

GUIDANCE
SOFTWARE



Q3 2016 FINANCIAL RESULTS
SUPPLEMENTAL INFORMATION
NOVEMBER 3, 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.



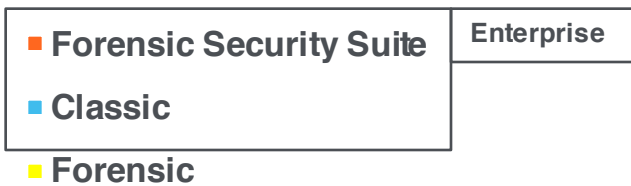
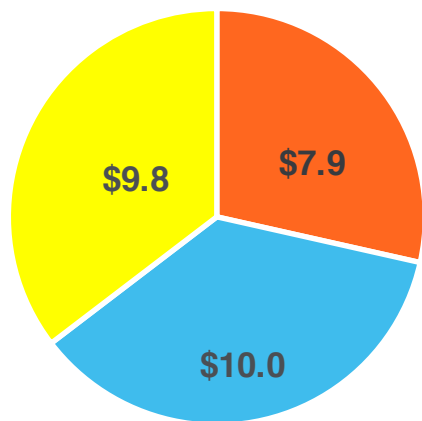
Q3 2016 KEY FINANCIAL HIGHLIGHTS

	Q3 2016	Q3 2015
Revenue	\$27.7 M	\$26.8 M
Non-GAAP gross margin	71.2%	67.5%
Non-GAAP operating income (loss)	\$0.2 M	(\$0.9) M
Non-GAAP earnings (loss) per share	\$0.01	(\$0.03)
Cash flow used in operations	(\$5.6) M	(\$2.6) M
Endpoint Security average selling price (ASP)	\$82,000	\$45,000

