated leverage ratio, or (ii) the LIBO rate (based on 1-, 2-, 3-, or 6-month interest periods) plus a margin ranging from 1.50% to 2.00% depending on the Company's consolidated leverage ratio. The base rate is equal to the highest of (i) JPMorgan Chase Bank, N.A.'s prime rate, (ii) the federal funds rate plus a margin equal to 0.50%, and (iii) LIBO rate for a 1-month interest period plus a margin equal to 1.00%. Swingline loans accrue interest at a per annum rate based on the base rate plus the applicable margin for base rate loans. Revolving loans may be borrowed, repaid and reborrowed until September 26, 2019, at which time all amounts borrowed must be repaid. Swingline loans shall be repaid on the 15th day of a calendar month, or the last day of a calendar month, or September 26, 2019, whichever is earlier.

Accrued interest on the revolving loans is payable (i) quarterly in arrears with respect to base rate loans, (ii) at the end of each interest rate period (or at each 3- month interval in the case of loans with interest periods greater than 3 months) with respect to LIBO rate loans, and (iii) the day that the borrowing is required to be repaid with respect to swingline loans. The Company is also obligated to pay other customary closing fees, arrangement fees, administrative fees, commitment fees, and letter of credit fees. A quarterly commitment fee is applied to the average daily unborrowed amount under the credit facility at a per annum rate ranging from 0.225% to 0.35% depending on the Company's consolidated leverage ratio. The Company may prepay the loans or terminate or reduce the commitments in whole or in part at any time, without premium or penalty, subject to certain conditions including minimum amounts in the case of commitment reductions and reimbursement of certain costs in the case of prepayments of LIBO rate loans.

The Credit Agreement contains customary representations and warranties, covenants, and events of default, including the requirement to maintain a maximum consolidated leverage ratio of 2.75 to 1.00 and a minimum consolidated interest coverage ratio of 3.50 to 1.00. The occurrence of an event of default could result in the acceleration of the obligations under the Credit Agreement. Under certain circumstances, a default interest rate will apply on all obligations during the existence of a payment default under the Credit Agreement at a per annum rate equal to 2.00% above the applicable interest rate for any overdue principal and 2.00% above the rate applicable to base rate loans for any other overdue amounts. The Company was in compliance with all covenants under the Credit Agreement as of

March 31, 2015.

For further information, see Note 14. Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Note 5. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the three months ended March 31, 2015, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on Cash Flow Hedges	Total
Accumulated other comprehensive loss as of December 31, 2014	\$(31,312 )	\$ (129 )	\$(348 )	\$(31,789 )
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications, net of tax benefit (expense) of \$1,560, \$(155) and \$(476)	(17,003 )	251	771	(15,981 )
Net gain reclassified from accumulated other comprehensive income (loss), net of tax expense of \$ —, \$(2) and \$(137)	—	(3 ) <sup>(i)</sup>	(221 ) <sup>(ii)</sup>	(224 )
Total other comprehensive income (loss), net of tax effect <sup>(iii)</sup>	(17,003 )	248	550	(16,205 )
Accumulated other comprehensive income (loss) as of March 31, 2015	\$(48,315 )	\$ 119	\$202	\$(47,994 )

(i) The before-tax gain of \$5 was included in other expense, net on the condensed consolidated statements of income.

(ii) The before-tax gain of \$87 and \$271 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.

(iii) The tax expense related to the net gain reclassified from accumulated other comprehensive income (loss) was included in income tax provision on the condensed consolidated statements of income.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes the changes in accumulated balances for each component of other comprehensive income (loss) for the three months ended March 31, 2014, net of taxes (in thousands):

	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Loss on Cash Flow Hedges	Total
Accumulated other comprehensive income (loss) as of December 31, 2013	\$ (2,879 )	\$ 63	\$ (396 )	\$ (3,212 )
Other comprehensive income (loss):				
Other comprehensive income before reclassifications, net of tax expense of \$(161), \$(57) and \$(550)	569	93	898	1,560
Net (gain) loss reclassified from accumulated other comprehensive income (loss), net of tax benefit (expense) of \$ —, \$(1) and \$185	—	(2 )	(i) 301	(ii) 299
Total other comprehensive income (loss), net of tax effect (iii)	569	91	1,199	1,859
Accumulated other comprehensive income (loss) as of March 31, 2014	\$ (2,310 )	\$ 154	\$ 803	\$ (1,353 )

(i) The before-tax loss of \$3 was included in other expense, net on the condensed consolidated statements of income.

(ii) The before-tax losses of \$120 and \$366 were included in cost of service revenues and operating expenses, primarily research and development expense, respectively on the condensed consolidated statements of income.

(iii) The tax benefit related to the net loss reclassified from accumulated other comprehensive income (loss) was included in income tax provision on the condensed consolidated statements of income.

#### Note 6. Derivative Financial Instruments

The Company's earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The Company uses derivative instruments to manage its exposures to fluctuations in certain foreign currency exchange rates which exist as part of ongoing business operations. The Company and its subsidiaries do not enter into derivative contracts for speculative purposes.

#### Cash Flow Hedges

The Company enters into certain cash flow hedge programs in an attempt to reduce the impact of certain foreign currency fluctuations. These contracts are designated and documented as cash flow hedges. The purpose of these programs is to reduce the volatility of identified cash flow and expenses caused by movement in certain foreign currency exchange rates, in particular, the Indian rupee. The Company is currently using foreign exchange forward contracts to hedge the foreign currency anticipated expenses of its subsidiary in India.

The Company releases the amounts accumulated in other comprehensive income into earnings in the same period or periods during which the forecasted hedge transaction affects earnings. The Company will reclassify all amounts accumulated in other comprehensive income into earnings within the next 12 months.

The Company has forecasted the amount of its anticipated foreign currency expenses based on its historical performance and its projected financial plan. As of March 31, 2015, the remaining open foreign exchange contracts, carried at fair value, are hedging Indian rupee expenses and have a maturity of twelve months or less. These foreign exchange contracts mature monthly as the foreign currency denominated expenses are paid and any gain or loss is offset against operating expense. Once the hedged item is recognized, the cash flow hedge is de-designated and subsequent changes in value are recognized in other income (expense) to offset changes in the value of the resulting non-functional currency monetary assets or liabilities.



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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The notional amounts of these foreign exchange forward contracts in U.S. dollar equivalents were to buy \$41.0 million and \$45.9 million of Indian rupees as of March 31, 2015 and December 31, 2014, respectively.

**Balance Sheet Hedges**

Balance Sheet hedges consist of cash flow hedge contracts that have been de-designated and non-designated balance sheet hedges. These foreign exchange contracts are carried at fair value and either did not or no longer qualify for hedge accounting treatment and are not designated as hedging instruments. Changes in the value of the foreign exchange contracts are recognized in other income (expense) and offset the foreign currency gain or loss on the underlying net monetary assets or liabilities. The notional amounts of foreign currency contracts open at period end in US dollar equivalents were to buy \$10.4 million and \$10.6 million of Indian rupees at March 31, 2015 and December 31, 2014, respectively. The notional amounts of foreign currency contracts open at period end in U.S. dollar equivalents were to sell \$6.2 million of Indian rupees and \$57.1 million of Euros at March 31, 2015 and December 31, 2014, respectively.

The following table reflects the fair value amounts for the foreign exchange contracts designated and not designated as hedging instruments at March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015		December 31, 2014	
	Fair Value Derivative Assets <sup>(i)</sup>	Fair Value Derivative Liabilities <sup>(ii)</sup>	Fair Value Derivative Assets <sup>(i)</sup>	Fair Value Derivative Liabilities <sup>(iii)</sup>
Derivatives designated as hedging instruments	\$385	\$14	\$141	\$761
Derivatives not designated as hedging instruments	170	190	169	154
Total fair value of derivative instruments	\$555	\$204	\$310	\$915

(i) Included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

(ii) Included in accrued liabilities on the condensed consolidated balance sheets.

(iii) Included in accrued liabilities and other liabilities on the condensed consolidated balance sheets.

The Company presents its derivative assets and derivative liabilities at gross fair values in the condensed consolidated balance sheets. However, under the master netting agreements with the respective counterparties of the foreign exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. The derivatives held by the Company are not subject to any credit contingent features negotiated with its counterparties. The Company is not required to pledge nor is entitled to receive cash collateral related to the above contracts.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth the offsetting of derivative assets as of March 31, 2015 and December 31, 2014 (in thousands):

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts of Assets Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
				Financial Instruments <sup>(i)</sup>	Cash Collateral Pledged	
As of March 31, 2015:						
Foreign exchange contracts	\$555	\$—	\$555	\$(78)	) \$—	\$477
As of December 31, 2014:						
Foreign exchange contracts	\$310	\$—	\$310	\$(62)	) \$—	\$248

(i) The balances at March 31, 2015 and December 31, 2014 were related to derivative liabilities which are allowed to be net settled against derivative assets in accordance with the master netting agreements.

The following table sets forth the offsetting of derivative liabilities as of March 31, 2015 and December 31, 2014 (in thousands):

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
				Financial Instruments <sup>(ii)</sup>	Cash Collateral Pledged	
As of March 31, 2015:						
Foreign exchange contracts	\$204	\$—	\$204	\$(78)	) \$—	\$126
As of December 31, 2014:						
Foreign exchange contracts	\$915	\$—	\$915	\$(62)	) \$—	\$853

(ii) The balances at March 31, 2015 and December 31, 2014 were related to derivative assets which are allowed to be net settled against derivative liabilities in accordance with the master netting agreements.





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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company evaluates prospectively as well as retrospectively the effectiveness of its hedge programs using statistical analysis. Prospective testing is performed at the inception of the hedge relationship and quarterly thereafter. Retrospective testing is performed on a quarterly basis.

The before-tax effects of derivative instruments designated as cash flow hedges on the accumulated other comprehensive income (loss) and condensed consolidated statements of income for the three months ended March 31, 2015 and 2014 are as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Amount of gain recognized in other comprehensive income (effective portion)	\$1,247	\$1,448
Amount of gain (loss) reclassified from accumulated other comprehensive income to cost of service revenues and operating expenses (effective portion)	\$358	\$(486)
Amount of gain on derivatives due to hedge ineffectiveness recognized in cost of service revenues and operating expenses	\$116	\$—

No amounts were excluded from the assessment of hedge effectiveness during the three months ended March 31, 2015 and 2014.

The before-tax loss recognized in other expense, net for non-designated foreign currency forward contracts for the three months ended March 31, 2015 and 2014 are as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Gain (loss) recognized in other expense, net	\$(77)	) \$75

See Note 1. Summary of Significant Accounting Policies, Note 5. Accumulated Other Comprehensive Income (Loss), and Note 11. Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements for a further discussion.

## Note 7. Stock Repurchase Program

The Company's Board of Directors has approved a stock repurchase program for the Company to repurchase its common stock. The primary purpose of the program is to enhance shareholder value, including partially offsetting the dilutive impact of stock-based incentive plans. The number of shares to be purchased and the timing of the purchases are based on several factors, including the price of the Company's common stock, the Company's liquidity and working capital needs, general business and market conditions, and other investment opportunities. These purchases can be made from time to time in the open market and are funded from the Company's available working capital. In each of January, July, and October of 2014, the Board of Directors approved the repurchase of up to an additional \$100 million of the Company's outstanding common stock, with such authorizations aggregating to \$300 million. In January 2015, we announced that the Board of Directors approved an additional \$337 million to augment its existing authorization under our stock repurchase program. Subsequently in February 2015, we entered into separate accelerated stock repurchase ("ASR") agreements with two financial institutions to repurchase an aggregate of \$300 million of our common stock. Under the terms of the ASR agreements, we paid an aggregate of \$300 million in cash and received an initial delivery of approximately 5.7 million shares on February 4, 2015. The final number of shares to be repurchased will be based on our volume-weighted average stock price less a discount during the term of the transactions. This final settlement of shares is expected to occur no later than the end of the second quarter of 2015. The repurchase program authorized by the Board of Directors does not have an expiration date. Repurchased shares are retired and reclassified as authorized and unissued shares of common stock. As of March 31, 2015, \$200 million of the previous authorizations remained available for future repurchases.



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Note 8. Stock-Based Compensation

The Company grants stock options, restricted stock units (“RSUs”) and performance-based restricted stock units (“PRSUs”) under its 2009 Equity Incentive Plan. Eligible employees may elect to purchase shares of common stock through the Employee Stock Purchase Plan (“ESPP”). The fair value of each option award and ESPP share is estimated on the date of grant using the Black-Scholes-Merton option pricing model that uses the assumptions in the following table. The Company has consistently used a blend of average historical and market-based implied volatilities for calculating the expected volatilities for employee stock options, and uses market-based implied volatilities for its ESPP. The expected term of employee stock options granted is derived from historical exercise patterns of the options, and the expected term of ESPP is based on the contractual terms. The expected term of options granted to employees is derived from the historical option exercises, post-vesting cancellations, and estimates concerning future exercises and cancellations for vested and unvested options that remain outstanding. The risk-free interest rate for the expected term of the option and ESPP is based on the U.S. Treasury yield curve in effect at the time of grant. The Company recognizes its stock-based compensation related to options using a straight-line method over the vesting term of the awards. The Company recognizes its stock-based compensation related to ESPP using a straight-line method over the offering period, which is six months.

The fair value of RSUs is the grant date closing price of our common stock. Beginning in the first quarter of 2015, the Company granted two types of PRSUs. The fair value of PRSUs, with service and performance conditions, is the grant date closing price of our common stock. The grant date fair value of the PRSUs requiring the satisfaction of service, performance, and market conditions was determined by using a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements. The Company recognizes expense related to RSUs using a straight-line method over the vesting term of the awards. The Company recognizes expense for PRSUs, with service and performance conditions, based on the probability of achieving the performance criteria, as defined in the PRSU agreements. The Company recognizes expense for PRSUs with service, performance, and market conditions based on the probability of achieving the performance conditions as long as the requisite service is rendered, even if the market conditions are not met. PRSUs are expensed using the graded vesting attribution method over the requisite service period.

The Company records stock-based compensation for options, RSUs and PRSUs granted net of estimated forfeiture rates. ASC 718, Stock Compensation, requires the Company to estimate forfeiture rates at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical forfeitures to estimate its future forfeiture rates.

The fair value of the Company’s stock-based awards was estimated based on the following assumptions:

	Three Months Ended March 31,		
	2015	2014	
Option grants:			
Expected volatility	31	% 37 - 40%	
Expected dividends	—	—	
Expected term of options (in years)	3.5	3.5	
Risk-free interest rate	1.1	% 1.0	%
ESPP: <sup>(i)</sup>			
Expected volatility	29	% 36	%
Expected dividends	—	—	
Expected term of ESPP (in years)	0.5	0.5	
Risk-free interest rate	0.1	% 0.1	%
PRSUs with market conditions:			
Expected volatility	30% - 39%	—	
Expected dividends	—	—	

Risk-free interest rate 1.0 % —

(i) ESPP purchases are scheduled for the last day of January and July of each year.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The allocations of the stock-based compensation, net of estimated income tax benefit, for the three months ended March 31, 2015 and 2014 are as follows (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Cost of service revenues	\$1,539	\$1,464
Research and development	5,060	4,662
Sales and marketing	4,769	4,706
General and administrative	3,722	3,414
Total stock-based compensation	15,090	14,246
Estimated tax benefit of stock-based compensation	(4,040)	(3,862)
Total stock-based compensation, net of estimated tax benefit	\$11,050	\$10,384

## Stock Option Activity

A summary of stock option activity through March 31, 2015 is presented below (in thousands, except per share amounts):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	7,186	\$35.82	4.25	\$31,514
Granted	464	\$42.50		
Exercised	(601)	) \$22.96		
Forfeited or expired	(208)	) \$36.17		
Outstanding at March 31, 2015	6,841	\$37.40	4.24	\$48,057
Exercisable at March 31, 2015	3,950	\$36.99	3.41	\$30,817

## Restricted Stock Unit Activity

A summary of RSU activity, excluding PRSUs, through March 31, 2015 is presented below (in thousands, except per share amounts):

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding at December 31, 2014	2,513	—
Awarded	835	\$42.50
Released	(167)	) \$40.30
Forfeited	(129)	) \$37.60
Outstanding at March 31, 2015	3,052	—

## Performance-Based Restricted Stock Unit Activity

During the first quarter of 2015, the Company granted approximately 237,000 target PRSUs.

Approximately 149,000 of these PRSUs have a performance period that is the 2015 fiscal year. If certain performance goals are met, PRSUs would become eligible to vest, and vest ratably over four years on the annual anniversary dates of the vesting commencement date, contingent upon the recipient's continued service to the company. Certain participants have the ability to receive up to 125% of the target number of shares originally granted. The Compensation Committee of the Board of Directors will certify actual performance achievement for these PRSUs in the first quarter of 2016. The weighted-average grant date fair value of these PRSUs was \$43.06 per share.



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Approximately 88,000 of these PRSUs have a performance period that is the three year period beginning with January 1, 2015 through December 31, 2017 with certain revenue based performance goals and the achievement of an objective relative total stockholder return against other companies in the S&P Software & Services Select Index measured over a three-year performance period. Participants have the ability to receive up to 188% of the target number of shares originally granted. The Compensation Committee of the Board of Directors will certify actual performance achievement for these PRSUs in the first quarter of 2018, after which they will vest immediately in full. The weighted-average grant date fair value of 2015 PRSUs was \$46.93 per share, which was determined using a Monte Carlo simulation model.

During the first quarter of 2014, the Company granted approximately 223,000 target PRSUs. The performance period for the PRSUs granted in 2014 was the 2014 fiscal year. In the first quarter of 2015, the Compensation Committee of the Board of Directors certified actual performance achievement for PRSUs granted in 2014, and as a result, 138,000 shares became eligible to vest. The achieved PRSUs vest ratably over two or four years on the annual anniversary dates of the grant, contingent upon the recipient's continued service to the Company. Certain participants had the ability to receive up to 125% to 150% of the target number of shares originally granted. The weighted-average grant date fair value of PRSUs granted in 2014 was \$38.25 per share.

