



Q2 2016 FINANCIAL RESULTS
SUPPLEMENTAL INFORMATION
AUGUST 2, 2016

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from current expectations. There can be no assurance that demand for Guidance Software's products will continue at current or greater levels, or that the Company will continue to grow revenues, or be profitable. There are also risks that Guidance Software's pursuit of providing network security and e-discovery technology might not be successful, or that if successful, it will not materially enhance Guidance Software's financial performance; that the Company could fail to retain key employees; that changes in customer requirements and other general economic and political uncertainties could impact Guidance Software's relationship with its customers; and that delays in product development, competitive pressures or technical difficulties could impact timely delivery of next-generation products; and other risks and uncertainties that are described from time to time in Guidance Software's periodic reports and registration statements filed with the Securities and Exchange Commission. The Company specifically disclaims any responsibility for updating these forward-looking statements.

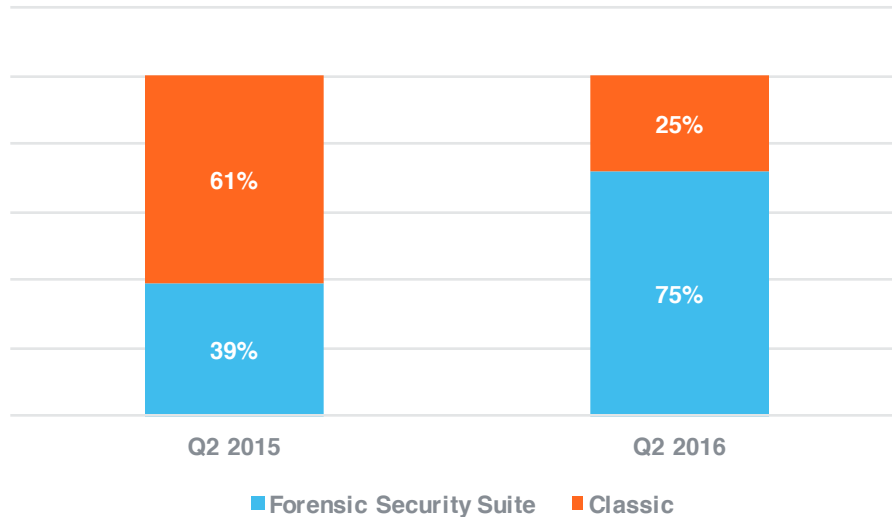


Q2 2016 KEY HIGHLIGHTS

	Q2 2016	Q2 2015
Revenue	\$27.6 M	\$27.5 M
Non-GAAP Gross Margin	70.0%	67.6%
Non-GAAP Operating Income (Loss)	(\$2.4) M	(\$1.3) M
Non-GAAP EPS	(\$0.08)	(\$0.05)
Cash flow provided by (used in) Operations	(\$6.5) M	(\$1.7) M
Endpoint Security Average Selling Price (ASP)	\$114,000	\$50,000



PRODUCT STRATEGY – FORENSIC SECURITY



Q2 2016 Product Releases

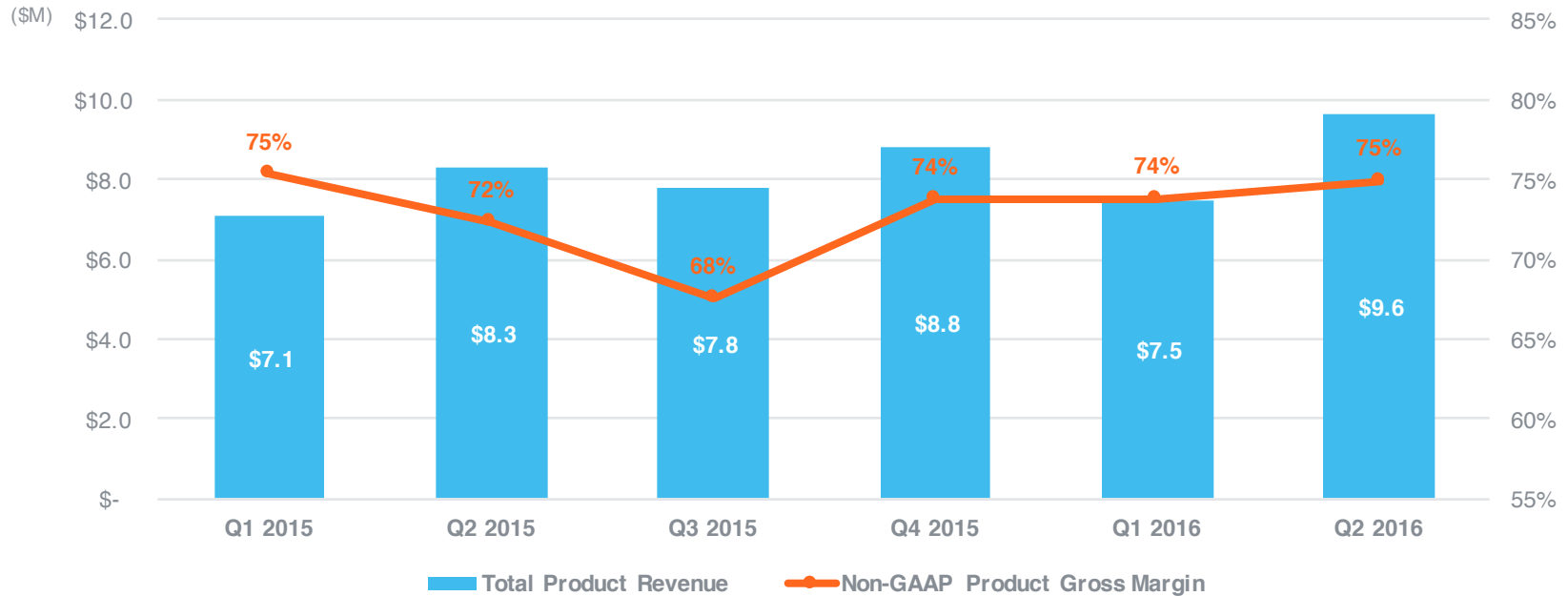
- Forensic Security Suite:
- EnForce Risk Manager v1.1.1
 - EnCase Endpoint Security v5.13
 - Encase Endpoint Investigator 8.1