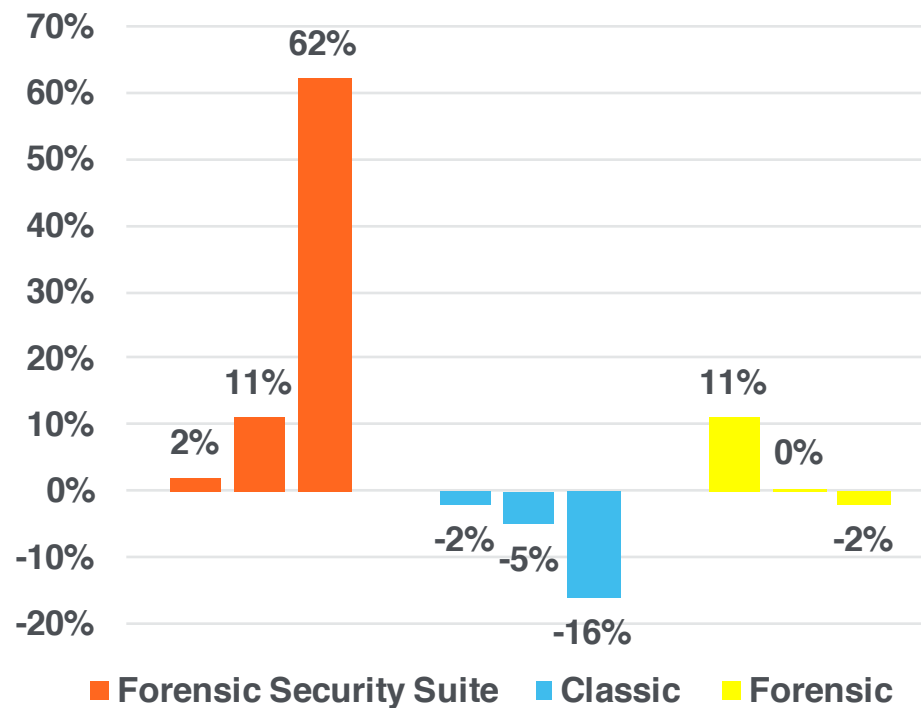


Q3 2016 REVENUE BREAKDOWN & GROWTH RATES

Q3 2016
\$27.7M



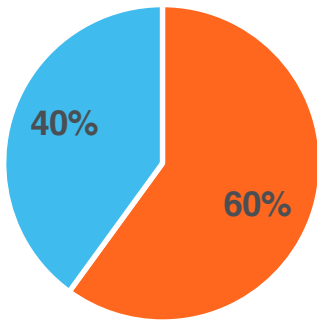
Q1 - Q3 % Growth



FORENSIC SECURITY SUITE

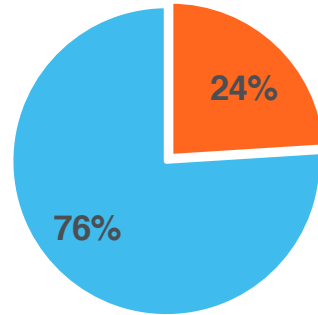
60% of enterprise revenue attributed to the forensic security suite, up from 24% of enterprise revenue in Q3 2015

Q3 2016



- Forensic Security Suite
- Classic

Q3 2015



- Forensic Security Suite
- Classic

Q3 2016 Product Releases

Forensic Security Suite:

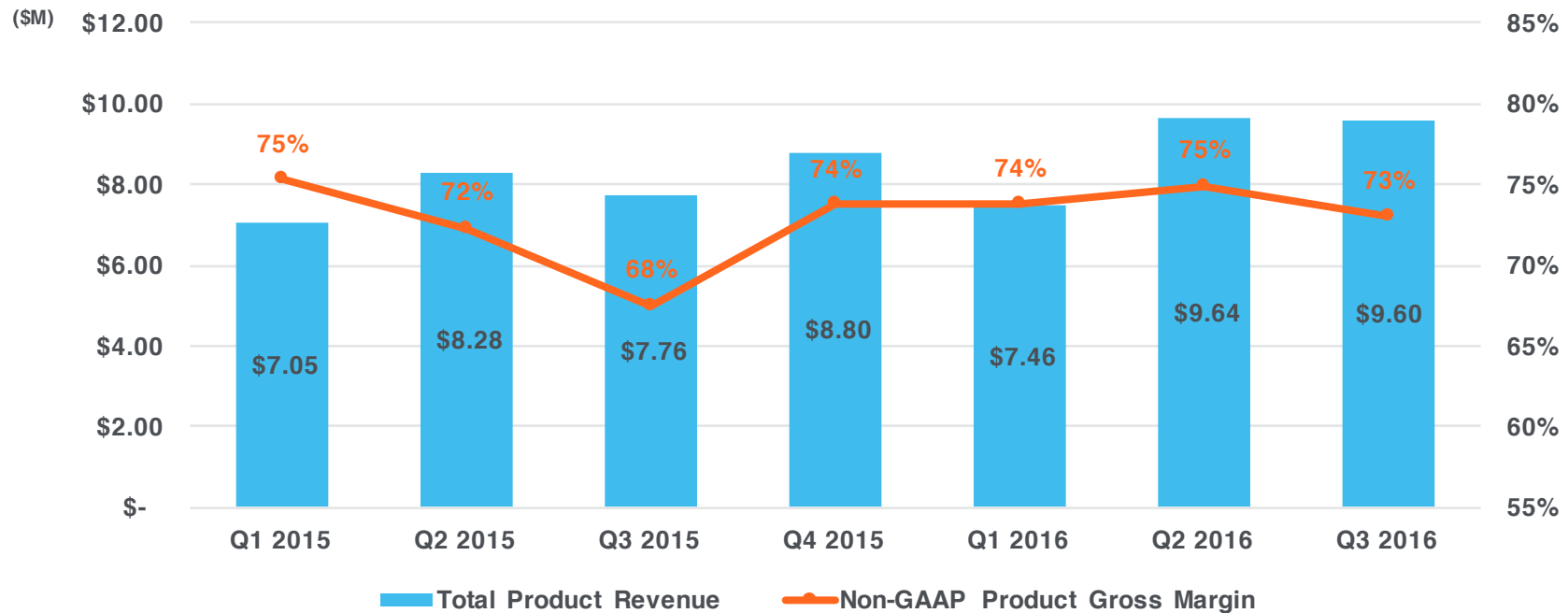
- EnForce Risk Manager
- EnCase Endpoint Security
- Encase Endpoint Investigator

