RingCentral

Q3 2022 Earnings Presentation

November 9, 2022



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Safe Harbor and Non-GAAP Measures

This presentation includes forward-looking statements within the meaning of the federal securities laws. These statements relate to, among other things, our business strategy and goals, growth of the market for our services, our future financial and operating results, including our GAAP and non-GAAP guidance, the assumptions underlying our guidance, and the effects of the COVID-19 pandemic and Russia's ongoing invasion of Ukraine.

Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct.

Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors including those that are described in greater detail in our most recent Form 10-Q filed with the Securities and Exchange Commission, and in other filings we make with the Securities and Exchange Commission from time to time. All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the previous statements. We undertake no obligation to update any forward-looking statements that may be made to reflect events or circumstances that occur, or that we become aware of, after the date of this presentation.

In this presentation, we provide certain historical non-GAAP financial measures, which are reconciled to their directly comparable GAAP financial measures. These reconciliations are presented in the Appendix at the end of this presentation.

We provide guidance on forecasted non-GAAP operating margin, non-GAAP tax rates, and non-GAAP EPS. Reconciliations of our forecasted non-GAAP operating margin to the most directly comparable GAAP financial measure is presented in the Reconciliation slides at the end of this presentation. We have not reconciled our forecasted non-GAAP EPS to its respective forecasted GAAP measure because we do not provide guidance on it. We do not provide guidance on forecasted GAAP EPS because of the inherent uncertainty and complexity involved in forecasting the intercompany remeasurement gain (loss), gain (loss) associated with investments, gain (loss) on early debt conversions, and provision (benefit) from income taxes, which could be significant reconciling items between the non-GAAP and respective GAAP measures. The intercompany remeasurement gain (loss) is affected by the movement in various exchange rates relative to the U.S. Dollar, which is difficult to predict and subject to constant change. We do not provide guidance on gain (loss) associated with investments as it is based on future share prices, which are difficult to predict and subject to inherent uncertainties. We do not provide guidance on gain (loss) on debt early conversions as it is based on future conversion requests, future share prices, and interest rates, which are difficult to predict and are subject to inherent uncertainties. We do not provide guidance on forecasted GAAP tax rates as we do not forecast discrete tax items as they are difficult to predict. The provision (benefit) from income taxes, excluding discrete items, is expected to have an immaterial impact to our GAAP EPS. We utilized a projected long-term tax rate in our computation of the non-GAAP income tax provision. For fiscal 2022, we have determined the projected non-GAAP tax rate to be 22.5%. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

We also provide other measures such as software subscriptions annualized exit monthly recurring subscriptions (ARR), mid-market and enterprise ARR, enterprise ARR, and bookings.

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Vlad Shmunis

Chief Executive Officer, Founder,
and Chairman of the Board



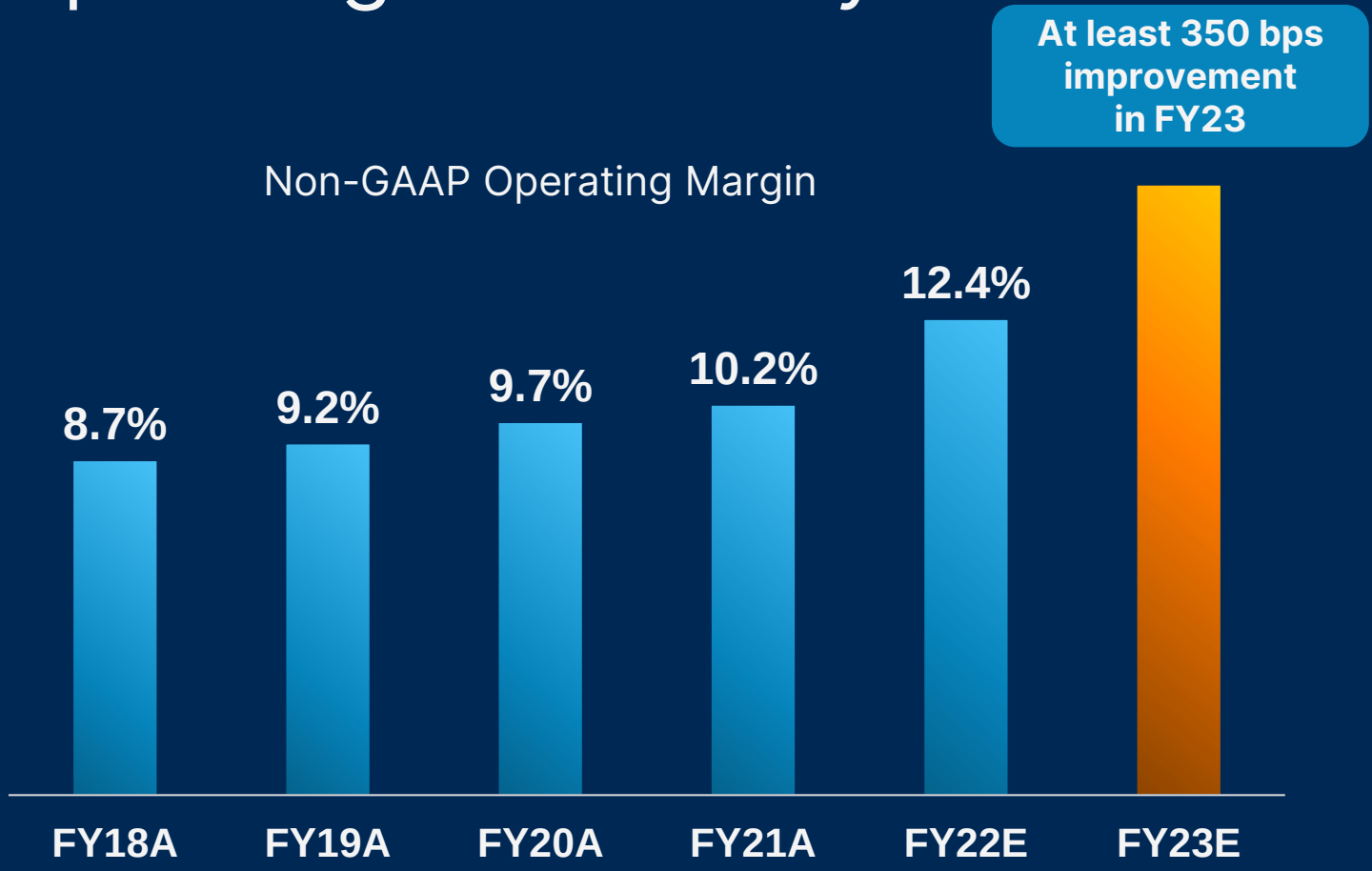
Q3 2022 Highlights

Total Revenue	Subscriptions Revenue	Operating Margin[1]
$509M	$483M	13.5%
Up 23% Y/Y	Up 25% Y/Y	Up 300 bps Y/Y

