



## Splunk Announces Pricing of Upsized \$1.85 Billion Convertible Senior Notes Offering

September 19, 2018

SAN FRANCISCO--(BUSINESS WIRE)--Sep. 19, 2018-- Splunk Inc. (Nasdaq: SPLK) today announced the pricing of \$1.1 billion principal amount of 0.500% Convertible Senior Notes due 2023 (the "2023 notes") and \$750 million principal amount of 1.125% 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"). The size of the offering was increased from the previously announced \$1.7 billion total aggregate principal amount (\$850 million principal amount of each of the 2023 notes and the 2025 notes). Splunk also granted the initial purchasers of the notes an option to purchase up to an additional \$165 million principal amount of 2023 notes and up to an additional \$112.5 million principal amount of 2025 notes. The sale of the notes is expected to close on September 21, 2018, subject to customary closing conditions.

The notes will be senior unsecured obligations of Splunk and will accrue interest payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2019, at a rate of 0.500% per year for the 2023 notes and 1.125% per year for the 2025 notes. The 2023 notes will mature on September 15, 2023 and the 2025 notes will mature on September 15, 2025, in each case, unless earlier converted, repurchased or redeemed. The initial conversion rate of the 2023 notes will be 6.7433 shares of Splunk's common stock per \$1,000 principal amount of such notes (equivalent to an initial conversion price of approximately \$148.30 per share), and the initial conversion rate of the 2025 notes will be 6.7433 shares of Splunk's common stock per \$1,000 principal amount of such notes (equivalent to an initial conversion price of approximately \$148.30 per share). The initial conversion price of the 2023 notes represents a premium of approximately 27.5% over the last report sale price of Splunk's common stock on the Nasdaq Global Select Market on September 18, 2018, and the initial conversion price of the 2025 notes represents a premium of approximately 27.5% over such last report sale price. 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.

Splunk may redeem the 2023 notes, at its option, on or after September 20, 2021 and the 2025 notes, at its option, on or after September 20, 2022, if the last reported sale price of Splunk's common stock has been at least 130% of the conversion price for the relevant series of notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending, and including, the trading day immediately preceding on the date on which Splunk provides notice of redemption at a redemption price equal to 100% of the principal amount of the relevant series of notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

If Splunk undergoes a "fundamental change", holders of the notes may require Splunk to repurchase for cash all or any portion of their notes at a repurchase price equal to 100% of the principal amount of the relevant series of notes to be repurchased, plus accrued and unpaid interest. In addition, upon certain corporate events that occur prior to the maturity date of the relevant series of notes or if we deliver a notice of redemption in respect of a series of notes, Splunk will, under certain circumstances, increase the conversion rate of the relevant series of notes for holders who convert their notes of the applicable series in connection with such a corporate event or a notice of redemption, as the case may be.

Splunk estimates that the net proceeds from the offering will be approximately \$1.83 billion (or \$2.10 billion if the initial purchasers exercise their option to purchase additional notes in full), after deducting the initial purchasers' discount and estimated offering expenses payable by Splunk. 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 entered 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 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. The cap price of the capped call transactions relating to each series of notes will initially be approximately \$232.62, which represents a premium of approximately 100% over the last report sale price of Splunk's common stock on the Nasdaq Global Select Market on September 18, 2018, and is subject to certain adjustments under the terms of the capped call transactions.

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 respective notes and, to the extent the activity occurs during any observation period related to a conversion of the respective series of notes, this could affect the amount and value of the consideration that a noteholder will receive upon conversion of its 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.

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#### **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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