

FITBIT, INC.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 341,966	\$ 301,320
Marketable securities	337,334	404,693
Accounts receivable, net	406,019	477,825
Inventories	123,895	230,387
Income tax receivable	77,882	481
Prepaid expenses and other current assets	97,269	65,865
Total current assets	1,384,365	1,480,571
Property and equipment, net	104,908	76,553
Goodwill	51,036	51,036
Intangible assets, net	22,356	27,521
Deferred tax assets	3,990	175,797
Other assets	15,420	10,448
Total assets	\$ 1,582,075	\$ 1,821,926
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 212,731	\$ 313,773
Accrued liabilities	452,137	390,561
Deferred revenue	35,504	42,612
Income taxes payable	928	9,394
Total current liabilities	701,300	756,340
Long-term deferred revenue	6,928	7,292
Other liabilities	49,884	59,762
Total liabilities	758,112	823,394
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized	—	—
Class A common stock, \$0.0001 par value, 600,000,000 shares authorized; 207,453,624 and 177,212,531 shares issued and outstanding as of December 31, 2017 and 2016, respectively	21	18
Class B common stock, \$0.0001 par value, 350,000,000 shares authorized; 31,302,898 and 48,450,746 shares issued and outstanding as of December 31, 2017 and 2016, respectively	3	5
Additional paid-in capital	956,060	859,345
Accumulated other comprehensive loss	(9)	(978)
Retained earnings (accumulated deficit)	(132,112)	140,142
Total stockholders' equity	823,963	998,532
Total liabilities and stockholders' equity	\$ 1,582,075	\$ 1,821,926

The accompanying notes are an integral part of these consolidated financial statements.

FITBIT, INC.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenue	\$ 1,615,519	\$ 2,169,461	\$ 1,857,998
Cost of revenue	924,618	1,323,577	956,935
Gross profit	690,901	845,884	901,063
Operating expenses:			
Research and development	343,012	320,191	150,035
Sales and marketing	415,042	491,255	332,741
General and administrative	133,934	146,903	77,793
Change in contingent consideration	—	—	(7,704)
Total operating expenses	891,988	958,349	552,865
Operating income (loss)	(201,087)	(112,465)	348,198
Interest income (expense), net	3,647	3,156	(1,019)
Other income (expense), net	2,796	14	(59,230)
Income (loss) before income taxes	(194,644)	(109,295)	287,949
Income tax expense (benefit)	82,548	(6,518)	112,272
Net income (loss)	(277,192)	(102,777)	175,677
Less: noncumulative dividends to preferred stockholders	—	—	(2,526)
Less: undistributed earnings to participating securities	—	—	(59,133)
Net income (loss) attributable to common stockholders—basic	(277,192)	(102,777)	114,018
Add: adjustments for undistributed earnings to participating securities	—	—	8,821
Net income (loss) attributable to common stockholders—diluted	\$ (277,192)	\$ (102,777)	\$ 122,839
Net income (loss) per share attributable to common stockholders:			
Basic	\$ (1.19)	\$ (0.47)	\$ 0.88
Diluted	\$ (1.19)	\$ (0.47)	\$ 0.75
Shares used to compute net income (loss) per share attributable to common stockholders:			
Basic	232,032	220,405	129,886
Diluted	232,032	220,405	164,213

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

FITBIT, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash Flows from Operating Activities			
Net income (loss)	\$ (277,192)	\$ (102,777)	\$ 175,677
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for doubtful accounts	7,893	339	1,115
Provision for excess and obsolete inventory	14,833	4,993	5,060
Depreciation	39,971	36,046	19,405
Amortization of intangible assets	5,722	2,087	1,702
Accelerated depreciation of property and equipment	5,250	19,805	1,206
Amortization of issuance costs and discount on debt	951	466	961
Stock-based compensation	91,581	79,432	41,024
Deferred income taxes	173,906	(100,434)	(42,538)
Revaluation of redeemable convertible preferred stock warrant liability	—	—	56,655
Change in contingent consideration	—	—	(7,704)
Other	216	(423)	(263)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	63,784	(8,701)	(231,100)
Inventories	92,129	(61,975)	(68,108)
Prepaid expenses and other assets	(113,111)	(37,876)	(29,215)
Fitbit Force recall reserve	(789)	(3,869)	(17,354)
Accounts payable	(86,115)	45,654	56,759
Accrued liabilities and other liabilities	56,172	213,361	138,748
Deferred revenue	(7,472)	5,456	34,891
Income taxes payable	(3,488)	47,136	4,336
Net cash provided by operating activities	64,241	138,720	141,257
Cash Flows from Investing Activities			
Purchase of property and equipment	(89,160)	(78,640)	(30,566)
Purchase of marketable securities	(597,933)	(638,055)	(230,935)
Sales of marketable securities	42,406	46,511	58,011
Maturities of marketable securities	622,525	315,774	44,500
Acquisitions, net of cash acquired	(556)	(38,256)	(11,037)
Equity investment	(6,000)	—	—
Net cash used in investing activities	(28,718)	(392,666)	(170,027)
Cash Flows from Financing Activities			
Payment of offering costs	—	(1,236)	(5,089)
Proceeds from issuance of common stock	19,011	25,969	4,018
Taxes paid related to net share settlement of restricted stock units	(14,376)	(4,939)	—
Proceeds from public offerings, net of underwriting discounts and commissions	—	—	505,275
Proceeds from issuance of debt and revolving credit facility	—	—	160,000
Repayment of debt	—	—	(294,503)
Payment of issuance costs	—	—	(748)
Net cash provided by financing activities	4,635	19,794	368,953
Net increase (decrease) in cash and cash equivalents	40,158	(234,152)	340,183
Effect of exchange rates on cash and cash equivalents	488	(374)	37
Cash and cash equivalents at beginning of period	301,320	535,846	195,626
Cash and cash equivalents at end of period	<u>\$ 341,966</u>	<u>\$ 301,320</u>	<u>\$ 535,846</u>

Supplemental Disclosure