1) Non-GAAP Operating Margin

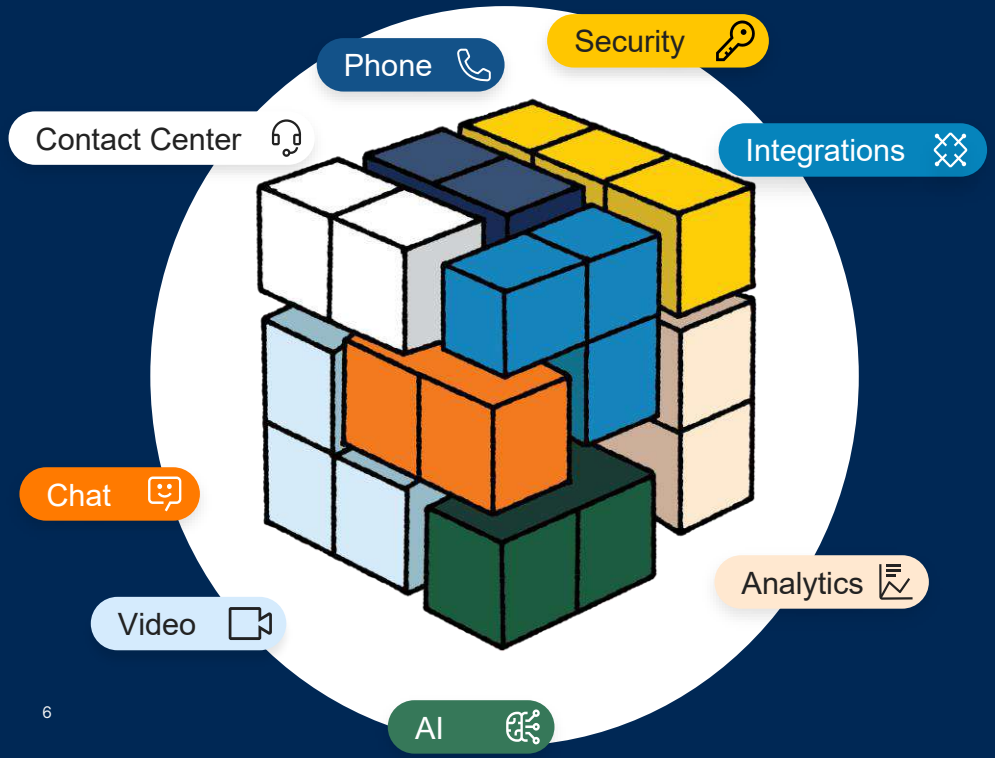
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Expanding Profitability



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#1 Global UCaaS + CCaas for Intelligent Connected Experiences



150+
Pre-built telephony apps

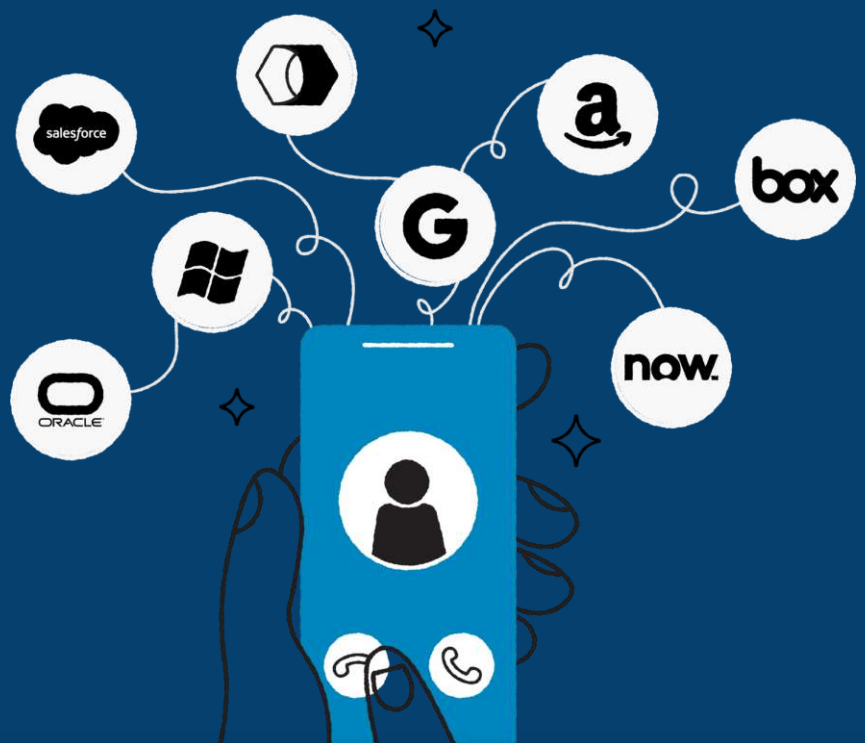
330+
UC + CC integrations

8,500+
Custom apps

75,000+
Registered developers

The phone system with the highest quality integrations

Connects into hundreds of applications, including, Salesforce Microsoft, Google, ServiceNow, HubSpot, Zendesk and others.



