

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-27275

Akamai Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3432319
(I.R.S. Employer
Identification No.)

150 Broadway
Cambridge, MA 02142
(617) 444-3000
(Address, including Zip Code, and Telephone Number,
including Area Code, of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - par value \$0.01 per share	AKAM	Nasdaq Global Select Market

The number of shares outstanding of the registrant's common stock as of May 6, 2019: 164,096,899

AKAMAI TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)****AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except share data)</i>	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 688,698	\$ 1,036,455
Marketable securities	429,932	855,650
Accounts receivable, net of reserves of \$1,078 and \$1,534 at March 31, 2019, and December 31, 2018, respectively	529,346	479,889
Prepaid expenses and other current assets	170,442	163,360
Total current assets	1,818,418	2,535,354
Marketable securities	101,434	209,066
Property and equipment, net	951,259	910,618
Operating lease right-of-use assets	358,554	—
Acquired intangible assets, net	184,879	168,348
Goodwill	1,586,990	1,487,404
Deferred income tax assets	30,363	34,913
Other assets	150,865	116,067
Total assets	\$ 5,182,762	\$ 5,461,770

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS, continued

<i>(in thousands, except share data)</i>	March 31, 2019	December 31, 2018
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 102,371	\$ 99,089
Accrued expenses	238,524	328,304
Deferred revenue	110,667	69,083
Convertible senior notes	—	686,552
Operating lease liabilities	101,545	—
Other current liabilities	16,599	27,681
Total current liabilities	569,706	1,210,709
Deferred revenue	6,482	4,557
Deferred income tax liabilities	19,396	19,624
Convertible senior notes	883,584	874,080
Operating lease liabilities	293,381	—
Other liabilities	126,996	160,940
Total liabilities	1,899,545	2,269,910
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 700,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; 700,000,000 shares authorized; 163,995,208 shares issued and 163,503,258 shares outstanding at March 31, 2019, and 162,904,550 shares issued and outstanding at December 31, 2018	1,640	1,629
Additional paid-in capital	3,686,337	3,670,033
Accumulated other comprehensive loss	(46,979)	(48,912)
Treasury stock, at cost, 491,950 shares at March 31, 2019, and no shares at December 31, 2018	(34,872)	—
Accumulated deficit	(322,909)	(430,890)
Total stockholders' equity	3,283,217	3,191,860
Total liabilities and stockholders' equity	\$ 5,182,762	\$ 5,461,770

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

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended March 31,	
	2019	2018
<i>(in thousands, except per share data)</i>		
Revenue	\$ 706,508	\$ 668,724
Costs and operating expenses:		
Cost of revenue (exclusive of amortization of acquired intangible assets shown below)	240,743	234,825
Research and development	66,141	65,065
Sales and marketing	126,276	122,553
General and administrative	122,835	154,385
Amortization of acquired intangible assets	9,599	8,431
Restructuring charges	6,389	14,908
Total costs and operating expenses	571,983	600,167
Income from operations	134,525	68,557
Interest income	8,635	3,965
Interest expense	(12,116)	(4,850)
Other income, net	511	21
Income before provision for income taxes	131,555	67,693
Provision for income taxes	24,425	13,979
Net income	\$ 107,130	\$ 53,714
Net income per share:		
Basic	\$ 0.66	\$ 0.32
Diluted	\$ 0.65	\$ 0.31
Shares used in per share calculations:		
Basic	163,236	170,116
Diluted	164,787	172,004

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

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 107,130	\$ 53,714
Other comprehensive income:		
Foreign currency translation adjustments	502	6,282
Change in unrealized gain (loss) on investments, net of income tax (provision) benefit of \$(554) and \$871 for the three months ended March 31, 2019 and 2018, respectively	1,431	(2,686)
Other comprehensive income	1,933	3,596
Comprehensive income	\$ 109,063	\$ 57,310

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

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 107,130	\$ 53,714
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	108,205	104,095
Stock-based compensation	45,305	44,686
Provision (benefit) for deferred income taxes	8,982	(7,814)
Amortization of debt discount and issuance costs	11,618	4,850
Restructuring-related software charges	—	2,818
Other non-cash reconciling items, net	(121)	4,379
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(43,766)	(18,419)
Prepaid expenses and other current assets	(13,029)	(4,927)
Accounts payable and accrued expenses	(85,366)	(31,312)
Deferred revenue	29,286	25,243
Other current liabilities	(9,473)	13,701
Other non-current assets and liabilities	2,079	996
Net cash provided by operating activities	<u>160,850</u>	<u>192,010</u>
Cash flows from investing activities:		
Cash paid for acquired businesses, net of cash acquired	(121,464)	(79)
Cash paid for equity method investment	(40,213)	—
Purchases of property and equipment	(69,752)	(51,584)
Capitalization of internal-use software development costs	(72,677)	(61,491)
Purchases of short- and long-term marketable securities	(10,625)	(73,352)
Proceeds from sales of short- and long-term marketable securities	244	16,196
Proceeds from maturities of short- and long-term marketable securities	547,793	59,540
Other non-current assets and liabilities	2,935	(715)
Net cash provided by (used in) investing activities	<u>236,241</u>	<u>(111,485)</u>
Cash flows from financing activities:		
Repayment of convertible senior notes	(690,000)	—
Proceeds related to the issuance of common stock under stock plans	19,774	22,738
Employee taxes paid related to net share settlement of stock-based awards	(38,639)	(29,714)
Repurchases of common stock	(34,872)	(19,785)
Other non-current assets and liabilities	(1,558)	(3,900)
Net cash used in financing activities	<u>(745,295)</u>	<u>(30,661)</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	1,601	1,165
Net (decrease) increase in cash, cash equivalents and restricted cash	(346,603)	51,029
Cash, cash equivalents and restricted cash at beginning of period	1,036,987	314,429
Cash, cash equivalents and restricted cash at end of period	<u>\$ 690,384</u>	<u>\$ 365,458</u>

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net of refunds received of \$1,176 and \$4,476 for the three months ended March 31, 2019 and 2018, respectively	\$ 44,165	\$ 18,313
Cash paid for operating lease liabilities	30,504	
Non-cash activities:		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	29,257	
Purchases of property and equipment and capitalization of internal-use software development costs included in accounts payable and accrued expenses	49,627	18,555
Capitalization of stock-based compensation	8,831	7,811
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 688,698	\$ 363,703
Restricted cash	1,686	1,755
Cash, cash equivalents and restricted cash	<u>\$ 690,384</u>	<u>\$ 365,458</u>

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

AKAMAI TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<i>(in thousands, except share data)</i>	Three Months Ended March 31, 2019						
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2019	162,904,550	\$ 1,629	\$ 3,670,033	\$ —	\$ (48,912)	\$ (430,890)	\$ 3,191,860
Cumulative-effect adjustment to accumulated deficit related to adoption of new accounting pronouncement						851	851
Issuance of common stock upon the exercise of stock options and vesting of restricted and deferred stock units, net of shares withheld for employee taxes	1,090,658	11	(37,775)				(37,764)
Stock-based compensation			54,079				54,079
Repurchases of common stock	(491,950)			(34,872)			(34,872)
Net income						107,130	107,130
Foreign currency translation adjustment					502		502
Change in unrealized gain on investments, net of tax					1,431		1,431
Balance at March 31, 2019	163,503,258	\$ 1,640	\$ 3,686,337	\$ (34,872)	\$ (46,979)	\$ (322,909)	\$ 3,283,217

<i>(in thousands, except share data)</i>	Three Months Ended March 31, 2018						
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2018	169,893,324	\$ 1,699	\$ 4,073,362	\$ —	\$ (21,930)	\$ (690,662)	\$ 3,362,469
Cumulative-effect adjustment to accumulated deficit related to adoption of new accounting pronouncement						(38,601)	(38,601)
Issuance of common stock upon the exercise of stock options and vesting of restricted and deferred stock units, net of shares withheld for employee taxes	948,434	9	(27,534)				(27,525)
Stock-based compensation			52,390				52,390
Repurchases of common stock	(293,619)			(19,785)			(19,785)
Net income						53,714	53,714
Foreign currency translation adjustment					6,282		6,282
Change in unrealized gain on investments, net of tax					(2,686)		(2,686)
Balance at March 31, 2018	170,548,139	\$ 1,708	\$ 4,098,218	\$ (19,785)	\$ (18,334)	\$ (675,549)	\$ 3,386,258

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

AKAMAI TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

Akamai Technologies, Inc. (the “Company”) provides solutions for delivering, optimizing and securing content and business applications over the Internet. Its globally-distributed platform comprises more than 200,000 servers across more than 130 countries. The Company was incorporated in Delaware in 1998 and is headquartered in Cambridge, Massachusetts. The Company currently operates in one industry segment: providing cloud services for delivering, optimizing and securing content and business applications over the Internet.

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. These financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in the accompanying financial statements.

Certain information and footnote disclosures normally included in the Company’s annual audited consolidated financial statements and accompanying notes have been condensed in, or omitted from, these interim financial statements. Accordingly, the unaudited consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on February 28, 2019.

The results of operations presented in this quarterly report on Form 10-Q are not necessarily indicative of the results of operations that may be expected for any future periods. In the opinion of management, these unaudited consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, that are necessary for a fair statement of the results of all interim periods reported herein.

Newly-Adopted Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance that requires companies to present assets and liabilities arising from leases on the consolidated balance sheet. The updated standard aims to increase transparency and comparability among organizations by requiring lessees to recognize right-of-use (“ROU”) assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company adopted this standard on January 1, 2019 on a modified retrospective basis by applying the new standard to its lease portfolio as of January 1, 2019, while continuing to apply legacy guidance in the comparative periods.

The Company elected to use the package of practical expedients available under the transition provisions of the guidance, which allows companies to not reassess prior conclusions related to contracts containing leases, lease classification and capitalization of initial direct costs. The Company also elected not to apply the hindsight practical expedient related to its lease transactions.

Adoption of the standard required the Company to record ROU assets and lease liabilities for its operating leases related to real estate and co-location arrangements. The operating leases resulted in the recognition of ROU assets and lease liabilities of \$362.2 million and \$394.1 million, respectively, as of January 1, 2019. The adoption of the standard also resulted in elimination of deferred rent liabilities of \$31.7 million, as of January 1, 2019, that are now recorded as a reduction of the ROU asset. The standard did not have an impact on the Company’s results of operations or cash flows.

Stranded Tax Effects Resulting from U.S. Tax Cuts and Jobs Act

In February 2018, the FASB issued guidance that allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (“TCJA”) that was enacted in 2017. This guidance was effective for the Company on January 1, 2019. The adoption of this new accounting guidance resulted in the reclassification of \$0.9 million of income tax benefits resulting from the TCJA from accumulated other comprehensive loss to accumulated deficit. The adoption of this new accounting guidance did not have an impact on the Company’s results of operations or cash flows.

2. Significant Accounting Policies Update

The Company's significant accounting policies are detailed in Note 2 of its annual report on Form 10-K for the year ended December 31, 2018. As a result of the FASB's updated guidance for leases and related changes, as described in Note 1, the following policies have been updated as of the Company's adoption date of January 1, 2019.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. Property and equipment generally includes purchases of items with a per-unit value greater than \$1,000 and a useful life greater than one year. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. The Company periodically reviews the estimated useful lives of property and equipment. Changes to the estimated useful lives are recorded prospectively from the date of the change. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income from operations.

The Company has implemented software and hardware initiatives to manage its global network more efficiently and, as a result, the expected average useful life of its network assets, primarily servers, increased from four years to five years, effective January 1, 2019. These changes decreased depreciation expense by \$7.5 million and increased net income by \$6.3 million, or \$0.04 per share, for the three-months ended March 31, 2019.

Operating Leases

The Company enters into operating leases for real estate assets related to office space and co-location assets related to space or racks at co-location facilities and related equipment for its servers and other networking equipment. The Company determines if an arrangement contains a lease at the inception of a contract by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset in exchange for consideration and the right to obtain the economic benefits from the use of the identified asset.

Upon commencement of a lease, the Company records an ROU asset that represents the Company's right to use the underlying asset for the lease term and a lease liability that represents an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease payments are discounted at the lease commencement date using the rate implicit in the lease unless that rate is not readily determinable. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate has been applied based on the Company's credit-adjusted risk-free rate. The incremental borrowing rate at January 1, 2019 (the date the new lease standard was adopted) was used to calculate the present value of the Company's lease portfolio as of that date.

The Company often enters into contracts that contain both lease and non-lease components. Real estate non-lease components include real estate taxes, insurance, maintenance, parking and other operating costs. Co-location non-lease components include utilities and other operating costs. As of January 1, 2019, the Company includes both lease and non-lease components of fixed costs in its lease arrangements as a single lease component. Variable costs, such as utilities based on actual usage, are not included in the measurement of ROU assets and lease liabilities, but are expensed when the event determining the amount of variable consideration to be paid occurs.

The Company's lease terms often include renewal options and, particularly in the case of co-location arrangements, may include evergreen provisions. The Company's ROU assets and lease liabilities generally do not include the options to extend, or terminate, unless it is reasonably certain that the Company will exercise these options. The Company has elected to exclude leases for certain networking equipment with terms of 12 months or less from its ROU assets and lease liabilities on its consolidated balance sheet.

Lease expense is recognized on a straight-line basis over the lease term.

Equity Method Investments

The Company accounts for equity investments in which it has significant influence, but not a controlling financial interest, using the equity method of accounting. Under the equity method of accounting, investments are initially recorded at cost, less impairment, and subsequently adjusted to recognize the Company's share of earnings or losses.

In February 2019, the Company and Mitsubishi UFJ Financial Group ("MUFG") announced the establishment of a joint venture, the Global Open Network, Inc. ("GO-NET"), and their plans to offer a new blockchain-based online payment network. Akamai's 20% stake in GO-NET is accounted for using the equity method. As of March 31, 2019, the Company's \$40.2 million investment is included in other assets on the consolidated balance sheet.

Recent Accounting Pronouncements

In June 2016, the FASB issued guidance that introduces a new methodology for accounting for credit losses on financial instruments, including available-for-sale debt securities. The guidance establishes a new "expected loss model" that requires entities to estimate current expected credit losses on financial instruments by using all practical and relevant information. Any expected credit losses are to be reflected as allowances rather than reductions in the amortized cost of available-for-sale debt securities. This guidance will be effective for the Company on January 1, 2020. The Company is evaluating the potential impact of adopting this new accounting guidance on its consolidated financial statements.

In August 2018, the FASB issued guidance which changes the fair value measurement disclosure requirements. This guidance will be effective for the Company on January 1, 2020. The Company is evaluating the impact the update will have on its disclosures.

In August 2018, the FASB issued guidance which addresses a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The guidance aligns the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement with the guidance for capitalizing costs associated with developing or obtaining internal-use software. This guidance will be effective for the Company on January 1, 2020, with early adoption permitted. The Company is evaluating the potential impact of adopting this new accounting guidance on its consolidated financial statements.

3. Fair Value Measurements

The following is a summary of available-for-sale marketable securities held as of March 31, 2019 and December 31, 2018 (in thousands):

	Amortized Cost	Gross Unrealized		Aggregate Fair Value	Classification on Balance Sheet		
		Gains	Losses		Short-Term Marketable Securities	Long-Term Marketable Securities	
As of March 31, 2019							
Commercial paper	\$ 1,249	\$ —	\$ —	\$ 1,249	\$ 1,249	\$ —	
Corporate bonds	468,247	21	(1,799)	466,469	378,012	88,457	
U.S. government agency obligations	50,878	3	(210)	50,671	50,671	—	
	<u>\$ 520,374</u>	<u>\$ 24</u>	<u>\$ (2,009)</u>	<u>\$ 518,389</u>	<u>\$ 429,932</u>	<u>\$ 88,457</u>	
As of December 31, 2018							
Certificates of deposit	\$ 40,000	\$ —	\$ (7)	\$ 39,993	\$ 39,993	\$ —	
Commercial paper	282,996	—	(50)	282,946	282,946	—	
Corporate bonds	685,653	1	(4,309)	681,345	482,088	199,257	
U.S. government agency obligations	50,876	—	(404)	50,472	50,472	—	
	<u>\$ 1,059,525</u>	<u>\$ 1</u>	<u>\$ (4,770)</u>	<u>\$ 1,054,756</u>	<u>\$ 855,499</u>	<u>\$ 199,257</u>	

The Company offers certain eligible employees the ability to participate in a non-qualified deferred compensation plan. The mutual funds held by the Company that are associated with this plan are classified as restricted trading securities. These securities are not included in the available-for-sale securities table above but are included in marketable securities in the consolidated balance sheets.

Unrealized gains and unrealized temporary losses on investments classified as available-for-sale are included within accumulated other comprehensive loss in the consolidated balance sheets. Upon realization, those amounts are reclassified from accumulated other comprehensive loss to interest income in the consolidated statements of income. As of March 31, 2019, the

Company held for investment corporate and government bonds with a fair value of \$461.7 million, which are classified as available-for-sale marketable securities and have been in a continuous unrealized loss position for more than 12 months. The unrealized losses of \$1.9 million related to these corporate and government bonds are included in accumulated other comprehensive income as of March 31, 2019. The unrealized losses are attributable to changes in interest rates. Based on the evaluation of available evidence, the Company does not believe any unrealized losses represent other than temporary impairments.