A summary of PRSU activity based upon PRSUs granted in 2013 and 2014, certified and actually achieved through the three months ended March 31, 2015 is presented below (in thousands):

	Number of Shares
Outstanding at December 31, 2014	306
Achieved	138
Released	(136 )
Forfeited	(20 )
Outstanding at March 31, 2015	288

The fair value of PRSUs released during the three months ended March 31, 2015 was approximately \$5.1 million.

A summary of PRSU activity through the three months ended March 31, 2015 for awards that have not been certified by the Compensation Committee of the Board of Directors as achieved is presented below (in thousands):

	Number of Shares
Outstanding at December 31, 2014	—
Granted	237
Forfeited	(2 )
Outstanding at March 31, 2015	235

As of March 31, 2015, there were approximately 523,000 unvested PRSUs with a fair value of \$21.3 million.

**Note 9. Income Taxes**

The Company's effective tax rates were 35% and 34% for the three months ended March 31, 2015 and 2014, respectively. The rates for the three months ended March 31, 2015 were similar to the federal statutory rate of 35% as the benefits of foreign earnings in lower-tax jurisdictions and the domestic manufacturing deduction were offset by nondeductible stock-based compensation, state income taxes, and the accrual of reserves related to uncertain tax positions. The tax rates for both periods do not include the federal research and development tax credit benefit as the credit was not reinstated for the respective interim periods.

The Company is a U.S.-based multinational corporation subject to tax in various U.S. and foreign tax jurisdictions. This causes the Company's effective tax rate to be sensitive to its geographic mix of earnings. The geographic mix of earnings is impacted by the fluctuation in currency exchange rates between the U.S. dollar and the functional currencies of the Company's foreign subsidiaries. The Company's results of operations will continue to be adversely affected to the extent that its geographic mix of earnings becomes more weighted toward jurisdictions with higher tax rates, and will be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. As of

March 31, 2015, the Company has not provided for residual U.S. taxes in any of these lower-tax jurisdictions since it intends to indefinitely reinvest the net undistributed earnings of its foreign subsidiaries offshore.



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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

ASC 740, Income Taxes, provides for the recognition of deferred tax assets if realization of such assets is more likely than not. In assessing the need for any additional valuation allowance in the quarter ended March 31, 2015, the Company considered all available evidence both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

As a result of this analysis for the quarter ended March 31, 2015, consistent with prior periods, it was considered more likely than not that the Company's deferred tax assets would be realized except for any increase to the deferred tax assets related to the California research and development credit and certain operating losses incurred outside of the United States. A valuation allowance has been recorded against this portion of the state tax credit, even though this attribute has an indefinite life. In addition, the Company recorded a valuation allowance related to the deferred tax assets attributable to certain operating losses incurred outside of the United States.

The unrecognized tax benefits related to ASC 740, if recognized, would impact the income tax provision by \$27.6 million and \$27.1 million as of March 31, 2015 and 2014, respectively. The Company has elected to include interest and penalties as a component of income tax expenses. Accrued interest and penalties as of March 31, 2015 and 2014 were approximately \$2.1 million and \$2.3 million, respectively. As of March 31, 2015, the gross unrecognized tax benefit was approximately \$35.9 million.

The Company files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company has been informed by certain state and foreign taxing authorities that it was selected for examination. Most state and foreign jurisdictions have three to six open tax years at any point in time. The field work for certain state and foreign audits have commenced and are at various stages of completion as of March 31, 2015. Although the outcome of any tax audit is uncertain, the Company believes that it has adequately provided in its financial statements for any additional taxes that it may be required to pay as a result of these examinations. The Company regularly assesses the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes and believes its current reserve to be reasonable. If tax payments ultimately prove to be unnecessary, the reversal of these tax liabilities would result in tax benefits in the period that the Company had determined such liabilities were no longer necessary. However, if an ultimate tax assessment exceeds its estimate of tax liabilities, an additional tax provision might be required.

## Note 10. Net Income per Common Share

The following table sets forth the calculation of basic and diluted net income per share for the three months ended March 31, 2015 and 2014 (in thousands, except per share amounts):

	Three Months Ended	
	March 31,	
	2015	2014
Net income	\$21,557	\$24,853
Weighted-average shares of common stock used to compute basic net income per share (excluding unvested restricted stock)	105,928	109,164
Effect of dilutive common stock equivalents:		
Dilutive effect of unvested restricted stock units	928	654
Dilutive effect of employee stock options	568	2,117
Shares used in computing diluted net income per common share	107,424	111,935
Basic net income per common share	\$0.20	\$0.23
Diluted net income per common share	\$0.20	\$0.22
Weighted average stock options and restricted stock units excluded from calculation due to anti-dilutive effect	3,898	4,653

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Note 11. Commitments and Contingencies

## Lease Obligations

The Company leases certain office facilities under various non-cancelable operating leases, which expire at various dates through 2024 and require the Company to pay operating costs, including property taxes, insurance, and maintenance.

Future minimum lease payments as of March 31, 2015 under non-cancelable operating leases with original terms in excess of one year are summarized as follows (in thousands):

	Operating Leases
Remaining 2015	\$8,634
2016	9,504
2017	8,102
2018	7,511
2019	6,003
Thereafter	8,034
Total future minimum operating lease payments	\$47,788

## Warranties

The Company generally provides a warranty for its software products and services to its customers for a period of three to six months. The Company's software products' media are generally warranted to be free from defects in materials and workmanship under normal use, and the products are also generally warranted to substantially perform as described in certain Company documentation and the product specifications. The Company's services are generally warranted to be performed in a professional manner and to materially conform to the specifications set forth in a customer's signed contract. In the event there is a failure of such warranties, the Company generally will correct or provide a reasonable work-around or replacement product. To date, the Company's product warranty expense has not been significant. The warranty accrual as of March 31, 2015 and December 31, 2014 was not material.

## Indemnification

The Company's software license agreements generally include certain provisions for indemnifying the customer against losses, expenses, liabilities, and damages that may be awarded against the customer in the event the Company's software is found to infringe upon a patent, copyright, trademark, or other proprietary right of a third party. The agreements generally limit the scope of and remedies for such indemnification obligations in a variety of industry-standard respects, including but not limited to certain time and scope limitations and a right to replace an infringing product with a non-infringing product.

The Company believes its internal development processes and other policies and practices limit its exposure related to these indemnification provisions. In addition, the Company requires its employees to sign a proprietary information and inventions agreement, which assigns the rights to its employees' development work to the Company. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions, and no material claims against the Company are outstanding as of March 31, 2015. The Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions due to the limited and infrequent history of prior indemnification claims.

As permitted under Delaware law, the Company has agreements whereby the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was serving, at our request, in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that reduces the Company's exposure and enables the Company to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

The Company accrues for loss contingencies when available information indicates that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated in accordance with ASC 450, Contingencies.

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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Derivative Financial Instruments

The Company uses derivative instruments to manage its exposure to fluctuations in certain foreign currency exchange rates which exist as part of ongoing business operations. See Note 1. Summary of Significant Accounting Policies, Note 5. Accumulated Other Comprehensive Income (Loss), and Note 6. Derivative Financial Instruments of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion.

## Litigation

The Company is a party to various legal proceedings and claims arising from the normal course of its business activities, including proceedings and claims related to patents and other intellectual property related matters. The Company reviews the status of each matter and records a provision for a liability when it is considered both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed quarterly and adjusted as additional information becomes available. If both of the criteria are not met, the Company assesses whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a material loss may be incurred, the Company discloses the estimate of the possible loss, range of loss, or a statement that such an estimate cannot be made.

Litigation is subject to inherent uncertainties. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the Company's financial position and results of operation for the period in which the unfavorable outcome occurred, and potentially in future periods. See Note 14. Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

## Note 12. Significant Customer Information and Segment Information

The Company is organized and operates in a single segment: the design, development, marketing, and sales of software solutions. The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The Company markets its products and services in the United States and in foreign countries through its direct sales force and indirect distribution channels.

No customer accounted for more than 10% of revenue in the three months ended March 31, 2015 and 2014. At March 31, 2015 and December 31, 2014, no customer accounted for more than 10% of the accounts receivable balance. North America revenues include the United States and Canada. Revenue from international customers (defined as those customers outside of North America) accounted for 35% and 37% of total revenues in the first quarter of 2015 and 2014, respectively.

Total revenue by geographic region is summarized as follows (in thousands):

	Three Months Ended	
	March 31,	2014
	2015	
Revenues:		
North America	\$163,874	\$153,844
Europe, the Middle East, and Africa	56,705	60,202
Other	29,957	29,051
Total revenues	\$250,536	\$243,097

Property and equipment, net by geographic region are summarized as follows (in thousands):

	March 31,	December 31,
	2015	2014
Property and equipment, net:		
North America	\$141,803	\$143,482
Europe, the Middle East, and Africa	9,058	10,902
Other	4,838	5,324
Total property and equipment, net	\$155,699	\$159,708



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## INFORMATICA CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

## Note 13. Acquisitions

Acquisition in Fiscal Year 2014:

Proact Business Transformation Inc.

In November 2014, the Company acquired assets of Proact Business Transformation Inc. (“Proact”) for \$4.0 million in cash. Proact provides enterprise architecture business transformation solutions including frameworks, methods, and industry reference models to assist with strategic planning of clients' information technology needs. The purchase was accounted for using the acquisition method. Total assets acquired were approximately \$4.0 million of which approximately \$2.7 million and \$1.3 million was allocated to goodwill and identifiable intangible assets, respectively. The goodwill is deductible for tax purposes.

StrikeIron

In June 2014, the Company acquired all outstanding shares of StrikeIron, Inc. (“StrikeIron”), for aggregate consideration of approximately \$54.6 million. StrikeIron provides cloud-based data-as-a-service for email and contact validation, and will enable the Company to enhance its cloud-based product portfolio. The goodwill is not deductible for tax purposes.

Approximately \$8.3 million of the consideration otherwise payable to former StrikeIron stockholders was placed into an escrow fund and held as partial security for the indemnification obligations of the former StrikeIron stockholders. The escrow fund will remain in place until September 2015.

The following table summarizes the fair value of assets acquired and liabilities assumed of \$50.5 million and the acquiree's transaction related costs and debt settlement of \$4.1 million, which were paid by the Company (in thousands):

Assumed liabilities, net of assets	\$(3,499	)
Identifiable intangible assets:		
Developed and core technology	13,900	
Customer relationships	3,500	
Covenants not to compete	450	
Trade names	40	
Total identifiable net assets	14,391	
Goodwill	36,116	
Total assets acquired and liabilities assumed	50,507	
Acquiree's transaction related costs and debt settlement	4,138	
Total	\$54,645	

## Note 14. Subsequent Events

Merger Agreement

On April 6, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Italics Inc. (“Newco”) and Italics Merger Sub Inc., a wholly owned subsidiary of Newco (“Merger Sub”), providing for the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of Newco.

At the effective time of the Merger, each share of the Company's common stock issued and outstanding as of immediately prior to the effective time, subject to certain exceptions, will be canceled and extinguished and automatically converted into the right to receive cash in an amount equal to \$48.75, without interest thereon. Generally, all outstanding employee stock options immediately before the effective date of the transaction will be canceled and converted into a right to receive an amount in cash equal to \$48.75 per stock option, without interest, less the exercise price. All stock options with an exercise price greater than \$48.75 will be canceled without payment. Generally, the performance and market conditions for the PRSUs granted during 2015 will be deemed achieved at 100% of the applicable target levels unless the applicable agreements governing the PRSUs specify a greater level of achievement, in which case this greater number of PRSUs will be deemed achieved. All vested RSUs and vested PRSUs (as determined by the Merger Agreement) will be canceled and converted into a right to receive cash in an

amount equal to \$48.75 per RSU and PRSU, without interest. Generally, the remaining unvested RSUs and PRSUs will be assumed and converted to a right to receive cash equal to \$48.75 per award subject to continued employment through the accelerated vesting period. For purposes of the unvested RSUs and PRSUs, each vest date underlying the applicable awards will be accelerated by 12 months.

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INFORMATICA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company will terminate the current ESPP purchase period on the effective time of the Merger Agreement. The current ESPP purchase period, which is otherwise scheduled to end July 31, 2015, will continue until the earlier of July 31, 2015 or immediately before the effective date of the transaction, and each participant's accumulated payroll deductions shall be used to purchase the Company's common stock in accordance with the terms of the ESPP; such shares shall be treated the same as all other common shares. No further purchase periods will commence under the ESPP on or following April 6, 2015. See Note 8. Stock-Based Compensation of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

Newco and Merger Sub have secured committed financing, consisting of a combination of equity to be provided by the Canada Pension Plan Investment Board (“CPPIB”) and investment funds (the “Permira Funds”) advised by Permira Advisers LLC and debt financing from BofA Merrill Lynch, Goldman Sachs, Credit Suisse, Macquarie Capital, Morgan Stanley, Nomura, RBC and Deutsche Bank, the aggregate proceeds of which, together with the Company’s available cash, cash equivalents or marketable securities will be sufficient for Newco and Merger Sub to pay the aggregate merger consideration and all related fees and expenses. Newco and Merger Sub have committed to use their reasonable best efforts to obtain the debt financing on the terms and conditions described in the debt commitment letter entered into as of April 6, 2015. The transaction is not subject to a financing condition.

Consummation of the Merger is subject to customary closing conditions, including, without limitation, the absence of certain legal impediments, the expiration or termination of the required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, antitrust regulatory approval in the European Union, Turkey, Russia and Israel, the receipt of written notice from the Committee on Foreign Investment in the United States that it has concluded its review of the joint voluntary notice that will be made by the parties to the Merger Agreement pursuant to Section 721 of the Defense Production Act, as amended, with a determination that there are no unresolved national security concerns with respect to the transaction contemplated by the Merger Agreement, and approval by the Company’s stockholders.

The Company has made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of the Company’s business prior to the effective time of the Merger. The Company is also subject to customary restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide non-public information to, and participate in discussions and engage in negotiations with, third parties regarding alternative acquisition proposals, with customary exceptions for a Superior Proposal (as such term is defined in the Merger Agreement).

The Merger Agreement contains certain termination rights for the Company and Newco. Under specified circumstances, the Company will be required to pay Newco a termination fee of \$160 million. This fee will become payable by the Company, in each case subject to the terms and conditions of the Merger Agreement, if before receiving stockholder approval of the Merger the Company terminates the Merger Agreement in connection with a competing acquisition transaction or Newco terminates the Merger Agreement in connection with a breach of covenant by the Company that would cause a failure of our closing conditions to be satisfied, in each case a competing acquisition transaction has been publicly announced, and within one year of termination the Company completes a competing acquisition transaction, or enters into an agreement for a competing acquisition transaction that is subsequently consummated, the Company terminates the Merger Agreement to take a Superior Proposal, or Newco terminates the Merger Agreement in connection with the Company’s board of directors failing to make, or withdrawing, its recommendation of the Merger.

Under other specified circumstances, Newco will be required to pay the Company a termination fee of \$320 million. This fee will become payable by Newco, in each case subject to the terms and conditions of the Merger Agreement, if the Company terminates the Merger Agreement, provided that Newco is not permitted to terminate the Merger Agreement at such time, in connection with a breach by Newco that would cause a failure of Newco’s closing conditions to be satisfied, or if the Company terminates the Merger Agreement in connection with the Termination Date (as defined below), and at the time of termination we would have been entitled to terminate due to Newco’s breach such that Newco’s closing conditions would not be satisfied or due to Newco’s failure to close the Merger



notwithstanding the satisfaction of our closing conditions and Newco's obligation to close.

CPPIB and the Permira Funds have provided the Company with a fee funding agreement in favor of Informatica (the "Fee Funding Agreement"). In the aggregate, the Fee Funding Agreement guarantees the payment of the termination fee payable by Newco, any interest that may be due thereon and certain reimbursement obligations that may be owed by Newco to the Company pursuant to the Merger Agreement. The Merger Agreement also provides that either party may specifically enforce the other party's obligations under the Merger Agreement, provided that the Company may only cause Newco to fund the equity financing if certain conditions are satisfied, including the funding or availability of the debt financing at closing.

In addition to the foregoing termination rights, and subject to certain limitations, the Company or Newco may terminate the Merger Agreement if the Merger is not consummated on or before the first business day after October 6, 2015 (the "Termination Date").

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INFORMATICA CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of such agreement attached as an exhibit to the Current Report on Form 8-K filed with the SEC on April 7, 2015.

The terms of the Credit Agreement entered into on September 26, 2014 define a change in control as an event of default. At the effective time of the Merger, the lenders are allowed to terminate their commitments under the agreement and declare any then outstanding loans along with the accrued interest and fees to be due and payable immediately in whole or in part. See Note 4. Borrowings of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for a further discussion of our Credit Agreement.

Stockholder Lawsuits

On April 16, 2015, two stockholder class action complaints were filed in the Court of Chancery of the State of Delaware on behalf of a putative class of the Company's stockholders: Luciano Scotto v. Sohaib Abbasi et al., Case No. 10913 (filed April 16, 2015) and Janice Ridgeway v. Informatica Corporation et al., Case No. 10917 (filed April 16, 2015). The complaints generally allege that, in connection with the proposed acquisition of the Company by Newco, the Informatica directors breached their fiduciary duties owed to the Company's stockholders by agreeing to sell the company for purportedly inadequate consideration, engaging in a flawed sales process, and agreeing to a number of purportedly preclusive deal protection devices. The complaints further allege that Newco, Merger Sub, the Permira Funds, CPPIB, and the Company aided and abetted the Board of Directors in the alleged breaches of fiduciary duties. The complaints seek, among other things, an order enjoining the close of the proposed transaction or, in the event that the proposed transaction is consummated, an award of rescission and/or rescissory damages.