#1 in telephony integrations
of any UCaaS vendor

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Commitment to Trust

100x Better Reliability vs Three Nines

RingCentral

	99.9%	99.99%	**99.999%**
Annual downtime allowed	8.8 hours	52.6 minutes	**5.3 minutes**



17 straight quarters of 99.999% performance

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Geographic coverage



Global MVP in 45+ countries | Virtual & Toll Free numbers in 100+ countries

Available in 18 languages | BYOC available in all Global MVP countries*

 *Except where prohibited by law

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Unmatched Partner Ecosystem

New

Sample of Global Service Providers



VAR / Channel Partners



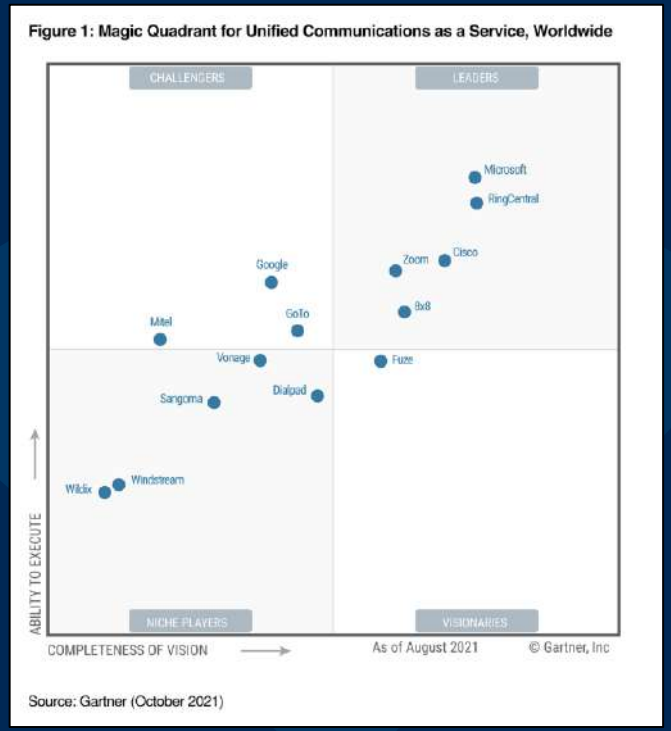
Strategic Partners



Note: Partners listed alphabetically

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A Leader in the 2021 Gartner® Magic Quadrant™ for Unified Communications as a Service, Worldwide, for the 7th year in a row.



Positioned furthest to the right for completeness of vision.

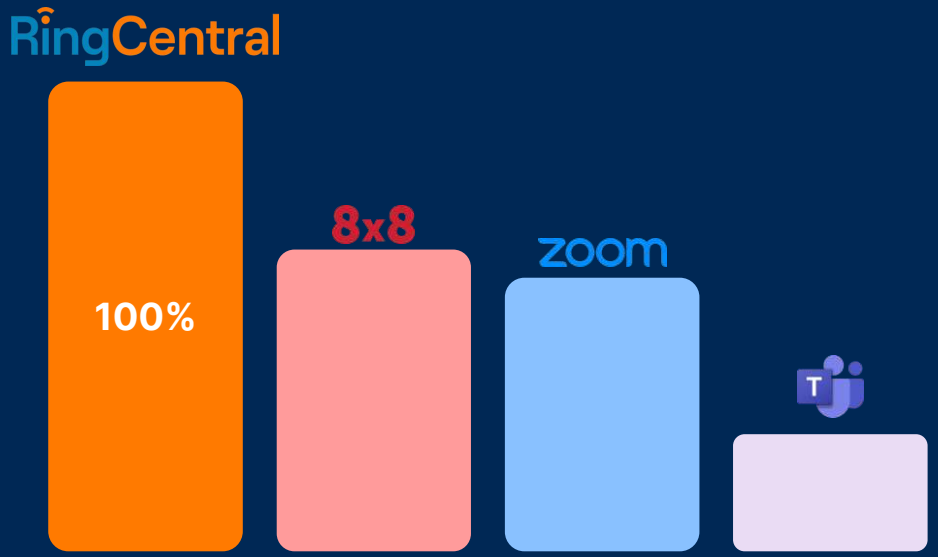
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Leader in Analytics

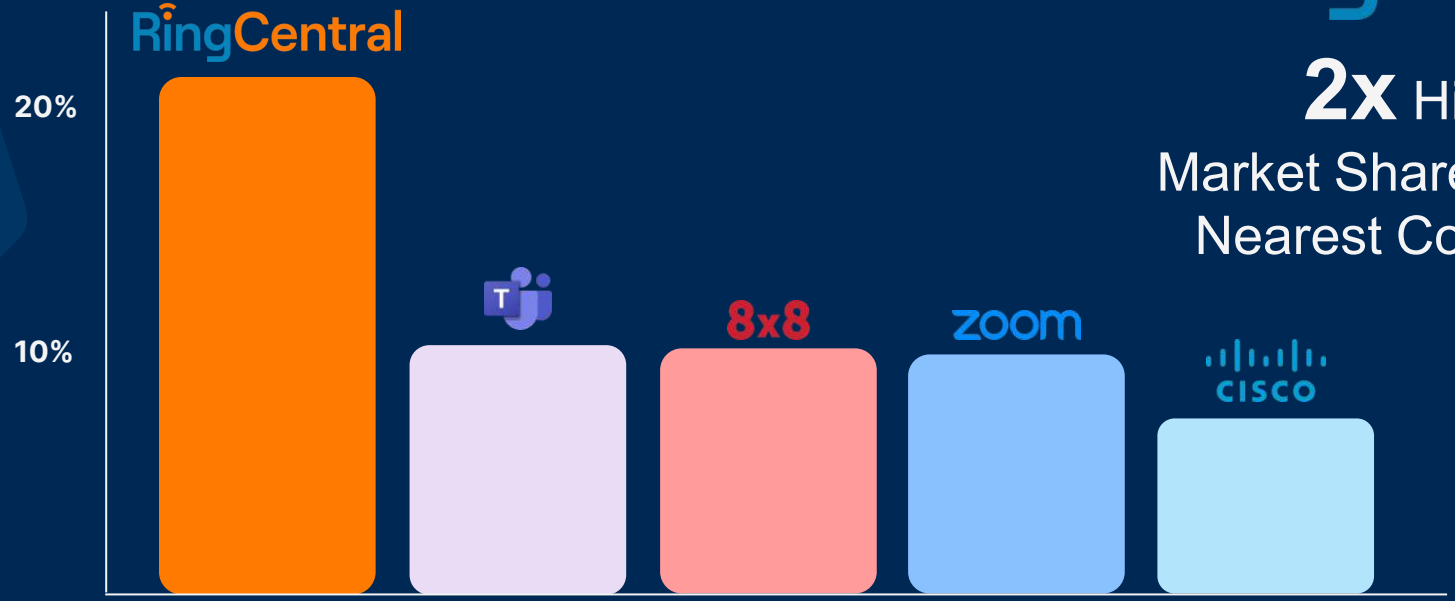
A recent study by The Tolly Group ranked **analytics capabilities** against leading UCaaS vendors and found that **RingCentral was the clear winner.**