The following table details the fair value measurements within the fair value hierarchy of the Company's financial assets and liabilities as of March 31, 2019 and December 31, 2018 (in thousands):

	Total Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
As of March 31, 2019				
<i>Cash Equivalents and Marketable Securities:</i>				
Money market funds	\$ 189,805	\$ 189,805	\$ —	\$ —
Commercial paper	1,249	—	1,249	—
Corporate bonds	466,469	—	466,469	—
U.S. government agency obligations	50,671	—	50,671	—
Mutual funds	12,977	12,977	—	—
	<u>\$ 721,171</u>	<u>\$ 202,782</u>	<u>\$ 518,389</u>	<u>\$ —</u>
As of December 31, 2018				
<i>Cash Equivalents and Marketable Securities:</i>				
Money market funds	\$ 380,260	\$ 380,260	\$ —	\$ —
Certificates of deposit	39,993	39,993	—	—
Commercial paper	282,946	—	282,946	—
Corporate bonds	681,345	—	681,345	—
U.S. government agency obligations	50,472	—	50,472	—
Mutual funds	10,016	10,016	—	—
	<u>\$ 1,445,032</u>	<u>\$ 430,269</u>	<u>\$ 1,014,763</u>	<u>\$ —</u>
<i>Liabilities:</i>				
Contingent consideration related to a completed acquisition	\$ (6,300)	\$ —	\$ —	\$ (6,300)

As of March 31, 2019 and December 31, 2018, the Company grouped certificates of deposit, money market funds and mutual funds using a Level 1 valuation because market prices for such investments are readily available in active markets. As of March 31, 2019 and December 31, 2018, the Company grouped commercial paper, corporate bonds and U.S. government agency obligations using a Level 2 valuation because quoted prices for identical or similar assets are available in markets that are inactive. The Company did not have any transfers of assets between Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the three months ended March 31, 2019.

When developing fair value estimates, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. When available, the Company uses quoted market prices to measure fair value. The valuation technique used to measure fair value for the Company's Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that primarily use market-based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, the Company is required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

The valuation technique used to measure fair value of the Company's Level 3 liabilities, which consist of contingent consideration related to the acquisition of Cyberfend, Inc. in 2016, was primarily an income-based approach. The significant unobservable input used in the fair value measurement of the contingent consideration was the likelihood of achieving certain post-closing financial results.

Contractual maturities of the Company's available-for-sale marketable securities held as of March 31, 2019 and December 31, 2018 were as follows (in thousands):

	March 31, 2019	December 31, 2018
Due in 1 year or less	\$ 429,932	\$ 855,499
Due after 1 year through 3 years	88,457	199,257
	<u>\$ 518,389</u>	<u>\$ 1,054,756</u>

The following table reflects the activity for the Company's major classes of liabilities measured at fair value using Level 3 inputs during the three months ended March 31, 2019 (in thousands):

	Other Liabilities: Contingent Consideration Obligation
Balance as of January 1, 2019	\$ (6,300)
Cash paid upon achievement of milestone	6,300
Balance as of March 31, 2019	<u>\$ —</u>

4. Accounts Receivable

Net accounts receivable consisted of the following as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Trade accounts receivable	\$ 380,241	\$ 337,445
Unbilled accounts receivable	150,183	143,978
Gross accounts receivable	530,424	481,423
Allowance for doubtful accounts and other reserves	(1,078)	(1,534)
Accounts receivable, net	<u>\$ 529,346</u>	<u>\$ 479,889</u>

5. Incremental Costs to Obtain a Contract with a Customer

The following table summarizes the deferred costs associated with obtaining customer contracts, specifically commission and incentive payments, as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Deferred costs included in prepaid and other current assets	\$ 41,109	\$ 41,955
Deferred costs included in other assets	22,892	26,338
Total deferred costs	<u>\$ 64,001</u>	<u>\$ 68,293</u>

During the three months ended March 31, 2019 and March 31, 2018, the Company recognized \$10.8 million and \$10.9 million, respectively, of amortization expense related to deferred commissions. Amortization expense related to deferred commissions is primarily included in sales and marketing expense in the consolidated statements of income.

6. Goodwill and Acquired Intangible Assets

The change in the carrying amount of goodwill for the three months ended March 31, 2019 was as follows (in thousands):

Balance as of January 1, 2019	\$ 1,487,404
Acquisition of Janrain, Inc.	100,634
Foreign currency translation	(1,048)
Balance as of March 31, 2019	<u>\$ 1,586,990</u>

The Company tests goodwill for impairment at least annually. Through the date the consolidated financial statements were issued, no triggering events had occurred that would indicate a potential impairment exists.

Acquired intangible assets that are subject to amortization consisted of the following as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Completed technology	\$ 153,691	\$ (86,321)	\$ 67,370	\$ 145,091	\$ (81,587)	\$ 63,504
Customer-related intangible assets	263,010	(149,378)	113,632	245,710	(144,786)	100,924
Non-compete agreements	730	(359)	371	700	(306)	394
Trademarks and trade names	7,400	(3,894)	3,506	7,200	(3,674)	3,526
Acquired license rights	490	(490)	—	490	(490)	—
Total	<u>\$ 425,321</u>	<u>\$ (240,442)</u>	<u>\$ 184,879</u>	<u>\$ 399,191</u>	<u>\$ (230,843)</u>	<u>\$ 168,348</u>

Aggregate expense related to amortization of acquired intangible assets for the three months ended March 31, 2019 and March 31, 2018 was \$9.6 million and \$8.4 million, respectively. Based on the Company's acquired intangible assets as of March 31, 2019, aggregate expense related to amortization of acquired intangible assets is expected to be \$38.4 million for the remainder of 2019, and \$36.7 million, \$31.7 million, \$26.0 million and \$20.1 million for 2020, 2021, 2022 and 2023, respectively.

7. Business Combinations

Acquisition-related costs during the three months ended March 31, 2019 were \$0.5 million and are included in general and administrative expense in the consolidated statements of income. Pro forma results of operations for the acquisition completed during the three months ended March 31, 2019 have not been presented because the effects of the acquisition were not material to the Company's consolidated financial results. Revenue and earnings of the acquired company since the date of the acquisition that are included in the Company's consolidated statements of income are also not presented separately because they are not material.

Janrain

In January 2019, the Company acquired Janrain, Inc. ("Janrain"), a provider of customer identity and access management (CIAM) solutions, for \$123.6 million in cash. The allocation of the purchase price has not been finalized as of the date of the filing of these financial statements. The Company plans to incorporate the Janrain technology into Akamai's Intelligent Edge Platform.

The following table presents the preliminary allocation of the purchase price for Janrain (in thousands):

Total purchase consideration	\$	123,632
Allocation of the purchase consideration:		
Cash	\$	2,168
Accounts receivable		7,318
Prepaid expenses and other current assets		838
Identifiable intangible assets		26,130
Goodwill		100,634
Deferred tax assets		5,124
Other assets		87
Total assets acquired		142,299
Accounts payable		(1,641)
Accrued expenses		(2,690)
Deferred revenue		(14,336)
Total liabilities assumed		(18,667)
Net assets acquired	\$	123,632

The value of the goodwill can be attributed to a number of business factors, including a trained technical and sales workforce and cost synergies expected to be realized. The total amount of goodwill related to the acquisition of Janrain expected to be deductible for tax purposes is \$42.5 million.

The following were the identifiable intangible assets acquired and their respective weighted average useful lives (in thousands, except years):

	Gross Carrying Amount	Weighted Average Useful Life (in years)
Completed technologies	\$ 8,600	3.0
Customer-related intangible assets	17,300	6.3
Trademarks	200	0.8
Non-compete agreements	30	1.0
Total	\$ 26,130	

The total weighted average amortization period for the intangible assets acquired from Janrain is 5.2 years. The intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized.

8. Commitments and Contingencies

Legal Matters

In April 2018, as part of the resolution of multiple existing lawsuits between Limelight Networks, Inc. ("Limelight") and the Company, including in the U.S. District Court for the Eastern District of Virginia and in the U.S. District Court for the District of Massachusetts, the Company and Limelight entered into an agreement to settle the cases and request that the U.S. Patent Trial and Appeal Board terminate certain proceedings related to patents at issue in the litigation. The Company recorded a \$14.9 million charge in the first quarter of 2018, which is included in general and administrative expenses in the consolidated statement of income for the three months ended March 31, 2018, related to this settlement.

9. Debt

Convertible Notes – Due 2025

In May 2018, the Company issued \$1,150.0 million in par value of convertible senior notes due 2025 (the "2025 Notes"). The 2025 Notes are senior unsecured obligations of the Company, bear regular interest of 0.125%, payable semi-annually on May 1 and November 1 of each year, and mature on May 1, 2025, unless repurchased or converted prior to maturity.

At their option, holders may convert their 2025 Notes prior to the close of business on the business day immediately preceding January 1, 2025, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ended June 30, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 2025 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or
- upon the occurrence of specified corporate events.

On or after January 1, 2025, holders may convert all or any portion of their 2025 Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing circumstances.

Upon conversion, the Company, at its election, may pay or deliver to holders cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The initial conversion rate is 10.5150 shares of the Company's common stock per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$95.10 per share, subject to adjustments in certain events, and represents a potential conversion into 12.1 million shares.

In accounting for the issuance of the 2025 Notes, the Company separated the 2025 Notes into liability and equity components. The carrying cost of the liability component was calculated by measuring the fair value of a similar debt obligation that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2025 Notes. The difference between the principal amount of the 2025 Notes and the proceeds allocated to the liability component ("debt discount") is amortized to interest expense using the effective interest method over the term of the 2025 Notes. The equity component is recorded in additional paid-in capital in the consolidated balance sheet and will not be remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the transaction costs related to the issuance of the 2025 Notes, the Company allocated the total transaction costs incurred to the liability and equity components based on their relative values. Transaction costs attributable to the liability component are being amortized to interest expense over the term of the 2025 Notes, and transaction costs attributable to the equity component are netted against the equity component of the 2025 Notes in stockholders' equity.

The 2025 Notes consisted of the following components as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Liability component:		
Principal	\$ 1,150,000	\$ 1,150,000
Less: debt discount and issuance costs, net of amortization	(266,416)	(275,920)
Net carrying amount	\$ 883,584	\$ 874,080
Equity component:		
	\$ 285,225	\$ 285,225

The estimated fair value of the 2025 Notes at March 31, 2019 was \$1,148.0 million. The fair value was determined based on the quoted price of the 2025 Notes in an inactive market on the last trading day of the reporting period and has been classified as Level 2 within the fair value hierarchy. Based on the closing price of the Company's common stock of \$71.71 on March 29, 2019, the value of the 2025 Notes if converted to common stock was less than the principal amount of \$1,150.0 million.

The Company used \$46.2 million of the proceeds from the offering to repurchase shares of its common stock, concurrent with the issuance of the 2025 Notes. The repurchase was made in accordance with a share repurchase program previously approved by the Board of Directors. Additionally, \$141.8 million of the proceeds was used for the net cost of convertible note hedge and warrant transactions. The remaining net proceeds are intended to be used for the repayment at maturity of the \$690.0 million in par value of convertible senior notes due 2019 as well as for working capital, share repurchases, potential acquisitions and strategic transactions and other corporate purposes.

Note Hedge

To minimize the impact of potential dilution upon conversion of the 2025 Notes, the Company entered into convertible note hedge transactions with respect to its common stock in May 2018. The Company paid \$261.7 million for the note hedge transactions. The note hedge transactions cover approximately 12.1 million shares of the Company's common stock at a strike price that corresponds to the initial conversion price of the 2025 Notes, also subject to adjustment, and are exercisable upon conversion of the 2025 Notes. The note hedge transactions are intended to reduce dilution in the event of conversion of the 2025 Notes.

Warrants

Separately, in May 2018, the Company entered into warrant transactions, whereby the Company sold warrants to acquire, subject to anti-dilution adjustments, up to 12.1 million shares of the Company's common stock at a strike price of approximately \$149.18 per share. The Company received aggregate proceeds of \$119.9 million from the sale of the warrants. The convertible note hedge and warrant transactions will generally have the effect of increasing the conversion price of the 2025 Notes to approximately \$149.18 per share.

Convertible Notes – Due 2019

In February 2014, the Company issued \$690.0 million in par value of convertible senior notes due 2019 (the "2019 Notes"). The 2019 Notes were senior unsecured obligations of the Company and did not bear regular interest. The 2019 Notes matured and were repaid in full on February 15, 2019 as no repurchases or conversions occurred prior to maturity. For further information, see Note 11 to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2018.

Revolving Credit Facility

In May 2018, the Company entered into a \$500.0 million five-year, revolving credit agreement (the "Credit Agreement"). Borrowings under the Credit Agreement may be used to finance working capital needs and for general corporate purposes. The Credit Agreement provides for an initial \$500.0 million in revolving loans. Under specified circumstances, the facility can be increased to up to \$1.0 billion in aggregate principal amount.

Borrowings under the Credit Agreement bear interest, at the Company's option, at a base rate plus a spread of 0.00% to 0.25% or an adjusted LIBOR rate plus a spread of 0.875% to 1.25%, in each case with such spread being determined based on the Company's consolidated leverage ratio specified in the Credit Agreement. Regardless of what amounts, if any, are outstanding under the Credit Agreement, the Company is also obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.075% to 0.15%, with such rate being based on the Company's consolidated leverage ratio specified in the Credit Agreement.

The Credit Agreement contains customary representations and warranties, affirmative and negative covenants and events of default. Principal covenants include a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio. There were no outstanding borrowings under the Credit Agreement as of March 31, 2019.

Interest Expense

The 2025 Notes bear interest at a fixed rate of 0.125%. The interest is payable semi-annually on May 1 and November 1 of each year, commencing in November 2018. The 2025 Notes have an effective interest rate of 4.26% attributable to the conversion feature. The 2019 Notes do not bear regular interest, but had an effective interest rate of 3.2% attributable to the conversion feature. The Company is also obligated to pay ongoing commitment fees under the terms of the Credit Agreement. The following table sets forth total interest expense included in the consolidated statements of income for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Amortization of debt discount and issuance costs	\$ 13,009	\$ 5,832
Coupon interest payable on 2025 Notes	359	—
Revolving credit facility contractual interest expense	139	—
Capitalization of interest expense	(1,391)	(982)
Total interest expense	\$ 12,116	\$ 4,850

10. Leases

The following table is a summary of the Company's operating lease costs for the three months ended March 31, 2019 (in thousands, except years and rates):

	Real Estate Arrangements	Co-location Arrangements	Total
Operating lease cost	\$ 14,823	\$ 22,996	\$ 37,819
Short-term lease cost	102	3,416	3,518
Variable lease cost	3,368	4,362	7,730
Sublease income	(1,033)	—	(1,033)
Total operating lease costs	\$ 17,260	\$ 30,774	\$ 48,034
Weighted average remaining lease term (in years)	10.1	2.0	
Weighted average discount rate	4.4%	2.6%	

Lease costs for real estate arrangements is included in general and administrative expenses in the consolidated statements of income. Lease costs for co-location arrangements is primarily included in cost of revenue.

Maturities of operating lease liabilities as of March 31, 2019 were as follows (in thousands):

	Real Estate Arrangements	Co-location Arrangements
Remainder of 2019	\$ 42,867	\$ 54,265
2020	47,640	16,662
2021	43,948	4,083
2022	38,861	1,030
2023	37,483	795
Thereafter	196,390	3,869
Total lease payments	407,189	80,704
Less: imputed interest	90,096	2,871
Total lease liabilities	<u>\$ 317,093</u>	<u>\$ 77,833</u>

As of March 31, 2019, the Company has additional operating leases, primarily for real estate facilities, that have not yet commenced of \$553.2 million. These operating leases will commence in 2019 and the majority have a term of 15 years.

The minimum aggregate future obligations under non-cancelable operating leases, including real estate and co-location arrangements, and bandwidth commitments as of December 31, 2018 were as follows (in thousands):

	Real Estate Arrangements	Bandwidth and Co- location Arrangements
2019	\$ 54,561	\$ 138,777
2020	78,683	24,420
2021	75,991	8,463
2022	72,579	5,233
2023	70,101	2,156
Thereafter	599,339	3,709
Total	<u>\$ 951,254</u>	<u>\$ 182,758</u>

11. Restructuring

During the fourth quarter of 2018, management committed to an action to restructure certain parts of the Company with the intent of re-balancing investments with the goal of improving long-term growth and scale. As a result, certain headcount reductions were necessary and certain capitalized internal-use software charges were realized for software not yet placed into service that will not be completed and implemented due to this action. The Company has incurred restructuring charges of \$18.5 million as part of this action, of which \$6.2 million was recognized during the three months ended March 31, 2019. The Company does not expect significant additional restructuring charges related to this action.