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

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of the federal securities laws, particularly statements referencing our expectations relating to new product introductions, software revenues, service revenues, international revenues, potential future revenues, cost of software revenues, cost of service revenues, amortization of acquired technology, operating expenses, amortization of intangible assets, the sufficiency of our cash balances and cash flows for the next 12 months, our stock repurchase programs, investment and potential investments of cash or stock to acquire or invest in complementary businesses, products, or technologies, the impact of recent changes in accounting standards, market risk sensitive instruments, contractual obligations, and assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "intends," "plans," "anticipates," "estimates," "potential," or "continue," or the thereof, or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, these expectations or any of the forward-looking statements could prove to be incorrect, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to risks and uncertainties, including but not limited to the factors set forth in this Report under Part II, Item 1A. Risk Factors. All forward-looking statements and reasons why results may differ included in this Report are made as of the date of the filing of this Report, and we assume no obligation to update any such forward-looking statements or reasons why actual results may differ.

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto appearing in Part I, Item 1 of this Report.

Overview

We are the leading independent provider of enterprise data integration software and services. We believe data is one of an organization's most strategic assets, and our solutions enable a wide variety of complex, enterprise-wide data integration initiatives. Our diverse product portfolio centers on data: we offer a variety of solutions, both on-premise and in the cloud, for data integration, data quality, big data, master data management (MDM), data security, data exchange, and data preparation, among others.

We generate revenues from the sale of software and services. We receive software revenues from licensing our products under perpetual licenses directly to end users and indirectly through our partners. We also receive an increasing amount of software revenues from our customers and partners under subscription-based licenses for a variety of our cloud and data-as-a-service offerings. We receive service revenues from maintenance and support services, and professional services, consisting of consulting and education services, that we perform for customers that license our products either directly or indirectly. Historically, purchasing patterns in the software industry have followed quarterly and seasonal trends that we expect to continue. We typically receive a substantial portion of our new license orders in the last month of each quarter and sometimes in the last few weeks or days of each quarter, though such fluctuations are mitigated somewhat by recognition of backlog orders. Moreover, demand for our software products and services is generally highest in the fourth quarter and lowest in the first quarter of each year.

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We license our software and provide services to end-user customers in a wide variety of industries located in over 80 countries, including automotive, energy and utilities, entertainment/media, financial services, healthcare, insurance, manufacturing, public sector, retail, services, technology, telecommunications, and travel/transportation. In the first quarter of 2015, our largest vertical industry sectors for new license orders were financial services, healthcare and manufacturing. Approximately 65% and 63% of our total revenue in the first quarter of 2015 and 2014, respectively, was from North America, which includes the U.S. and Canada. Historically, most of our international revenue has been generated in Europe, the Middle East and Africa (EMEA). No customer accounted for more than 5% of total revenue in the first quarter of 2015 or the full year 2014, 2013, and 2012. On occasion, foreign currency exchange rates have been particularly volatile and have affected our financial results. Recent fluctuations in foreign currency exchange rates may negatively affect our revenues in the near term, and we expect current exchange rate conditions to continue to adversely impact our revenue growth for the full year of 2015. Our strategic partners include systems integrators, resellers and distributors, original equipment manufacturers (OEMs), and strategic technology partners, including enterprise application providers, database vendors, and enterprise information integration vendors.

Total revenues in the first quarter of 2015 increased by 3% to \$250.5 million compared to \$243.1 million for the same period in 2014. Our software revenues slightly increased by 1% in the first quarter of 2015 from the same period in 2014 due to a 47% increase in subscription revenues, partially offset by a 7% decline in license revenues. Service revenues increased by 5% in the first quarter of 2015 from the same period in 2014 due to a 6% growth in maintenance revenues and a 2% increase in consulting and education services.

For the first quarter of 2015 and 2014, our income from operations calculated in accordance with U.S. generally accepted accounting principles (GAAP) was \$32.2 million and \$36.8 million, respectively. Our non-GAAP income from operations was \$52.5 million and \$56.7 million in the first quarter of 2015 and 2014, respectively. For the first quarter of 2015 and 2014, our GAAP net income was \$21.6 million and \$24.9 million, respectively. Our non-GAAP net income was \$36.9 million and \$39.5 million in the first quarter of 2015 and 2014, respectively. See Non-GAAP Financial Measures below for a reconciliation of GAAP to non-GAAP financial measures.

We believe that recent trends in technology are enhancing our growth opportunities. In particular, the continued adoption of cloud services, the diversity of customer, social and mobile interaction data, the richness of big data and the vulnerabilities in securing data are redefining business computing. We are focused on four distinct market opportunities for long-term growth aligned with these trends: cloud integration, MDM, data integration for next-generation analytics and data security. Our growth strategies include expanding to more cloud ecosystems and delivering more types of cloud services; offering more MDM solutions for critical business priorities, the cloud and big data; delivering more productivity tools for big data for IT developers and more data preparation capabilities for business users; and securing more types of data and offering innovative security intelligence capabilities. Recently, we launched Informatica Rev to empower business users to be self-sufficient in data integration and preparation for analytics, and in the second quarter of 2015, we plan to release Secure@Source, a new product that enables customers to discover and classify sensitive data and assess risks associated with data proliferation.

We are continuing to evolve our business model to increase subscription revenue and aggressively investing in our go-to-market strategies for our newer products, while remaining committed to delivering innovative solutions. We will offer our newer products, such as Informatica Rev and Secure@Source, as well as innovations in Informatica Cloud, on a subscription basis. We will continue to offer our established on-premise products as licensed software. In addition, we intend to significantly expand our subscription sales force and increase sales specialist staffing and marketing efforts.

While we believe that these recent technological trends and growth strategies will present significant opportunities, they also pose significant challenges and risks. Key factors that we believe affect our ability to achieve our strategic plans and grow our business include, among others:

- competing effectively, particularly on the basis of functionality and price, against a variety of different vendors offering existing data integration software products, vendors of new and emerging technologies, and hand-coded, custom-built data integration solutions;
- introducing new products and services and enhancements to existing products and services on a regular basis, including integrating acquired products and services, to address the needs of our customers and to respond to rapid

technological changes;  
accurately forecasting sales and trends in our business, including the quality and timing of sales pipeline generation,  
the size of our sales pipeline and the conversion of the sales pipeline into actual sales, and the length of our sales  
cycle;  
attracting, training and retaining our key personnel, especially our sales force, as well as maintaining appropriate  
levels of sales force productivity and turnover rates; and  
continuing to evolve our strategy and business model for our subscription offerings.

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Furthermore, we continue to invest in our international operations, which involve significant financial and operational risks including exposure to foreign currency exchange rate fluctuations and macroeconomic or geopolitical conditions. To address these key factors, and other challenges and risks, we focus on a number of actions, including devoting significant resources to the research and development of products and services; broadening our distribution capability worldwide; enabling our sales force and distribution channel, including by investing in training programs and new product functionalities, key differentiators, and key business values; aligning our worldwide field and marketing operations with company-wide initiatives; implementing pipeline generation and pipeline management initiatives and more rigorous sales planning and processes; strengthening our strategic partnerships; and strategic acquisitions of complementary businesses, products, and technologies. If we are unable to execute these actions or otherwise successfully address any significant challenges and risks, we may not be able to continue to grow our business or achieve our long-term growth plans.

For further discussion regarding these and related risks, see Risk Factors in Part II, Item 1A of this Report.

### Proposed Merger

On April 6, 2015, we entered into a definitive agreement to be acquired by the Canada Pension Plan Investment Board and investment funds advised by Permira Advisers LLC for \$48.75 in cash for each share of our common stock.

Consummation of the Merger is subject to customary closing conditions, including, without limitation, the absence of certain legal impediments, the expiration or termination of the required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, antitrust regulatory approval in the European Union, Turkey, Russia and Israel, the receipt of written notice from the Committee on Foreign Investment in the United States that it has concluded its review of the joint voluntary notice that will be made by the parties to the Merger Agreement pursuant to Section 721 of the Defense Production Act, as amended, with a determination that there are no unresolved national security concerns with respect to the transaction contemplated by the Merger Agreement, and approval by Informatica's stockholders.

See Note 14 - Subsequent Events of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for additional details.

### Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States, which require us to make estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that these assumptions, judgments, and estimates are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Any material differences between these estimates and actual results will impact our consolidated financial statements. On a regular basis, we evaluate our estimates, judgments, and assumptions and make changes accordingly. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors. We believe that the estimates, judgments, and assumptions involved in the accounting for revenue recognition, income taxes, business combinations, impairment of goodwill and intangible assets, stock-based compensation, and allowance for doubtful accounts have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies. The critical accounting estimates associated with these policies are discussed in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2014.

There have been no changes to our critical accounting policies since the end of 2014.

### Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

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## Results of Operations

The following table presents certain financial data for the three months ended March 31, 2015 and 2014 as a percentage of total revenues:

	Three Months Ended March 31,			
	2015	2014		
Revenues:				
Software	41	% 42		%
Service	59	58		
Total revenues	100	100		
Cost of revenues:				
Software	1	1		
Service	17	16		
Amortization of acquired technology	1	2		
Total cost of revenues	19	19		
Gross profit	81	81		
Operating expenses:				
Research and development	20	19		
Sales and marketing	39	38		
General and administrative	9	8		
Amortization of intangible assets	—	1		
Acquisitions and other charges	—	—		
Total operating expenses	68	66		
Income from operations	13	15		
Interest income	—	—		
Interest expense	—	—		
Other income (expense), net	—	—		
Income before income taxes	13	15		
Income tax provision	4	5		
Net income	9	% 10		%

Revenues  
Total revenues in the first quarter of 2015 increased by 3% to \$250.5 million compared to \$243.1 million for the same period in 2014. Our software revenues slightly increased by 1% in the first quarter of 2015 from the same period in 2014 due to a 47% increase in subscription revenues, partially offset by a 7% decline in license revenues. The increase in subscription revenues was due to growth in the installed customer base and higher customer demand for our subscription offerings. The decrease in license revenues was primarily due to a decrease in the number of transactions and foreign currency fluctuations partially offset by an increase in the average transaction price of license transactions. Service revenues increased by 5% in the first quarter of 2015 from the same period in 2014 due to a 6% growth in maintenance revenues and a 2% increase in consulting and education services. The maintenance revenues growth was attributable to the increased size of our installed customer base, and the increase in consulting and education services revenues was primarily due to higher customer demand for consulting services, partially offset by a slight decrease in education services revenue.

The average transaction amount for license orders greater than \$100,000 in the first quarter of 2015, including upgrades for which we charge customers an additional fee, increased to \$558,000 from \$411,000 in the first quarter of 2014. The number of software transactions greater than \$1.0 million increased to 17 in the first quarter of 2015 from 13 in the same period of 2014. We offer two types of upgrades: (1) upgrades that are not part of the post-contract services for which we charge customers an additional fee, and (2) upgrades that are part of the post-contract services that we provide to our customers at no additional charge, when and if available.





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The following table and discussion compare our revenues for the three months ended March 31, 2015 and 2014 (in thousands, except percentages):

	Three Months Ended March 31,		Percentage Change
	2015	2014	
Software revenues:			
License	\$82,379	\$88,511	(7)%
Subscription	21,347	14,532	47%
Total software revenues	103,726	103,043	1%
Service revenues:			
Maintenance	115,351	109,271	6%
Consulting and education	31,459	30,783	2%
Total service revenues	146,810	140,054	5%
Total revenues	\$250,536	\$243,097	3%

**Software Revenues**

Our software revenues were \$103.7 million (or 41% of total revenues) for the three months ended March 31, 2015 compared to \$103.0 million (or 42% of total revenues) for the three months ended March 31, 2014, representing an increase of \$0.7 million (or 1%).

**License Revenues**

Our license revenues decreased to \$82.4 million (or 33% of total revenues) for the three months ended March 31, 2015 from \$88.5 million (or 36% of total revenues) for the three months ended March 31, 2014. The decrease in license revenues of \$6.1 million (or 7%) for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to a decrease in the number of transactions and foreign currency fluctuations partially offset by an increase in the average transaction price of license transactions.

**Subscription Revenues**

Subscription revenues, which primarily represent revenues from customers and partners under subscription-based licenses for a variety of cloud and data-as-a-service offerings, increased to \$21.3 million (or 9% of total revenues) for the three months ended March 31, 2015 compared to \$14.5 million (or 6% of total revenues) for the three months ended March 31, 2014. The increase of \$6.8 million (or 47%) in subscription revenues for the three months ended March 31, 2015, compared to the same period in 2014 was primarily due to an increase in the installed base of subscription customers and higher customer demand.

**Service Revenues****Maintenance Revenues**

Maintenance revenues increased to \$115.4 million (or 46% of total revenues) for the three months ended March 31, 2015 compared to \$109.3 million (or 45% of total revenues) for the three months ended March 31, 2014. The increase of \$6.1 million (or 6%) in maintenance revenues for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to the increasing size of our installed customer base.

**Consulting and Education Revenues**

Consulting and education revenues increased to \$31.5 million (or 13% of total revenues) for the three months ended March 31, 2015 compared to \$30.8 million (or 13% of total revenues) for the three months ended March 31, 2014. The increase of \$0.7 million (or 2%) in consulting and education revenues for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to higher customer demand for consulting services, partially offset by a slight decrease in education services revenue.

**International Revenues**

Our international revenues were \$86.7 million (or 35% of total revenues) and \$89.3 million (or 37% of total revenues) for the three months ended March 31, 2015 and 2014, respectively. The decrease of \$2.6 million (or 3%) in international revenues for the



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three months ended March 31, 2015 compared to the same period in 2014 was due to a decrease in software revenues in Latin America and EMEA and a decrease in service revenues in EMEA. The decrease in software revenues in Latin America was driven by a decline in license revenues due primarily to the deferral of revenue for certain deals. The decrease in service revenues in EMEA was primarily driven by a decrease in maintenance revenues principally due to foreign currency fluctuations offset by an increase in our installed customer base. The decreases in software and service revenues were offset by an increase in Asia-Pacific due to broader adoption of our software products and increase in our installed customer base.

**Potential Future Revenues (New Orders, Backlog, and Deferred Revenues)**

Our potential future revenues include backlog consisting primarily of (1) product orders (primarily perpetual licenses) that have not shipped as of the end of a given quarter, (2) product orders received from certain distributors, resellers, OEMs, and end users not included in deferred revenues, where revenue is recognized after cash receipt (collectively (1) and (2) above are referred as “aggregate backlog”), and (3) deferred revenues. Our deferred revenues consist primarily of the following: (1) maintenance revenues that we recognize over the term of the contract, typically one year, (2) subscription offerings that are recognized over the period of performance as services are provided, (3) license product orders that have shipped but where the terms of the license agreement contain acceptance language or other terms that require that the license revenues be deferred until all revenue recognition criteria are met or recognized ratably over an extended period, and (4) consulting and education services revenues that have been prepaid but for which services have not yet been performed.

We typically ship products shortly after the receipt of an order, which is common in the software industry, and historically our backlog of license orders awaiting shipment at the end of any given quarter has varied. Aggregate backlog and deferred revenues at March 31, 2015 were approximately \$365.5 million compared to \$339.3 million at March 31, 2014 and \$374.9 million at December 31, 2014. The change in the first quarter of 2015 from the comparable period of 2014 was primarily due to increases in deferred software and service revenues, partially offset by a decrease in aggregate backlog. The international portion of aggregate backlog and deferred revenues may fluctuate with changes in foreign currency exchange rates. Aggregate backlog and deferred revenues as of any particular date are not necessarily indicative of future results.

**Cost of Revenues**

The following table sets forth, for the periods indicated, our cost of revenues (in thousands, except percentages):

	Three Months Ended March 31,			Percentage Change
	2015	2014		
Cost of software revenues	\$3,376	\$3,119	8	%
Cost of service revenues	40,551	40,229	1	%
Amortization of acquired technology	2,750	3,985	(31)	)%
Total cost of revenues	\$46,677	\$47,333	(1)	)%
Cost of software revenues, as a percentage of software revenues	3	% 3	% —	%
Cost of service revenues, as a percentage of service revenues	28	% 29	% (1)	)%

**Cost of Software Revenues**

Our cost of software revenues is a combination of costs of license and subscription revenues. Cost of license revenues consists primarily of software royalties, product packaging, documentation, and production costs. Cost of subscription revenues consists primarily of fees paid to third party vendors for hosting services related to our subscription services and royalties paid to postal authorities and other vendors that provide content for our data-as-a-service offerings. Cost of software revenues increased to \$3.4 million (or 3% of software revenues) for the three months ended March 31, 2015 compared to \$3.1 million (or 3% of software revenues) in the same period of 2014. The \$0.3 million (or 8%) increase for the three months ended March 31, 2015 compared to the same period in 2014, was primarily due to a \$0.6 million increase in software royalties, partially offset by a \$0.3 million decrease in fees paid to third party vendors for hosting services and documentation costs.



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## Cost of Service Revenues

Our cost of service revenues is a combination of costs of maintenance, consulting and education services revenues. Our cost of maintenance revenues consists primarily of costs associated with customer service personnel expenses and royalty fees for maintenance related to third-party software providers. Cost of consulting revenues consists primarily of personnel costs and expenses incurred in providing consulting services at customers' facilities. Cost of education services revenues consists primarily of the costs of providing education classes and materials at our headquarters, sales and training offices, and customer locations.

Cost of service revenues increased to \$40.6 million (or 28% of service revenues) in the first quarter of 2015 compared to \$40.2 million (or 29% of service revenues) in the same period of 2014. The \$0.3 million (or 1%) increase in the first quarter of 2015 compared to the same period of 2014 was primarily due to a \$1.5 million increase in personnel related costs (including stock-based compensation) and a \$0.6 million increase in general overhead costs, which were offset by a \$1.8 million decrease in subcontractor fees.

## Amortization of Acquired Technology

The following table sets forth, for the periods indicated, our amortization of acquired technology (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	Percentage Change
Amortization of acquired technology	\$2,750	\$3,985	(31)%

Amortization of acquired technology is the amortization of technologies acquired through business acquisitions and technology licenses. Amortization of acquired technology decreased to \$2.8 million for the three months ended March 31, 2015 from \$4.0 million in the same period of 2014. The decrease of \$1.2 million (or 31%) for the three months ended March 31, 2015, compared to the same period of 2014 was primarily due to a \$0.9 million decrease in amortization of certain technologies that were fully amortized after March 31, 2014, and a \$0.8 million net decrease in amortization of certain acquired technologies which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a \$0.5 million increase in amortization relating to technologies acquired from StrikeIron and Proact after March 31, 2014. See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information regarding our acquisitions.