Total criteria met across 13 key analytic features

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Market Share Leader



RingCentral

2x Higher Market Share Than Our Nearest Competitor*

Source: Synergy Research Group, UC Market Tracker – UCaaS Firmographics, Worldwide Subscribers + Seats for 1Q 2020 to 2Q 2022, October 13, 2022
* According to Synergy based on Paid Seats in Q2 2022 UCaaS Tracker

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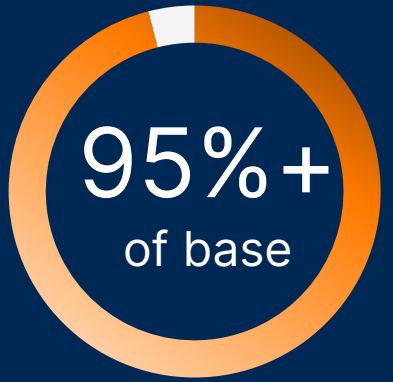
Voice as Relevant as Ever



Is phone a preferred communication tool?



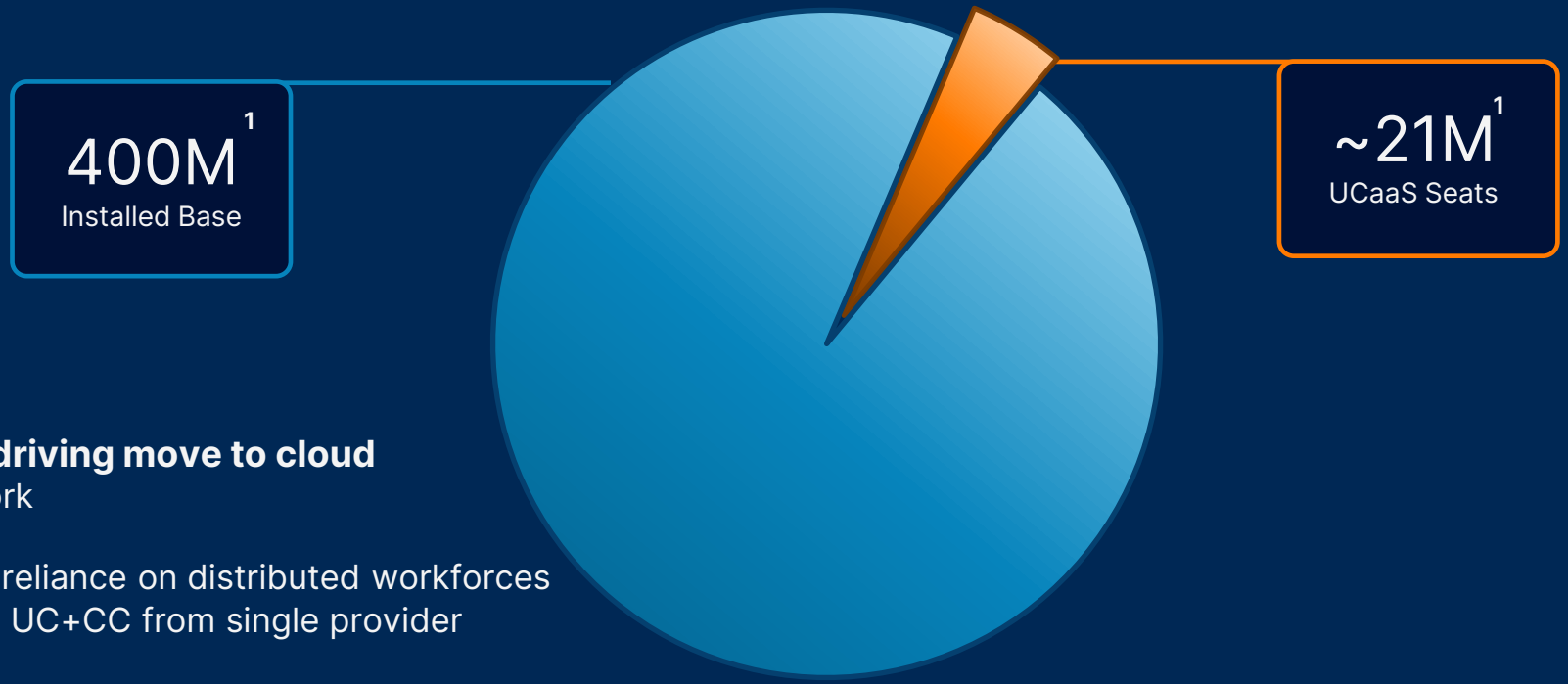
RingCentral base using phone each month



Source: Survey conducted by Ipsos in July 2022 for RingCentral and internal data.