Classic:

- EnCase Basic
- EnCase eDiscovery
- Jumpstart Appliances



PRODUCT REVENUE / NON-GAAP PRODUCT GROSS MARGIN



Q3 2016 SELECT FINANCIAL DATA

(\$'000, EXCEPT DSO'S)

	Q3 2016	Q3 2015	Q2 2016
Cash & investments	\$11,654	\$18,001	\$13,040
Deferred revenue	\$46,359	\$46,852	\$46,383
Capital expenditures	\$240	\$415	\$823
Cash flow from (used in) operations	(\$5,627)	(\$2,603)	(\$6,536)
DSO's	71 days	69 days	51 days



FINANCIAL OUTLOOK

Updated FY 2016

Revenue	\$108 - \$112 M
Non-GAAP EBITDA	EBITDA positive in 2 nd half 2016
Non-GAAP EPS	(\$0.07) - (\$0.10)

FY 2017

Revenue	\$112 - \$118 M
Non-GAAP EBITDA	8% - 10%
Non-GAAP EPS	\$0.28 - \$0.36



FINANCIAL OUTLOOK CONT.

	2016	2017
Revenue	\$108M - \$112M	\$112M - \$118M
Gross margin	70% - 72%	71% - 73%
Sales & marketing	36% - 38%	32% - 34%
Research & development	19% - 20%	16% - 17%
General & administrative	13% - 14%	11% - 13%
Depreciation & amortization	3%	3%
Operating margin	(2%) - 1%	6% - 8%
EBIDTA	(1%) - 3%	8% - 10%
Earnings (loss) per share	(\$0.07) - (\$0.10)	\$0.28 - \$0.36



RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Q3 2016 (\$'000, EXCEPT PER SHARE DATA)

	Revenue	Gross Profit	Operating Expenses	Operating Income (Loss)	Net Income (Loss)	EBITDA	Diluted EPS
GAAP, as reported	\$27,705	\$19,367	(\$21,984)	(\$2,617)	(\$2,608)	(\$1,425)	(\$0.09)
Amortization of intangibles			374	374	374		0.01
Proxy contest expenses			1	1	1	1	
Litigation settlement (income)			(1,200)	(1,200)	(1,200)	(1,200)	(0.04)
Realignment expenses		127	301	428	428	428	0.02
Share-based compensation		220	2,997	3,217	3,217	3,217	0.11
Income tax (benefit) provision					(14)		
Total non-GAAP	\$27,705	\$19,714	(\$19,511)	\$203	\$198	\$1,021	\$0.01



RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

9-MONTHS ENDING 9/30/2016 (\$'000, EXCEPT PER SHARE DATA)

	Revenue	Gross Profit	Operating Expenses	Operating Income (Loss)	Net Income (Loss)	EBITDA	Diluted EPS
GAAP, as reported	\$81,060	\$55,824	(\$74,885)	(\$19,061)	(\$19,130)	(\$15,137)	(\$0.67)
Amortization of intangibles			1,140	1,140	1,140		0.04
Proxy contest expenses			2,177	2,177	2,177	2,177	0.08
Litigation settlement (income)			1,050	1,050	1,050	1,050	0.04
Realignment expenses		749	2,791	3,540	3,540	3,540	0.12
Share-based compensation		700	6,114	6,814	6,814	6,814	0.24
Income tax (benefit) provision					77		
Total non-GAAP	\$81,060	\$57,273	(\$61,613)	(\$4,340)	(\$4,332)	(\$1,556)	(\$0.15)



THANK 
YOU