## Operating Expenses

## Research and Development

The following table sets forth, for the periods indicated, our research and development expenses (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	Percentage Change
Research and development	\$50,677	\$45,685	11%

Our research and development expenses consist primarily of salaries and other personnel-related expenses, consulting services, facilities, and related overhead costs associated with the development of new products, enhancement and localization of existing products, quality assurance, and development of documentation for our products. Research and development expenses increased to \$50.7 million (or 20% of total revenues) for the three months ended March 31, 2015 compared to \$45.7 million (or 19% of total revenues) for the three months ended March 31, 2014. All software development costs for software intended to be marketed to customers have been expensed in the period incurred since the costs incurred subsequent to the establishment of technological feasibility have not been significant.

The \$5.0 million (or 11%) increase in the first quarter of 2015 compared to the same period of 2014 was primarily due to a \$5.5 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount offset by a \$0.5 million decrease in outside services. A portion of the \$5.5 million increase is related to investments in our new products.



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## Sales and Marketing

The following table sets forth, for the periods indicated, our sales and marketing expenses (in thousands, except percentages):

	Three Months Ended March 31,			
	2015	2014	Percentage Change	
Sales and marketing	\$97,402	\$91,584	6	%

Our sales and marketing expenses consist primarily of personnel costs, including commissions and bonuses, as well as costs of public relations, seminars, marketing programs, lead generation, travel, and trade shows. Sales and marketing expenses increased to \$97.4 million (or 39% of total revenues) for the three months ended March 31, 2015 compared to \$91.6 million (or 38% of total revenues) for the three months ended March 31, 2014.

The \$5.8 million (or 6%) increase for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to a \$4.2 million increase in personnel-related costs (including stock-based compensation), a \$0.9 million increase in outside services and marketing programs, and a \$0.7 million increase in general overhead costs.

## General and Administrative

The following table sets forth, for the periods indicated, our general and administrative expenses (in thousands, except percentages):

	Three Months Ended March 31,			
	2015	2014	Percentage Change	
General and administrative	\$22,457	\$20,053	12	%

Our general and administrative expenses consist primarily of personnel costs for finance, human resources, legal, and general management, as well as professional service expenses associated with recruiting, legal, tax and accounting services. General and administrative expenses increased to \$22.5 million (or 9% of total revenues) for the three months ended March 31, 2015 compared to \$20.1 million (or 8% of total revenues) for the three months ended March 31, 2014.

The \$2.4 million (or 12%) increase for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to a \$1.4 million increase for professional fees related to non-routine corporate governance and stockholder matters, a \$0.8 million increase in personnel-related costs (including stock-based compensation) as a result of increased headcount, and a \$0.2 million increase in general overhead costs.

## Amortization of Intangible Assets

The following table sets forth, for the periods indicated, our amortization of intangible assets (in thousands, except percentages):

	Three Months Ended March 31,			
	2015	2014	Percentage Change	
Amortization of intangible assets	\$1,091	\$1,536	(29)	%)

Amortization of intangible assets is the amortization of customer relationships, vendor relationships, trade names, and covenants not to compete acquired through prior business acquisitions, and patents acquired. Amortization of intangible assets decreased to \$1.1 million (or 0% of total revenues) for the three months ended March 31, 2015 from \$1.5 million (or 1% of total revenues) for the three months ended March 31, 2014. .

The decrease of \$0.4 million (or 29%) in amortization of intangible assets for the three months ended March 31, 2015 compared to the same period in 2014 was primarily due to a \$0.5 million decrease in amortization of certain intangibles that were fully amortized after March 31, 2014 and a \$0.4 million decrease in amortization of certain intangibles which are amortized using a method based on expected cash flows. Generally cash flows decline over time after an initial ramp up when the technology is first acquired. These decreases were offset by a \$0.5 million increase in amortization of intangibles acquired from StrikeIron and Proact after March 31, 2014. See Note 13. Acquisitions of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information regarding our acquisitions.





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## Acquisitions and Other Charges

The following table sets forth, for the periods indicated, our acquisitions and other charges (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	Percentage Change
Acquisitions and other charges	\$—	\$89	(100 )%

For the three months ended March 31, 2014, acquisition and other charges of \$0.1 million primarily consisted of legal, accounting, tax, bankers' and other professional service fees.

## Interest and Other Income, Net

The following table sets forth, for the periods indicated, our interest and other income, net (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	Percentage Change
Interest income	\$871	\$1,153	(24 )%
Interest expense	(86 )	(127 )	(32 )%
Other income (expense), net	368	(84 )	538 %
Interest and other income, net	\$1,153	\$942	22 %

Interest and other income, net consists primarily of interest income earned on our cash, cash equivalents, and short-term investments, as well as foreign exchange transaction gains and losses, and interest expense. The increase in interest and other income, net, of \$0.2 million (or 22%) for the three months ended March 31, 2015 compared to the same period in 2014, was primarily due to foreign exchange transaction gains of \$0.4 million offset by a \$0.3 million decrease in interest income due to lower cash equivalent and investment balances and lower yields.

## Income Tax Provision

The following table sets forth, for the periods indicated, our provision for income taxes (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	Percentage Change
Income tax provision	\$11,828	\$12,906	(8 )%
Effective tax rate	35 %	34 %	1 %

Our effective tax rates were 35% and 34% for the three months ended March 31, 2015 and 2014, respectively. Our rates for the three months ended March 31, 2015 were similar to the federal statutory rate of 35% as the benefits of foreign earnings in lower-tax jurisdictions and the domestic manufacturing deduction were offset by nondeductible stock-based compensation, state income taxes, and the accrual of reserves related to uncertain tax positions. The tax rates for both periods do not include the federal research and development tax credit benefit as the credit was not reinstated for the respective interim periods. As of March 31, 2015, we have not provided for residual U.S. taxes in any of these lower-tax jurisdictions since we intend to indefinitely reinvest the net undistributed earnings of our foreign subsidiaries offshore.

We are a U.S.-based multinational corporation subject to tax in various U.S. and foreign tax jurisdictions. This causes our effective tax rate to be sensitive to our geographic mix of earnings. A significant portion of our foreign earnings for the current fiscal year were earned by our Netherlands and other European subsidiaries. Our results of operations will continue to be adversely affected to the extent that our geographic mix of earnings becomes more weighted toward jurisdictions with higher tax rates, and will be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions.

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## Non-GAAP Financial Measures

To supplement Informatica's condensed consolidated financial statements prepared and presented on a GAAP basis, Informatica uses non-GAAP financial measures of income from operations, percentage of income from operations to total revenues, net income and net income per share. These measures are adjusted from income from operations, percentage of income from operations to total revenues, net income or net income per share prepared in accordance with GAAP to exclude the charges and expenses discussed below. The presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for, or superior to, income from operations, net income or net income per share prepared in accordance with GAAP. For the three months ended March 31, 2015 and 2014, the GAAP and non-GAAP financial measures were as follows (in thousands, except for percentages and per share amounts):

	Three Months Ended March 31, 2015		2014	
	(Unaudited)			
Income from operations	\$32,232		\$36,817	
Non-GAAP income from operations	\$52,521		\$56,673	
Percentage of income from operations to total revenues	13	%	15	%
Non-GAAP percentage of income from operations to total revenues	21	%	23	%
Net income	\$21,557		\$24,853	
Non-GAAP net income	\$36,880		\$39,529	
Diluted net income per share	\$0.20		\$0.22	
Non-GAAP diluted net income per share	\$0.34		\$0.35	

We believe the disclosure of such non-GAAP financial measures is appropriate to enhance an overall understanding of our financial performance, our financial and operational decision making and as a means to evaluate period to period comparisons. These adjustments to the Company's GAAP results are made with the intent of providing both management and investors a more complete understanding of the Company's performance, by excluding certain expenses and expenditures, such as non-cash charges and discrete charges that are infrequent in nature, that may not be indicative of its underlying operating results. In addition, we believe that these non-GAAP financial measures are useful to investors because they allow for greater transparency into the indicators used by management as a basis for its financial and operational decision making. We believe that the disclosure of these non-GAAP financial measures provides consistency and comparability of its recent financial results with its historical financial results, as well as to the operating results of other companies in our industry, many of which present non-GAAP financial measures to investors. In addition, we believe that both management and investors benefit from referring to these non-GAAP financial measures when planning, analyzing and forecasting future periods.

There are limitations in using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting, may have a material impact on our reported financial results, and exclude some recurring expenses, particularly stock-based compensation. We believe that stock-based compensation will continue to be a significant recurring expense for the foreseeable future and such stock-based compensation is an important part of our employees' compensation, which can impact their performance. Our non-GAAP financial measures may differ from those of other companies in our industry due to potential differences in their financing and accounting methods, the book value of their assets, their capital structures, the method by which their assets were acquired and the manner in which they define non-GAAP measures. Furthermore, the items we exclude in our non-GAAP financial measures may differ from the components our peer companies exclude when they report their non-GAAP measures. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP measures and evaluating non-GAAP measures together with the corresponding measures calculated in accordance with GAAP.



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## Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures

The following tables are a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measure (in thousands, except percentages):

	Three Months Ended March 31,		
	2015	2014	
	(Unaudited)		
Total revenues	\$250,536	\$243,097	
Income from operations	\$32,232	\$36,817	
Percentage of income from operations to total revenues	13	% 15	%
Plus:			
Amortization of acquired technology	2,750	3,985	
Amortization of intangible assets	1,091	1,536	
Acquisitions and other charges	—	89	
Professional service fees related to non-routine corporate governance and stockholder matters	1,358	—	
Stock-based compensation	15,090	14,246	
Non-GAAP income from operations	\$52,521	\$56,673	
Non-GAAP percentage of income from operations to total revenues	21	% 23	%
Net income	\$21,557	\$24,853	
Plus:			
Amortization of acquired technology	2,750	3,985	
Amortization of intangible assets	1,091	1,536	
Acquisitions and other charges	—	89	
Professional service fees related to non-routine corporate governance and stockholder matters	1,358	—	
Stock-based compensation	15,090	14,246	
Income tax adjustments	(4,966	) (5,180	)
Non-GAAP net income	\$36,880	\$39,529	

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	Three Months Ended March 31, 2015      2014 (Unaudited)	
Diluted net income per share:		
Diluted GAAP net income per share	\$0.20	\$0.22
Plus:		
Amortization of acquired technology	0.03	0.04
Amortization of intangible assets	0.01	0.01
Acquisitions and other charges	—	—
Professional service fees related to non-routine corporate governance and stockholder matters	0.01	—
Stock-based compensation	0.14	0.13
Income tax adjustments	(0.05 )	(0.05 )
Diluted Non-GAAP net income per share	\$0.34	\$0.35

Shares used in computing diluted Non-GAAP net income per share      107,424      111,935

Our non-GAAP financial measures may exclude items such as the following:

**Amortization of acquired technology and intangible assets.** We incur amortization of acquired technology and intangible assets in connection with acquisitions of certain businesses and technologies. Amortization of acquired technology and intangible assets is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of acquired technology and intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of acquired technology and intangible assets will recur in future periods.

**Acquisition and other charges.** We exclude certain expense items resulting from acquisitions including the following, when applicable: (1) legal, accounting, tax, bankers' and other professional service fees to the extent associated with acquisitions; and (2) changes in fair value and other adjustments of contingent consideration, adjustments related to hold-back, and severance liabilities to former employees of acquirees. We consider these adjustments, to some extent, to be unpredictable and dependent on the frequency and size of acquisitions that occur during a given period.

Furthermore, acquisitions result in non-continuing operating expenses, which would not otherwise have been incurred by us in the normal course of our organic business operations, with respect to each acquisition.

**Professional service fees related to non-routine corporate governance and stockholder matters.** Beginning in the first quarter of 2015, we incurred professional service fees related to non-routine corporate governance and stockholder matters.

**Stock-based compensation.** We exclude stock-based compensation expenses from non-GAAP measures primarily because these are non-cash expenses and management finds it useful to exclude certain non-cash charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods.

Moreover, Informatica believes that it enhances comparability with similar companies' operating results by excluding stock compensation in its non-GAAP financial measures because of the different types of stock-based awards that companies may grant and because ASC 718 ("Stock Compensation") allows companies to use different valuation methodologies and subjective assumptions.

**Income tax adjustments.** The income tax effects that are excluded from the non-GAAP measures relate to the tax impact on the difference between GAAP and non-GAAP expenses, primarily relate to stock-based compensation and amortization of acquired technology and intangible assets, for GAAP and non-GAAP measures.

#### Liquidity and Capital Resources

We have funded our operations primarily through cash flows from operations and equity and debt offerings in the past. As of March 31, 2015, we had \$498.7 million in available cash and cash equivalents and short-term investments. Our primary sources of cash are the collection of accounts receivable from our customers and proceeds from the exercise of stock options and stock purchased under our employee stock purchase plan. In addition, as of March 31,

2015, we had \$220.0 million available for borrowing under the credit agreement discussed below. Our uses of cash include payroll and payroll-related expenses and operating expenses such as marketing programs, travel, professional services, and facilities and related costs. We have also used cash to purchase

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property and equipment, repurchase common stock from the open market to reduce the dilutive impact of stock option issuances, and acquire businesses and technologies to expand our product offerings.

Approximately 39% of our cash, cash equivalents, and short-term investments are held by our foreign subsidiaries.

Our intent is to indefinitely reinvest our earnings from foreign operations and current plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event funds from foreign operations are needed to fund operations in the United States and if U.S. tax has not already been previously accrued, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds.

The following table summarizes our cash flows for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Cash provided by operating activities	\$66,240	\$62,743
Cash provided by (used in) investing activities	\$108,670	\$(47,758)
Cash used in financing activities	\$(277,277)	\$(4,477)

**Operating Activities:** Cash provided by operating activities for the three months ended March 31, 2015 was \$66.2 million, representing an increase of \$3.5 million from the three months ended March 31, 2014. This increase resulted primarily from a \$28.1 million increase in net cash inflow from accounts receivable, a \$3.9 million increase in net cash inflow from adjustments for non-cash expenses, and a \$2.4 million decrease in net cash outflow from income taxes payable. These were partially offset by a \$16.4 million increase in net cash outflow from accounts payable and accrued liabilities, a \$7.1 million decrease in net cash inflow from deferred revenues, a \$4.2 million increase in net cash outflow from prepaid expenses and other assets, and a \$3.3 million decrease in net income. In the beginning of the first quarter of 2015, we changed our vacation policy for employees based in the United States and paid \$12.6 million of accrued but unused vacation as of the end of 2014 and the related employer portion of payroll taxes. We recognized excess tax benefits from stock-based compensation of \$1.8 million during the three months ended March 31, 2015. This amount is recorded as a use of cash from operating activities and an offsetting amount is recorded as a source of cash provided by financing activities. We made net cash payments for taxes in different jurisdictions of \$15.8 million during the three months ended March 31, 2015, which includes a one-time \$5.3 million payment for a contested tax assessment from the German taxing authorities. We do not expect resolution of the contested tax assessment in 2015. Our "days sales outstanding" in accounts receivable remained flat at 60 days at both March 31, 2015 and March 31, 2014

**Investing Activities:** Net cash provided by investing activities for the three months ended March 31, 2015 was \$108.7 million due to maturities of investments of \$29.9 million and sales of investments of \$99.2 million primarily used to fund the two accelerated stock repurchase ("ASR") agreements entered into during February 2015 with two different banks, where we paid an aggregate \$300 million to repurchase our common stock. These cash inflows were partially offset by \$17.6 million in purchases of investments, \$2.3 million in purchases of property and equipment, and \$0.5 million in purchase of an investment in equity interests.

Certain reclassifications have been made within the condensed consolidated statement of cash flows to conform to the current year presentation. See Note 1. Summary of Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for more information.

We have identified our investment portfolio as "available-for-sale," and our investment objectives are to preserve principal and provide liquidity while maximizing yields without significantly increasing risk. We may sell an investment at any time if the credit rating of the investment declines, the yield on the investment is no longer attractive, or we need additional cash. We invest only in money market funds, time deposits, and marketable debt securities. We believe that the purchase, maturity, or sale of our investments has no material impact on our overall liquidity.

We acquire property and equipment in our normal course of business. The amount and timing of these purchases and the related cash outflows in future periods depend on a number of factors, including the hiring of employees, the rate of upgrade of computer hardware and software used in our business, as well as our business outlook.

We have used cash to acquire businesses and technologies that enhance and expand our product offerings, and we anticipate that we will continue to do so in the future. Due to the nature of these transactions, it is difficult to predict the amount and timing of such cash requirements to complete such transactions. We may be required to raise additional funds to complete future acquisitions. In addition, we may be obligated to pay certain variable and deferred earn-out payments based upon achievement of certain performance targets.



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Financing Activities: Net cash used in financing activities for the three months ended March 31, 2015 was \$277.3 million due to repurchases and retirement of our common stock of \$300.0 million as part of the two ASR agreements and withholding taxes for restricted stock units net share settlement of \$4.7 million. These amounts were partially offset by proceeds received from the issuance of common stock to option holders and participants of our ESPP of \$25.6 million and excess tax benefits from stock-based compensation of \$1.8 million.

We receive cash from the exercise of common stock options and the sale of common stock under our ESPP. Although we expect to continue to receive some proceeds from the issuance of common stock to option holders and participants of our ESPP in future periods, the timing and amount of such proceeds are difficult to predict and are contingent on a number of factors, including the price of our common stock, the number of employees participating in our stock option plans and our employee stock purchase plan, and overall market conditions.