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Large Market Opportunity



Megatrends driving move to cloud

1. Hybrid Work
2. Mobility
3. Increased reliance on distributed workforces
4. Integrated UC+CC from single provider

1) UC installed base estimate based on Synergy Research Group 2Q 2022 UC Market Tracker – Installed Base, published September 26, 2022

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Looking Ahead

- World’s Best UCaaS Offering
- Investing in Innovation
- Expanding Operating Margin by Driving Efficiencies

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Mo Katibeh

President & Chief Operating Officer



Key Customer Wins

HealthComp

Mitel Partnership Deal

Integrated UCaaS + CCaaS

Teams Integration



Fortune 500 Logistics Company

Avaya Cloud Office Win

Consolidate Disparate Systems

Significant Savings



Education Vertical

Multiple Thousand Seat Wins incl. University of North Dakota

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Go-To-Market Update

Partnerships

- Mitel, Avaya grew new seats q/q
- Channel 60%+ of $1M+ TCV wins
- Welcoming Charter Communications

International

- Multiple $1M+ TCV wins
- Ramping Vodafone in Europe
- Remain early in opportunity

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Sonalee Parekh

Chief Financial Officer



Q3 2022 Highlights

Subscriptions Revenue

$483M

Up 25% Y/Y

ARR

$2.05B

Up 25% Y/Y

Record Operating Margin[1]

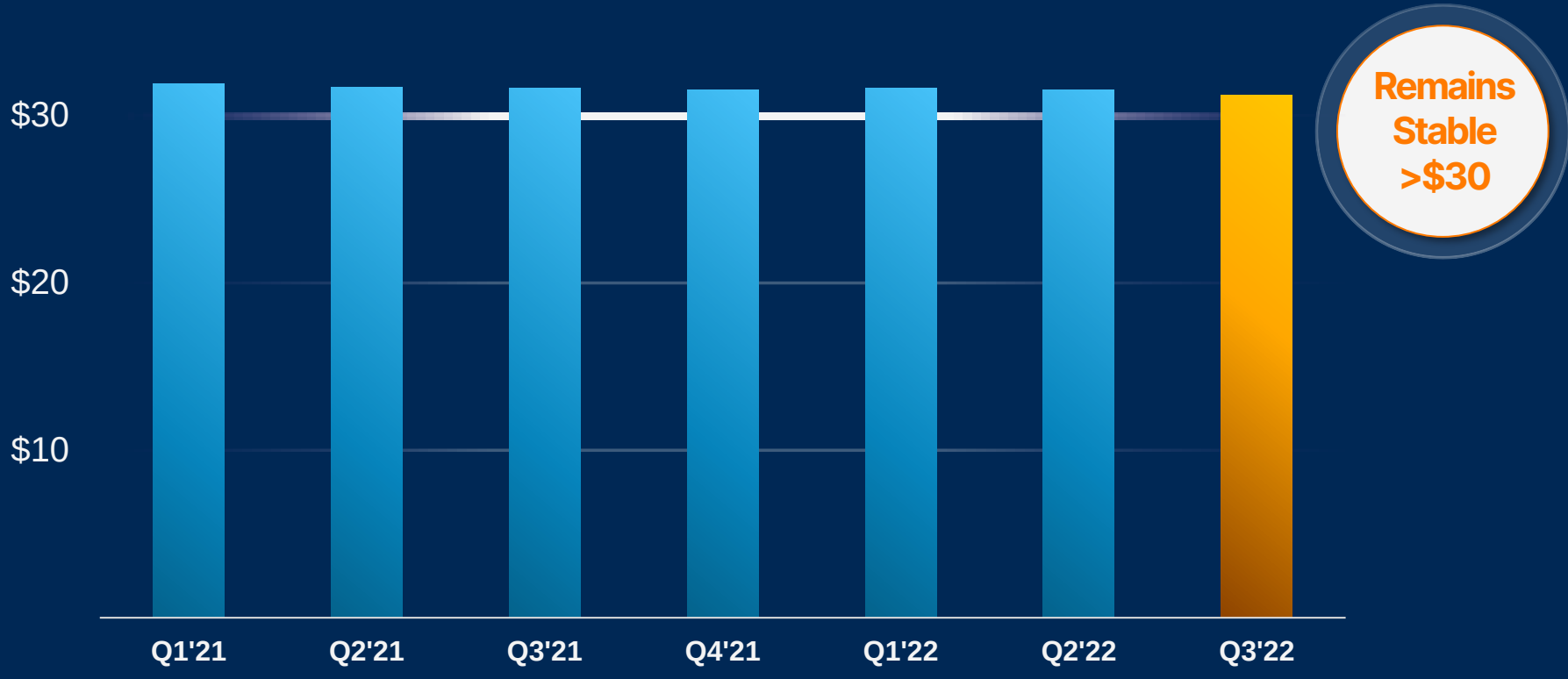
13.5%

Up 300 bps Y/Y

1) Non-GAAP Operating Margin

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Overall Average Revenue per User (ARPU)



