



Splunk Announces Pricing of Upsized \$1.1 Billion Convertible Senior Notes Offering

June 3, 2020

SAN FRANCISCO--(BUSINESS WIRE)--Jun. 3, 2020-- Splunk Inc. (Nasdaq: SPLK) today announced the pricing of \$1.1 billion principal amount of 1.125% Convertible Senior Notes due 2027 (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 \$900 million aggregate principal amount. Splunk also granted the initial purchasers of the notes an option to purchase up to an additional \$165 million principal amount of notes. The sale of the notes is expected to close on June 5, 2020, subject to customary closing conditions.

The notes will be senior unsecured obligations of Splunk and will accrue interest payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020, at a rate of 1.125% per year. The notes will mature on June 15, 2027 unless earlier converted, repurchased or redeemed. The initial conversion rate of the notes will be 3.9164 shares of Splunk's common stock per \$1,000 principal amount of such notes (equivalent to an initial conversion price of approximately \$255.34 per share). The initial conversion price of the notes represents a premium of approximately 35.0% over the volume weighted average price including the close of Splunk's common stock on the Nasdaq Global Select Market on June 2, 2020. 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 for cash all or any portion of the notes, at its option, on or after June 20, 2024 if the last reported sale price of Splunk's common stock has been at least 130% of the conversion price 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 notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

If Splunk undergoes a "fundamental change," subject to certain conditions and limited exceptions, holders 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 notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, upon certain corporate events that occur prior to the maturity date of the notes or if we deliver a notice of redemption in respect of some or all of the notes, Splunk will, under certain circumstances, increase the conversion rate of the notes for holders who elect to convert their notes in connection with such a corporate event or convert their notes called for redemption during the related redemption period, as the case may be.

Splunk estimates that the net proceeds from the offering will be approximately \$1.08 billion (or \$1.24 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 and to use approximately \$691.6 million to repurchase for cash up to \$488.3 million aggregate principal amount of Splunk's outstanding 0.500% Convertible Senior Notes due 2023 (the "2023 notes"). Splunk intends to use the remainder of the net proceeds for working capital or other general corporate purposes. Splunk may also use a portion of the net proceeds to acquire complementary businesses, products, services or technologies, although it has no commitments for any acquisitions 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 or other general corporate purposes.

In connection with the pricing of the notes, Splunk entered into capped call transactions with one or more of the initial purchasers or their respective affiliates and/or other financial institutions (the "option counterparties"). The capped call transactions cover, subject to customary adjustments substantially similar to those applicable to the notes, the number of shares of Splunk's common stock underlying the notes. The capped call transactions are expected generally to reduce potential dilution to Splunk's common stock upon any conversion of notes and/or offset any cash payments Splunk is required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the capped call transactions relating to the notes will initially be approximately \$378.28, which represents a premium of approximately 100% over the volume weighted average price including the close of Splunk's common stock on the Nasdaq Global Select Market on June 2, 2020, 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, Splunk expects the option counterparties or their respective affiliates to enter into various derivative transactions with respect to Splunk's common stock and/or purchase shares of Splunk's common stock concurrently with or shortly after the pricing of the notes. This activity and the hedge unwind activity of holders of the 2023 notes who sell such notes to Splunk as described below could increase (or reduce the size of any decrease in) the market price of Splunk's common stock and the strike price of the notes.

In addition, 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 the notes (and are likely to do so during any observation period related to a conversion of notes or, to the extent Splunk exercises the relevant election under the capped call transactions, following any repurchase or redemption of the notes). This activity could also cause or avoid 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 notes, it could affect the number of shares and value of the consideration that a noteholder will receive upon conversion of its notes.

In connection with any repurchase of the 2023 notes, Splunk expects that holders of the outstanding 2023 notes that are being repurchased and have hedged their equity price risk with respect to such notes (the "hedged holders") will have, concurrently with the pricing of the notes, unwound their hedge positions by buying Splunk common stock and/or entered into or unwound various derivative transactions with respect to Splunk common

stock. The amount of Splunk common stock purchased by the hedged holders may be substantial in relation to the historic average daily trading volume of Splunk common stock, and this activity by the hedged holders may have increased the effective conversion price of the 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 Inc.

Splunk Inc. (NASDAQ: SPLK) turns data into doing with the Data-to-Everything Platform. Splunk technology is designed to investigate, monitor, analyze and act on data at any scale.

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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 terms of the capped call transactions, the expected closing of the offering of the notes and the capped call transactions, the anticipated use of proceeds from the offering, including the repurchase of 2023 notes, and the actions of the option counterparties and their respective affiliates. 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 April 30, 2020 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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