Our Board of Directors has approved a stock repurchase program for the Company to repurchase its common stock. The primary purpose of the program is to enhance shareholder value, including partially offsetting the dilutive impact of stock-based incentive plans. The number of shares to be purchased and the timing of the purchases are based on several factors, including the price of the Company's common stock, the Company's liquidity and working capital needs, general business and market conditions, and other investment opportunities. These purchases can be made from time to time in the open market and are funded from the Company's available working capital. In each of January, July, and October of 2014, the Board of Directors approved the repurchase of up to an additional \$100 million of the Company's outstanding common stock, with such authorizations aggregating to \$300 million. In January 2015, we announced that the Board of Directors approved an additional \$337 million to augment its existing authorization under our stock repurchase program. Subsequently in February 2015, we entered into separate ASR agreements with two financial institutions to repurchase an aggregate of \$300 million of our common stock. Under the terms of the ASR agreements, we paid an aggregate of \$300 million in cash and received an initial delivery of approximately 5.7 million shares on February 4, 2015. The final number of shares to be repurchased will be based on our volume-weighted average stock price less a discount during the term of the transactions. This final settlement of shares is expected to occur no later than the end of the second quarter of 2015. The repurchase program authorized by the Board of Directors does not have an expiration date. Repurchased shares are retired and reclassified as authorized and unissued shares of common stock. As of March 31, 2015, \$200.0 million of the previous authorizations remained available for future repurchases.

See Note 7. Stock Repurchase Program of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report for information regarding the number of shares purchased under the stock repurchase program.

We believe that our cash balances and the cash flows generated by operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, we may be required to raise or desire additional funds for selective purposes, such as acquisitions or other investments in complementary businesses, products, or technologies, and may raise such additional funds through public or private equity or debt financing or from other sources.

#### Credit Agreement

In September 2014, we entered into a Credit Agreement (the "Credit Agreement") that matures in September 2019. This Credit Agreement replaces the former agreement that matured on September 29, 2014. The Credit Agreement provides for an unsecured revolving credit facility in an amount of up to \$220.0 million, with an option for us to request to increase the revolving loan commitments or to enter into tranches of term loans in an aggregate amount of up to \$30.0 million, for a total credit facility of up to \$250.0 million. The revolving credit facility has sublimits for swingline loans up to \$10.0 million available on a same day basis and for the issuance of standby letters of credit in a face amount up to \$20.0 million. No amounts were borrowed during the three months ended March 31, 2015 or outstanding under the Credit Agreement as of March 31, 2015, and a total of \$220.0 million remained available for borrowing. The Credit Agreement contains customary representations and warranties, covenants and events of default, including the requirement to maintain a maximum consolidated leverage ratio of 2.75 to 1.00 and a minimum consolidated interest coverage ratio of 3.50 to 1.00. We were in compliance with all covenants under the Credit Agreement as of March 31, 2015. For further information, see Note 4. Borrowings and Note 14. Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.



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## Contractual Obligations and Operating Leases

The following table summarizes our significant contractual obligations, including future minimum lease payments at March 31, 2015, under non-cancelable operating leases with original terms in excess of one year, and the effect of such obligations on our liquidity and cash flows in the future periods (in thousands):

	Payment Due by Period				
	Total	Remaining 2015	2016 and 2017	2018 and 2019	2020 and Beyond
Operating lease payments	\$47,788	\$8,634	\$17,606	\$13,514	\$8,034

The above commitment table does not include approximately \$28.3 million of long-term income tax liabilities recorded in accordance with ASC 740, Income Taxes. We are unable to make a reasonably reliable estimate of the timing of these potential future payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes. As a result, this amount is not included in the table above. For further information, see Note 9. Income Taxes of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

## Contractual Obligations

Purchase orders or contracts for the purchase of certain goods and services are not included in the preceding table. We cannot determine the aggregate amount of such purchase orders that represent contractual obligations because purchase orders may represent authorizations to purchase rather than binding agreements. For the purposes of the above table, contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current needs and are fulfilled by our vendors within short time horizons. We also enter into contracts for outsourced services; however, the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty. Contractual obligations that are contingent upon the achievement of certain milestones are not included in the table above.

We estimate the expected timing of payment of the obligations discussed above based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services or changes to agreed-upon amounts for some obligations.

## Operating Leases

We lease certain office facilities and equipment under non-cancelable operating leases, which expire at various dates through 2024.

The expected timing of payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements, transactions, or relationships with “special purpose entities.”

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

During the three months ended March 31, 2015, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a more complete discussion of the market risks we encounter.

**ITEM 4. CONTROLS AND PROCEDURES**

Evaluation of disclosure controls and procedures. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (1) is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) is accumulated



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and communicated to Informatica's management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures include components of our internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance because a control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

Change in internal control over financial reporting. There were no changes in our internal controls over financial reporting that occurred during the three months ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II: OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The information set forth under the "Litigation" subheading in Note 11. Commitments and Contingencies and Note 14. Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

In addition to the other information contained in this Report, we have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition, or results of operation. Investors should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, and investors may lose all or part of their investment. In assessing these risks, investors should also refer to the information contained in our other SEC filings, including our Form 10-K for the year ended December 31, 2014.

The pendency of the Merger or our failure to complete the Merger could have a material adverse effect on our business, results of operations, financial condition and stock price.

Completion of the Merger is subject to the satisfaction of various conditions, including approval of the Merger by our stockholders, the absence of certain legal impediments, and the approval of certain government or regulatory agencies in the United States, the European Union, Turkey, Russia and Israel. There is no assurance that all of the various conditions will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe, or at all.

The Merger gives rise to inherent risks that include:

- the inability to complete the Merger due to the failure to obtain stockholder approval or failure to satisfy the other conditions to the completion of the Merger, including receipt of the required regulatory approvals;
- pending and potential future stockholder litigation that could prevent or delay the Merger or otherwise negatively impact our business and operations;
- the amount of cash to be paid under the agreement governing the Merger is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or results of operations or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock;
- legal or regulatory proceedings, including regulatory approvals from various domestic and foreign governmental entities (including any conditions, limitations or restrictions placed on these approvals), and the risk that one or more governmental entities may delay or deny approval, or other matters that affect the timing or ability to complete the transaction as contemplated;
- the ability of the Canada Pension Plan Investment Board and investment funds advised by Permira Advisers LLC to obtain the necessary funds to complete the Merger;
- to the extent that the current market price of our stock reflects an assumption that the Merger will be completed, the price of our common stock could decrease if the Merger is not completed;
- the possibility of disruption to our business, including increased costs and diversion of management time and resources;
- the pendency of the Merger, even if ultimately completed, may create uncertainty in the marketplace and could lead current and prospective customers to purchase from other vendors or delay purchasing from us;

- difficulties maintaining business and operational relationships, including relationships with customers, suppliers, and other business partners;
- the inability to attract and retain key personnel pending consummation of the Merger, and the possibility that our employees could lose productivity as a result of uncertainty regarding their employment post-Merger;

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the inability to pursue alternative business opportunities or make changes to our business pending the completion of the Merger, and other restrictions on our ability to conduct our business;

the amount of the costs, fees, expenses and charges related to the Merger Agreement or the Merger, including the requirement to pay a termination fee of \$160 million if we terminate the agreement governing the Merger under certain circumstances;

the fact that under the terms of the Merger Agreement, we are unable to solicit other acquisitions proposals during the pendency of the Merger;

developments beyond our control including, but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Merger; and

the risk that if the Merger is not completed, investor confidence could decline, additional stockholder litigation could be brought against us, relationships with existing and prospective customers, suppliers and other business partners may be adversely impacted, we may be unable to retain key personnel, and profitability may be adversely impacted due to costs incurred in connection with the proposed Merger.

If we do not compete effectively, our revenues may not grow and could decline.

The market for our products is highly competitive, quickly evolving, and subject to rapidly changing technology, which may expand the alternatives available to our current and potential customers for their data integration requirements. Our competition consists of hand-coded, custom-built data integration solutions developed in-house by various companies in the industry segments that we target, large vendors of data integration software products (such as IBM, Microsoft, Oracle, SAP, and SAS Institute), certain privately held companies, alternate technologies, and open source solutions. From time to time, we compete with business intelligence and analytics vendors that offer, or may develop, products with functionalities that compete with our products.

Many of our competitors have longer operating histories, substantially greater financial, technical, marketing, and other resources, greater name recognition, specialized sales or domain expertise, broader product portfolios and stronger customer relationships than we do and may be able to exert greater influence on customer purchasing decisions. Our competitors may be able to respond more quickly than we can to new or emerging technologies, technological trends and changes in customer requirements. Our current and potential competitors may develop and market new technologies that render our existing or future products obsolete, unmarketable, or less competitive. In addition, new products or enhancements of existing products that we introduce may not adequately address or respond to new or emerging technologies, technological trends or changes in customer requirements. Moreover, competition from new and emerging technologies and changes in technological trends, particularly the shift to cloud-based solutions, has increased market confusion about the benefits of our products compared to other solutions. Also, new or emerging technologies, technological trends or changes in customer requirements may result in certain of our strategic partners becoming potential competitors in the future.

We believe we currently compete on the basis of the breadth and depth of our products' functionality, as well as on the basis of price. We may have difficulty competing on the basis of price in circumstances where our competitors develop and market products with similar or superior functionality and pursue an aggressive pricing strategy. For example, some of our competitors may provide guarantees of prices and product implementation, offer data integration products at no cost in order to charge a premium for additional functionality, or bundle data integration and data quality products at no cost to the customer or at deeply discounted prices for promotional purposes or as a long-term pricing strategy. These difficulties may increase as larger companies target the data integration markets. A customer may be unwilling to pay a separate cost for our data integration products if the customer has a bundled pricing arrangement with a larger company that offers a wider variety of products than us. As a result, increased competition, alternate pricing models and bundling strategies could seriously impede our ability to sell additional products and services on terms favorable to us.

In addition, consolidation among vendors in the software industry is continuing at a rapid pace. Our current and potential competitors may make additional strategic acquisitions, consolidate their operations, or establish cooperative relationships among themselves or with other solution providers, thereby increasing their ability to provide a broader suite of software products or solutions and more effectively address the needs of our current and prospective customers. Such acquisitions could cause customers to defer their purchasing decisions. Our current and potential

competitors may also establish or strengthen cooperative relationships with our current or future strategic partners, thereby limiting our ability to sell products through these channels. If any of this were to occur, our ability to market and sell our software products would be impaired. In addition, competitive pressures could reduce our market share or require us to reduce our prices, either of which could harm our business, results of operations, and financial condition. Furthermore, during periods of U.S. or global economic uncertainty, our customers' capital spending may be significantly reduced. As a result, there is significantly increased competition for the allocation of IT budget dollars, and other IT implementations may take priority over the use of our products and services.



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Our success depends upon the introduction of new products, the integration of acquired products, and the enhancement of existing products.

Rapid technological changes, including changes in customer requirements and preferences, are characteristic in the software industry. In particular, in the market for enterprise data integration software and services, especially for broader data integration initiatives, we have experienced increased competition from new and emerging technologies and increased market confusion from our customers or prospective customers about the benefits of our products compared to other solutions. In order to address the expanding data integration needs of our customers and prospective customers, and to respond to rapid technological changes, technological trends and customer concerns, we introduce new products and technology enhancements on a regular basis, including products we acquire. For example, recently we launched Informatica Rev to empower business users to be self-sufficient in data integration and preparation for analytics, and in the second quarter of 2015, we plan to release Secure@Source, a new product that enables customers to discover and classify sensitive data and assess risks associated with data proliferation. We intend to continue increasing our investments to develop new products and product enhancements. The introduction of new products, integration of acquired products and enhancement of existing products, is a complex and costly process involving inherent risks, such as:

- the failure to accurately anticipate the impact of new and emerging technologies or changes in technological trends;
- the failure to accurately anticipate changes in customer requirements and preferences;
- delays in completion, launch, delivery, or availability;
- delays in customer adoption or market acceptance;
- delays in customer purchases in anticipation of products not yet released;
- product quality issues, including the possibility of defects and the costs of remediating any such defects;
- market confusion based on changes to the product packaging and pricing as a result of a new product release;
- market confusion based on the introduction of new and emerging technologies by us and our competitors or changes in technological trends, particularly the shift to cloud-based solutions;
- interoperability and integration issues between our existing products and newly acquired products or technologies, and the costs of remediating any such issues;
- interoperability and integration issues with third-party technologies and the costs of remediating any such issues;
- customer issues with migrating or upgrading from previous product versions and the costs of remediating any such issues;
- loss of existing customers that choose a competitor's product instead of upgrading or migrating to the new or enhanced product; and
- loss of maintenance revenues from existing customers that do not upgrade or migrate.

We devote significant resources to the development of new products, the acquisition of products, and the enhancement of existing products, as well as to the integration of these products with each other. In addition, as we develop new products, particularly those based on new or emerging technologies, we may need to develop sales and marketing strategies that differ from the strategies we currently utilize, which may result in increased levels of investment and additional costs. For example, we are continuing to evolve our business model to increase subscription revenue and aggressively investing in our go-to-market strategies for our newer products. We will offer certain of our newer products, such as Informatica Rev and Secure@Source, as well as enhancements for our Informatica Cloud products, on a subscription basis. In addition, we intend to significantly expand our subscription sales force and increase sales specialist staffing and marketing efforts. These go-to-market strategies and efforts, which may differ from those we utilize for our traditional perpetual licensed-based model for our on-premise software products, may be temporarily disruptive and result in reduced sales productivity in addition to increased costs. As a result of the risks involved, we cannot predict the impact on our overall sales from new or enhanced products, and we may not generate sufficient revenues from these products to justify their costs, which would adversely affect our competitive position and results of operations.

We may experience fluctuations in our quarterly operating results, especially in the amount of license revenues we recognize, which could cause our stock price to decline.

Our quarterly operating results, including our software revenues and particularly our license revenues, have fluctuated in the past and may do so in the future. These fluctuations have caused our stock price to decline and could cause our stock price to significantly fluctuate or decline in the future. Our license revenues, which are primarily sold on a perpetual license basis, are difficult to forecast accurately and are vulnerable to short-term shifts in customer demand. Also, we may experience order deferrals by customers in anticipation of future new product introductions or product enhancements, as well as a result of their particular budgeting and purchase cycles. The continued global economic and geopolitical uncertainty is also likely to cause further customer order deferrals or reductions, stricter customer purchasing controls and approval processes, and adversely affect budgeting and

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purchase cycles. By comparison, our short-term expenses are relatively fixed and based in part on our expectations of future revenues. In addition, our backlog of license orders at the end of a given fiscal period has tended to vary. Furthermore, we generally recognize a substantial portion of our license revenues in the last month of each quarter and, sometimes in the last few weeks or days of each quarter. The first quarter of 2015 followed this trend. As a result, we cannot predict the adverse impact caused by cancellations or delays in prospective orders until the end of each quarter. Moreover, the expansion of our product portfolio through the introduction of new products and enhancements has increased the complexity and size of our transactions. The likelihood of an adverse impact may be greater if we experience increased average transaction sizes due to a mix of relatively larger deals in our sales pipeline.

Due to the difficulty we experience in predicting our quarterly license revenues, we believe that quarter-to-quarter comparisons of our operating results are not necessarily a good indication of our future performance. In addition, a number of the other factors discussed in this section may cause fluctuations in our quarterly operating results. Our future operating results or forecasts of future operating results could fail to meet the expectations of stock analysts and investors. If any of these happen, the price of our common stock would likely fall.

If we are unable to accurately forecast sales and trends in our business, we may fail to meet expectations and our stock price could decline.

We use a “pipeline” system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all potential sales of our products and estimate when a customer will make a purchase decision and the potential dollar amount of the sale. We aggregate these estimates periodically in order to generate a sales pipeline. We assess the pipeline at various points in time to look for trends in our business. While this pipeline analysis may provide us with some guidance in business planning and budgeting, these pipeline estimates are necessarily speculative. Our pipeline estimates may not consistently correlate to revenues in a particular quarter or over a longer period of time, particularly in a weak or uncertain global macroeconomic environment. In addition, our pipeline estimates can prove to be unreliable in a particular quarter or over a longer period of time, in part because both the “conversion rate” of the pipeline into actual sales and the quality and timing of pipeline generation can be very difficult to estimate. For example, in the second and third quarters of 2012, continued changes in our sales organization and challenges in our sales execution generally, together with the macroeconomic uncertainty in Europe, adversely affected our pipeline management capabilities, the reliability of our pipeline estimates, and, consequently, our pipeline conversion rate. In particular, in the third quarter of 2012, our pipeline conversion rate was significantly lower as compared to the second quarter of 2012. In addition, further sales execution challenges adversely affected our pipeline conversion rate in certain geographies and vertical industry sectors in 2014 as compared to 2013. While we have made further changes to our sales, marketing and field operations organizations, including the implementation of pipeline generation initiatives, more rigorous sales planning and process measures; in the near term, such actions may decrease the predictive value of our pipeline in assessing near term trends in our business or in comparison to historical trends.

The conversion of the sales pipeline into actual license or subscription sales may also be affected by the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms, which can also impede our ability to negotiate, execute and deliver on these contracts in a timely manner. Because we have historically recognized a substantial portion of our license revenues in the last month of each quarter and sometimes in the last few weeks of each quarter, we may not be able to adjust our cost structure in a timely manner in response to variations in the pipeline conversion rate. In addition, for newly acquired companies, we have limited ability to predict how their pipelines will convert into sales or revenues following acquisition. Any change in the conversion rate of the pipeline into customer sales or in the pipeline itself could cause us to improperly budget for future expenses that are in line with our expected future revenues, which would adversely affect our operating margins and results of operations and could cause the price of our common stock to decline.

A reduction in our sales pipeline and pipeline conversion rate could adversely affect the growth of our company and the price of our common stock.

In the past and recently, we have experienced a reduced conversion rate of our overall license pipeline, primarily as a result of general economic slowdowns and general macroeconomic uncertainty, which caused the amount of customer purchases to be reduced, deferred, or canceled. Although the size of our sales pipeline and our pipeline conversion rate

generally have increased as a result of our additional investments in sales personnel and a gradually improving IT spending environment, they are not consistent on a quarter-to-quarter basis. The recent global economic recession and continued macroeconomic uncertainty has had and will continue to have an adverse effect on our pipeline conversion rate in the near future. For example, our pipeline conversion rate decreased in certain geographies and vertical industry sectors in 2011, 2012 and 2014. If we are unable to continue to increase the size of our sales pipeline and our pipeline conversion rate, our results of operations could fail to meet the expectations of stock analysts and investors, which could cause the price of our common stock to decline.