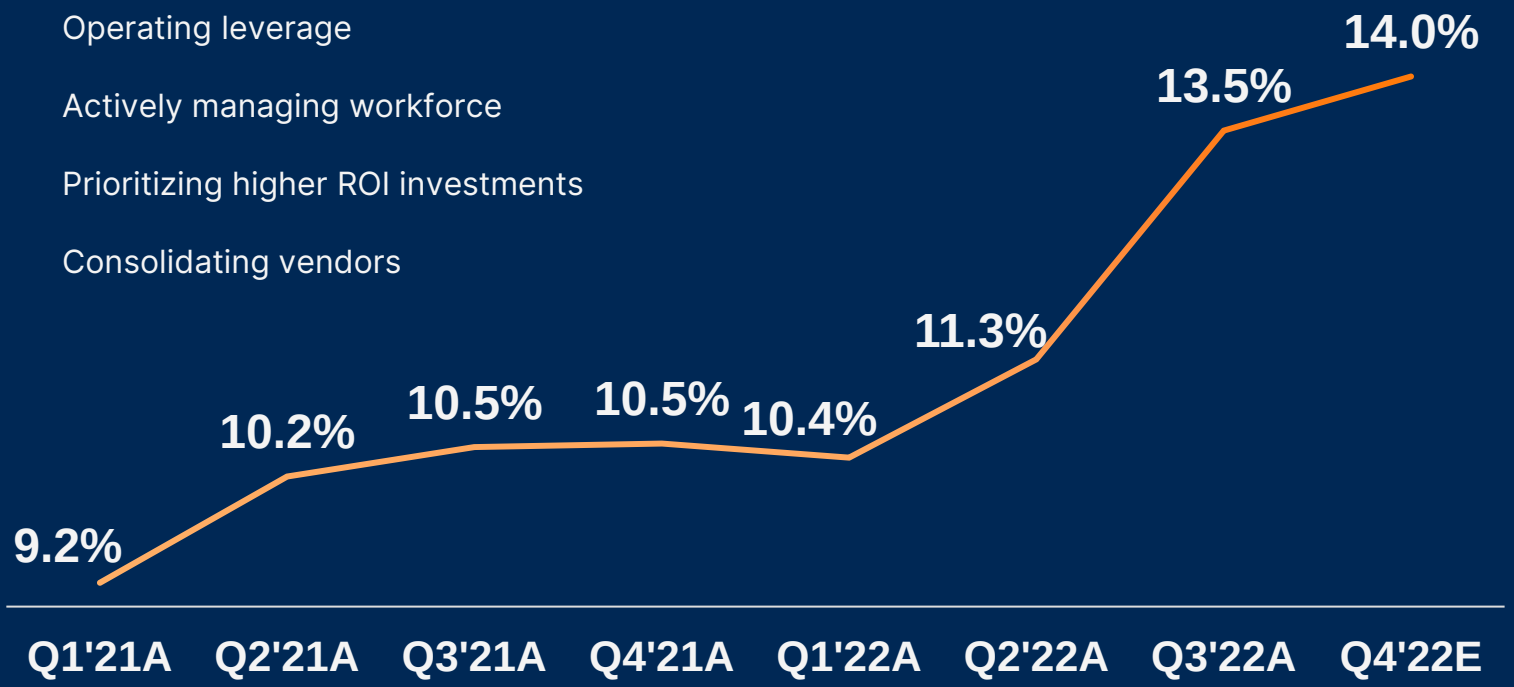
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Expanding Operating Margin

Quarterly Record

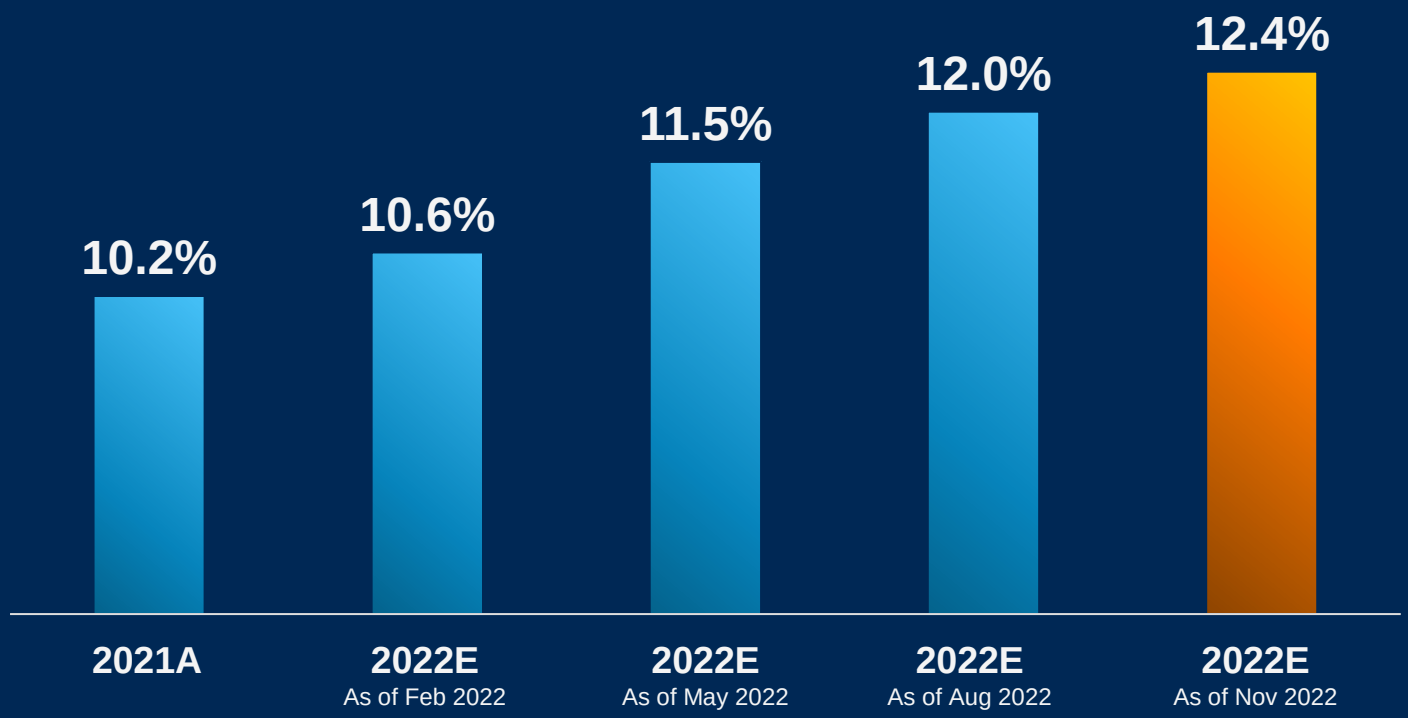
Drivers of margin expansion

- Operating leverage
- Actively managing workforce
- Prioritizing higher ROI investments
- Consolidating vendors



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Improving Profitability Outlook



Strong and Improving Profitability

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FY 2022 Guidance Summary

Raising 2022 operating margin outlook; Reiterating midpoint of 2022 subscriptions revenue guide

	FY22 Prior	FY22 Current
Subscriptions Revenue Growth Y/Y	27%-28%	27%-28%
Total Revenue Growth Y/Y	25%-26%	25%
Non-GAAP Operating Margin	12.0%	↑ 12.4%
Non-GAAP EPS	$1.91 - $1.95	↑ $1.97 - $1.98