During the fourth quarter of 2017, management committed to an action to restructure certain parts of the Company with the intent of shifting focus to more critical areas of the business and away from products that have not seen expected commercial success. The restructuring was also intended to facilitate cost efficiencies and savings. As part of the cost efficiency and savings plans, certain headcount and facility reductions were made. The Company has incurred restructuring charges of \$62.6 million as part of this action. There were no material charges related to these actions during the three months ended March 31, 2019, and no significant additional charges are expected.

The Company also recognized restructuring charges for redundant employees, facilities and contracts associated with the Janrain acquisition completed in 2019.

The following table summarizes the activity of the Company's restructuring accrual during the three months ended March 31, 2019 (in thousands):

	Employee Severance and Related Benefits	Software Charges	Excess Facilities, Contract Terminations and Other	Total
Balance as of January 1, 2019	\$ 10,508	\$ 198	\$ 275	\$ 10,981
Costs incurred	6,351	—	38	6,389
Cash disbursements	(7,983)	(99)	(77)	(8,159)
Balance as of March 31, 2019	\$ 8,876	\$ 99	\$ 236	\$ 9,211

12. Stockholders' Equity

Share Repurchase Program

Effective November 2018, the Board authorized a \$1.1 billion repurchase program through December 2021. During the three months ended March 31, 2019, the Company repurchased 0.5 million shares of its common stock for \$34.9 million. The Company's goals for the share repurchase programs are to offset the dilution created by its employee equity compensation programs and provide the flexibility to return capital to shareholders as business and market conditions warrant.

Stock-Based Compensation

The following table summarizes stock-based compensation included in the Company's consolidated statements of income for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Cost of revenue	\$ 5,569	\$ 5,296
Research and development	12,057	10,509
Sales and marketing	15,051	15,959
General and administrative	12,628	12,922
Total stock-based compensation	45,305	44,686
Provision for income taxes	(12,993)	(11,088)
Total stock-based compensation, net of income taxes	\$ 32,312	\$ 33,598

In addition to the amounts of stock-based compensation reported in the table above, the Company's consolidated statements of income for the three months ended March 31, 2019 and March 31, 2018 include stock-based compensation reflected as a component of amortization of capitalized internal-use software of \$8.1 million and \$5.6 million, respectively, before taxes.

13. Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss, net of tax, which is reported as a component of stockholders' equity, for the three months ended March 31, 2019 (in thousands):

	Foreign Currency Translation	Net Unrealized Losses on Investments	Total
Balance as of January 1, 2019	\$ (51,904)	\$ 2,992	\$ (48,912)
Other comprehensive loss	502	1,431	1,933
Balance as of March 31, 2019	\$ (51,402)	\$ 4,423	\$ (46,979)

Amounts reclassified from accumulated other comprehensive loss to net income were insignificant for the three months ended March 31, 2019.

14. Revenue from Contracts with Customers

The Company sells its solutions through a sales force located both domestically and abroad. Revenue derived from operations outside of the U.S. is determined based on the country in which the sale originated. Other than the U.S., no single country accounted for 10% or more of the Company's total revenue for any reported period. The following table summarizes revenue by geography included in the Company's consolidated statements of income for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
U.S.	\$ 418,200	\$ 423,339
International	288,308	245,385
Total revenue	\$ 706,508	\$ 668,724

While the Company sells its solutions through a geographically dispersed sales force, it manages its customer relationships in two divisions: the Web Division and the Media and Carrier Division. Customers are assigned to a division for relationship management purposes according to their predominant purchasing activity; however, customers may purchase solutions managed by the other division as well. As of January 1, 2019, the Company reassigned some of its customers from the Media and Carrier Division to the Web Division and revised historical results in order to reflect the most recent categorization and to provide a comparable view for all periods presented. As the purchasing patterns and required account expertise of customers change over time, the Company may reassign a customer's division from one to another. The following table summarizes revenue by division included in the Company's consolidated statements of income for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Web Division	\$ 376,275	\$ 353,250
Media and Carrier Division	330,233	315,474
Total revenue	\$ 706,508	\$ 668,724

Most content delivery and security services represent obligations that are satisfied over time as the customer simultaneously receives and consumes the services provided by the Company. Accordingly, the majority of the Company's revenue is recognized over time, generally ratably over the term of the arrangement due to consistent monthly traffic commitments that expire each period. A small percentage of the Company's services are satisfied at a point in time, such as one-time professional services contracts, integration services and most license sales where the primary obligation is delivery of the license at the start of the term. In these cases, revenue is recognized at a point in time of delivery or satisfaction of the performance obligation.

During the three months ended March 31, 2019 and 2018, the Company recognized \$47.8 million and \$46.4 million of revenue that was included in deferred revenue as of December 31, 2018 and 2017, respectively.

As of March 31, 2019, the aggregate amount of remaining performance obligations from contracts with customers was \$2.3 billion. The Company expects to recognize more than 70% of its remaining performance obligations as revenue over the next 12 months, with the remaining recognized thereafter. Remaining performance obligations represent the amount of the transaction price under contracts with customers that are attributable to performance obligations that are unsatisfied or partially satisfied at the reporting date. This consists of future committed revenue for monthly, quarterly or annual periods within current contracts with customers, as well as deferred revenue arising from consideration invoiced in prior periods for which the related performance obligations have not been satisfied. It excludes estimates of variable consideration such as usage-based contracts with no committed contract as well as anticipated renewed contracts.

15. Income Taxes

The effective income tax rate is based on estimated income for the year, the estimated composition of the income in different jurisdictions and discrete adjustments, if any, in the applicable quarterly periods. Potential discrete adjustments include tax charges or benefits related to stock-based compensation, changes in tax legislation, settlements of tax audits or assessments, uncertain tax positions and acquisitions, among other items.

The Company is currently under audit in multiple jurisdictions and, in certain cases, is involved in litigation related to adverse audit determinations. In the second quarter of 2018, the Company filed an appeal with the Massachusetts Appellate Tax Board contesting the adverse audit findings related to certain tax benefits and exemptions. The Company has determined that it is more-likely-than-not that it will prevail, and no reserve has been recorded related to these controversies. Over the next 12 months, the Company's current assumptions and positions could change based on audit determinations and other events impacting its analysis. Such events, if resolved unfavorably, could significantly impact the Company's effective income tax rate and results of operations. The Company has estimated that an adverse ruling related to its Massachusetts controversy could result in an income tax charge of approximately \$30.0 million.

The Company's effective income tax rate was 18.6% and 20.7% for the three months ended March 31, 2019 and 2018, respectively. The lower effective tax rate for the three months ended March 31, 2019, is primarily due to an increase in foreign income taxed at lower rates and a decrease to U.S. federal taxes on Global Intangible Low-Taxed Income ("GILTI"). These amounts were partially offset by an increase in the valuation allowance recorded against deferred tax assets related to state tax credits in which it is more likely than not that such credits will expire prior to utilization and an increase in non-deductible executive compensation.

For the three months ended March 31, 2019, the effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates, the excess tax benefit related to stock-based compensation and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by the valuation allowance recorded against deferred tax assets related to state tax credits, non-deductible executive compensation, state taxes and an intercompany sale of intellectual property.

For the three months ended March 31, 2018, the effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits, partially offset by the U.S. federal taxes on GILTI and an intercompany sale of intellectual property.

16. Net Income per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the applicable period. Diluted net income per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential common stock. Potential common stock consists of shares issuable pursuant to stock options, restricted stock units ("RSUs"), deferred stock units ("DSUs"), convertible senior notes and warrants issued by the Company. The dilutive effect of outstanding awards and convertible securities is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the components used in the computation of basic and diluted net income per share for the three months ended March 31, 2019 and 2018 (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income	\$ 107,130	\$ 53,714
Denominator:		
Shares used for basic net income per share	163,236	170,116
Effect of dilutive securities:		
Stock options	49	142
RSUs and DSUs	1,502	1,746
Convertible senior notes	—	—
Warrants related to issuance of convertible senior notes	—	—
Shares used for diluted net income per share	164,787	172,004
Basic net income per share	\$ 0.66	\$ 0.32
Diluted net income per share	\$ 0.65	\$ 0.31

For the three months ended March 31, 2019 and 2018, certain potential outstanding common shares from stock options, service-based RSUs, convertible notes and warrants were excluded from the computation of diluted net income per share because the effect of including these items was anti-dilutive. Additionally, certain performance-based RSUs were excluded from the computation of diluted net income per share because the underlying performance conditions for such RSUs had not been met as of these dates. The number of potentially outstanding common shares excluded from the computation of diluted net income per share for the three months ended March 31, 2019 and 2018 are as follows (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Service-based RSUs	2,565	2,815
Performance-based RSUs	1,484	1,529
Convertible senior notes	12,093	7,704
Warrants related to issuance of convertible senior notes	12,093	7,704
Total shares excluded from computation	28,235	19,752

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report on Form 10-Q, particularly Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below, and notes to our unaudited consolidated financial statements included herein contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management as of the date hereof based on information currently available to our management. Use of words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "should," "forecasts," "if," "continues," "goal," "likely" or similar expressions indicates a forward-looking statement. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions. Actual results may differ materially from the forward-looking statements we make. See "Risk Factors" elsewhere in this quarterly report on Form 10-Q for a discussion of certain risks associated with our business. We disclaim any obligation to update forward-looking statements as a result of new information, future events or otherwise.

Our management's discussion and analysis of our financial condition and results of operations is based upon our unaudited consolidated financial statements included elsewhere in this quarterly report on Form 10-Q, which we have prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim periods and with Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The preparation of these unaudited consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related items, including, but not limited to, revenue recognition, accounts receivable and related reserves, valuation and impairment of marketable securities, goodwill and acquired intangible assets, capitalized internal-use software development costs, impairment and useful lives of long-lived assets, income taxes and stock-based compensation. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances at the time they are made. Actual results may differ from our estimates. See the section entitled "Application of Critical Accounting Policies and Estimates" in our annual report on Form 10-K for the year ended December 31, 2018 and the section entitled "Significant Accounting Policies Update" in the notes to our unaudited consolidated financial statements included herein for further discussion of our critical accounting policies and estimates.

Overview

We provide solutions for delivering, optimizing and securing content and business applications over the Internet. The key factors that influence our financial success are our ability to build on recurring revenue commitments for our performance and security offerings, increase media traffic on our network, develop new products and carefully manage our capital spending and other expenses.

Revenue

For most of our solutions, our customers commit to contracts having terms of a year or longer, which allows us to have a consistent and predictable base level of revenue. In addition, we are also dependent on media customers where usage of our solutions is more variable. As a result, our revenue is impacted by the amount of media and software download traffic we serve on our network, the rate of adoption of gaming, social media and video platform offerings, the timing and variability of customer-specific one-time events and the impact of seasonal variations on our business. The ability to expand our product portfolio and to effectively manage the prices we charge for our solutions are also key factors impacting our revenue growth.

We have observed the following trends related to our revenue in recent years:

- Increased sales of our security solutions have made a significant contribution to revenue growth. We plan to continue to invest in this area with a focus on further enhancing our product portfolio and extending our go-to-market capabilities.

- We have increased committed recurring revenue from our solutions by increasing sales of incremental solutions to our existing customers and adding new customers; however, we have also experienced slower revenue growth in recent quarters particularly in our Web Performance solutions. We expect the trend of slower revenue growth to continue in 2019 as our commerce customers experience financial pressure, we face contract renewals with large media and other customers, and we experience the absence of as many large media-driven events in 2019 as compared to 2018.
- The prices paid by some of our customers have declined, particularly in the context of contract renewals, reflecting the impact of competition and volume discounts. Our revenue would have been higher absent these price declines.
- We have experienced increases in the amount of traffic delivered for customers that use our solutions for video, gaming and software downloads, contributing to an increase in our revenue.
- In recent years, revenue from our international operations has been growing at a faster pace than from our U.S. operations, due to a sharper increase in sales of our solutions originating outside the U.S. to new customers as well as sales of incremental solutions to existing non-U.S. customers.
- We have experienced variations in certain types of revenue from quarter to quarter. In particular, we experience higher revenue in the fourth quarter of each year for some of our solutions as a result of holiday season activity. In addition, we experience quarterly variations in revenue attributable to, among other things, the nature and timing of software and gaming releases by our customers; whether there are large live sporting or other events that increase the amount of media traffic on our network; and the frequency and timing of purchases of custom solutions.

Expenses

Our level of profitability is also impacted by our expenses, including direct costs to support our revenue such as bandwidth and co-location costs. We have observed the following trends related to our profitability in recent years:

- Our profitability improved in the first quarter of 2019 as compared to the same period in 2018 due to higher revenues as well as the effects of cost savings and efficiency initiatives we have undertaken. We expect to continue to undertake efforts intended to improve the efficiency of operations, but do anticipate variability in our profitability during 2019 due to some increased expenses in certain areas of the business that did not impact us in the first quarter. However, we anticipate overall profitability improvement in 2019 as compared to 2018, which is also expected to be at a lower rate as compared to 2018. We believe we can achieve additional improvement in 2020.
- Network bandwidth costs represent a significant portion of our cost of revenue. Historically, we have been able to mitigate increases in these costs by reducing our network bandwidth costs per unit and investing in internal-use software development to improve the performance and efficiency of our network. Our total bandwidth costs may increase in the future as a result of expected higher traffic levels and serving more traffic from higher cost regions. We will need to continue to effectively manage our bandwidth costs to maintain current levels of profitability.
- Co-location costs are also a significant portion of our cost of revenue. By improving our internal-use software and managing our hardware deployments to enable us to use servers more efficiently, we have been able to manage the growth of co-location costs. We expect to continue to scale our network in the future and will need to continue to effectively manage our co-location costs to maintain current levels of profitability.
- Depreciation and amortization expense related to our network equipment decreased during the first quarter of 2019 as compared to the first quarter of 2018. We implemented software and hardware initiatives to manage our global network more efficiently, and as a result, the expected average useful life of our network assets, primarily servers, increased from four years to five years, effective January 1, 2019. This change is expected to decrease depreciation expense related to our network equipment during 2019 as compared to 2018.

We report our revenue by division, which is a customer-focused reporting view that reflects revenue from customers that are managed by the division. We report our revenue in two divisions: the Web Division and the Media and Carrier Division. As the purchasing patterns and required account expertise of customers change over time, we may reassign a customer from one division to another. In 2019, we reassigned some of our customers from the Media and Carrier Division to the Web Division and revised historical results in order to reflect the most recent categorization and to provide a comparable view for all periods presented.

Results of Operations

The following table sets forth, as a percentage of revenue, consolidated statements of income data for the periods indicated:

	For the Three Months Ended March 31,	
	2019	2018
Revenue	100.0 %	100.0 %
Costs and operating expenses:		
Cost of revenue (exclusive of amortization of acquired intangible assets shown below)	34.1	35.1
Research and development	9.4	9.7
Sales and marketing	17.9	18.3
General and administrative	17.4	23.1
Amortization of acquired intangible assets	1.4	1.3
Restructuring charges	0.9	2.2
Total costs and operating expenses	81.1	89.7
Income from operations	18.9	10.3
Interest income	1.2	0.6
Interest expense	(1.7)	(0.7)
Other income, net	0.1	—
Income before provision for income taxes	18.5	10.2
Provision for income taxes	3.5	2.1
Net income	15.0 %	8.1 %

Revenue

Revenue by division during the periods presented was as follows (in thousands):

	For the Three Months Ended March 31,			% Change at Constant Currency
	2019	2018	% Change	
Web Division	\$ 376,275	\$ 353,250	6.5%	8.8%
Media and Carrier Division	330,233	315,474	4.7	6.8
Total revenue	\$ 706,508	\$ 668,724	5.7%	7.9%

During the three-month period ended March 31, 2019, the increase in our revenue as compared to the same period in 2018 was primarily the result of higher media traffic volumes, including from our large Internet platform customers, and continued strong growth in sales of our Cloud Security Solutions. During the three-month period ended March 31, 2019, our Cloud Security Solutions revenue was \$190.1 million, as compared to \$150.1 million during the three-month period ended March 31, 2018, which represents a 26.7% increase. Cloud Security Solutions revenue increased due to sales of new products, particularly Bot Manager, as well as continued strong growth in our core Kona and Prolexic Cloud Security Solutions.

The increase in Web Division revenue during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily the result of increased sales of both new and existing Cloud Security Solutions to this customer base, as described above.

The increase in Media and Carrier Division revenue during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily the result of increased customer traffic volumes from video delivery and gaming customers and sales of Cloud Security Solutions to this customer base.

Revenue derived in the U.S. and internationally during the periods presented is as follows (in thousands):

	For the Three Months Ended March 31,			% Change at Constant Currency
	2019	2018	% Change	
U.S.	\$ 418,200	\$ 423,339	(1.2)%	(1.2)%
International	288,308	245,385	17.5	23.5
Total revenue	\$ 706,508	\$ 668,724	5.7 %	7.9 %

For the three-month period ended March 31, 2019, approximately 40.8% of our revenue was derived from our operations located outside the U.S., compared to 36.7% for the three-month period ended March 31, 2018. No single country outside the U.S. accounted for 10.0% or more of revenue during either of these periods. During the three-month period ended March 31, 2019, we continued to see strong revenue growth from our operations in the Asia-Pacific region. Changes in foreign currency exchange rates impacted our revenue by an unfavorable \$14.7 million during the three-month period ended March 31, 2019, as compared to the same period in 2018.