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We have expanded our international operations and opened new sales offices in other countries. We have experienced and may continue to experience various leadership transitions in our worldwide sales organization. We have also continued to make investments in our sales specialists and domain experts, and implemented changes in our worldwide sales, marketing and field operations to address recent sales execution challenges and improve performance, particularly with respect to our pipeline generation and management capabilities, the reliability of our pipeline estimates and our pipeline conversion rates. As a result of our international expansion and these changes, as well as the increase in our direct sales headcount in the United States, our sales and marketing expenses have increased. As our products become more complex and we target new customers for our software and services, we expect to broaden our go-to-market initiatives and, as a result, our expenses may increase. We expect these investments to increase our revenues, sales productivity, and eventually our profitability. However, if we experience an increase in sales personnel turnover, do not achieve expected increases in our sales pipeline, experience a decline in our sales pipeline conversion ratio, or do not achieve increases in productivity and efficiencies from our new sales personnel as they gain more experience, then we may not achieve our expected increases in revenue, sales productivity, and profitability.

The loss of our key personnel, an increase in our sales force personnel turnover rate or decrease in sales force productivity, or the inability to attract and retain additional personnel could adversely affect our ability to grow our company successfully and may negatively impact our results of operations.

We believe our success depends upon our ability to attract and retain highly skilled personnel and key members of our management team. Historically, there has been a significant level of competition to attract these individuals, and we have recently experienced significant changes in our senior management team. For example, we announced the appointment of a new chief financial officer in October 2014. We also announced the appointment of a new chief marketing officer in 2012, and a new chief product officer in 2013 and, in 2014, the promotion of our senior vice president of EMEA sales to be our new executive vice president of worldwide field operations and the transition of our former chief financial officer to his new role as chief customer officer and executive vice president, operations strategy. As new senior personnel join our company and become familiar with our business strategy and systems, or as existing senior personnel assume new roles within the company, their integration or transition could result in disruption to our ongoing operations.

The market for talent has become increasingly competitive and hiring has become more difficult and costly, and our personnel-related costs are likely to increase as we compete to attract and retain employees. Our employees are increasingly becoming more attractive to other companies. Many of our competitors have greater financial and other resources than us for attracting experienced personnel. Our plan for continued growth requires us to add personnel to meet our growth objectives and places increased importance on our ability to attract, train, and retain new personnel, in particular, new sales personnel. In addition, we intend to significantly expand our subscription sales force and increase sales specialist staffing and marketing efforts around our newer products. Continued leadership transitions in our worldwide sales, marketing and field operations, particularly in EMEA, may adversely affect our ability to manage and grow our business. For example, changes we implemented in customer segmentation in 2012 and sales territories adversely affected the quality of our pipeline estimates in 2012. In addition, the leadership transition in our EMEA sales organization adversely affected our pipeline management capabilities in 2012 and 2013. As we continue to implement further changes to our worldwide sales, marketing and field operations organizations, including the implementation of more rigorous sales planning and process measures and continued investment in sales specialists and domain experts, we may experience increased sales force turnover and additional disruption to our ongoing operations, and we may not experience the increases in sales force productivity that we anticipate, particularly in EMEA. These changes may also take longer to implement than expected, which may adversely affect our sales force productivity. If we are unable to effectively attract and train new personnel on a timely basis, or if we experience an increase in the level of turnover, our results of operations may be negatively affected.

Furthermore, from time to time, we have experienced an increased level of turnover in our direct sales force, particularly in the first quarter of a year. For example, in the first quarter of 2015, we experienced higher than expected sales force turnover. Such increase in the turnover rate affects our ability to generate software revenues. Although we have hired replacements in our sales force and are continuing to hire additional sales personnel to grow

our business, we typically experience lower productivity from newly hired sales personnel for a period of six to twelve months. We continue to invest in training for our sales personnel, including updates to cover new, acquired, or enhanced products, as we broaden our product platform. In addition, we periodically make adjustments to our sales organization in response to a variety of internal and external factors, such as market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount and cost levels. Such adjustments may be temporarily disruptive and result in reduced productivity. If we are unable to effectively attract, train and retain new sales personnel, particularly sales specialists or domain experts, or if we experience an increase in the level of sales force turnover or decrease in sales force productivity, our ability to generate license revenues and our growth rate may be negatively affected.

We currently do not have any key-man life insurance relating to our key personnel, and the employment of the key personnel in the United States is at will and not subject to employment contracts.

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We have relied on our ability to grant equity awards as one mechanism for recruiting and retaining highly skilled talent. If we are unable to grant such awards, we may not be able to attract and retain outstanding and highly skilled individuals in the extremely competitive labor markets in which we compete.

Our subscription offering strategy may not be successful and may adversely affect our profitability.

We offer a variety of subscription offerings, including cloud data integration products and services that provide our customers with functionality within a cloud-based IT environment, and data-as-a-service offerings that we manage and offer via a subscription-based model. Our strategy and business model for these subscription offerings, which differs from our traditional perpetual license-based model for our on-premise software products, continue to evolve. For example, we are aggressively investing in our go-to-market strategies for our newer products. We will offer certain of our newer products, such as Informatica Rev and Secure@Source, as well as enhancements for our Informatica Cloud products, on a subscription basis. In addition, we intend to significantly expand our subscription sales force and increase sales specialist staffing and marketing efforts. These go-to-market strategies and efforts, which may differ from those we utilize traditionally for our on-premise software products, may be temporarily disruptive and result in reduced sales productivity in addition to increased costs. The market for subscription-based offerings, particularly for cloud-based solutions, is not as mature as the market for on-premise software products and it may not develop as anticipated. In addition, market acceptance of subscription-based offerings, particularly cloud-based solutions, may be affected by a variety of factors, including the data security, privacy, cost, reliability, performance and perceived value associated with such offerings. Many customers have invested substantial resources on traditional, perpetually licensed, on-premise software solutions and they may be unwilling or reluctant to migrate to cloud-based solutions or other subscription offerings. We may not be able to compete effectively or generate significant demand for or revenues from our subscription offerings. Also, demand for our subscription offerings may unfavorably impact demand for certain of our other products and services. In addition, our subscription offering strategy will require continued investment in product development and operations, including cloud-based IT infrastructure. We may incur costs at a higher than expected rate as we expand our subscription business, adversely affecting our profitability. In addition, we will incur costs associated with the investments in our subscription business in advance of our ability to recognize the revenue associated with our subscription offerings, which will have an adverse impact on our margins.

Subscription offerings may increase the difficulty of evaluating our future financial position.

With our subscription offerings, we generally recognize revenue from customers ratably over the terms of their subscription agreements. As a result, most of the subscription revenue we report in each quarter is the result of subscription agreements entered into during previous quarters. Consequently, a decline in subscriptions in any one quarter may not affect our results in that quarter, but could reduce revenue in future quarters. We may not be able to adjust our cost structure in response to changes in revenue. Accordingly, the effect of significant downturns in sales of our subscription offerings may not be fully reflected in our results of operations until future periods. Also, as revenue from new customers is recognized over the term of their subscription, it is difficult for us to rapidly increase revenue through additional sales in any period. In addition, if we sell certain elements of our subscription-based offerings together with our perpetual license-based products, we may not be able to recognize the revenue associated with the perpetually licensed products up-front, and we may be required to recognize such revenue ratably over the term of the subscription agreement. The timing of such revenue recognition may make it more difficult to forecast sales and trends in our business, particularly changes in revenue, and could have a potentially negative impact on our financial performance.

Furthermore, our customers have no obligation to renew their subscriptions after the expiration of their initial subscription period, and in fact, some customers have elected not to renew. As a result, we may not be able to accurately predict future renewal rates, and our customers' renewal rates may decline or fluctuate as a result of a number of factors, including satisfaction with our subscription offerings, the prices of our subscription offerings and the prices offered by competitors, the perceived information security of our systems, reductions in customers' spending levels and general economic conditions. If our customers do not renew their subscriptions, or if they renew on less favorable terms, our revenue may decline.

As a result of our lengthy sales cycles, our expected revenues are susceptible to fluctuations, which could cause us to fail to meet expectations, resulting in a decline in the price of our common stock.

Due to the expense, broad functionality, and company-wide deployment of our products, our customers' decisions to purchase our products typically require the approval of their executive decision makers. Also, macroeconomic uncertainty and global economic conditions can adversely affect the buying patterns of our customers and prospective customers, including the size of transactions, and lengthen our sales cycle. For example, in the second and third quarters of 2012, the macroeconomic uncertainty in Europe contributed to a delay in customer purchasing decisions and stricter customer purchasing controls and approval processes in EMEA. We experienced similar delays in customer purchasing decisions and increased approval processes in financial services and public sector transactions in North America in the second quarter of 2014. In addition, we frequently must educate our potential customers about the full benefits of our products, which also can require significant time. These trends toward greater customer executive level involvement or stricter customer purchasing controls and approval processes and increased customer education



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efforts are likely to increase, particularly as we expand our market focus to broader data integration initiatives and experience increased competition from new or emerging technologies. Further, our sales cycle may lengthen as we continue to focus our sales efforts on large corporations. In addition, the purchase of our products may be delayed, or our sales cycle may become more complex, due to potential conflicts in our sales channels and sales processes if we increasingly sell our subscription-based offerings together with our perpetual license-based products. As a result of these factors, the length of time from our initial contact with a customer to the customer's decision to purchase our products typically ranges from three to nine months. We are subject to a number of significant risks as a result of our lengthy sales cycle that could delay, reduce or otherwise adversely affect the purchase of our products, including:

- changes in our customers' budgetary constraints and internal acceptance review procedures;
- the timing of our customers' budget cycles;
- the seasonality of technology purchases, which historically has resulted in stronger sales of our products in the fourth quarter of the year, especially when compared to lighter sales in the first quarter of the year;
- our customers' concerns about the introduction of our products;
- market confusion over the introduction of new or emerging technologies by us or our competitors or changes in technological trends, particularly the shift to cloud-based solutions; or
- potential downturns in general economic or political conditions or potential tightening of credit markets that could occur during the sales cycle.

If our sales cycles lengthen unexpectedly, they could adversely affect the timing of our revenues or increase costs, which may independently cause fluctuations in our revenues and results of operations, adversely affecting the price of our common stock. Finally, if we are unsuccessful in closing sales of our products after spending significant funds and management resources, our operating margins and results of operations could be adversely impacted, and the price of our common stock could decline.

We may experience fluctuations in foreign currency exchange rates that could adversely impact our results of operations.

Our international sales and operations expose us to fluctuations in foreign currency exchange rates. An unfavorable change in the exchange rate of foreign currencies against the U.S. dollar would result in lower revenues when translated into U.S. dollars, although operating expenses would be lower as well. On occasion exchange rates have been particularly volatile and have affected quarterly revenue and profitability. Recent fluctuations in foreign currency exchange rates may negatively affect our revenues in the near term. For example, the recent strength of the U.S. dollar negatively affected our reported revenue for the first quarter of 2015, and we expect current exchange rate conditions to adversely impact our revenue growth for the remainder of 2015. As our international operations grow, if the current dramatic fluctuations in foreign currency exchange rates continue or increase, the effect of changes in foreign currency exchange rates could become material to revenue, operating expenses, and income.

Our international operations expose us to increased risks that could limit our future growth.

We have significant operations outside the United States, including sales and professional services operations, software development centers and customer support centers. We have recently expanded our presence and capabilities in a number of major geographic regions, including Canada, Mexico, South America, Europe and the Middle East and Asia-Pacific, and we plan to continue such expansion. Our international operations are subject to numerous risks, including:

- general economic and political conditions in these foreign markets;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies;
- slower or impaired collections on accounts receivable;
- increased operating costs and wage inflation, particularly in India and Brazil;
- greater difficulty in protecting our ownership rights to intellectual property developed in foreign countries, which may have laws that materially differ from those in the United States;
- higher risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- greater risk of a failure of our employees to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010, and any trade regulations ensuring fair trade practices;

- increased expenses, delays and our limited experience in developing, testing and marketing localized versions of our products;
- increased competition from companies in the industry segments that we target or other vendors of data integration software products that are more established in a particular region than us;

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potential conflicts with our established distributors in countries in which we elect to establish a direct sales presence, or the inability to enter into or maintain strategic distributor relationships with companies in certain international markets where we do not have a local presence;

our limited experience in establishing a sales, marketing and support presence and the appropriate internal systems, processes, and controls, particularly in Brazil, Russia, and Asia-Pacific (especially China, Japan, South Korea, and Taiwan);

difficulties in recruiting, training, managing, and retaining our international staff, particularly our international sales management and sales personnel, which have adversely affected our ability to increase sales productivity, and the costs and expenses associated with such activities;

- differing business practices, which may require us to enter into software license agreements that include non-standard terms related to payment, maintenance rates, warranties, or performance obligations that may affect our ability to recognize revenue ratably; and

communication delays between our main development and support center in California and our international development and support centers, which may delay the development, testing, release or support of new and existing products, and communication delays between our U.S. headquarters and our shared services center in India.

These factors and other factors could harm our ability to gain future international revenues and, consequently, materially impact our business, results of operations, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to manage our international operations and the associated risks effectively could limit the future growth of our business.

Continued uncertainty in the U.S. and global economies, particularly Europe, along with uncertain geopolitical conditions, could negatively affect sales of our products and services and could harm our operating results, which could result in a decline in the price of our common stock.

As our business has grown, we have become increasingly subject to the risks arising from adverse changes in the domestic and global economies, particularly Europe. Revenues from Europe, the Middle East, and Africa (“EMEA”) accounted for approximately 23% and 25% of our total revenues in first quarter of 2015 and 2014, respectively. We have experienced the adverse effect of economic slowdowns in the past, which resulted in a significant reduction in capital spending by our customers, as well as longer sales cycles and the deferral or delay of purchases of our products.

Uncertainty in the macroeconomic environment and associated global economic conditions, as well as geopolitical conditions, have resulted in extreme volatility in credit, equity, and foreign currency markets. In particular, economic concerns continue with respect to the European sovereign debt markets and potential ramifications of any U.S. debt, income tax and budget issues, including future delays in approving the U.S. budget or reductions in government spending. Such uncertainty and associated conditions have also resulted in volatility in various vertical markets, particularly the financial services and public sectors, which are typically two of the larger vertical sectors that we serve. For example, in 2010 and through the first three quarters of 2012, we experienced a decline in European public sector transactions, and we continue to expect uncertainty in Europe at least until the sovereign debt issues are resolved. In addition, we experienced a decline in financial services and public sector transactions in the second quarter of 2014 as compared to both the first quarter of 2014 and the second quarter of 2013. We expect financial services and public sector transactions to continue to be volatile in the near term, particularly in North America, and as a result, growth in our business becomes more dependent on growth in other sectors in the U.S. and internationally. These conditions have also adversely affected the buying patterns of our customers and prospective customers, including the size of transactions and length of sales cycles, and have adversely affected our overall pipeline conversion rate as well as our revenue growth expectations. For example, in the second and third quarters of 2012, the macroeconomic uncertainty in Europe contributed to a delay in customer purchasing decisions, stricter customer purchasing controls and approval processes, and a decline in our pipeline conversion rate. In addition, in the third quarter of 2013, we experienced weaker than expected results in Asia-Pacific. Furthermore, in the second quarter of 2014, we had fewer transactions over \$1 million in the financial services and public sectors as compared to the first quarter of 2014. We expect these conditions, together with our recent sales execution challenges and our worldwide

sales leadership transitions, will continue to adversely affect our results in the near term. If macroeconomic or geopolitical conditions continue to deteriorate or if the pace of recovery is slower or more uneven, our overall results of operations could be adversely affected, we may not be able to grow at the rates we have experienced in the past and we could fail to meet the expectations of stock analysts and investors, which could cause the price of our common stock to decline.

We continue to invest in our international operations. There are significant risks with overseas investments, and our growth prospects in these regions are uncertain. Increased volatility, further declines in the European credit, equity and foreign currency markets or geopolitical conditions could cause delays in or cancellations of European orders. For example, recent events in the

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Ukraine and Russia may adversely affect transactions in Eastern Europe, and could adversely affect greater EMEA transactions as well as U.S. and European public sector transactions if the geopolitical conditions do not stabilize in the future. Deterioration of economic or geopolitical conditions in the countries in which we do business could also cause slower or impaired collections on accounts receivable. In addition, we could experience delays in the payment obligations of our worldwide reseller customers if they experience weakness in the end-user market, which would increase our credit risk exposure and harm our financial condition.

We rely on our relationships with our strategic partners. If we do not establish, maintain and strengthen these relationships, our ability to generate revenue and control expenses could be adversely affected, which could cause a decline in the price of our common stock.

We believe that our ability to increase the sales of our products depends in part upon establishing, maintaining and strengthening relationships with our current strategic partners and any future strategic partners. In addition to our direct sales force, we rely on established relationships with a variety of strategic partners, such as systems integrators, resellers, and distributors, for marketing, licensing, implementing, and supporting our products in the United States and internationally. We also rely on relationships with strategic technology partners, such as enterprise application providers, database vendors, data quality vendors, and enterprise information integration vendors, for the promotion and implementation of our products. In addition, as we develop new products, particularly those based on new or emerging technologies, we may need to establish relationships with new strategic partners, including those that may differ from the types of strategic partners we currently have. We may not be able to successfully establish such relationships, which may adversely affect the market acceptance of our products. In addition, given our limited history with our newer strategic partners, we cannot be certain these relationships will result in significant increases in sales of our products, particularly our newer products.

Our strategic partners offer products from several different companies, including, in some cases, products that compete with our products. We have limited control, if any, as to whether these strategic partners devote adequate resources to promoting, selling, and implementing our products as compared to our competitors' products. Also, new or emerging technologies, technological trends or changes in customer requirements may result in certain of our strategic partners becoming potential competitors in the future. In addition, from time to time our strategic partners have acquired, and will likely continue to acquire, competitors of ours. Such consolidation makes it critical that we continue to develop, maintain and strengthen our relationships with other strategic partners. We may not be able to strengthen such relationships and successfully generate additional revenue.