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Appendix

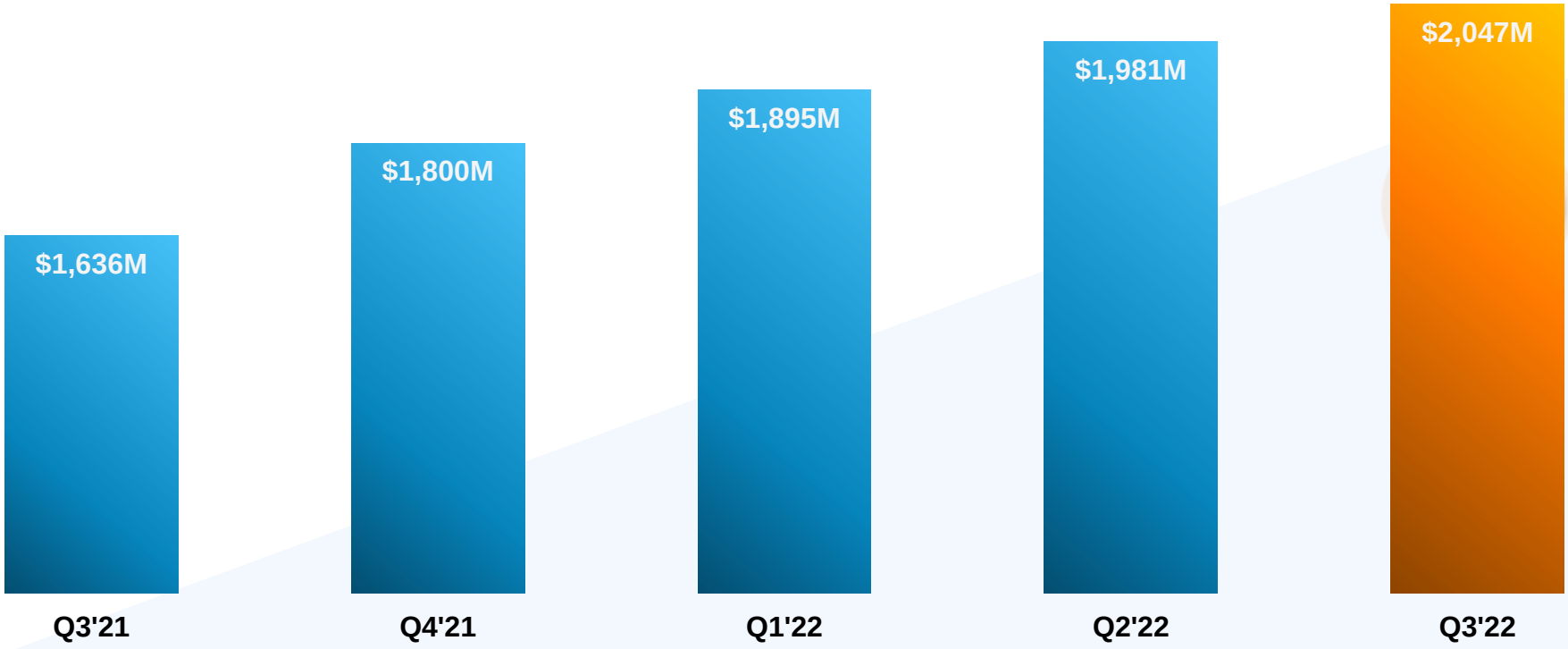


Q3 2022 Financial Highlights:
Strong Results Across Key Metrics

		$ Metric	Y/Y Growth
Revenue	Subscriptions Revenue	$483 million	25%
	Other Revenue	$26 million	(12%)
	Total Revenue	$509 million	23%
ARR	Total	$2,047 million	25%
	Customer ARR by Size		
	Mid-Market and Enterprise[1]	$1,253 million	29%
	Enterprise[2]	$852 million	30%

1) Mid-market and Enterprise ARR is defined as customers that generate $25,000 or greater ARR
2) Enterprise ARR is defined as customers that generate $100,000 or greater ARR

Total ARR



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Q3 2022 Results vs Guidance:

Key Metrics Above Guidance

	Q3 Guidance	Q3 Results
Subscriptions Revenue	$473.5M - $476.5M	$483.2M
Subscriptions Revenue Growth Y/Y	23% - 24%	25%
Total Revenue	$500.0M - $504.0M	$509.0M
Total Revenue Growth Y/Y	21% - 22%	23%
GAAP Operating Margin	(18.3%) – (17.1%)	(35.9%)
Non-GAAP Operating Margin	12.5%	13.5%
Non-GAAP EPS	$0.50 - $0.51	$0.55

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FY 2022 Guidance

Raising 2022 operating margin outlook; Reiterating midpoint of 2022 subscriptions revenue guide

	Prior	New
Subscriptions Revenue	$1.882B - $1.898B	$1.888B - $1.893B
Subscriptions Revenue Growth Y/Y	27% - 28%	27% - 28%
Total Revenue	$1.990B - $2.015B	$1.987B - $1.993B
Total Revenue Growth Y/Y	25% - 26%	25%
GAAP Operating Margin	(19.2%) - (18.3%)	(23.4%) - (23.1%)
Non-GAAP Operating Margin	12.0%	12.4%
Non-GAAP Tax Rate	22.5%	22.5%
Non-GAAP EPS	$1.91 - $1.95	$1.97 - $1.98

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Q4 2022 Guidance

	Q4 2022
Subscriptions Revenue	$501.5M - $506.5M
Subscriptions Revenue Growth Y/Y	19% - 21%
Total Revenue	$523.0M - $529.0M
Total Revenue Growth Y/Y	17% - 18%
GAAP Operating Margin	(13.5%) – (12.5%)
Non-GAAP Operating Margin	14.0%
Non-GAAP Tax Rate	22.5%
Non-GAAP EPS	$0.59 - $0.60

