

# SuccessFactors Announces Fourth Quarter and Fiscal 2008 Results

Submitted by: Devonshire Marketing Consultants Limited

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Total 2008 Revenues Grow 77%, While Improving Operating Margin By 99%, and Achieving Cash Profitability in Q4

- Company achieves cash profitability (positive cash flow from operations) in Q408
- Guidance of 30% revenue growth and ongoing quarterly cash profitability
- Company becomes one of the largest SaaS providers, exceeding 4.5 million global users and adding more than 1.5 million users in 2008

SuccessFactors, Inc. (NASDAQ:SFSF), the global leader in on-demand performance and talent management solutions, today announced financial results for its fourth quarter and fiscal 2008 which ended December 31, 2008.

"SuccessFactors continues to deliver Software-as-a-Service (SaaS) leading revenue growth of 77% year-over-year," said Lars Dalgaard, chief executive officer for SuccessFactors. "We achieved cash profitability 9 months ahead of our original target. In a recessionary environment, SuccessFactors has proven we have the ability to act quickly and nimbly, always focused on building a highly profitable company. Now with greater than \$125 million in an annual recurring revenue base, we continue to maintain customer focus, producing a record 1,000 go-lives in 2008. In just 90 days, we were able to increase non-GAAP gross margin above 70% for the first time, from 67% to 71%, and up 18 full percentage points from 53% in Q407. We also were able to improve non-GAAP operating margin by 51 full percentage points from minus 61% in Q308 and by 99 full percentage points in total for 2008 from minus 109% in Q407 to minus 10% in Q408 -- putting GAAP profitability on the horizon."

"SuccessFactors has the largest individual SaaS deployments and the largest user base, with more than 4.5 million paying and unique users across 185 countries, up a record 1.5 million users in 2008. Our customers around the world in more than 60 industries are improving their businesses and driving increased shareholder value through increased employee alignment, motivation, and collaboration. Despite that, there remain more than a billion workers that can be monetized, which is why SuccessFactors continues to invest in this huge opportunity, having only penetrated less than 0.25% of a potential multi-billion dollar market. SuccessFactors has the leadership position to unlock this value."

SuccessFactors' results for the fourth quarter and fiscal year 2008:

**Q4 FY08 Revenue:** Q408 revenue was \$33.0 million, compared to prior guidance of \$31.0 million to \$31.5 million, and \$19.2 million for the same period last year, an increase of 72% year-over-year, and an increase of 11% sequentially from Q308.

**FY 2008 Revenue:** Fiscal 2008 revenue was \$111.9 million, compared to prior guidance of \$109.9 million to \$110.4 million, and \$63.4 million for FY 2007, an increase of 77%.

**Q4 FY08 Cash Flows Generated from Operations:** For the quarter ended December 31, 2008, the Company generated approximately \$0.7 million of cash from operating activities which includes receipt of one-time payments upon settlements of litigation matters totaling \$3.7 million, compared to the \$12.3 million used

in the quarter ended December 31, 2007.

**FY 2008 Cash Flows Used in Operations:** For the fiscal year ended December 31, 2008, the Company used \$12.0 million of cash in operating activities, an improvement of 58% from the \$28.5 million used in fiscal 2007. Total cash, cash equivalents and marketable securities at December 31, 2008 are \$102.4 million, up \$11.6 million and 13% from the same period last year, and an increase of 1% sequentially from Q308.

**Q4 FY08 Net Loss per Share:** On a GAAP basis, for the quarter ended December 31, 2008, the net loss per common share, basic and diluted, was \$0.11. The non-GAAP net loss per common share, basic and diluted, was \$0.06, which excludes approximately \$2.7 million in stock-based compensation expense, compared to a non-GAAP net loss per share, basic and diluted, of \$0.33 in Q308 and \$0.49 in Q407, an improvement of 82% quarter-over-quarter and 88% year-over-year. GAAP and non-GAAP net loss per common share calculations are based on 55.8 million weighted average shares outstanding during the fourth quarter of 2008.

**FY 2008 Net Loss per Share:** On a GAAP basis, the net loss per common share, basic and diluted, was \$1.21. The non-GAAP net loss per common share, basic and diluted, was \$1.05, which excludes approximately \$8.6 million in stock-based compensation, compared to a non-GAAP loss per share of \$1.73 in fiscal 2007, an improvement of 39% year-over-year. The fiscal 2007 non-GAAP loss per share excludes approximately \$4.4 million in stock-based compensation, \$2.5 million of other expense related to the fair value of our previously outstanding convertible preferred stock warrants and \$1.9 million of debt issuance and related costs associated with these warrants. For the basis of GAAP and non-GAAP net loss calculations, there were 53.8 million weighted average shares outstanding during 2008 and 38.5 million for 2007.