In addition, we may not be able to maintain strategic partnerships or attract sufficient additional strategic partners who have the ability to market our products effectively, are qualified to provide timely and cost-effective customer support and service, or have the technical expertise and personnel resources necessary to implement our products for our customers. In particular, if our strategic partners do not devote sufficient resources to implement our products, we may incur substantial additional costs associated with hiring and training additional qualified technical personnel to implement solutions for our customers in a timely manner. Furthermore, our relationships with our strategic partners may not generate enough revenue to offset the significant resources used to develop these relationships. If we are unable to leverage the strength of our strategic partnerships to generate additional revenues, our revenues and the price of our common stock could decline.

Acquisitions present many risks, which could adversely affect our business, operating results and financial condition. From time to time, we evaluate potential acquisitions in complementary businesses, products, or technologies. For example, we acquired StrikeIron and Proact in 2014, Active Endpoints in 2013, and Data Scout and TierData in 2012. Also, in the fourth quarter of 2012, we completed the takeover offer for Heiler Software, a publicly-traded German company. The squeeze-out of the remaining shareholders was effective in the second quarter of 2013, increasing our ownership to 100 percent. Certain minority shareholders of Heiler Software have initiated appraisal proceedings before the Stuttgart District Court for review of the adequacy of the cash compensation paid in connection with the squeeze-out. These proceedings may result in an increase of the cash compensation to be paid to minority shareholders if the court finds that the valuation underlying the cash compensation was too low.

Acquisitions involve a number of risks, including:

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the failure to capture the value of the business we acquired, including the loss of any key personnel, customers and business relationships, including strategic partnerships, or the failure of the transaction to advance our business strategy as anticipated;

the difficulties in and costs associated with successfully integrating or incorporating the acquired company's products, technologies, services, employees, customers, partners, business operations and administrative systems with ours, particularly when the acquired company operates in international jurisdictions;

the disruption of our ongoing business and the diversion of management's attention by transition or integration issues;

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any difficulties in consolidating the acquired company's financial results with ours, in particular as a result of different accounting principles or financial reporting standards, and the adverse consequences to us of any delay in obtaining the necessary financial information for such consolidation, any unanticipated change in financial information previously reported to us, or the impact the acquired company's financial performance has on our financial performance as a result of such consolidation;

- the failure to accurately predict how the acquired company's pipeline will convert into sales or revenues following the acquisition, as conversion rates post-acquisition may be quite different from the acquired company's historical conversion rates and can be affected by changes in business practices that we implement;

any inability to generate revenue from the acquired company's products in an amount sufficient to offset the associated acquisition and maintenance costs, including addressing issues related to the availability of offerings on multiple platforms and from cross-selling and up-selling our products to the acquired company's installed customer base or the acquired company's products to our installed customer base; and

the failure to adequately identify or assess significant problems, liabilities or other issues, including issues with the acquired company's technology or intellectual property, product quality, data security, privacy practices, accounting practices, employees, customers or partners, regulatory compliance, or legal or financial contingencies, particularly when the acquired company operates in international jurisdictions.

We may not be successful in overcoming these risks or any other problems encountered in connection with our acquisitions. To the extent that we are unable to successfully manage these risks, our business, operating results, or financial condition could be adversely affected, and the price of our common stock could decline.

In addition, the consideration paid in connection with an acquisition also affects our financial results. If we should proceed with one or more significant acquisitions in which the consideration includes cash, we could be required to use a substantial portion of our available cash to consummate any such acquisition. To the extent that we issue shares of stock or other rights to purchase stock, existing stockholders may be diluted and earnings per share may decrease. In addition, acquisitions may result in our incurring additional taxes, unforeseen or higher than expected costs, debt, material one-time write-offs, or purchase accounting adjustments including the write-down of deferred revenue and restructuring charges. They may also result in recording goodwill and other intangible assets in our financial statements which may be subject to future impairment charges or ongoing amortization costs, thereby reducing future earnings. In addition, from time to time, we may enter into negotiations for acquisitions or investments that are not ultimately consummated. Such negotiations could result in significant diversion of management time, as well as incurring expenses that may impact operating results.

A network or data security incident may compromise the integrity of our products or allow unauthorized access to our network or our customers' data, harm our reputation, create additional liability and adversely impact our financial results.

We make significant efforts to maintain the security and integrity of our product source code and computer systems. However, the threats to network and data security are increasingly diverse and sophisticated. In addition to traditional computer "hackers," malicious code (such as viruses and worms), employee theft or misuse, and denial of service attacks, sophisticated nation-state and nation-state supported actors now engage in intrusions and attacks (including advanced persistent threat intrusions), and fundamental software vulnerabilities add to the risks to our products and computer systems, including our internal network, and the information they store and process. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks. Like all software products, our software is vulnerable to such incidents. The impact of such an incident could disrupt the proper functioning of our software products, cause errors in the output of our customers' work, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers, and cause other destructive outcomes. If this were to occur, our reputation may suffer, customers may stop buying our products, we could face lawsuits and potential liability and our financial performance could be negatively affected. In addition, as we continue to devote more resources to evaluate our systems and products for security vulnerabilities, the cost of addressing these vulnerabilities could reduce our operating margins. If we do not address security vulnerabilities or otherwise provide adequate security features in our products, certain customers, particularly government and other public sector

customers, may delay or stop purchasing our products. Furthermore, the risks related to network or security incidents will increase as we continue to develop our cloud products and services, which may store, transmit and process our customers' sensitive, proprietary or confidential data, including personal or identifying information, in cloud-based IT environments. We also work with third party vendors to process credit card payments by our customers. Unauthorized access or security incidents, including the unauthorized disclosure of sensitive, proprietary or confidential data, such as credit card information, could expose us to loss of this data, litigation, indemnity obligations and significant other liabilities, which may adversely affect our business. In addition, we also have acquired a number of companies, products, services and technologies over the years. As a result, we may inherit additional IT security issues when we integrate these acquisitions.



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If our products are unable to interoperate with hardware and software technologies developed and maintained by third parties that are not within our control, our ability to develop and sell our products to our customers could be adversely affected, which would result in harm to our business and operating results.

Our products are designed to interoperate with and provide access to a wide range of third-party developed and maintained hardware and software technologies, which are used by our customers. The future design and development plans of the third parties that maintain these technologies are not within our control and may not be in line with our future product development plans. We may also rely on such third parties, particularly certain third-party developers of database and application software products, to provide us with access to these technologies so that we can properly test and develop our products to interoperate with the third-party technologies. These third parties may in the future refuse or otherwise be unable to provide us with the necessary access to their technologies. In addition, these third parties may decide to design or develop their technologies in a manner that would not be interoperable with our own. The continued consolidation in the enterprise software market may heighten these risks. Furthermore, our expanding product line, including our combination of products delivered on a comprehensive, unified and open data integration platform makes maintaining interoperability more difficult as various products may have different levels of interoperability and compatibility, which may change from version to version. If any of the situations described above were to occur, we would not be able to continue to market our products as interoperable with such third-party hardware and software, which could adversely affect our ability to successfully sell our products to our customers. If our products and services do not achieve and/or maintain broad market acceptance, our revenues and revenue growth rate may be adversely affected.

Historically, a significant portion of our revenues have been derived from sales of our traditional data integration products, such as PowerCenter and PowerExchange, and related services. We expect sales of our traditional data integration products and services to comprise a significant portion of our revenues for the foreseeable future. If these products and services do not maintain market acceptance, our revenues may decrease.

In addition to our traditional data integration and data quality products, we have expanded our platform to include products and services in the emerging market for broader data integration initiatives, such as cloud data integration, data-as-a-service, big data, MDM, data security, data exchange, and data preparation, among others. The market for our broader data integration products and services remains relatively new and continues to change, and efforts to expand beyond our traditional data integration products may not succeed and may not result in significant revenue. For example, we recently announced that we are increasing our investments to develop new products that continue to expand our offerings beyond our traditional data integration products. Our newer products may not achieve market acceptance if our customers or prospective customers:

- do not fully value the benefits of using our products;
- do not achieve favorable results using our products;
- use their budgets for other products that have priority over our products;
- defer or decrease product purchases due to macroeconomic uncertainty or global economic conditions;
- experience technical difficulties in implementing our products; or
- use alternative methods to solve the problems addressed by our products.

Market acceptance of our products may also be affected if, among other things, competition substantially increases in the data integration market or transactional applications suppliers integrate their products to such a degree that the utility of the functionality that our products and services provide is minimized or rendered unnecessary. Market acceptance of our products may also be affected by customer confusion surrounding the introduction of new and emerging technologies by us and our competitors or changes in technological trends, particularly the shift to cloud-based solutions, and confusion about the benefits of our products compared to other solutions. In addition, in order to enable our sales personnel and our external distribution channels to sell these newer products effectively, we have continued to invest resources and incur additional costs in training programs on new product functionalities, key differentiators, and key business values. If these newer products do not achieve market acceptance, our revenues could be adversely affected and our revenue growth rate, profitability and stock price could decline.

If we are unable to successfully respond to technological advances and evolving industry standards, we could experience a reduction in our future product sales, which would cause our revenues to decline.

The market for our products is characterized by continuing technological development, the emergence of new technologies, evolving industry standards, changing customer needs, and frequent new product introductions and enhancements. The introduction of products by our direct competitors or others incorporating new technologies, the emergence of new industry standards, or changes in customer requirements could render our existing products obsolete, unmarketable, or less competitive. In addition, industry-wide adoption or increased use of hand-coding, open source standards or other uniform open standards across

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heterogeneous applications could minimize the importance of the integration functionality of our products and materially adversely affect the competitiveness and market acceptance of our products. Furthermore, the standards on which we choose to develop new products or enhancements may not allow us to compete effectively for business opportunities.

Our success depends upon our ability to enhance existing products, to respond to changing customer requirements, and to develop and introduce in a timely manner new products that keep pace with technological and competitive developments and emerging industry standards. We have in the past experienced delays in releasing new products and product enhancements and may experience similar delays in the future. As a result, in the past, some of our customers deferred purchasing our products until the next upgrade was released. Future delays or problems in the installation or implementation of our new releases may cause customers to forgo purchases of our products and purchase those of our competitors instead. Additionally, even if we are able to develop new products and product enhancements, we cannot ensure that they will achieve market acceptance.

Any significant defect, error or performance failure in our software or services could cause us to lose revenue and expose us to product liability claims.

The software and services we offer are inherently complex and, despite extensive testing and quality control, have in the past and may in the future contain defects or errors, especially when first introduced, or not perform as contemplated. These defects, errors or performance failures could cause damage to our reputation, loss of customers or revenue, product returns, order cancellations, service terminations, or lack of market acceptance of our software and services. As the use of our software and services, including software or services recently acquired or developed, expands to more sensitive, secure, or mission critical uses by our customers, we may be subject to increased scrutiny, potential reputational risk, or potential liability should our software or services fail to perform as contemplated in such deployments. We have in the past and may in the future need to issue corrective releases of our software or services to fix these defects, errors or performance failures, which could require us to allocate significant research and development and customer support resources to address these problems.

Our license agreements with our customers typically contain provisions designed to limit our exposure to potential product liability claims. However, the limitation of liability provisions contained in our license agreements may not be effective as a result of existing or future national, federal, state, or local laws or ordinances or unfavorable judicial decisions. Although we have not experienced any product liability claims to date, the sale and support of our products entail the risk of such claims, which could be substantial in light of the use of our products in enterprise-wide environments. In addition, our insurance against product liability may not be adequate to cover a potential claim.

We are currently facing and may face future intellectual property infringement claims that could be costly to defend and result in our loss of significant rights.

As is common in the software industry, we have received and may continue from time to time receive notices from third parties claiming infringement by our products of third-party patent and other proprietary rights. As the number of software products in our target markets increases and the functionality of these products further overlaps, we may become increasingly subject to claims by a third party that our technology infringes such party's proprietary rights. In addition, there is a growing occurrence of patent suits being brought by organizations that use patents to generate revenue without manufacturing, promoting, or marketing products or investing in research and development in bringing products to market. These organizations have been increasingly active in the enterprise software market and have targeted whole industries as defendants. For example, in 2007, JuxtaComm Technologies filed a complaint alleging patent infringement against us and various defendants, and in 2008 and 2010, Data Retrieval Technologies LLC filed complaints alleging patent infringement against us and another company. While we settled both these matters, we continue to defend ourselves against additional claims of patent infringement. For example, in September 2013, Protegrity filed a complaint alleging patent infringement against us.

Any claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays, or require us to enter into royalty or licensing agreements, any of which could adversely affect our business, financial condition, and operating results. Although we do not believe that we are currently infringing any proprietary rights of others, additional legal action claiming patent infringement could be commenced against us. We may not prevail in such litigation given the complex technical issues and inherent uncertainties in patent litigation. The potential effects

on our business that may result from third-party infringement claims include the following:

- we could be and have been obligated to incur significant legal costs and expenses defending the patent infringement suit;
- we may be forced to enter into royalty or licensing agreements, which may not be available on terms favorable to us;
- we may be required to indemnify our customers or obtain replacement products or functionality for our customers;
- we may be forced to significantly increase our development efforts and resources to redesign our products as a result of these claims; and

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we may be forced to discontinue the sale of some or all of our products.

If we are not able to adequately protect our proprietary rights, third parties could develop and market products that are equivalent to our own, which would harm our sales efforts.

Our success depends upon our proprietary technology. We believe that our product development, product enhancements, name recognition, and the technological and innovative skills of our personnel are essential to establishing and maintaining a technology leadership position. We rely on a combination of patent, copyright, trademark, and trade secret rights, confidentiality procedures, and licensing arrangements to establish and protect our proprietary rights.

However, these legal rights and contractual agreements may provide only limited protection. Our pending patent applications may not be allowed or our competitors may successfully challenge the validity or scope of any of our issued patents or any future issued patents. Our patents alone may not provide us with any significant competitive advantage, and third parties may develop technologies that are similar or superior to our technology or design around our patents. Third parties could copy or otherwise obtain and use our products or technology without authorization or develop similar technology independently. We cannot easily monitor any unauthorized use of our products, and, although we are unable to determine the extent to which piracy of our software products exists, software piracy is a prevalent problem in our industry in general. We may be forced to initiate litigation to protect our proprietary rights. Litigating claims related to the enforcement of proprietary rights is very expensive and can be burdensome in terms of management time and resources, which could adversely affect our business and operating results. In addition, the risk of not adequately protecting our proprietary technology and our exposure to competitive pressures may be increased if a competitor should resort to unlawful means in competing against us.

We have entered into agreements with many of our customers and partners that require us to place the source code of our products into escrow. Such agreements generally provide that such parties will have a limited, non-exclusive right to use such code if: there is a bankruptcy proceeding by or against us; we cease to do business; or we fail to meet our support obligations. Although our agreements with these third parties limit the scope of rights to use of the source code, we may be unable to effectively control such third parties' actions.

Furthermore, effective protection of intellectual property rights is unavailable or limited in various foreign countries.

The protection of our proprietary rights may be inadequate and our competitors could independently develop similar technology, duplicate our products, or design around any patents or other intellectual property rights we hold.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to U.S. and foreign federal, state, and local governmental agency end-customers have accounted for a portion of our revenue, and we may in the future increase sales to government entities. However, government entities have recently announced reductions in, or experienced increased pressure to reduce, government spending. In particular, such measures have adversely affected European public sector transactions. Furthermore, the continued U.S. debt, income tax and budget issues, including future delays in approving the U.S. budget or reductions in government spending, may adversely impact future U.S. public sector transactions. Such budgetary constraints or shifts in spending priorities of government entities may adversely affect sales of our products and services to such entities. We expect these conditions to continue to adversely affect public sector transactions in the near-term.

In addition, sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully sell our products to such governmental entity. Government entities may require contract terms that differ from our standard arrangements. Government contracts may require the maintenance of certain security clearances for facilities and employees which can entail administrative time and effort possibly resulting in additional costs and delays. In addition, government demand and payment for our products may be more volatile as they are affected by public sector budgetary cycles, funding authorizations, and the potential for funding reductions or delays, making the time to close such transactions more difficult to predict. This risk is enhanced as the size of such sales to the government entities increases. As the use of our products, including products recently acquired or developed, expands to more sensitive, secure or mission critical uses by our government customers, we may be subject to increased scrutiny, potential reputational risk, or potential liability should our products fail to

perform as contemplated in such deployments or should we not comply with the terms of our government contracts or government contracting requirements.

Most of our sales to government entities have been made indirectly through providers that sell our products.

Government entities may have contractual or other legal rights to terminate contracts with our providers for convenience or due to a default, and any such termination may adversely impact our future results of operations. For example, if the provider receives a significant portion of its revenue from sales to such governmental entity, the financial health of the provider could be substantially harmed,

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which could negatively affect our future sales to such provider. Governments routinely audit and investigate government contractors, and we may be subject to such audits and investigations. If an audit or investigation uncovers improper or illegal activities, including any misuse of confidential or classified information by our employees, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with such government entity. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us or our employees or should our products not perform as contemplated in government deployments. We recognize revenue from specific customers at the time we receive payment for our products, and if these customers do not make timely payment, our revenues could decrease.

Based on limited credit history, we recognize revenue from direct end users, resellers, distributors, and OEMs that have not been deemed creditworthy when we receive payment for our products and when all other criteria for revenue recognition have been met, rather than at the time of sale. We have seen certain customers lengthen their payment cycles as a result of the continued difficult macroeconomic environment. As our business grows, if these customers and partners do not make timely payment for our products, our revenues could decrease. If our revenues decrease, the price of our common stock may fall.

We rely on a number of different distribution channels to sell and market our products. Any conflicts that we may experience within these various distribution channels could result in confusion for our customers and a decrease in revenue and operating margins.

We have a number of relationships with resellers, systems integrators, and distributors that assist us in obtaining broad market coverage for our products and services. Although our discount policies, sales commission structure, and reseller licensing programs are intended to support each distribution channel with a minimum level of channel conflicts, we may not be able to minimize these channel conflicts in the future. Any channel conflicts that we may experience could result in confusion for our customers and a decrease in revenue and operating margins.

Our effective tax rate is difficult to project, and changes in such tax rate or adverse results of tax examinations could adversely affect our operating results.