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Subscriptions	$ 483,229	$ 385,440	$1,386,140	$1,061,866
Other	25,803	29,189	77,444	84,392
Total revenues	509,032	414,629	1,463,584	1,146,258
Cost of revenues reconciliation				
GAAP Subscriptions cost of revenues	134,372	84,229	395,083	236,719
Share-based compensation	(6,577)	(6,337)	(20,421)	(16,168)
Amortization of acquired intangibles	(42,750)	(10,998)	(128,609)	(32,618)
Third-party relocation and other costs	(74)	—	(1,229)	—
Acquisition related and other matters	(96)	—	(252)	—
Non-GAAP Subscriptions cost of revenues	84,875	66,894	244,572	187,933
GAAP Other cost of revenues	33,102	26,220	86,055	75,634
Share-based compensation	(2,066)	(2,403)	(6,705)	(6,406)
Amortization of acquired intangibles	(23)	(4)	(54)	(4)
Non-GAAP Other cost of revenues	31,013	23,813	79,296	69,224
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	82.4 %	82.6 %	82.4 %	82.3 %
Non-GAAP Other	(20.2)%	18.4 %	(2.4)%	18.0 %
Non-GAAP Gross profit	77.2 %	78.1 %	77.9 %	77.6 %
Operating expenses reconciliation				
GAAP Research and development	86,700	84,121	273,492	222,958
Share-based compensation	(22,105)	(25,779)	(70,264)	(62,808)
Third-party relocation and other costs	(1,468)	—	(17,560)	—
Acquisition related and other matters	(2,383)	—	(2,722)	—
Non-GAAP Research and development	60,744	58,342	182,946	160,150
As a % of total revenues non-GAAP	11.9 %	14.1 %	12.5 %	14.0 %
GAAP Sales and marketing	261,914	225,111	781,767	607,758
Share-based compensation	(38,139)	(40,986)	(119,749)	(104,371)
Amortization of acquired intangibles	(894)	(959)	(2,746)	(2,900)
Third-party relocation and other costs	(41)	—	(55)	—
Acquisition related and other matters	(2,096)	—	(3,033)	—
Non-GAAP Sales and marketing	220,744	183,166	656,184	500,487
As a % of total revenues non-GAAP	43.4 %	44.2 %	44.8 %	43.7 %
GAAP General and administrative	72,261	78,083	217,810	201,716
Share-based compensation	(28,096)	(32,510)	(84,509)	(80,455)
Third-party relocation and other costs	(93)	—	(1,562)	—
Acquisition related and other matters	(1,077)	(6,705)	(3,635)	(7,642)
Non-GAAP General and administrative	42,995	38,868	128,104	113,619
As a % of total revenues non-GAAP	8.4 %	9.4 %	8.8 %	9.9 %

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Income (loss) from operations reconciliation				
GAAP loss from operations	(182,559)	(83,135)	(393,865)	(198,527)
Share-based compensation	96,983	108,015	301,648	270,208
Amortization of acquired intangibles	43,667	11,961	131,409	35,522
Third-party relocation and other costs	1,676	—	20,406	—
Acquisition related and other matters	5,652	6,705	9,642	7,642
Asset write-down charge	103,242	—	103,242	—
Non-GAAP Income from operations	68,661	43,546	172,482	114,845
Non-GAAP Operating margin	13.5 %	10.5 %	11.8 %	10.0 %
Depreciation and amortization	18,298	15,538	52,757	42,701
Non-GAAP Adjusted EBITDA	86,959	59,084	225,239	157,546
As a % of total revenues non-GAAP	17.1 %	14.2 %	15.4 %	13.7 %

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RINGCENTRAL, INC.
RECONCILIATION OF NET INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(In thousands, except per share data) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss) reconciliation				
GAAP net loss	$ (284,616)	$ (146,751)	$ (595,103)	$ (257,893)
Share-based compensation	96,983	108,015	301,648	270,208
Amortization of acquired intangibles	43,667	11,961	131,409	35,522
Third-party relocation and other costs	1,676	—	20,406	—
Acquisition related and other matters	5,652	6,705	9,628	7,642
Asset write-down charge	103,242	—	103,242	—
Amortization of debt discount and issuance costs	1,118	15,898	3,350	47,980
Loss associated with investments	99,835	45,660	194,080	6,201
Loss on early extinguishment of debt	—	—	—	1,736
Intercompany remeasurement loss	35	699	519	1,509
Income tax expense effects	(14,532)	(9,045)	(35,818)	(24,298)
Non-GAAP net income	$ 53,060	$ 33,142	$ 133,361	$ 88,607
Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income (loss) per common share:				
Weighted average number of shares used in computing basic net loss per share	95,575	91,811	95,097	91,213
Effect of dilutive securities	927	1,314	977	1,792
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	96,502	93,125	96,074	93,005
Diluted net income (loss) per share				
GAAP net loss per share	$ (2.98)	$ (1.60)	$ (6.26)	$ (2.83)
Non-GAAP net income per share	$ 0.55	$ 0.36	$ 1.39	$ 0.95

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RINGCENTRAL, INC.
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES
GAAP MEASURES TO NON-GAAP FREE CASH FLOW MEASURES
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	$ 42,260	$ 43,029	$ 151,933	$ 104,500
Repayment of convertible senior notes attributable to debt discount	—	—	—	10,131
Non-GAAP net cash provided by operating activities	42,260	43,029	151,933	114,631
Purchases of property and equipment	(8,339)	(7,402)	(23,828)	(21,787)
Capitalized internal-use software	(13,406)	(11,332)	(39,638)	(30,932)
Non-GAAP free cash flow	$ 20,515	$ 24,295	$ 88,467	$ 61,912

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RINGCENTRAL, INC.
RECONCILIATION OF FORECASTED OPERATING MARGIN
GAAP MEASURES TO NON-GAAP MEASURES
(Unaudited, in millions)

	Q4 2022		FY 2022	
	Low Range	High Range	Low Range	High Range
GAAP revenues	523.0	529.0	1,986.6	1,992.6
GAAP loss from operations	(70.8)	(65.9)	(464.6)	(459.8)
GAAP operating margin	(13.5%)	(12.5%)	(23.4%)	(23.1%)
Share-based compensation	100.0	96.0	401.6	397.6
Amortization of acquired intangibles	44.0	44.0	175.4	175.4
Third-party relocation and other costs	—	—	20.4	20.4
Acquisition related and other matters	—	—	9.6	9.6
Asset write-down charge	—	—	103.2	103.2
Non-GAAP income from operations	73.2	74.1	245.7	246.5
Non-GAAP operating margin	14.0 %	14.0 %	12.4 %	12.4 %

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