Cost of Revenue

Cost of revenue consisted of the following for the periods presented (in thousands):

	For the Three Months Ended March 31,		
	2019	2018	% Change
Bandwidth fees	\$ 42,473	\$ 42,117	0.8 %
Co-location fees	29,492	33,103	(10.9)
Network build-out and supporting services	22,711	18,525	22.6
Payroll and related costs	60,263	60,008	0.4
Stock-based compensation, including amortization of prior capitalized amounts	13,309	10,531	26.4
Depreciation of network equipment	30,168	38,235	(21.1)
Amortization of internal-use software	42,327	32,306	31.0
Total cost of revenue	\$ 240,743	\$ 234,825	2.5 %
<i>As a percentage of revenue</i>	<i>34.1%</i>	<i>35.1%</i>	

The increase in total cost of revenue for the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily due to growth in amortization of internal-use software as we continued to release internally-developed software onto our network related to new product launches and significant enhancements to our existing services throughout 2018 and the first quarter of 2019. These increases were partially offset by lower depreciation expense of network equipment of approximately \$7.5 million due to software and hardware initiatives we have implemented to manage our global network more efficiently, resulting in an increase in the expected average useful life of our network assets, primarily servers, from four to five years effective January 1, 2019.

We have long-term purchase commitments for co-location services and bandwidth usage with various vendors and network and Internet service providers. Our minimum commitments related to bandwidth usage and co-location services may vary from period to period depending on the timing and length of contract renewals with our service providers. There have been no significant changes to these commitments as reported in our annual report on Form 10-K for the year ended December 31, 2018, other than normal period-to-period variations.

During 2019, we anticipate amortization of internal-use software development costs to increase as compared to 2018, along with increased payroll and related costs associated with our professional services personnel and related expenses. However, we do not anticipate that cost of revenue will increase as a percentage of revenue during 2019 as compared to 2018. We plan to continue making investments in our network with the expectation that our customer base will continue to expand and that we will continue to deliver more traffic to existing customers.

Research and Development Expenses

Research and development expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended March 31,		
	2019	2018	% Change
Payroll and related costs	\$ 94,944	\$ 95,685	(0.8)%
Stock-based compensation	12,057	10,509	14.7
Capitalized salaries and related costs	(43,359)	(43,091)	0.6
Other expenses	2,499	1,962	27.4
Total research and development	\$ 66,141	\$ 65,065	1.7 %
<i>As a percentage of revenue</i>	<i>9.4%</i>	<i>9.7%</i>	

The increase in research and development expenses during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily due to an increase in stock-based compensation costs as a result of market adjustments to equity grant award sizes due to competition for certain engineering talent.

Research and development costs are expensed as incurred, other than certain internal-use software development costs eligible for capitalization. Capitalized development costs consist of payroll and related costs for personnel and external consulting expenses involved in the development of internal-use software used to deliver our services and operate our network. During the three-month period ended March 31, 2019 and March 31, 2018, we capitalized \$8.1 million and \$7.2 million of stock-based compensation, respectively. These capitalized internal-use software development costs are amortized to cost of revenue over their estimated useful lives, which is generally two to seven years.

We expect research and development costs to increase in 2019 as we maintain our focus on innovation. However, we do not expect these costs to increase as a percentage of revenue.

Sales and Marketing Expenses

Sales and marketing expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended March 31,		
	2019	2018	% Change
Payroll and related costs	\$ 92,651	\$ 94,193	(1.6)%
Stock-based compensation	15,050	15,959	(5.7)
Marketing programs and related costs	14,533	11,280	28.8
Other expenses	4,042	1,121	260.6
Total sales and marketing	\$ 126,276	\$ 122,553	3.0 %
<i>As a percentage of revenue</i>	<i>17.9%</i>	<i>18.3%</i>	

The increase in sales and marketing expenses during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily due to an increase in sales and marketing programs in the three month period ended March 31, 2019 as compared to the three month period ended March 31, 2018. During 2019, we plan to continue to focus our efforts on expanding operating margins while simultaneously pursuing our goal of improving go-to-market capabilities.

General and Administrative Expenses

General and administrative expenses consisted of the following for the periods presented (in thousands):

	For the Three Months Ended March 31,		
	2019	2018	% Change
Payroll and related costs	\$ 49,651	\$ 51,894	(4.3)%
Stock-based compensation	12,628	12,922	(2.3)
Depreciation and amortization	18,373	19,888	(7.6)
Facilities-related costs	21,023	21,795	(3.5)
Provision for doubtful accounts	800	521	53.6
Acquisition-related costs	451	1,143	(60.5)
License of patent	(4,403)	(4,215)	4.5
Legal and stockholder matter costs	—	23,091	(100.0)
Professional fees and other expenses	24,312	27,346	(11.1)
Total general and administrative	\$ 122,835	\$ 154,385	(20.4)%
<i>As a percentage of revenue</i>	<i>17.4%</i>	<i>23.1%</i>	

The decrease in general and administrative expenses for the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily due to legal and stockholder matter costs related to a settlement charge from our litigation with Limelight Networks, Inc., or Limelight, and amounts paid to professional service providers for advisory services provided in connection with a non-routine stockholder matter in the first quarter of 2018.

General and administrative expenses for the three-month period ended March 31, 2019 and 2018 are broken out by category as follows (in thousands):

	For the Three Months Ended March 31,		
	2019	2018	% Change
Global functions	\$ 49,468	\$ 55,653	(11.1)%
<i>As a percentage of revenue</i>	<i>7.0%</i>	<i>8.3%</i>	
Infrastructure	72,327	78,192	(7.5)
<i>As a percentage of revenue</i>	<i>10.2%</i>	<i>11.7%</i>	
Other	1,040	20,540	(94.9)
Total general and administrative expenses	\$ 122,835	\$ 154,385	(20.4)%
<i>As a percentage of revenue</i>	<i>17.4%</i>	<i>23.1%</i>	

During the three-month period ended March 31, 2019, as compared to the same period in 2018, the decrease in general and administrative expenses from our global functions was primarily the result of a reduction in professional services fees due to settlement of our litigation with Limelight in the first quarter of 2018. The decrease in general and administrative expenses from our infrastructure functions for the three-month period ended March 31, 2019, as compared to the same period in 2018, was the result of facilities consolidation in the first half of 2018 related to a restructuring action. The decrease in other general and administrative expenses was primarily the result of costs related to the settlement of litigation with Limelight and amounts paid to professional service providers for advisory services provided in connection with a non-routine stockholder matter in the first quarter of 2018.

Global functions expense includes payroll, stock-based compensation and other employee-related costs for administrative functions, including finance, purchasing, order entry, human resources, legal, information technology and executive personnel, as well as third-party professional service fees. Infrastructure expense includes payroll, stock-based compensation and other employee-related costs for our network infrastructure functions, as well as facility rent expense, depreciation and amortization of facility and IT-related assets, software and software-related costs, business insurance and taxes. Our network infrastructure function is responsible for network planning, sourcing, architecture evaluation and platform security. Other expense includes

acquisition-related costs, provision for doubtful accounts, legal settlements, non-routine stockholder matter costs, transformation costs and the license of a patent.

During 2019, we plan to continue to focus our efforts on expanding our operating margins and, in particular, evaluating potential improvements in the areas of third-party spending and automation of manual tasks.

Amortization of Acquired Intangible Assets

<i>(in thousands)</i>	For the Three Months Ended March 31,		
	2019	2018	% Change
Amortization of acquired intangible assets	\$ 9,599	\$ 8,431	13.9%
<i>As a percentage of revenue</i>	1.4%	1.3%	

The increase in amortization of acquired intangible assets for the three-month period ended March 31, 2019, as compared to the same period in 2018, was the result of amortization of assets related to our recent acquisitions. Based on our intangible assets at March 31, 2019, we expect amortization of acquired intangible assets to be approximately \$38.4 million for the remainder of 2019, and \$36.7 million, \$31.7 million, \$26.0 million and \$20.1 million for 2020, 2021, 2022 and 2023, respectively.

Restructuring Charges

<i>(in thousands)</i>	For the Three Months Ended March 31,		
	2019	2018	% Change
Restructuring charges	\$ 6,389	\$ 14,908	(57.1)%
<i>As a percentage of revenue</i>	0.9%	2.2%	

The restructuring charges for the three-month period ended March 31, 2019 were primarily the result of certain restructuring actions initiated in the fourth quarter of 2018. Management's intention in implementing the restructuring was to re-balance investments with the goal of improving long-term revenue growth and scale. The restructuring charge primarily consist of costs associated with headcount reductions. We do not expect significant additional restructuring charges related to this action.

The restructuring charges for the three-month period ended March 31, 2018 were primarily the result of certain restructuring actions initiated in the fourth quarter of 2017. Management committed to an action to restructure certain parts of the business, primarily media-related, with the intent of shifting focus away from products that have not seen expected commercial success and to facilitate other cost efficiencies and savings. As part of these actions, certain headcount and facility reductions were implemented during the three-month period ended March 31, 2018. In addition, certain capitalized internal-use software charges were realized for software not yet placed into service that will not be completed and launched due to the restructuring action. No significant additional restructuring charges related to this action are expected.

Non-Operating Income (Expense)

<i>(in thousands)</i>	For the Three Months Ended March 31,		
	2019	2018	% Change
Interest income	\$ 8,635	\$ 3,965	117.8%
<i>As a percentage of revenue</i>	1.2 %	0.6 %	
Interest expense	\$ (12,116)	\$ (4,850)	149.8%
<i>As a percentage of revenue</i>	(1.7)%	(0.7)%	
Other income, net	\$ 511	\$ 21	2,333.3%
<i>As a percentage of revenue</i>	0.1 %	— %	

For the periods presented, interest income primarily consists of interest earned on invested cash balances and marketable securities. The increase in interest income for the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily the result of increased cash, cash equivalents and marketable securities balances as a result of our May 2018 issuance of \$1,150.0 million in par value of convertible senior notes due 2025 (see Note 9 to the consolidated financial statements).

Interest expense is related to our debt transactions, which are described in Note 9 to the consolidated financial statements. The increase in interest expense for the three-month period ended March 31, 2019 was primarily due to the May 2018 issuance of \$1,150.0 million in par value of convertible senior notes due 2025, which bear regular interest of 0.125%, but have an effective interest rate of 4.26% due to the conversion feature.

Other income, net primarily represents net foreign exchange gains and losses and other non-operating expense and income items. The fluctuation in other income, net for the three-month period ended March 31, 2019, as compared to the same period in 2018, includes the impact of gains recognized due to the sale of certain equity investments. Other income, net may fluctuate in the future based on changes in foreign currency exchange rates or other events.

Provision for Income Taxes

<i>(in thousands)</i>	For the Three Months Ended March 31,		
	2019	2018	% Change
Provision for income taxes	\$ 24,425	\$ 13,979	74.7%
<i>As a percentage of revenue</i>	3.5%	2.1%	
<i>Effective income tax rate</i>	18.6%	20.7%	

For the three-month period ended March 31, 2019, as compared to the same period in 2018, our provision for income taxes decreased due to an increase in foreign income taxed at lower rates and a decrease to U.S. federal taxes on Global Intangible Low-Taxed Income, which we refer to as GILTI. These amounts were partially offset by an increase in the valuation allowance recorded against deferred tax assets related to state tax credits and an increase in non-deductible executive compensation.

For the three-month period ended March 31, 2019, the effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates, the excess tax benefit related to stock-based compensation and the benefit of U.S. federal, state and foreign research and development credits. These amounts were partially offset by the valuation allowance recorded against deferred tax assets related to state tax credits, non-deductible executive compensation, state taxes and an intercompany sale of intellectual property.

For the three-month period ended March 31, 2018, the effective income tax rate was lower than the federal statutory tax rate due to foreign income taxed at lower rates and the benefit of U.S. federal, state and foreign research and development credits, partially offset by the U.S. federal taxes on GILTI and an intercompany sale of intellectual property.

In determining our net deferred tax assets and valuation allowances, annualized effective income tax rates and cash paid for income taxes, management is required to make judgments and estimates about domestic and foreign profitability, the timing and extent of the utilization of net operating loss carryforwards, applicable tax rates, transfer pricing methodologies and tax

planning strategies. Judgments and estimates related to our projections and assumptions are inherently uncertain; therefore, actual results could differ materially from our projections.

Non-GAAP Financial Measures

In addition to providing financial measurements based on accounting principles generally accepted in the U.S., or GAAP, we publicly discuss additional financial measures that are not prepared in accordance with GAAP, or non-GAAP financial measures. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes, to set executive compensation and to evaluate our financial performance. These non-GAAP financial measures are: non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per diluted share, Adjusted EBITDA, Adjusted EBITDA margin and impact of foreign currency exchange rates, as discussed below.

Management believes that these non-GAAP financial measures reflect our ongoing business in a manner that facilitates meaningful comparisons and analysis of trends in the business, as they assist in the comparison of financial results across accounting periods and to those of our peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate our operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of our ongoing operating results.

The non-GAAP financial measures do not replace the presentation of our GAAP financial measures and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP.

The non-GAAP adjustments, and our basis for excluding them from non-GAAP financial measures, are outlined below:

- **Amortization of acquired intangible assets** – We have incurred amortization of intangible assets, included in our GAAP financial statements, related to various acquisitions we have made. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization can vary significantly and are unique to each acquisition; therefore, we exclude amortization of acquired intangible assets from our non-GAAP financial measures to provide investors with a consistent basis for comparing pre- and post-acquisition operating results.
- **Stock-based compensation and amortization of capitalized stock-based compensation** – Although stock-based compensation is an important aspect of the compensation paid to our employees, the grant date fair value varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of our current financial results to previous and future periods difficult to evaluate; therefore, we believe it is useful to exclude stock-based compensation and amortization of capitalized stock-based compensation from our non-GAAP financial measures in order to highlight the performance of our core business and to be consistent with the way many investors evaluate our performance and compare our operating results to peer companies.
- **Acquisition-related costs** – Acquisition-related costs include transaction fees, advisory fees, due diligence costs and other direct costs associated with strategic activities. In addition, subsequent adjustments to our initial estimated amounts of contingent consideration and indemnification associated with specific acquisitions are included within acquisition-related costs. These amounts are impacted by the timing and size of the acquisitions. We exclude acquisition-related costs from our non-GAAP financial measures to provide a useful comparison of our operating results to prior periods and to our peer companies because such amounts vary significantly based on the magnitude of our acquisition transactions and do not reflect our core operations.
- **Restructuring charges** – We have incurred restructuring charges that are included in our GAAP financial statements, primarily related to workforce reductions and estimated costs of exiting facility lease commitments. We exclude these items from our non-GAAP financial measures when evaluating our continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or historical operations of our business.

- **Amortization of debt discount and issuance costs and amortization of capitalized interest expense** – In May 2018, we issued \$1,150 million of convertible senior notes due 2025 with a coupon interest rate of 0.125%. In February 2014, we issued \$690 million of convertible senior notes due 2019 with a coupon interest rate of 0%. The imputed interest rates of these convertible senior notes were 4.26% and 3.20%, respectively. This is a result of the debt discounts recorded for the conversion features that are required to be separately accounted for as equity under GAAP, thereby reducing the carrying values of the convertible debt instruments. The debt discounts are amortized as interest expense together with the issuance costs of the debt. The interest expense excluded from our non-GAAP results is comprised of these non-cash components and is excluded from management's assessment of our operating performance because management believes the non-cash expense is not representative of ongoing operating performance.
- **Gains and losses on investments** – We have recorded gains and losses from the disposition, changes to fair value and impairment of certain investments. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the types of events giving rise to them are not representative of our core business operations and ongoing operating performance.
- **Legal and stockholder matter costs** – We have incurred losses related to the settlement of legal matters and costs from professional service providers related to a non-routine stockholder matter. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the types of events giving rise to them are not representative of our core business operations.
- **Endowment of Akamai Foundation** – During the second quarter of 2018, we incurred a charge to endow the Akamai Foundation. We believe excluding these amounts from non-GAAP financial measures is useful to investors as this one-time event is not representative of our core business operations.
- **Transformation costs** – We have incurred professional services fees associated with internal transformation programs designed to improve operating margins and that are part of a planned program intended to significantly change the manner in which business is conducted. We believe excluding these amounts from our non-GAAP financial measures is useful to investors as the types of events and activities giving rise to them occur infrequently and are not representative of our core business operations and ongoing operating performance.
- **Income tax effect of non-GAAP adjustments and certain discrete tax items** – The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect of non-GAAP adjustments is the difference between GAAP and non-GAAP income tax expense. Non-GAAP income tax expense is computed on non-GAAP pre-tax income (GAAP pre-tax income adjusted for non-GAAP adjustments) and excludes certain discrete tax items (such as recording or releasing of valuation allowances), if any. We believe that applying the non-GAAP adjustments and their related income tax effect allows us to highlight income attributable to our core operations.