We are a United States-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. A significant portion of our foreign earnings for the current year were earned by our Netherlands and other European subsidiaries. Our results of operations would be adversely affected to the extent that our geographical mix of income becomes more weighted toward jurisdictions with higher tax rates and would be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. Any change in our mix of earnings is dependent upon many factors and is therefore difficult to predict.

The process of determining our anticipated tax liabilities involves many calculations and estimates that are inherently complex and make the ultimate tax obligation determination uncertain. As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate prior to the completion and filing of tax returns for such periods. This process requires estimating both our geographic mix of income and our current tax exposures in each jurisdiction where we operate. These estimates involve complex issues, require extended periods of time to resolve, and require us to make judgments, such as anticipating the outcomes of audits with tax authorities and the positions that we will take on tax returns prior to actually preparing the returns. We also determine the need to record deferred tax liabilities and the recoverability of deferred tax assets. A valuation allowance is established to the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income and other factors in each jurisdiction.

Furthermore, our overall effective income tax rate and tax expenses may be affected by various factors in our business, including acquisitions, changes in our legal structure, changes in the geographic mix of income and expenses, changes in valuation allowances, and changes in applicable tax laws and accounting pronouncements. For example, in December 2014, the federal research and development tax credit was reinstated retroactively to January 1, 2014. Due to the timing of the enactment, we recognized the entire federal research and development credits benefit for the year in the fourth quarter of 2014. Moreover, several countries in which we operate are considering legislation which could impact the taxation of our foreign earnings. Further, the geographic mix of income and expense is impacted by the fluctuation in exchange rates between the U.S. dollar and the functional currencies of our

subsidiaries.

We are under examination by various taxing authorities covering the past several years. We may receive additional assessments from domestic and foreign tax authorities that might exceed amounts reserved by us. In the event we are unsuccessful in reducing the amount of such assessment, our business, financial condition, or results of operations could be adversely affected. Specifically, if additional taxes and/or penalties are assessed as a result of these audits, there could be a material effect on our income tax provision, operating expenses, and net income in the period or periods when that determination is made.

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As our business expands, we are subject to increasingly complex regulatory and compliance obligations and differing business practices, both foreign and domestic, which may strain our resources and divert management's attention. During the past few years, our organizational structure has increased in complexity due to compliance with financial reporting obligations, tax regulations and tax accounting requirements, acquisitions, and other regulatory and compliance requirements, including compliance with the rules and regulations related to the Sarbanes-Oxley Act of 2002 and anti-corruption and anti-bribery laws such as the U.S. Foreign Corrupt Practices Act (the "FCPA") and the UK Bribery Act of 2010 (the "UK Bribery Act"). In addition, new or changing rules and regulations, including those relating to corporate governance, securities laws and public disclosure, often create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These practices may evolve over time upon new guidance from regulatory or governing bodies, resulting in continued uncertainty regarding compliance and higher costs to adopt or modify our practices accordingly. Also, as we expand internationally, we become subject to the various rules and regulations of foreign jurisdictions. If we are unable to effectively comply with the rules and regulations applicable to us, particularly those relating to financial reporting, investors may lose confidence in our ability to manage our compliance obligations, which would have an adverse effect on our stock price. Furthermore, we continue to develop our cloud products and services, which may store, transmit and process our customers' sensitive, proprietary or confidential data, including personal or identifying information, in cloud-based IT environments. These new cloud products and services may expose us to higher regulation than our traditional on-premise products and services, particularly with respect to privacy and data security. Privacy laws are changing and evolving globally, and many countries have more stringent data protection laws than those in the U.S. As a result, new cloud products and services may increase our liability exposure, compliance requirements and costs associated with privacy and data security issues. Our efforts to comply with all of these requirements may result in an increase in expenses and a diversion of management's time and attention from other business activities. If our efforts to comply differ from those intended by regulatory or governing bodies, such authorities may initiate proceedings against us and our business may be harmed.

Further, we have expanded our presence in the Asia-Pacific region, where business practices can differ from those in other regions of the world and can create internal control risks. To address potential risks, we recognize revenue on transactions derived in this region (except for direct sales in Japan and Australia) only when the cash has been received and all other revenue recognition criteria have been met. We also provide business practices training to our sales teams. Overall, the combination of increased structural complexity and the ever-increasing regulatory complexity make it more critical for us to attract and retain qualified and technically competent employees in the United States and internationally.

We may not be able to successfully manage the growth of our business if we are unable to scale our operations and improve our internal systems, processes, and controls.

We continue to experience growth in our customer base and operations, which may place a strain on our management, administrative, operational and financial infrastructure. We anticipate that additional investments in our infrastructure will be necessary to scale our operations and increase productivity. These additional investments will increase our costs, and may adversely affect our operating margins if we are unable to sufficiently increase revenues to cover these additional costs. If we are unable to successfully scale our operations and increase productivity, we may be unable to execute our business strategies. Also, we have substantial real estate commitments, both leased and owned, in the United States and internationally. Our business has grown in recent years through internal expansion and through acquisitions, and we expect such growth to continue. As a result, we may need to enter into additional lease commitments, expand existing facilities, or purchase new facilities or undeveloped real estate, which may adversely affect our cash flows and results of operations. For example, in February 2012 we purchased the property associated with our former corporate headquarters in Redwood City, California, for approximately \$148.6 million, which reflects a purchase price of \$153.2 million less a rent credit of \$4.6 million. We relocated our corporate headquarters to these facilities in the third quarter of 2013.

In advance of our relocation, we also moved our existing data center from our corporate headquarters to an external third party facility. We also utilize other third party data center facilities to host certain of our services, systems and data. If any of these third party facilities become unavailable due to outages, interruptions or other unanticipated

problems, or because they are no longer available on commercially reasonable terms or prices, our costs may increase and our operations may be impaired, which would adversely affect our business.

In addition, we need to continue to improve our internal systems, processes, and controls to effectively manage our operations and growth, including our international growth into new geographies, particularly the Asia-Pacific and Latin American markets. We are continually investing resources to upgrade and improve our internal systems, processes and controls in order to meet the growing requirements of our business. For example, we have recently upgraded our human resources information systems and our enterprise resource planning systems. Upgrades or improvements to our internal systems, processes, and controls may require us to implement incremental reconciliation or additional reporting measures to evaluate the effectiveness of such upgrade or

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improvement, or to adopt new processes or procedures in connection with the upgrade or improvement. We may not be able to successfully implement upgrades and improvements to our systems, processes, and controls in an efficient or timely manner, and we may discover deficiencies in existing systems, processes, and controls, which could adversely affect our business. We have licensed technology and utilized support services from various third parties to help us implement upgrades and improvements. We may experience difficulties in managing upgrades and improvements to our systems, processes, and controls or in connection with third-party software, which could disrupt existing customer relationships, causing us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs. The support services available for such third-party technology also may be negatively affected by mergers and consolidation in the software industry, and support services for such technology may not be available to us in the future. In addition, we use both on-premise and cloud resources, and any security or other flaws in such resources could have a negative impact on our internal systems, processes, or controls.

We may also need to realign resources from time to time to more efficiently address market or product requirements. To the extent any realignment requires changes to our internal systems, processes, and controls or organizational structure, we could experience disruption in customer relationships, increases in cost, and increased employee turnover. Furthermore, as we expand our geographic presence and capabilities, we may also need to implement additional or enhance our existing systems, processes and controls to ensure compliance with U.S. and international laws.

Changes in existing financial accounting standards or practices may adversely affect our results of operations. We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Changes in existing accounting rules or practices, including the possible conversion to unified international accounting standards, new accounting pronouncements, or varying interpretations of current accounting pronouncements could have a significant adverse effect on our results of operations or the manner in which we conduct our business. For example, the adoption of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification 718, Stock Compensation, has had a significant adverse impact on our consolidated results of operations as it has increased our operating expenses and the number of diluted shares outstanding and reduced our operating income and diluted earnings per share. Further, we may not be able to accurately forecast the effect of stock-based compensation on our operating income, net income, and earnings per share because the underlying assumptions, including volatility, interest rate, and expected life, of the Black-Scholes-Merton option pricing model could vary over time.

In addition, the FASB is currently working together with the International Accounting Standards Board ("IASB") to converge certain accounting principles and facilitate more comparable financial reporting between companies who are required to follow GAAP and those who are required to follow International Financial Reporting Standards ("IFRS"). These projects may result in different accounting principles under GAAP, which may have a material impact on the way in which we report financial results in areas including, but not limited to, principles for revenue recognition and lease accounting. For example, the FASB issued a new financial accounting standard for revenue recognition in May 2014 - Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)" - that supersedes nearly all existing U.S. GAAP revenue recognition guidance. The standard is currently effective for us in the first quarter of 2017 and early adoption is not permitted. However, the FASB voted to propose deferral of the effective date of the standard by one year, potentially making it effective for us in the first quarter of 2018, subject to the FASB's due process procedures and final decision. Although we are currently in the process of evaluating the impact of ASU 2014-09 on our consolidated financial statements, it could change the way we account for certain of our sales transactions and may require the implementation of additional systems prior to our adoption of this accounting standard that may result in additional operating costs. Adoption of the standard could have a significant impact on our financial statements and may retroactively affect the accounting treatment of transactions completed before adoption. Furthermore, a change in accounting principles from GAAP to IFRS may have a material impact on our financial statements. A change in existing financial accounting standards or practices may even retroactively adversely affect previously reported transactions. It is not clear if we have the proper systems and controls in place to accommodate such changes.

Our business could be negatively affected as a result of activist stockholders.

An activist investor, Elliott Associates and its affiliates, recently took an ownership position in our common stock and initiated communications with us. Responding to actions by an activist stockholder can be costly and time-consuming, disrupt our operations and divert the attention of management and our employees. Additionally, perceived uncertainties as to our future direction as a result of stockholder activism or changes to the composition of our board of directors may lead to the perception of a change in the direction of our business or other instability, which may be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel. If customers choose to delay, defer or reduce transactions with us or do business with our competitors instead of us because of any such issues, then our business, operating results, and financial condition would be adversely affected. In addition, our stock price may experience periods of increased volatility as a result of stockholder activism.

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The price of our common stock fluctuates as a result of factors other than our operating results, such as volatility in the capital markets and the actions of our competitors and securities analysts, as well as developments in our industry and changes in accounting rules.

The market price for our common stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price for our common stock may be affected by a number of factors other than our operating results, including:

- volatility in the capital markets;
- the announcement of new products or product enhancements by our competitors;
- quarterly variations in our competitors' results of operations;
- changes in earnings estimates and recommendations by securities analysts;
- developments in our industry; and
- changes in accounting rules.

After periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that particular company. Such actions could cause the price of our common stock to decline.

Our credit agreement contains certain restrictions that may limit our ability to operate our business.

In September 2014, we entered into a credit agreement for an unsecured revolving credit facility in an amount of up to \$220.0 million, with an option for us to request to increase the revolving loan commitments or to enter into tranches of term loans by an aggregate amount of up to \$30.0 million with new or additional commitments, for a total credit facility of up to \$250.0 million. No amounts were outstanding under the credit agreement as of March 31, 2015. The credit agreement contains affirmative and negative covenants, including covenants that may limit or restrict our and our subsidiaries' ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into hedging agreements, enter into certain transactions with affiliates, pay dividends or make distributions, repurchase stock, enter into restrictive agreements and enter into sale and leaseback transactions, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a consolidated leverage ratio and a consolidated interest coverage ratio. We were in compliance with all covenants under the credit agreement as of March 31, 2015. Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. The breach of any of these covenants for any reason could result in an event of default under our credit facility. The credit agreement also contains events of default that, include among other things, non-payment defaults, inaccuracy of representations and warranties, covenant defaults, cross default to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults, ERISA defaults and a change of control default. If such an event of default occurs, all of our outstanding debt thereunder, if any, could become immediately due and payable, which could result in a default under any other outstanding debt that we may have incurred and could lead to an acceleration of the obligations related to such other outstanding debt. The existence of such a default could preclude us from borrowing funds under our credit facility. Any such default under our credit facility, if not cured or waived, could have a material adverse effect on us. If our cash is utilized to repay any outstanding debt, depending on the amount of debt outstanding, we could experience an immediate and significant reduction in working capital available to operate our business. Even if we are able to comply with all of the applicable covenants under our credit facility, the restrictions on our ability to operate our business could adversely affect our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions, investments and other corporate opportunities that may be beneficial to the business.

Our investment portfolio is subject to credit and liquidity risks and fluctuations in the market value of our investments and interest rates, which may result in impairment or loss of value of our investments, an inability to sell our investments or a decline in interest income.

We maintain an investment portfolio, which consists primarily of certificates of deposit, commercial paper, corporate notes and bonds, money market funds, time deposits, municipal securities, U.S. government and agency notes and bonds, and equity securities. Although we follow an established investment policy, which specifies credit quality standards for our investments and limits the amount of credit exposure to any single issue, issuer, or type of

investment, and other criteria in order to help mitigate our exposure to interest rate and credit risk, the assets in our investment portfolio may lose value or become impaired, or our interest income may decline. We may be required to record impairment charges for other-than-temporary declines in fair market value in our investments. Future fluctuations in economic and market conditions could adversely affect the market value of our investments, and we could record additional impairment charges and lose some of the principal value of investments in our portfolio. A total loss of an investment or a significant decline in the value of our investment portfolio could adversely affect our operating results and financial condition. See “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of our Annual

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Report on Form 10-K for the year ended December 31, 2014. During the three months ended March 31, 2015, there were no significant changes to our quantitative and qualitative disclosures about market risk.

In addition, from time to time we make strategic investments in private companies. Our strategic investments in private companies are subject to risk of loss of investment capital. For example, we realized a \$2.0 million loss on an equity interest during the fourth quarter of 2014. Some of these investments may have been made to further our strategic objectives and support our key business initiatives. Our strategic investments in private companies are inherently risky because the markets for the technologies they have under development are typically in the early stages and may never materialize. We could lose the value of our entire investment in these companies.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications or network failure, and other events beyond our control. We have prepared a detailed disaster recovery plan which includes the use of internal and external resources and will continue to expand the scope over time. Disasters or disruptions, such as the March 2011 earthquake and tsunami off the coast of Japan and the December 2006 earthquake off the coast of Taiwan, can negatively affect our operations given necessary interaction among our international facilities. For example, the December 2006 Taiwan earthquake resulted in a major fiber outage, which affected network connectivity in some of our facilities in Asia-Pacific. In the event such an earthquake or any other natural disaster or man-made failure occurs, it could disrupt the operations of our affected facilities and recovery of our resources. In addition, we do not carry sufficient business interruption insurance to compensate us for losses that may occur, and any losses or damages incurred by us could have a material adverse effect on our business.

Delaware law and our certificate of incorporation and bylaws contain provisions that could deter potential acquisition bids, which may adversely affect the market price of our common stock, discourage merger offers, and prevent changes in our management or Board of Directors.

Our basic corporate documents and Delaware law contain provisions that might discourage, delay, or prevent a change in the control of Informatica or a change in our management. For example, our bylaws provide that we have a classified board of directors, with each class of directors subject to re-election every three years. A classified board has the effect of making it more difficult for third parties to elect their representatives on our board of directors and gain control of Informatica. Our bylaws also contain advance notice procedures for stockholders to nominate candidates for election as directors or bring matters before a meeting of stockholders. These provisions, among others, could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

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## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Repurchases of Equity Securities

The following table provides information about the repurchase of our common stock for the quarter ended March 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
January 1 — January 31				
From employees <sup>(1)</sup>	—	—	—	—
Repurchase program <sup>(2)</sup>	—	\$—	—	\$500,000
February 1 — February 28				
From employees <sup>(1)</sup>	113,595	\$41.54	—	—
Repurchase program <sup>(2)</sup>	5,725,190	\$41.92	5,725,190	\$200,000
March 1 — March 31				
From employees <sup>(1)</sup>	—	—	—	—
Repurchase program <sup>(2)</sup>	—	\$—	—	\$200,000
Total	5,838,785	\$41.91	5,725,190	

(1) The repurchases from employees represent shares canceled in settlement of employee minimum statutory tax withholding obligations due upon the vesting of restricted stock units.

(2) This program does not have a specific expiration date and authorizes repurchases in the open market. In each of January, July, and October of 2014, the Board of Directors approved the repurchase of up to an additional \$100 million of our outstanding common stock, with such authorization aggregating to \$300 million. In January 2015, we announced that the Board of Directors approved an additional \$337 million to augment its existing authorization under our stock repurchase program. Subsequently in February 2015, we entered into separate accelerated stock repurchase ("ASR") agreements with two financial institutions to repurchase an aggregate of \$300 million of our common stock. Under the terms of the ASR agreements, we paid an aggregate of \$300 million in cash and received an initial delivery of approximately 5.7 million shares on February 4, 2015. The final number of shares to be repurchased will be based on our volume-weighted average stock price less a discount during the term of the transactions. This final settlement of shares is expected to occur no later than the end of second quarter of 2015. As of March 31, 2015, \$200.0 million of the previous authorizations remained available for future repurchases. For further information about our stock repurchase program, see Note 7. Stock Repurchase Program and Note 14. Subsequent Events of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

ITEMS 3, 4 and 5 are not applicable and have been omitted.



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## ITEM 6. EXHIBITS

Exhibit Number	Document
2.1	Agreement and Plan of Merger, dated as of April 6, 2015, by and among Italics Inc., Italics Merger Sub Inc., and Informatica Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 7, 2015, Commission File No. 0-25871).
10.1	Master Confirmation dated as of February 3, 2015 - J.P. Morgan Securities LLC, as agent for the JPMorgan Chase Bank, National Association.
10.2	Master Confirmation dated as of February 3, 2015 - Merrill Lynch International acting through its agent Merrill Lynch, Pierce, Fenner & Smith Incorporated.
10.3	Form of Executive Severance Agreement between the Company and each of its executive officers (other than the Chief Executive Officer)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-15(a).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-15(a).
32.1 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.

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\* Furnished, not filed.

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SIGNATURE

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.

April 30, 2015

INFORMATICA CORPORATION

/s/ MICHAEL BERRY

Michael Berry

EVP and Chief Financial Officer

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INFORMATICA CORPORATION  
 EXHIBITS TO FORM 10-Q QUARTERLY REPORT  
 For the Quarter Ended March 31, 2015

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