#### Additional Highlights:

SuccessFactors launched SuccessFactors Stack Ranker, enabling executives and managers to quickly and effortlessly assess their team and create a visual and intuitive stack ranking of employees to help them make better and immediate business decisions: <http://www.successfactors.com/stack-rank/enterprise/> or <http://www.successfactors.com/press-releases/detail/?id=1227130>

SuccessFactors became SAP Certified and delivered the SuccessFactors Connector Toolkit 2.0 for SAP, enabling customers to quickly pull master data from any SAP instance: <http://www.successfactors.com/press-releases/detail/?id=1238339>

SuccessFactors launched Business Performance Accelerators in January to enable global organizations from the C-suite down to optimize workforce performance and drive increased shareholder value for our customers: <http://www.successfactors.com/business-performance-accelerators/enterprise/> or <http://www.successfactors.com/press-releases/detail/?id=1243893>

SuccessFactors advanced the next phase of its relationship with IBM by making available a set of integrations between the SuccessFactors Performance and Talent Management Suite and IBM Lotus Connections and IBM WebSphere portal. These integrations will help drive higher levels of employee performance via collaboration and social networking: <http://www.successfactors.com/press-releases/detail/?id=1245967>

#### FY 2009 Guidance:

SuccessFactors is initiating guidance for its first quarter and full fiscal year 2009 as of February 9,

2009.

Q1 FY09: Revenue for the Company's first fiscal quarter is projected to be in the range of approximately \$34.0 million to \$34.5 million. Non-GAAP net loss per common share, basic and diluted, is expected to be in the range of approximately (\$0.10) to (\$0.12). Non-GAAP net loss per common share estimates exclude the effects of stock-based compensation expense and assume an average weighted share count of 56.3 million shares. The Company plans to maintain ongoing positive cash flow from operations.

Full Year FY 2009: The Company expects full year revenue for fiscal 2009 to be in the range of approximately \$145 million to \$146 million, reflecting approximate 30% year-over-year total revenue growth. The Company also expects non-GAAP net loss per common share, basic and diluted, for fiscal 2009 to be in the range of (\$0.23) to (\$0.27). Non-GAAP net loss per common share estimates exclude the effects of estimated stock-based compensation expense and assume an average weighted share count of approximately 57.0 million shares.

"Our guidance shows we expect healthy revenue growth during a period when many software companies are showing negative growth," said Bruce Felt, chief financial officer for SuccessFactors. "We have begun to moderate our spending in favor of reaching our profitability targets sooner and we remain significantly invested in the strategic talent management category we created. As our guidance reflects, we remain cautiously optimistic about 2009 and expect to achieve annual revenue growth and an improved bottom line at the same time."

#### Conference Call

SuccessFactors will host a conference call to discuss its fourth quarter and fiscal 2008 results on Monday, February 9th, 2009 at 2:00 p.m. Pacific Standard Time. A live audio webcast of the conference call, together with detailed financial information, can be accessed through the Company's Investor Relations website at <http://www.successfactors.com/investor>. In addition, an archive of the webcast can be accessed through the same link until February 27, 2009. Participants who choose to call into the conference call can do so by dialing domestically at 866-923-9739 and internationally at 706-634-0915. A domestic replay will be available at 800-642-1687 or 706-645-9291 internationally, passcode 80384407, until February 27, 2009.

#### Use of Non-GAAP Financial Information

SuccessFactors provides quarterly and annual financial statements that are prepared in accordance with generally accepted accounting principles (GAAP). To help understand SuccessFactors' past financial performance and future results, SuccessFactors has supplemented its financial results that it provides in accordance with GAAP, with non-GAAP financial measures. The method SuccessFactors uses to produce non-GAAP financial results is not computed according to GAAP and may differ from the methods used by other companies. The non-GAAP measures used by SuccessFactors exclude the impact of stock-based compensation expense recorded under SFAS 123(R). SuccessFactors' reference to these non-GAAP financial results should be considered in addition to results that are prepared under current accounting standards but should not be considered as a substitute for, or superior to, the financial results that are presented as consistent with GAAP. SuccessFactors' management uses the supplemental non-GAAP financial

measures internally to understand, manage and evaluate SuccessFactors' business and make operating decisions. These non-GAAP financial measures are among the factors SuccessFactors' management uses in planning for and forecasting future periods. Reconciliation to the nearest GAAP financial measures of the non-GAAP financial measures is included in this press release.

About SuccessFactors, Inc.

SuccessFactors is one of the fastest growing public software companies and the leading provider of on-demand employee performance and talent management solutions. The Company enables organizations of every size, and across every industry and geography, to achieve high-performing workforces through goal alignment and execution, talent development and planning, and pay-for-performance initiatives. From 92 customers and approximately 282,000 end users in 2003 to more than 2,500 customers and more than 4.5 million end users today, SuccessFactors' solutions are widely deployed across 60 industries in over 185 countries in 31 languages. Founded in 2001 with offices around the world, the Company employs passionate people focused on revolutionizing the future of work. For more information, visit: <http://www.successfactors.com>.

For more information, please contact:

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