The following table reconciles GAAP income from operations to non-GAAP income from operations and non-GAAP operating margin for the periods presented (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Income from operations	\$ 134,525	\$ 68,557
Amortization of acquired intangible assets	9,599	8,431
Stock-based compensation	45,305	44,686
Amortization of capitalized stock-based compensation and capitalized interest expense	9,233	6,263
Restructuring charges	6,389	14,908
Acquisition-related costs	451	1,143
Legal and stockholder matter costs	—	23,091
Transformation costs	4,191	—
Non-GAAP income from operations	\$ 209,693	\$ 167,079
GAAP operating margin	19%	10%
Non-GAAP operating margin	30%	25%

The following table reconciles GAAP net income to non-GAAP net income for the periods presented (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 107,130	\$ 53,714
Amortization of acquired intangible assets	9,599	8,431
Stock-based compensation	45,305	44,686
Amortization of capitalized stock-based compensation and capitalized interest expense	9,233	6,263
Restructuring charges	6,389	14,908
Acquisition-related costs	451	1,143
Legal and stockholder matter costs	—	23,091
Transformation costs	4,191	—
Amortization of debt discount and issuance costs	11,618	4,850
Gain on investments	(690)	—
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(12,304)	(21,283)
Non-GAAP net income	\$ 180,922	\$ 135,803

The following table reconciles GAAP net income per diluted share to non-GAAP net income per diluted share for the periods presented (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2019	2018
GAAP net income per diluted share	\$ 0.65	\$ 0.31
Amortization of acquired intangible assets	0.06	0.05
Stock-based compensation	0.27	0.25
Amortization of capitalized stock-based compensation and capitalized interest expense	0.06	0.04
Restructuring charges	0.04	0.09
Acquisition-related costs	—	0.01
Legal and stockholder matter costs	—	0.13
Transformation costs	0.03	—
Amortization of debt discount and issuance costs	0.07	0.03
Gain on investments	—	—
Income tax effect of above non-GAAP adjustments and certain discrete tax items	(0.07)	(0.12)
Non-GAAP net income per diluted share ⁽¹⁾	\$ 1.10	\$ 0.79
Shares used in diluted per share calculations	164,787	172,004

(1) May not foot due to rounding

Non-GAAP net income per diluted share is calculated as non-GAAP net income divided by diluted weighted average common shares outstanding. GAAP diluted weighted average common shares outstanding are adjusted in non-GAAP per share calculations for the shares that would be delivered to us pursuant to the note hedge transactions entered into in connection with the issuance of our convertible senior notes. Under GAAP, shares delivered under hedge transactions are not considered offsetting shares in the fully-diluted share calculation until they are delivered. However, we would receive a benefit from the note hedge transactions and would not allow the dilution to occur, so management believes that adjusting for this benefit provides a meaningful view of net income per share. Unless and until our weighted average stock price is greater than \$95.10, the initial conversion price of the convertible senior notes due 2025, there will be no difference between our GAAP and non-GAAP diluted weighted average common shares outstanding.

We consider Adjusted EBITDA to be another important indicator of the operational strength and performance of our business and a good measure of our historical operating trends. Adjusted EBITDA eliminates items that we do not consider to be part of our core operations. We define Adjusted EBITDA as GAAP net income excluding the following items: interest income; income taxes; depreciation and amortization of tangible and intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; gains and losses on legal settlements; costs from professional service providers related to a non-routine stockholder matter; costs incurred related to the endowment of the Akamai Foundation; transformation costs; foreign exchange gains and losses; interest expense; amortization of capitalized interest expense; certain gains and losses on investments; and other non-recurring or unusual items that may arise from time to time. Adjusted EBITDA margin represents Adjusted EBITDA stated as a percentage of revenue.

The following table reconciles GAAP net income to Adjusted EBITDA and Adjusted EBITDA margin for the periods presented (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 107,130	\$ 53,714
Interest income	(8,635)	(3,965)
Provision for income taxes	24,425	13,979
Depreciation and amortization	89,373	89,401
Amortization of capitalized stock-based compensation and capitalized interest expense	9,233	6,263
Amortization of acquired intangible assets	9,599	8,431
Stock-based compensation	45,305	44,686
Restructuring charges	6,389	14,908
Acquisition-related costs	451	1,143
Legal and stockholder matter costs	—	23,091
Transformation costs	4,191	—
Interest expense	12,116	4,850
Gain on investments	(690)	—
Other expense (income), net	179	(21)
Adjusted EBITDA	\$ 299,066	\$ 256,480
Adjusted EBITDA margin	42%	38%

Impact of Foreign Currency Exchange Rates

Revenue and earnings from our international operations have historically been an important contributor to our financial results. Consequently, our financial results have been impacted, and management expects they will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, when the local currencies of our foreign subsidiaries weaken, generally our consolidated results stated in U.S. dollars are negatively impacted.

Because exchange rates are a meaningful factor in understanding period-to-period comparisons, management believes the presentation of the impact of foreign currency exchange rates on revenue and earnings enhances the understanding of our financial results and evaluation of performance in comparison to prior periods. The dollar impact of changes in foreign currency exchange rates presented is calculated by translating current period results using monthly average foreign currency exchange rates from the comparative period and comparing them to the reported amount. The percentage change at constant currency presented is calculated by comparing the prior period amounts as reported and the current period amounts translated using the same monthly average foreign currency exchange rates from the comparative period.

Liquidity and Capital Resources

To date, we have financed our operations primarily through public and private sales of debt and equity securities and cash generated by operations. As of March 31, 2019, our cash, cash equivalents and marketable securities, which primarily consisted of corporate bonds, totaled \$1.2 billion. Factoring in our convertible senior notes of \$1.2 billion, our net cash at March 31, 2019 was \$70.1 million. We place our cash investments in instruments that meet high-quality credit standards, as specified in our investment policy. Our investment policy is also designed to limit the amount of our credit exposure to any one issue or issuer and seeks to manage these assets to achieve our goals of preserving principal and maintaining adequate liquidity at all times.

Changes in cash, cash equivalents and marketable securities are dependent upon changes in, among other things, working capital items such as accounts receivable, deferred revenues, accounts payable and various accrued expenses, as well as changes in our capital and financial structure due to common stock repurchases, debt repurchases and issuances, purchases and sales of marketable securities and similar events. We believe our strong balance sheet and cash position are important competitive differentiators that provide the financial flexibility necessary to make investments at opportune times. We expect to continue to evaluate strategic investments to strengthen our business.

As of March 31, 2019, we had cash and cash equivalents of \$312.4 million held in accounts outside the U.S. The U.S. Tax Cuts and Jobs Act provides for a territorial tax system in the U.S., which provides companies with the potential ability to repatriate earnings with minimal U.S. federal income tax impact beginning in 2018. As a result, our liquidity is not materially impacted by the amount of cash and cash equivalents held in accounts outside the U.S.

Cash Provided by Operating Activities

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Net income	\$ 107,130	\$ 53,714
Non-cash reconciling items included in net income	173,989	153,014
Changes in operating assets and liabilities	(120,269)	(14,718)
Net cash flows provided by operating activities	\$ 160,850	\$ 192,010

The decrease in cash provided by operating activities for the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily due to higher annual bonus payouts in the first quarter of 2019 due to higher attainment, an increase in cash paid for income taxes and timing of collections and payments of other working capital items; partially offset by higher profitability in the first quarter of 2019 as compared to the same period in 2018.

Cash Provided by (Used in) Investing Activities

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Cash paid for acquired businesses, net of cash acquired	\$ (121,464)	\$ (79)
Purchases of property and equipment and capitalization of internal-use software development costs	(142,429)	(113,075)
Net marketable securities activity	537,412	2,384
Other investing activity	(37,278)	(715)
Net cash provided by (used in) investing activities	\$ 236,241	\$ (111,485)

The increase in cash provided by investing activities during the three-month period ended March 31, 2019, as compared to the same period in 2018, was driven by an increase in maturities of marketable securities, without reinvestment in order to repay our \$690.0 million convertible senior notes due in 2019. The increase in cash provided by investing activities was partially offset by the cash paid for the acquisition of Janrain, Inc. and an equity method investment during the three-month period ended March 31, 2019.

Cash (Used in) Financing Activities

<i>(in thousands)</i>	For the Three Months Ended March 31,	
	2019	2018
Repayment of convertible senior notes	\$ (690,000)	\$ —
Activity related to stock-based compensation	(18,865)	(6,976)
Repurchases of common stock	(34,872)	(19,785)
Other financing activities	(1,558)	(3,900)
Net cash (used in) financing activities	\$ (745,295)	\$ (30,661)

The increase in cash used in financing activities during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily the result of the repayment in February 2019 of our convertible senior notes issued in February 2014.

Effective November 2018, the Board authorized a \$1.1 billion share repurchase program through December 2021. The Company's goals for the share repurchase programs are to offset the dilution created by its employee equity compensation programs and provide the flexibility to return capital to shareholders as business and market conditions warrant.

During the three-month period ended March 31, 2019, we repurchased 0.5 million shares of common stock at a weighted average price of \$70.89 per share for an aggregate of \$34.9 million. As of March 31, 2019, \$1,065.1 million remains available for future share repurchases. The timing and amount of any future share repurchases will be determined by our management based on its evaluation of market conditions and other factors.

Convertible Senior Notes

In May 2018, we issued \$1,150.0 million in par value of convertible senior notes due 2025 and entered into related convertible note hedge and warrant transactions. The terms of the notes, hedge and warrant transactions are discussed more fully in Note 9 to the consolidated financial statements included elsewhere in this quarterly report on Form 10-Q. We used a portion of the net proceeds to repay at maturity all of our \$690.0 million outstanding aggregate principal amount of convertible senior notes due in 2019. We intend to use the remaining net proceeds of the offering for share repurchases, working capital and general corporate purposes, including potential acquisitions and other strategic transactions.

In February 2014, we issued \$690.0 million in par value of convertible senior notes due 2019 and entered into related convertible note hedge and warrant transactions. The terms of the notes, hedge and warrant transactions are discussed more fully in Note 9 to the consolidated financial statements included elsewhere in this quarterly report on Form 10-Q. We repaid the full \$690.0 million in cash in February 2019, as the notes matured and no conversions occurred.

Revolving Credit Facility

In May 2018, we entered into a \$500.0 million, five-year revolving credit agreement. Borrowings under the facility may be used to finance working capital needs and for general corporate purposes. The facility provides for an initial \$500.0 million in revolving loans. Under specified circumstances, the facility can be increased to up to \$1.0 billion in aggregate principal amount.

Borrowings under the Credit Agreement bear interest, at our option, at a base rate plus a spread of 0.00% to 0.25% or an adjusted LIBOR rate plus a spread of 0.875% to 1.25%, in each case with such spread being determined based on our consolidated leverage ratio specified in the Credit Agreement. Regardless of what amounts, if any, are outstanding under the Credit Agreement, we are also obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.075% to 0.15%, with such rate being based on our consolidated leverage ratio specified in the Credit Agreement.

The Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default. Principal covenants include a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio. There were no outstanding borrowings under the Credit Agreement as of March 31, 2019.

Liquidity Outlook

Based on our present business plan, we expect our current cash, cash equivalents and marketable securities balances and our forecasted cash flows from operations to be sufficient to meet our foreseeable cash needs for at least the next 12 months. Our foreseeable cash needs, in addition to our recurring operating costs, include our expected capital expenditures, investments in information technology and facility expansion, opportunistic business acquisitions, anticipated share repurchases, lease and purchase commitments and settlements of other long-term liabilities.

Contractual Obligations

Our principal commitments consist of service agreements with co-location facilities for data center capacity and bandwidth usage, obligations under leases for office space and open vendor purchase orders. Our minimum commitments related to bandwidth usage and co-location services may vary from period to period depending on the timing and length of contract renewals with our service providers. As of March 31, 2019, there have been no significant changes in our future non-cancelable minimum payments under these commitments from those reported in our annual report on Form 10-K for the year ended December 31, 2018, other than normal period-to-period variations.

Off-Balance Sheet Arrangements

We have entered into indemnification agreements with third parties, including vendors, customers, landlords, our officers and directors, shareholders of acquired companies, joint venture partners and third parties to which we license technology. Generally, these indemnification agreements require us to reimburse losses suffered by a third party due to various events, such as lawsuits arising from patent or copyright infringement or our negligence. These indemnification obligations are considered off-balance sheet arrangements in accordance with the authoritative guidance for guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. See also Note 12 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2018 for further discussion of these indemnification agreements. The fair value of guarantees issued or modified during the three months ended March 31, 2019 was determined to be immaterial.

As of March 31, 2019, we did not have any additional material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

See Note 1 and Note 2 to the consolidated financial statements included elsewhere in this quarterly report on Form 10-Q for information regarding recent and newly adopted accounting pronouncements, including our adoption of the new standard for lease accounting. See also Note 2 to the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2018. There have been no material changes to our critical accounting policies and estimates from those reported in our annual report on Form 10-K for the year ended December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our portfolio of cash equivalents and short- and long-term investments is maintained in a variety of securities, including U.S. government agency obligations, high-quality corporate debt securities, commercial paper, mutual funds and money market funds. The majority of our investments are classified as available-for-sale securities and carried at fair market value with cumulative unrealized gains or losses recorded as a component of accumulated other comprehensive loss within stockholders' equity. A sharp rise in interest rates could have an adverse impact on the fair market value of certain securities in our portfolio. We do not currently hedge our interest rate exposure and do not enter into financial instruments for trading or speculative purposes.

Foreign Currency Risk

Growth in our international operations will incrementally increase our exposure to foreign currency fluctuations as well as other risks typical of international operations that could impact our business, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures and other regulations and restrictions.

Transaction Exposure

Foreign exchange rate fluctuations may adversely impact our consolidated results of operations as exchange rate fluctuations on transactions denominated in currencies other than our functional currencies result in gains and losses that are reflected in our consolidated statements of income. We enter into short-term foreign currency forward contracts to offset foreign exchange gains and losses generated by the re-measurement of certain assets and liabilities recorded in non-functional currencies. Changes in the fair value of these derivatives, as well as re-measurement gains and losses, are recognized in our consolidated statements of income within other income, net. Foreign currency transaction gains and losses from these forward contracts were determined to be immaterial during the three months ended March 31, 2019. We do not enter into derivative financial instruments for trading or speculative purposes.

Translation Exposure

To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency-denominated transactions will result in increased revenue and operating expenses. Conversely, our revenue and operating expenses will decrease when the U.S. dollar strengthens against foreign currencies.

Foreign exchange rate fluctuations may also adversely impact our consolidated financial condition as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our consolidated balance sheet. These gains or losses are recorded as a component of accumulated other comprehensive loss within stockholders' equity.

Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited to certain customers to which we make substantial sales. Our customer base consists of a large number of geographically dispersed customers diversified across numerous industries. We believe that our accounts receivable credit risk exposure is limited. As of March 31, 2019 and December 31, 2018, no customer had an accounts receivable balance greater than 10% of our accounts receivable. We believe that at March 31, 2019, the concentration of credit risk related to accounts receivable was insignificant.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are party to litigation that we consider routine and incidental to our business. We do not currently expect the results of any of these litigation matters to have a material effect on our business, results of operations, financial condition or cash flows.

Item 1A. Risk Factors

The following are important factors that could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this quarterly report on Form 10-Q or presented elsewhere by management from time to time. We have not made any material changes to the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

We may face slowing revenue growth which could negatively impact our profitability and stock price.

In future periods, our revenue growth may not continue. In particular, our percentage revenue growth rate in 2019 is likely to be lower than in recent years. Our revenue depends on the continued growth of demand for our solutions and our ability to maintain the prices we charge for our solutions. Our traditional offerings, particularly our Media and Web Performance solutions, are subject to increasing pricing pressure in certain verticals due to competition and business conditions affecting those customers. Inability to maintain prices negatively impacts our profitability. Our revenue results may also fluctuate for many other reasons including the following:

- our ability to retain and increase sales of additional solutions to existing customers, attract new customers, and satisfy our customers' demands;
- commoditization of our delivery-based solutions, which would lead to lower prices and loss of customers to competitors;
- our ability to develop and sell new solutions that are not easily replicable by competitors;
- the impact of multi-vendor policies designed to reduce reliance on any particular provider, such as us;
- changes in our customer contracting models from a committed revenue structure to a "pay-as-you-go" approach, which would make it easier for customers to stop doing business with us;
- changes in usage or adoption rates of the Internet, e-commerce and electronic devices;
- the impact of competition across our business;
- inability of our customers, particularly commerce, travel and media companies, to continue their operations and spending levels; and
- general economic conditions.

We may be unable to maintain or improve our current level of profitability.

