



Splunk Announces Proposed Private Placement of \$1.7 Billion of Convertible Senior Notes

September 17, 2018

SAN FRANCISCO--(BUSINESS WIRE)--Sep. 17, 2018-- Splunk Inc. (Nasdaq: SPLK) today announced that it intends to offer, subject to market conditions and other factors, \$850 million principal amount of Convertible Senior Notes due 2023 (the "2023 notes") and \$850 million principal amount of Convertible Senior Notes due 2025 (the "2025 notes," and together with the 2023 notes, the "notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). Splunk also intends to grant the initial purchasers of the notes an option to purchase up to an additional \$127.5 million principal amount of 2023 notes and up to an additional \$127.5 million principal amount of 2025 notes.

The notes will be senior unsecured obligations of Splunk and will accrue interest payable semiannually in arrears. The notes will be convertible into cash, shares of Splunk's common stock or a combination of cash and shares of Splunk's common stock, at Splunk's election. The interest rate, initial conversion rate, repurchase or redemption rights and other terms of the notes will be determined at the time of pricing of the offering.

Splunk intends to use a portion of the net proceeds from the offering to pay the cost of the capped call transactions described below. Splunk intends to use the remainder of the net proceeds for working capital and other general corporate purposes. Splunk may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement its business, although it has no commitments to enter into any such acquisitions or investments at this time. If the initial purchasers exercise their option to purchase additional notes, Splunk expects to use a portion of the net proceeds from the sale of the additional notes to enter into additional capped call transactions as described below. Splunk intends to use the remainder of the net proceeds from the sale of the additional notes for working capital and other general corporate purposes.

In connection with the pricing of the notes, Splunk expects to enter into capped call transactions relating to each series of notes with one or more of the initial purchasers or their respective affiliates and/or other financial institutions (the "option counterparties"). The capped call transactions relating to the 2023 notes are expected generally to offset the potential dilution to Splunk's common stock upon any conversion of the 2023 notes and/or offset any cash payments Splunk is required to make in excess of the principal amount of converted 2023 notes, as the case may be, with such offset subject to a cap based on a cap price. The capped call transactions relating to the 2025 notes are expected generally to offset the potential dilution to Splunk's common stock upon any conversion of 2025 notes and/or offset any cash payments Splunk is required to make in excess of the principal amount of converted 2025 notes, as the case may be, with such offset subject to a cap based on a cap price. If, however, the market price per share of Splunk's common stock, as measured under the terms of the capped call transactions, exceeds the relevant cap price of the capped call transactions, there would nevertheless be dilution and/or there would not be an offset of such potential cash payments, in each case, to the extent that such market price exceeds such cap price. In addition, to the extent any observation period for any converted notes does not correspond to the period during which the market price of Splunk's common stock is measured under the terms of the related capped call transactions, there could also be dilution and/or a reduced offset of any such cash payments as a result of the different measurement periods. If the initial purchasers exercise their option to purchase additional notes, Splunk expects to enter into additional capped call transactions with the option counterparties with respect to the relevant series of notes as to which the option was exercised.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates may purchase shares of Splunk's common stock and/or enter into various derivative transactions with respect to Splunk's common stock concurrently with or shortly after the pricing of the notes, including with certain investors in the notes. This activity could increase (or reduce the size of any decrease in) the market price of Splunk's common stock or the notes at that time.

In addition, Splunk expects that the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to Splunk's common stock and/or purchasing or selling Splunk's common stock or other securities of Splunk in secondary market transactions following the pricing of the notes and prior to the maturity of each series of notes (and are likely to do so on each exercise date for the capped call transactions, which are expected to occur during each 30 trading day period beginning on the 31st scheduled trading day prior to the maturity date of each series of notes, or following any termination of any portion of the capped call transactions in connection with any repurchase, redemption or early conversion of the notes). This activity could also cause or prevent an increase or a decrease in the market price of Splunk's common stock or the notes, which could affect a noteholder's ability to convert its notes and, to the extent the activity occurs during any observation period related to a conversion of either series of notes, this could affect the amount and value of the consideration that a noteholder will receive upon conversion of such series of notes.

Neither the notes, nor any shares of Splunk's common stock issuable upon conversion of the notes, have been registered under the Securities Act or any state securities laws, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

This press release is neither an offer to sell nor a solicitation of an offer to buy any securities, nor shall it constitute an offer, solicitation or sale of any securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state or jurisdiction.

About Splunk

Splunk Inc. (NASDAQ: SPLK) turns machine data into answers. Organizations use market-leading Splunk solutions with machine learning to solve their toughest IT, Internet of Things and security challenges.

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Forward-Looking Statements

This press release contains “forward-looking” statements that are based on management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include statements concerning the proposed terms of the notes and the capped call transactions, the completion, timing and size of the proposed offering of the notes and capped call transactions and the anticipated use of proceeds from the offering. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “believe,” “could,” “expect,” “intend,” “may,” “potential,” “will,” “would” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events to differ from Splunk’s plans. These risks include, but are not limited to, market risks, trends and conditions, and those risks included in the section titled “Risk Factors” in Splunk’s Securities and Exchange Commission (“SEC”) filings and reports, including its Quarterly Report on Form 10-Q for the quarter ended July 31, 2018 and other filings that Splunk makes from time to time with the SEC, which are available on the SEC’s website at www.sec.gov. In addition, forward-looking statements contained in this press release are based on assumptions that Splunk believes to be reasonable as of this date. Except as required by law, Splunk assumes no obligation to update these forward-looking statements as a result of new information, future events, changes in expectations or otherwise.

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