- Classic:
- EnCase Enterprise 7.13
 - EnCase eDiscovery 5.13
 - Jumpstart Appliances

75% of enterprise revenue attributed to the forensic security suite,
up from 39% of enterprise revenue in Q2 2015



PRODUCT REVENUE / NON-GAAP PRODUCT GROSS MARGIN



PRICING STRATEGY – ASP IMPROVEMENTS

- EnCase Endpoint Security software product improvements, beginning in Q4 2015 resulted in a more competitive offering in the EDR space
- Allowed packaging and pricing to be raised to market levels, effective Q1 2016
- Q2 2016 Results:
 - ✓ Average Selling Price on a per deal basis more than doubled vs. Q2 2015
 - ✓ Total security software revenue up 40% vs. Q2 2015



Q2 2016 SELECT FINANCIAL DATA

(\$'000, EXCEPT DSO'S AND HEADCOUNT)

	Q2 2016	Q2 2015	Q1 2016
Cash & investments	\$13,040	\$21,029	\$20,420
Deferred revenue	\$46,383	\$46,942	\$51,774
Capital expenditures	\$823	\$2,563	\$806
Cash flow from (used in) operations	(\$6,536)	(\$1,732)	\$2,278
DSO's	51 days	57 days	51 days
Headcount	427	421	429



GUIDANCE

FY 2016	
Revenue	\$108 - \$112 M
EBITDA	EBITDA positive in 2 nd half 2016
Non-GAAP EPS	(\$0.21) - (\$0.25)



APPENDIX



RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (\$'000, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Three Months Ended June 30, % of Revenue	
	2016	2015	2016	2015
Total revenues, as reported	\$27,556	\$27,549		
Total non-GAAP revenues	\$27,556	\$27,549	100%	100%
Gross profit, as reported	\$18,855	\$18,281	68%	66%
Realignment expense	168	-		
Share-based compensation	256	350		
Gross profit adjustment	424	350		
Total non-GAAP gross profit	\$19,279	\$18,631	70%	68%
Total operating expenses, as reported	\$28,553	\$21,726	104%	79%
Amortization of intangibles	(379)	(413)		
Proxy contest expense	(1,512)	-		
Litigation settlement	(2,250)	-		
Realignment expense	(752)	-		
Share-based compensation	(2,019)	(1,379)		
Operating expense adjustment	(6,912)	(1,792)		
Total non-GAAP operating expenses	\$21,641	\$19,934	79%	72%
Operating loss as reported	\$(9,698)	\$(3,445)	-35%	-13%
Gross profit adjustment	424	350		
Operating expense adjustment	6,912	1,792		
Total non-GAAP operating loss	\$(2,362)	\$(1,303)	-9%	-5%
Net loss as reported	\$(9,730)	\$(3,531)	-35%	-13%
Gross profit adjustment	424	350		
Operating expense adjustment	6,912	1,792		
Income tax provision	38	96		
Total non-GAAP net loss	\$(2,356)	\$(1,293)	-9%	-5%
Net loss per share-diluted, as reported	\$(0.33)	\$(0.13)		
Non-GAAP net loss per share-diluted	\$(0.08)	\$(0.05)		



THANK 
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