Our ability to maintain or improve our profitability is contingent on our ability to increase our revenue and limit our expenses. We base our decisions about expense levels and investments on estimates of our future revenue and future anticipated rate of growth; however, many of our expenses are fixed cost in nature for some minimum amount of time so it may not be possible to reduce costs in a timely manner or without incurring fees to exit certain obligations early. As a result, leveraging the Akamai Intelligent Edge Platform by increasing the amount of traffic we deliver is key to profitable revenue growth. Numerous factors can impact traffic growth including:

- the pace of introduction of over-the-top (often referred to as OTT) video delivery initiatives by our customers;
- the popularity of our customers' streaming offerings as compared to those offered by companies that do not use our solutions;
- the pace at which our customers' enterprise applications move from behind the firewall to the cloud;
- media and other customers utilizing their own data centers and implementing delivery approaches that limit or eliminate reliance on third party providers like us; and
- macro-economic market and industry pressures.

If we are unable to increase revenue and limit expenses, our results of operations would suffer.

If we are unable to compete effectively, our business will be adversely affected.

We compete in markets that are intensely competitive and rapidly changing. Our current and potential competitors vary by size, product and service offerings, and geographic region and range from start-ups that offer solutions competing with a discrete part of our business to large technology or telecommunications companies that offer, or may be planning to introduce, products and services that are broadly competitive with what we do. The primary competitive factors in our market are: differentiation of technology, global presence, customer service, technical expertise, security, ease-of-use, breadth of services offered, price, and financial strength. Our competitors include some of our current partners and customers.

Many of our current and potential competitors have substantially greater financial, technical and marketing resources, larger customer bases, broader product portfolios, longer operating histories, greater brand recognition and more established relationships in the industry than we do. As a result, some of these competitors may be able to:

- develop superior products or services, gain greater market acceptance for their products and services, enter new markets more easily, and expand their service offerings more efficiently or more rapidly;
- combine their products that are competitive with ours with other solutions they offer in a way that makes our offerings less appealing to current and potential customers;
- adapt to new or emerging technologies and changes in customer requirements more quickly;
- take advantage of acquisition, investment and other opportunities more readily;
- offer lower prices than ours;
- allocate greater resources to the promotion, marketing, and sales of their products and services; and
- dedicate greater resources to the research and development of their products and services.

Smaller and more nimble competitors may be able to:

- attract customers by offering less sophisticated versions of products and services than we provide at lower prices than those we charge;
- develop new business models that are disruptive to us; and
- respond more quickly than we can to new or emerging technologies, changes in customer requirements and market and industry developments, resulting in superior offerings.

Existing and potential customers may not purchase our solutions, or may limit their use of them, because they:

- pursue a "do-it-yourself" approach by putting in place equipment, software and other technology solutions for content and application delivery within their internal systems;
- enter into relationships directly with network providers instead of relying on an overlay network like ours; or
- implement multi-vendor policies to reduce reliance on any particular external providers such as us.

Ultimately, increased competition of all types could result in price and revenue reductions, loss of customers and loss of market share, each of which could materially impact our business, profitability, financial condition, results of operations and cash flows.

If we do not continue to develop new solutions that are attractive to enterprises, our revenues and operating results could be adversely affected.

It is important to our revenue growth and profitability that we enter into new business areas that present significant value-generating investment opportunities. We must do so in a rapidly-changing technology environment where it can be difficult to anticipate the needs of potential customers, where competitors may develop products and services that are, or may be viewed as, better than ours and where it can be costly to acquire other companies. The process of developing new solutions is complex and uncertain; we must commit significant resources to developing new services or features without knowing whether our investments will result in solutions the market will accept, and we may choose to invest in business areas for which a viable market for our products does not ultimately develop. This could cause our expenses to grow more rapidly than our revenue. There is often a lengthy period between commencing development initiatives and bringing new or improved solutions to market. During this time, technology preferences, customer demand and the market for our solutions, or those introduced by our competitors, may move in directions that we had not anticipated when we decided to pursue such initiatives. Furthermore, we may not successfully execute our technology initiatives because of errors in planning, timing or execution, technical or operational hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources.

Failure to invest in areas that can potentially provide a positive return or to adequately develop, on a cost-effective basis, innovative new or enhanced solutions that are attractive to customers and profitable to us and an inability to keep pace with rapid technological and market changes could have a material effect on our business, results of operations, financial condition and cash flows.

Cybersecurity breaches and attacks on us could lead to significant costs and disruptions that could harm our business, financial results and reputation.

In the regular course of business, we transmit and store our customers' information, data and encryption keys as well as our own; customer information and data may, in turn, include individual data of and about their end-users. Maintaining the security and availability of our solutions, network and internal IT systems and the security of information we hold is a critical issue for us and our customers. Internet-based attacks on our customers and our own network are frequent and take a variety of forms, including DDoS attacks, infrastructure attacks, botnets, malicious file uploads, cross-site scripting, credential abuse, ransomware, bugs, viruses, worms and malicious software programs. Malicious actors can attempt to fraudulently induce employees or suppliers to disclose sensitive information through illegal electronic spamming, phishing or other tactics. In addition, unauthorized parties may attempt to gain physical access to our facilities in order to infiltrate our information systems.

Cyberthreats are constantly evolving, increasing the difficulty of detecting and successfully defending against them. We may have no current capability to detect certain vulnerabilities, which could allow them to persist in an environment over long periods of time. Cyberthreats can have cascading impacts that unfold with increasing speed across our internal networks and systems and those of our partners and customers. Breaches of our facilities, network, or data security could disrupt the security of our systems and business applications, impair our ability to provide solutions to our customers and protect their data, result in product development delays, compromise confidential or technical business information, thereby harming our reputation or competitive position, result in theft or misuse of our intellectual property or other assets, expose us to fines or other penalties, require us to allocate more resources to improved technologies, or otherwise adversely affect our business.

To defend against security threats to our internal IT systems and cloud-based services, we must continuously engineer more secure solutions, enhance security and reliability features, improve the deployment of software updates to address security vulnerabilities, develop mitigation technologies that help to secure customers from attacks, and maintain the digital security infrastructure that protects the integrity of our network, products, and services. The cost of these steps could reduce our operating margins. If we fail to do these things well, actual or perceived security vulnerabilities in our solutions, data corruption issues, or reduced performance could harm our reputation and lead customers to reduce or delay future purchases of our solutions, or to use competing products or services.

Similar security risks exist with respect to our business partners and the third-party vendors that we rely on for aspects of our information technology support services and administrative functions. As a result, we are subject to risks that the activities of our business partners and third-party vendors may adversely affect our business even if an attack or breach does not directly target our systems.

Acquisitions and other strategic transactions we complete could result in operating difficulties, dilution, diversion of management attention and other harmful consequences that may adversely impact our business and results of operations.

We expect to continue to pursue acquisitions and other types of strategic relationships that involve technology sharing or close cooperation with other companies. Acquisitions and other complex transactions are accompanied by a number of risks, including the following:

- difficulty integrating the technologies, operations and personnel of acquired businesses;
- potential disruption of our ongoing business;
- potential distraction of management;
- diversion of business resources from core operations;
- expenses related to the transactions;
- failure to realize synergies or other expected benefits;
- increased accounting charges such as impairment of goodwill or intangible assets, amortization of intangible assets acquired and a reduction in the useful lives of intangible assets acquired; and
- potential unknown liabilities associated with acquired businesses.

Any inability to integrate completed acquisitions or combinations in an efficient and timely manner could have an adverse impact on our results of operations. If we use a significant portion of our available cash to pay for acquisitions that are not successful, it could harm our balance sheet and limit our flexibility to pursue other opportunities without having enjoyed the intended benefits of the acquisition. As we complete acquisitions, we may encounter difficulty in incorporating acquired technologies into our offerings while maintaining the quality standards that are consistent with our brand and reputation. If we are not successful in completing acquisitions or other strategic transactions that we may pursue in the future, we may incur substantial expenses and devote significant management time and resources without a successful result. Future acquisitions could require use of substantial portions of our available cash or result in dilutive issuances of securities. Technology sharing or other strategic relationships we enter into may give rise to disputes over intellectual property ownership, operational responsibilities and other significant matters. Such disputes may be expensive and time-consuming to resolve.

The information technology industry and the markets in which we compete are constantly evolving, which makes our future business strategies, practices and results difficult to predict.

The information technology industry and the markets in which we compete have grown significantly over the life of our company and continue to evolve rapidly in response to new technological advances, changing business models and other factors. We and the other companies that compete in this industry and these markets experience continually shifting business relationships, commercial focuses and business priorities, all of which occur in reaction to industry and market forces and the emergence of new opportunities. These shifts have led or could lead to:

- our customers or partners becoming our competitors;
- our network suppliers becoming partners with us or, conversely, no longer seeking to work with us;
- our working more closely with hardware providers;
- large technology companies that previously did not appear to show interest in the markets we seek to address entering into those markets as our competitors; and
- needing to expand into new lines of business or to change or abandon existing strategies.

The Internet itself is constantly evolving. There could develop an inflection point above which global usage of the Internet increases to a level that causes our current approaches to the delivery of content and applications to no longer be sustainable at current levels of profitability or at all.

With this constantly changing environment, our future business strategies, practices and results may be difficult to predict, and we may face operational difficulties in adjusting to the changes. Any of these developments could harm our business.

Our failure to effectively manage our operations as our business evolves could harm us.

Our future operating results will depend on our ability to manage our operations. As a result of the diversification of our business, personnel growth, increased usage of alternative working arrangements, acquisitions and international expansion in recent years, many of our employees are now based outside of our Cambridge, Massachusetts headquarters; however, most key management decisions are made by a relatively small group of individuals based primarily at our headquarters. If we are unable to appropriately increase management depth, enhance succession planning and decentralize our decision-making at a pace commensurate with our actual or desired growth rates, we may not be able to achieve our financial or operational goals. It is also important to our continued success that we hire qualified personnel, properly train them and manage out poorly-performing personnel, all while maintaining our corporate culture and spirit of innovation. If we are not successful in these efforts, our growth and operations could be adversely affected.

As our business evolves, we must also expand and adapt our IT and operational infrastructure. Our business relies on our data systems, traffic measurement systems, billing systems, ordering processes and other operational and financial reporting and control systems. All of these systems have become increasingly complex due to the diversification and complexity of our business, acquisitions of new businesses with different systems and increased regulation over controls and procedures. As a result, these systems could generate errors that impact traffic measurement or invoicing. We will need to continue to upgrade and improve our data systems, traffic measurement systems, billing systems, ordering processes and other operational and financial systems, procedures and controls. These upgrades and improvements may be difficult and costly. If we are unable to adapt our systems and organization in a timely, efficient and cost-effective manner to accommodate changing circumstances, our business may be adversely affected.

Our restructuring and reorganization activities may be disruptive to our operations and harm our business.

Over the past several years, we have implemented internal restructurings and reorganizations designed to reduce the size and cost of our operations, improve operational efficiencies, enhance our ability to pursue market opportunities and accelerate our technology development initiatives. We may take similar steps in the future as we seek to realize operating synergies, optimize our operations to achieve our target operating model and profitability objectives, respond to market forces, or better reflect changes in the strategic direction of our business. Disruptions in operations may occur as a result of taking these actions. Taking these actions may also result in significant expense for us, including with respect to workforce reductions, as well as decreased productivity due to employee distraction and unanticipated employee turnover. Substantial expense or business disruptions resulting from restructuring and reorganization activities could adversely affect our operating results.

If we are unable to retain our key employees and hire and retain qualified sales, technical, marketing and support personnel, our ability to compete could be harmed.

Our future success depends upon the services of our executive officers and other key technology, sales, marketing and support personnel who have critical industry experience and relationships. There is significant competition for talented individuals in the regions in which our primary offices are located, which affects both our ability to retain key employees and hire new ones. In making employment decisions, particularly in our industry, job candidates and current personnel often consider the value of stock-based compensation. In recent years, we have increasingly linked compensation levels to corporate performance metrics. Declines in the price of our stock or failure to achieve annual revenue and profitability metrics could adversely affect our ability to attract or retain key employees.

None of our officers or key employees is bound by an employment agreement for any specific term. Members of our senior management team have left Akamai over the years for a variety of reasons, and we cannot be certain that there will not be additional departures, which, if they occur, may be disruptive to our operations and detrimental to our future outlook. The loss of the services of any of our key employees or our inability to attract and retain new talent could hinder or delay the implementation of our business model and the development and introduction of, and negatively impact our ability to sell, our solutions.

Our stock price has been, and may continue to be, volatile, and your investment could lose value.

The market price of our common stock has historically been volatile. Trading prices may continue to fluctuate in response to a number of events and factors, including the following:

- quarterly variations in operating results;
- announcements by our customers related to their businesses that could be viewed as impacting their usage of our solutions;
- market speculation about whether we are a takeover target or considering a strategic transaction;
- activism by any single large stockholder or combination of stockholders;
- changes in financial estimates and recommendations by securities analysts;
- failure to meet the expectations of securities analysts;
- purchases or sales of our stock by our officers and directors;
- macro-economic factors;
- repurchases of shares of our common stock;
- successful cyber-attacks affecting our network or systems;
- performance by other companies in our industry; and
- geopolitical conditions such as acts of terrorism or military conflicts.

Furthermore, our revenue, particularly that portion attributable to usage of our solutions beyond customer commitments, can be difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. This concern is particularly acute with respect to our media and commerce customers for which holiday sales are a key but unpredictable driver of usage of our solutions. In the future, our customer contracting models may change to move away from a committed revenue structure to a "pay-as-you-go" approach. The absence of a minimum revenue commitment would make it easier for customers to stop doing business with us, which would create additional challenges with our forecasting processes. Because a significant portion of our cost structure is largely fixed in the short-term, revenue shortfalls tend to have a disproportionately negative impact on our profitability. If we announce revenue or profitability results that do not meet or exceed our guidance or make changes in our guidance with respect to future operating results, our stock price may decrease significantly as a result.

Any of these events, as well as other circumstances discussed in these Risk Factors, may cause the price of our common stock to fall. In addition, the stock market in general, and the market prices of stock of publicly-traded technology companies in particular, have experienced significant volatility that often has been unrelated to the operating performance of affected companies. These broad stock market fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

Defects or disruptions in our solutions could diminish demand for our solutions or subject us to substantial liability.

Our solutions are highly complex and are designed to be deployed in and across numerous large and complex networks that we do not control. From time to time, we have needed to correct errors and defects in the software that underlies our platform that have given rise to service incidents or otherwise impacted our operations. We have also experienced customer dissatisfaction with the quality of some of our media delivery and other services, which has led to loss of business and could lead to loss of customers in the future. While we have robust quality control processes in place, there may be additional errors and defects in our software that may adversely affect our operations. We may not have in place adequate quality assurance procedures to ensure that we detect errors in our software in a timely manner, and we may have insufficient resources to efficiently address multiple service incidents happening simultaneously or in rapid succession. If we are unable to efficiently and cost-effectively fix errors or other problems that may be identified and improve the quality of our solutions or systems, or if there are unidentified errors that allow persons to improperly access our services or systems, we could experience loss of revenue and market share, damage to our reputation, increased expenses, delayed payments and be exposed to legal actions by our customers.

We may experience insufficient transmission and co-location space, which could result in disruptions to our services and loss of revenue.

Our operations are dependent in part upon transmission capacity provided by third party telecommunications network providers and access to co-location facilities to house our servers. There can be no assurance that we are adequately prepared for unexpected increases in bandwidth demands by our customers, particularly those under cyber-attack. The bandwidth we have contracted to purchase may become unavailable for a variety of reasons, including payment disputes, network providers going out of business, natural disasters, networks imposing traffic limits, or governments adopting regulations that impact network operations. In some regions, network providers may choose to compete with us and become unwilling to sell us adequate transmission capacity at fair market prices. This risk is heightened where market power is concentrated with one or a few major networks. We also may be unable to move quickly enough to augment capacity to reflect growing traffic or security demands. Failure to put in place the capacity we require to operate our business effectively could result in a reduction in, or disruption of, service to our customers and ultimately a loss of those customers.

We face risks associated with global operations that could harm our business.

We have operations in numerous foreign countries and may continue to expand our operations internationally. As a result, we are increasingly subject to risks associated with international business activities that may increase our costs, make our operations less efficient and require significant management attention. These risks include:

- regulations related to security requirements, data localization or restricting content that could pose risks to our intellectual property, increase the cost of doing business in a country or create other disadvantages to our business;
- interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country, which could lead to loss of significant revenues and have a negative impact on the quality of our solutions;
- uncertainty regarding liability for content or services;
- adjusting to different employee/employer relationships and different regulations governing such relationships;
- corporate and personal liability for alleged or actual violations of laws and regulations;
- difficulty in staffing, developing and managing foreign operations as a result of distance, language and cultural differences;
- currency exchange rate fluctuations and limitations on the repatriation and investment of funds;
- difficulties in transferring funds from, or converting currencies in, certain countries;
- reliance on channel partners over which we have limited control or influence on a day-to-day basis; and
- potentially adverse tax consequences.

Geo-political events such as the United Kingdom's pending withdrawal from the European Union, commonly referred to as Brexit, may increase the likelihood of certain of these risks materializing or heighten their impact on us in affected regions. In particular, it is possible that the level of economic activity in the United Kingdom and the rest of Europe will be adversely impacted and that we will face increased regulatory and legal complexities, including those related to tax, trade, security and

employee relations as a result of Brexit. Such changes could be costly and potentially disruptive to our operations and business relationships in affected regions.

In addition, compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business. These numerous, rapidly-changing and sometimes conflicting laws and regulations include, among others:

- internal control and disclosure rules;
- data protection, privacy and filtering regulations and requirements;
- anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and local laws prohibiting corrupt payments to governmental officials; and
- antitrust and competition regulations.

We entered into a Non-Prosecution Agreement with the U.S. Securities and Exchange Commission, or the Commission, in June 2016 in connection with the previously-disclosed investigation relating to sales practices in a country outside the U.S. In the event we violate the terms of this Non-Prosecution Agreement, we could be subject to additional investigation or enforcement by the Commission or the Department of Justice. Although we have implemented policies and procedures designed to ensure compliance with the Non-Prosecution Agreement and relevant laws and regulations, there can be no assurance that our employees, contractors or agents will not violate our policies or applicable laws. Any such violations could result in fines and penalties, criminal sanctions against us or our employees and prohibitions on the conduct of our business and on our ability to offer our solutions in one or more countries. They could also materially affect our brand or reputation, our global operations, any international expansion efforts, our ability to attract and retain employees, our business overall, and our financial results.

Government regulation is evolving, and unfavorable changes could harm our business.

Laws and regulations that apply to communications and commerce over the Internet are becoming more prevalent. In particular, domestic and foreign government attempts to regulate the operation of the Internet could negatively impact our business. It is unclear whether potential changes to regulations previously adopted by the U.S. Federal Communications Commission that govern certain aspects of the operation of the Internet (such as content blocking and throttling and paid prioritization) will be adopted and, if adopted, how they would apply to content delivery network providers like us. It is also uncertain how future regulatory and legislative initiatives or changes will impact our business.

Increasing regulatory focus on privacy issues and expanding laws and regulations could expose us to increased liability.

Privacy laws are rapidly proliferating, changing and evolving globally. Governments, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. New laws, such as the European Union General Data Protection Regulation, or GDPR, and the California Consumer Privacy Act of 2018, and industry self-regulatory codes have been enacted and more are being considered that may affect our ability to reach current and prospective customers, to understand how our solutions are being used, and to respond to customer requests allowed under the laws, and how we use data generated from our network. Any perception that our business practices, our data collection activities or how our solutions operate represent an invasion of privacy, whether or not consistent with current regulations and industry practices, may subject us to public criticism (or boycotts), class action lawsuits, reputational harm, or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to liability. Compliance with GDPR and other laws may be administratively difficult and expensive.

We also have a publicly-available privacy policy concerning our collection, use and disclosure of customer and user data. Any failure, or perceived failure, by us to comply with our posted privacy policy could result in damage to our reputation or proceedings or actions against us, which could potentially have an adverse effect on our business.

We may need to defend against patent or copyright infringement claims, which would cause us to incur substantial costs or limit our ability to use certain technologies in the future.

As we expand our business and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement and other claims, including those that may arise under international laws. In many cases, we have agreed to indemnify our customers and channel and strategic partners if our solutions infringe or misappropriate specified intellectual property rights; therefore, we could become involved in litigation or claims brought against customers or channel or strategic partners if our solutions or technology are the subject of such allegations. Any litigation or claims, whether or not

valid, brought against us or pursuant to which we indemnify our customers or partners could result in substantial costs and diversion of resources and require us to do one or more of the following:

- cease selling, incorporating or using features, functionalities, products or services that incorporate the challenged intellectual property;
- pay substantial damages and incur significant litigation expenses;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign products or services.

If we are forced to take any of these actions, our business may be seriously harmed.

Our business will be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

We rely on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions on disclosure to protect our intellectual property rights. These legal protections afford only limited protection. We have previously brought lawsuits against entities that we believed were infringing our intellectual property rights but have not always prevailed. Such lawsuits can be expensive and require a significant amount of attention from our management and technical personnel, and the outcomes are unpredictable. Monitoring unauthorized use of our solutions is difficult, and we cannot be certain that the steps we have taken or will take will prevent unauthorized use of our technology. Furthermore, we cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us. If we are unable to protect our proprietary rights from unauthorized use, the value of our intellectual property assets may be reduced. Although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. Such licenses may also be non-exclusive, meaning our competition may also be able to access such technology.

We rely on certain “open-source” software the use of which could result in our having to distribute our proprietary software, including our source code, to third parties on unfavorable terms, which could materially affect our business.

Certain of our offerings use software that is subject to open-source licenses. Open-source code is software that is freely accessible, usable and modifiable; however, certain open-source code is governed by license agreements, the terms of which could require users of such software to make any derivative works of the software available to others on unfavorable terms or at no cost. Because we use open-source code, we may be required to take remedial action in order to protect our proprietary software. Such action could include replacing certain source code used in our software, discontinuing certain of our products or taking other actions that could be expensive and divert resources away from our development efforts. In addition, the terms relating to disclosure of derivative works in many open-source licenses are unclear. If a court interprets one or more such open-source licenses in a manner that is unfavorable to us, we could be required to make certain of our key software available at no cost. Furthermore, open-source software may have security flaws and other deficiencies that could make our solutions less reliable and damage our business.

We may be unsuccessful at developing and maintaining strategic relationships with third parties that expand our distribution channels and increase revenue, which could significantly limit our long-term growth.

Achieving future success will likely require us to maintain and increase the number and depth of our relationships with resellers, systems integrators, product makers and other strategic partners and to leverage those relationships to expand our distribution channels and increase revenue. If we become reliant on a small number of large partners, any termination of our relationship with one of them could have an adverse impact on our financial condition. The need to develop such relationships can be particularly acute in areas outside of the U.S. We have not always been successful at developing these relationships due to the complexity of our solutions, our historical reliance on an internal sales force, and other factors. Recruiting and retaining qualified channel partners and training them in the use of our technology and solutions and ensuring that they are compliant with our ethical expectations requires significant time and resources. In order to develop and expand our distribution channel, we must continue to expand and improve our portfolio of solutions as well as the systems, processes and procedures that support our channels. Those systems, processes and procedures may become increasingly complex and difficult to manage. The time and expense required for the sales and marketing organizations of our channel partners to become familiar with our offerings, including our new services developments, may make it more difficult to introduce those products to enterprises. Our

failure to maintain and increase the number and quality of relationships with channel partners, and any inability to successfully execute on the partnerships we initiate, could significantly impede our revenue growth prospects in the short and long term.

If the accounting estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments about, among other things, taxes, revenue recognition, stock-based compensation costs, capitalization of internal-use software development costs, investments, contingent obligations, allowance for doubtful accounts, intangible assets, and restructuring charges. These estimates and judgments affect, among other things, the reported amounts of our assets, liabilities, revenue and expenses, the amounts of charges accrued by us, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. If our estimates or the assumptions underlying them are not correct, actual results may differ materially from our estimates and we may need to, among other things, accrue significant additional charges that could adversely affect our results of operations, which in turn could adversely affect our stock price. In addition, new accounting pronouncements and interpretations of accounting pronouncements have occurred and may occur in the future that could adversely affect our reported financial results.

We may have exposure to greater-than-anticipated tax liabilities.

Our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, or changes in tax laws, regulations, or accounting principles, as well as certain discrete items such as equity-related compensation. We have recorded certain tax reserves to address potential exposures involving our income tax and sales and use tax positions. These potential tax liabilities result from the varying application of statutes, rules, regulations and interpretations by different jurisdictions. We are currently subject to tax audits in various jurisdictions including the Commonwealth of Massachusetts. In the second quarter of 2018, we filed an appeal with the Massachusetts Appellate Tax Board contesting adverse audit findings relating to our eligibility to claim certain tax benefits and exemptions. If the outcome of this appeal and other audits are adverse to us, our reserves may not be adequate to cover our total actual liability, and we would need to take a financial charge. Although we believe our estimates, our reserves and the positions we have taken in all jurisdictions are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock.

We have complied with Section 404 of the Sarbanes-Oxley Act of 2002 by assessing, strengthening and testing our system of internal controls. Even though we concluded our internal control over financial reporting and disclosure controls and procedures were effective as of the end of the period covered by this report, we need to continue to maintain our processes and systems and adapt them to changes as our business evolves and we rearrange management responsibilities and reorganize our business. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive and time-consuming and requires significant management attention. We cannot be certain that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Furthermore, as our business changes, including by expanding our operations in different markets, increasing reliance on channel partners and completing acquisitions, our internal controls may become more complex and we will be required to expend significantly more resources to ensure our internal controls remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses, the disclosure of that fact, even if quickly remediated, could reduce the market's confidence in our financial statements and harm our stock price.

Any failure to meet our debt obligations would damage our business.

As of the date of this report, we had total par value of \$1,150.0 million of convertible senior notes outstanding due in 2025. We also entered into a credit facility in May 2018 that provides for an initial \$500.0 million in revolving loans; under specified circumstances, we would be able to borrow an additional \$500.0 million thereunder. Our ability to repay any amounts we borrow under our credit facility, refinance the notes, make cash payments in connection with conversions of the notes or

repurchase the notes in the event of a fundamental change (as defined in the applicable indenture governing the notes) will depend on market conditions and our future performance, which is subject to economic, financial, competitive and other factors beyond our control. We also may not use the cash we have raised through future borrowing under the credit facility or the issuance of the convertible senior notes in an optimally productive and profitable manner. If we are unable to remain profitable or if we use more cash than we generate in the future, our level of indebtedness at such time could adversely affect our operations by increasing our vulnerability to adverse changes in general economic and industry conditions and by limiting or prohibiting our ability to obtain additional financing for additional capital expenditures, acquisitions and general corporate and other purposes. In addition, if we are unable to make cash payments upon conversion of the notes, we would be required to issue significant amounts of our common stock, which would be dilutive to the stock of existing stockholders. If we do not have sufficient cash to repurchase the notes following a fundamental change, we would be in default under the terms of the notes, which could seriously harm our business. Although the terms of our credit facility include certain financial ratios that potentially limit our future indebtedness, the terms of the notes do not do so. If we incur significantly more debt, this could intensify the risks described above.

Fluctuations in foreign currency exchange rates affect our operating results in U.S. dollar terms.

An increasing portion of our revenue is derived from international operations, growing to 38.0% of overall revenues in 2018 as compared to 34.2% in 2017. Revenue generated and expenses incurred by our international subsidiaries are often denominated in the currencies of the local countries. As a result, our consolidated U.S. dollar financial statements are subject to fluctuations due to changes in exchange rates as the financial results of our international subsidiaries are translated from local currencies into U.S. dollars. In addition, our financial results are subject to changes in exchange rates that impact the settlement of transactions in non-functional currencies. While we have implemented a foreign currency hedging program to mitigate transactional exposures, there is no guarantee that such program will be effective.

We may issue additional shares of our common stock or instruments convertible into shares of our common stock and thereby materially and adversely affect the market price of our common stock.

Our Board of Directors has the authority to issue additional shares of our common stock or other instruments convertible into, or exchangeable or exercisable for, shares of our common stock. If we issue additional shares of our common stock or instruments convertible into, or exchangeable or exercisable for, shares of our common stock, it may materially and adversely affect the market price of our common stock.

Actions of activist stockholders could be distracting to us, cause us to incur significant expenses and impact the trading value of our common stock.

Responding to actions by activist stockholders could be distracting to our Board of Directors, our executives and our other employees. Such activities may also require us to incur significant legal and other advisor fees and public relations costs. Perceived uncertainty as to our future direction could affect customer and investor sentiment, resulting in longer sales cycles, employee retention and hiring challenges, and volatility in the price of our common stock.

Our sales to government clients subject us to risks including early termination, audits, investigations, sanctions and penalties.

We have customer contracts with the U.S. government, as well as foreign, state and local governments and their respective agencies. Such government entities often have the right to terminate these contracts at any time, without cause. There is increased pressure for governments and their agencies, both domestically and internationally, to reduce spending. Most of our government contracts are subject to legislative approval of appropriations to fund the expenditures under these contracts. These factors combine to potentially limit the revenue we derive from government contracts in the future. Additionally, government contracts generally have requirements that are more complex than those found in commercial enterprise agreements and therefore are more costly to comply with. Such contracts are also subject to audits and investigations that could result in civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

Litigation may adversely impact our business.

From time to time, we are or may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, breach of contract, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. In

addition, under our charter, we could be required to indemnify and advance expenses to our directors and officers in connection with their involvement in certain actions, suits, investigations and other proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses.

Furthermore, because litigation is inherently unpredictable and may not be covered by insurance, there can be no assurance that the results of any litigation matters will not have an adverse impact on our business, results of operations, financial condition or cash flows.

Facilities transitions could be disruptive to our operations and may result in unanticipated expense and adverse effects to our cash position and cash flows.

We plan to move into our new headquarters building in Cambridge, Massachusetts in late 2019. This location represents our largest office in terms of square footage and employee headcount. Relocating our operations may be costly and could be disruptive and adversely affect productivity in the short term. We could also face unanticipated expenses associated with the transition that could adversely impact our cash position and cash flows.

General global market and economic conditions may have an adverse impact on our operating performance, results of operations and cash flows.

Our business has been and could continue to be affected by general global economic and market conditions. To the extent economic conditions impair our customers' ability to profitably monetize the content we deliver on their behalf, they may reduce or eliminate the traffic we deliver for them. Such reductions in traffic would lead to a reduction in our revenue. Additionally, in a down-cycle economic environment, we may experience the negative effects of increased competitive pricing pressure, customer loss, a deceleration in commerce over the Internet and corresponding decrease in traffic delivered over our network and failures by customers to pay amounts owed to us on a timely basis or at all. Suppliers on which we rely for servers, bandwidth, co-location and other solutions could also be negatively impacted by economic conditions that, in turn, could have a negative impact on our operations or expenses.

Global climate change and natural resource conservation regulations could adversely impact our business.

Our deployed network of servers consumes significant energy resources, including those generated by the burning of fossil fuels. In response to concerns about global climate change, governments may adopt new regulations affecting the use of fossil fuels or requiring the use of alternative fuel sources. While we have invested in projects to support renewable energy development, our customers, investors and other stakeholders may require us to take more steps to demonstrate that we are taking ecologically responsible measures in operating our business. The costs and any expenses we incur to make our network more energy efficient could make us less profitable in future periods. Failure to comply with applicable laws and regulations or other requirements imposed on us could lead to fines, lost revenue and damage to our reputation.

Because we currently do not intend to pay dividends, stockholders will benefit from an investment in our common stock only if it appreciates in value.

We currently intend to retain our future earnings, if any, for use in the operation of our business and do not expect to pay any cash dividends in the foreseeable future on our common stock. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

Provisions of our charter, by-laws and Delaware law may have anti-takeover effects that could prevent a change in control even if the change in control would be beneficial to our stockholders.

Provisions of our charter, by-laws and Delaware law could make it more difficult for a third party to control or acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- a classified board structure that is being phased out over time so that only approximately one-third of our Board of Directors is up for re-election this year and only approximately two-thirds of our Board of Directors will be up for re-election in 2020;
- our Board of Directors has the right to elect directors to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director;

- stockholders must provide advance notice to nominate individuals for election to the Board of Directors or to propose matters that can be acted upon at a stockholders' meeting; and
- our Board of Directors may issue, without stockholder approval, shares of undesignated preferred stock.

Further, as a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our Board of Directors could rely on Delaware law to prevent or delay an acquisition of us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Issuer Purchases of Equity Securities

The following is a summary of our repurchases of our common stock in the first quarter of 2019 (in thousands, except share and per share data):

Period ⁽¹⁾	(a) Total Number of Shares Purchased ⁽²⁾	(b) Average Price Paid per Share ⁽³⁾	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽⁴⁾	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs ⁽⁴⁾
January 1, 2019 – January 31, 2019	—	\$ —	—	\$ 1,100,000
February 1, 2019 – February 28, 2019	125,424	69.89	125,424	1,091,234
March 1, 2019 – March 31, 2019	366,526	71.23	366,526	1,065,128
Total	491,950	\$ 70.89	491,950	\$ 1,065,128

(1) Information is based on settlement dates of repurchase transactions.

(2) Consists of shares of our common stock, par value \$0.01 per share.

(3) Includes commissions paid.

(4) Effective November 2018, the Board authorized a \$1.1 billion repurchase program through December 2021.

Item 6. Exhibits

Exhibit 10.38(A)	Transition Agreement dated February 25, 2019 between the Registrant and James Benson
Exhibit 10.39	Form of Restricted Stock Unit Grant Agreement under the Akamai Technologies, Inc. 2013 Stock Incentive Plan, as amended
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/ Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*

* Submitted electronically herewith

(A) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-27275) filed with the Securities and Exchange Commission on February 27, 2019

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2019 and December 31, 2018, (ii) Consolidated Statements of Income for the three months ended March 31, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018, (iv) Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 and (vi) Notes to Unaudited Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Akamai Technologies, Inc.

May 9, 2019

By: /s/ Ed McGowan

Ed McGowan

Chief Financial Officer

(Duly Authorized Officer, Principal Financial Officer)

AKAMAI TECHNOLOGIES, INC.

Restricted Stock Unit Agreement

Granted Under the 2013 Stock Incentive Plan1. Grant of Award.

This Agreement evidences the grant by Akamai Technologies, Inc., a Delaware corporation (the “Company”), on <award_date> (the “Grant Date”) to you (the “Participant”) of <shares_awarded> restricted stock units of the Company (individually, an “RSU” and collectively, the “RSUs”), subject to the terms and conditions set forth in this Restricted Stock Unit Agreement, including any country-specific terms for the Participant’s country set forth in the appendix attached hereto (the “Appendix”) (together, the “Agreement”) and the 2013 Stock Incentive Plan and any sub-plan to the 2013 Stock Incentive Plan for the Participant’s country (the “Sub-Plan) (together, as amended, the “Plan”). Each RSU represents the right to receive one share of the common stock, par value \$.01 per share, of the Company (“Common Stock”) as provided in this Agreement. The shares of Common Stock that are issuable upon vesting of the RSUs are referred to in this Agreement as “Shares. Capitalized terms used but not defined in this Agreement shall have the meanings specified in the Plan.

2. Vesting; Forfeiture.

Subject to the terms and conditions of this Agreement and provided that the Participant continues to provide services until the Vesting Date (as defined below):

(a)

<vesting_schedule>

Each date on which RSUs vest may be referred to herein as the “Vesting Date.”

(b) Except as otherwise provided in this Section 2, RSUs shall not continue to vest unless the Participant is, and has been at all times since the Grant Date, an employee, officer or director of, or consultant or advisor to, the Company.

(c) Except as reflected in Section 6 below, in the event that the Participant’s employment with the Company ceases or is terminated for any reason other than “Cause” (as defined below), other than by reason of death or disability, then the number of RSUs which shall be vested shall be the number that are vested as of the date of actual termination. For purposes of this Agreement, “Cause” shall mean (i) any act or omission by the Participant that has a significant adverse effect on the Company’s business or on the Participant’s ability to perform services for the Company, including, without limitation, the commission of any crime (other than ordinary traffic violations), or (ii) refusal or failure to perform assigned duties, serious misconduct, or excessive absenteeism, or (iii) refusal or failure to comply with the Company’s Code of Business Ethics. In the event that the Participant’s employment with the Company is terminated for Cause, all unvested RSUs shall be forfeited effective as of the date of termination. In the event that the Participant’s employment with the Company ceases due to death or disability (as defined under Section 409A of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)), then all unvested RSUs shall vest as of the date of death or disability.

(d) For purposes of this Agreement, employment with the Company shall include employment with a parent, subsidiary, affiliate or division of the Company.

3. Distribution of Shares.

(a) The Company will distribute to the Participant (or to the Participant's estate in the event that his or her death occurs after a Vesting Date but before distribution of the corresponding Shares), the shares of Common Stock represented by RSUs that vested on such vesting date as soon as administratively practicable after each vesting date (each such date of distribution is hereinafter referred to as a "Settlement Date") but in any event within the period ending on the later to occur of the date that is two and one-half months from the end of (i) the Participant's tax year that includes the applicable Vesting Date or (ii) the Company's tax year that includes the applicable Vesting Date.

(b) The Company shall not be obligated to issue to the Participant the Shares upon the vesting of any RSU (or otherwise) unless the issuance and delivery of such Shares shall comply with all relevant provisions of law and other legal requirements including, without limitation, any applicable federal or state securities laws and the requirements of any stock exchange upon which shares of Common Stock may then be listed.

(c) Neither the Company nor the Participant shall have the right to accelerate or defer the delivery of any shares under this Agreement except to the extent specifically permitted under Section 409A of the Code.

4. Restrictions on Transfer.

The Participant shall not sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively "transfer") any RSUs, or any interest therein, except by will or the laws of descent and distribution.

5. Dividend and Other Shareholder Rights.

Except as set forth in the Plan, neither the Participant nor any person claiming under or through the Participant shall be, or have any rights or privileges of, a stockholder of the Company in respect of the Shares issuable pursuant to the RSUs granted hereunder until the Shares have been delivered to the Participant.

6. Provisions of the Plan; Acquisition Event or Change in Control Event.

(a) This Agreement is subject to the provisions of the Plan, a copy of which is made available to the Participant with this Agreement.

(b) Upon the occurrence of an Acquisition Event (as defined in the Plan) that is not a Change in Control Event (as defined in the Plan), each RSU (whether vested or unvested) shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Acquisition Event in the same manner and to the same extent as they applied to the Common Stock subject to such RSU.

(c) Upon the occurrence of a Change in Control Event (regardless of whether such event also constitutes an Acquisition Event), each RSU shall continue to be subject to the vesting schedule set forth in Section 2(a); provided, however, in the event that upon the occurrence of Change in Control Event, the RSUs represented by this Agreement are not exchanged for a Replacement Award (as defined below), then each RSU shall immediately become fully vested as of immediately prior to the closing of the Change in Control Event.

(d) For purposes of this Agreement, an award issued by the acquiring company in a Change in Control Event shall qualify as a “Replacement Award” if (i) it has a value at least equal to the value of the RSUs represented by this Agreement (the “Replaced Award”) as determined by the Committee in its sole discretion; (ii) it relates to publicly traded equity securities of the Company or its successor in the Change in Control Event or another entity that is affiliated with the Company or its successor following the Change in Control Event; and (iii) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the preceding sentence are satisfied. The determination of whether the conditions of this clause (d) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control Event, in its sole discretion.

(e) In the event that the Participant’s employment is terminated by the Company for a reason other than Cause (as defined above), including the Participant’s voluntary resignation for Good Reason (as defined below), within twelve months after a Change in Control Event, all then-unvested RSUs shall vest as of the date of termination of employment. For purposes of this Agreement, “Good Reason” is defined (i) a material reduction in the Executive’s compensation and benefits (including without limitation any bonus plan or indemnity agreement) not agreed to in writing by the Executive; (ii) the assignment to the Executive of duties and/or responsibilities that are materially inconsistent with those associated with the Executive’s position; or (iii) a requirement, not agreed to in writing by the Executive, that the Executive relocate to, or perform his or her principal job functions at, an office that is more than twenty-five (25) miles from the office at which the Executive was previously performing his or her principal job functions.

7. Withholding Taxes.

(a) Regardless of any action the Company or the Participant’s employer (“Employer”) takes with respect to any or all income tax, social insurance contributions, payroll tax, fringe benefits tax, payment on account or other tax-related withholding items related to the Participant’s participation in the Plan (“Tax-Related Items”), the Participant acknowledges that the ultimate liability for all Tax-Related Items legally due by him or her is and remains the Participant’s responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSU award, including the grant, vesting or settlement of the RSUs, the subsequent sale of Shares delivered pursuant thereto and the receipt of cash or any dividends or dividend equivalents; and (2) do not commit to structure the terms of the award or any aspect of the RSUs to reduce or eliminate the Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) In the event that the Company, the Employer, or any other subsidiary, affiliate or division is required to withhold any Tax-Related Items as a result of the award or vesting of the RSUs, or the receipt of cash or any dividends or dividend equivalents, the Participant shall pay or make adequate arrangements satisfactory to the Company, subsidiary, affiliate or division to satisfy all Tax-Related Items. The obligations of the Company under this Agreement, including the delivery of shares upon vesting, shall be conditioned on compliance by the Participant with this Section 7. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by withholding in Shares to be issued upon settlement of the RSUs. Alternatively, the Company and/or the Employer, or their respective agents, retain the discretion, and the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from the Participant’s wages or other cash compensation paid to the Participant by the Company and/or the Employer; or (ii)

withholding from proceeds of the sale of Shares acquired upon vesting of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization without further consent).

(c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, to the extent permitted by the Plan, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

(d) Finally, the Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with the Participant's Tax-Related Items obligations.

(e) The Participant represents to the Company that, as of the date hereof, he or she is not aware of any material nonpublic information about the Company or the Common Stock. The Participant and the Company have structured this Agreement to constitute a "binding contract" relating to the sale of Common Stock pursuant to this Section 7, consistent with the affirmative defense to liability under Section 10(b) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") under Rule 10b5-1(c) promulgated under such Act.

8. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement;

(b) the grant of the RSU is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;

(c) all decisions with respect to future RSUs, if any, will be at the sole discretion of the Company;

(d) the Participant's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate Participant's employment relationship at any time with or without cause;

(e) the Participant is voluntarily participating in the Plan;

(f) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(g) the RSUs and the Participant's participation in the Plan will not be interpreted to form an employment or service agreement or relationship with the Company or any subsidiary or affiliate;

(h) the future value of the Shares subject to the RSUs is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise agree with the Company, the RSUs and the Shares subject to the RSUs, and the income and value of same, are not granted as consideration for, or in connection with, any service the Participant may provide as a director of any subsidiary or affiliate;

(j) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to,

calculating any severance, resignation, termination, redundancy, end of service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension, retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(k) no claim or entitlement to compensation or damages shall arise from any forfeiture of the RSUs resulting from termination of the Participant's employment or service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service agreement, if any); and

(l) for purposes of the RSUs, the Participant's employment or service relationship will be considered terminated as of the date he or she is no longer actively providing services to the Company, the Employer or any other subsidiary or affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of his or her employment or service agreement, if any) and, except in the case of termination due to death or disability as provided for in Section 2(c), the Participant's right to vest in the RSUs under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period (e.g., the period of the Participant's employment service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or providing services or the terms of his or her employment or service agreement, if any); the Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of his or her RSUs (including whether the Participant may still be considered to be providing services while on a leave of absence).

9. Data Privacy Information and Consent.

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about the Participant, including, but not limited to, his or her name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all awards granted under the Plan or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for purposes of administering his or her participation in the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Charles Schwab & Co., Inc. and certain of its affiliates ("Charles Schwab"), which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with Charles Schwab, with such agreement being a condition to the ability to participate in the Plan.*

(c) **International Data Transfers.** *The Company, Charles Schwab and, as the case may be, other service providers of the Company are or might be based in the United States, which means that the Participant's Data will have to be transferred to or otherwise processed in the United States. The Participant understands and acknowledges that the United States might apply laws not providing a level of protection of his or her Data equivalent to the level of protection in his or her country or jurisdiction. In the absence of appropriate safeguards, the processing of the Participant's Data in the United States might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, the Participant might not have enforceable rights regarding the processing of his or her Data. By signing or electronically agreeing to this Agreement, the Participant explicitly declares his or her consent to the Company receiving and transferring his or her Data onward to Charles Schwab and, as the case may be, other*

service providers without implementing appropriate safeguards. Where required, such processing of the Participant's Data will be exclusively based on his or her consent.

(d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond the Participant's period of employment with the Employer. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this context and remove it from all of their systems used for such purposes to the fullest extent practicable.*

(e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the consent, his or her salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant awards under the Plan or administer or maintain such awards.*

(f) **Data Subject Rights.** *The Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) request access to or copies of Data processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in his or her jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.*

(g) **Other Legal Basis and Additional Consent.** *The Participant understands that the Company may rely on a different legal basis for the collection, processing or transfer of Data in the future and/or request the Participant to provide another data privacy consent. If applicable, upon request of the Participant or the Employer, he or she will provide a separate executed data privacy agreement (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering his or her participation in the Plan in compliance with the data privacy laws in his or her country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan, if he or she fails to provide any such agreement requested by the Company and/or the Employer.*

10. Miscellaneous.

(a) **No Rights to Employment.** The Participant acknowledges and agrees that the vesting of the RSUs pursuant to Section 2 hereof is earned only by continuing service as an employee at the will of the Company (not through the act of being hired or purchasing shares hereunder). The Participant further acknowledges and agrees that the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of continued engagement as an employee or consultant for the vesting period, for any period, or at all.

(b) **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or his or her acquisition or sale of the Shares subject to the RSUs. The Participant understands and agrees that he or she should consult with his or her own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.

(c) **Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(d) Waiver. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors of the Company.

(e) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Participant and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the restrictions on transfer set forth in Section 4 of this Agreement.

(f) Notice. All notices required or permitted hereunder shall be in writing and deemed effectively given upon personal delivery or five days after deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party hereto at the address shown beneath his or its respective signature to this Agreement, or at such other address or addresses as either party shall designate to the other in accordance with this Section 10(f).

(g) Language. The Participant acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Participant to understand the terms and conditions of this Agreement, including the Appendix. Furthermore, if the Participant has received this Agreement, or any other document related to the RSUs and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(h) Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

(i) Entire Agreement; Conflicts and Interpretation. This Agreement, including any special terms and conditions set forth in the Appendix hereto for Participant's country, and the Plan, including any applicable Sub-Plan, constitute the entire agreement between the parties, and supersedes all prior agreements and understandings, relating to the subject matter of this Agreement. In the event of any conflict between this Agreement and the Plan, the Plan shall control. In the event of any ambiguity in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Board of Directors (or a committee thereof) has the power, among other things, to (i) interpret the Plan, (ii) prescribe, amend and rescind rules and regulations relating to the Plan and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan.

(j) Appendix. The RSUs shall be subject to any special provisions set forth in the Appendix for the Participant's country. If the Participant relocates to one of the countries included in the Appendix during the vesting period for the RSUs, the special provisions for such country shall apply to the Participant, to the extent the Company determines that the application of such provisions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

(k) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the RSUs and the Shares acquired upon vesting of the RSUs, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(l) Amendment. The Company may modify, amend or waive the terms of this Agreement prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of the Participant without his or her consent, except as required by applicable law, Nasdaq or stock exchange rules, tax rules or accounting rules. Any provision for the benefit of the Company contained in this Agreement may be waived, either generally or in any particular instance, by the Board of Directors (or a committee thereof) of the Company. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this

Agreement, or of any subsequent breach by such party or any other participant of a provision of this Agreement.

(m) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the internal laws of the U.S. State of Delaware, without regard to any applicable conflicts of laws. For purposes of litigating any dispute that arises under the grant or the Agreement, the parties hereby submit to and consent to the jurisdiction of the U.S. State of Delaware, agree that such litigation shall be conducted in the courts of Delaware, or the federal courts for the United States for the Third District, where this Agreement is made and/or to be performed.

(n) Unfunded Rights. The right of the Participant to receive Common Stock pursuant to this Agreement is an unfunded and unsecured obligation of the Company. The Participant shall have no rights under this Agreement other than those of an unsecured general creditor of the Company.

(o) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to the RSUs awarded under and participation in the Plan or future restricted stock units or other Awards that may be awarded under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(p) Insider Trading/Market Abuse Laws. The Participant acknowledges that, depending on his or her or his or her broker's country of residence or where the Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect his or her ability to acquire or sell or attempt to sell Shares or rights to Shares (*e.g.*, RSUs), either directly or indirectly, or rights linked to the value of Shares under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by or determined under the laws in the applicable jurisdiction or the laws in his or her country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party and (ii) "tipping" third parties or causing them to otherwise to buy or sell securities. Keep in mind third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, including those imposed under any applicable Company insider trading policy, and the Participant should consult with his or her own personal legal and financial advisors on this matter before taking any action related to the Plan.

(q) Foreign Asset/Account Reporting, Exchange Control and Tax Requirements. The Participant acknowledges that there may be certain foreign asset and/or account reporting requirements and exchange controls which may affect his or her ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside his or her country. The Participant understands that he or she may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. In addition, the Participant may be subject to tax payment and/or reporting obligations in connection with any income realized under the Plan and/or from the sale of Shares. The Participant acknowledge that it is his or her responsibility to comply with all such requirements, and that he or she should consult his or her personal legal and tax advisors, as applicable, to ensure his or her compliance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written. Electronic acceptance of this Agreement pursuant to the

Company's instructions to Participant (including through an online acceptance process managed by the Company's agent) is acceptable.

By signing or electronically agreeing to this Agreement, the Participant explicitly declares his or her consent to the data processing operations described in Section 9 of this Agreement. This includes, without limitation, the transfer of his or her Data to, and the processing of such data by, the Company, Charles Schwab or, as the case may be, the Company's other third-party service providers in the United States. The Participant may withdraw his or her consent at any time, with future effect and for any or no reason as described in Section 9(e) above.

AKAMAI TECHNOLOGIES, INC.

By:
Name: Frank T. Leighton
Title: CEO

<first_name> <last_name>

Address: <address_1>
<address_2>
<city>, <state> <zip>
<country>

APPENDIX

AKAMAI TECHNOLOGIES, INC.

Restricted Stock Unit Agreement

Granted Under the 2013 Stock Incentive Plan for Non-U.S. Employees

COUNTRY-SPECIFIC TERMS AND CONDITIONS

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, F. Thomson Leighton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akamai Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ F. Thomson Leighton

F. Thomson Leighton, Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ed McGowan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akamai Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

/s/ Ed McGowan

Ed McGowan, Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Akamai Technologies, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, F. Thomson Leighton, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ F. Thomson Leighton

F. Thomson Leighton, Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Akamai Technologies, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Ed McGowan, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2019

/s/ Ed McGowan

Ed McGowan, Chief Financial Officer