

Q4 2022 + FY2022 Earnings Presentation

February 15, 2023

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 2023, 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.

Vlad Shmunis

Chief Executive Officer, Founder,
and Chairman of the Board



Recent Accomplishments

Total ARR

\$2.1B

Operating Margin¹

14.0%

Top 5 CCaaS Provider²

**~\$300M
ARR**

Investment in Innovation³

>\$250M



RingCentral
Best Company for Diversity 2022



RingCentral
Best Company for Women 2022



RingCentral
Best CEO 2022



RingCentral
Best Company Culture 2022



RingCentral
Best Company Perks & Benefits 2022



RingCentral
Best Places to Work in the Bay Area 2022



RingCentral
Best Global Culture 2022



RingCentral
Best Company Work-Life Balance 2022



RingCentral
Best Company Compensation 2022



RingCentral
Best Operations Team 2022



RingCentral
Best HR Team 2022



RingCentral
Best Marketing Team 2022



RingCentral
Best Engineering Team 2022



RingCentral
Best Company Outlook 2022



RingCentral
Best CEOs for Diversity 2022



RingCentral
Best CEOs for Women 2022



RingCentral
Best Operations Team 2022



RingCentral
Best HR Team 2022



RingCentral
Best Marketing Team 2022



RingCentral
Best Sales Team 2022



RingCentral
Best Product & Design Team 2022

30+
Workplace and Employer brand awards

“TIP” on Why We Win

Trust

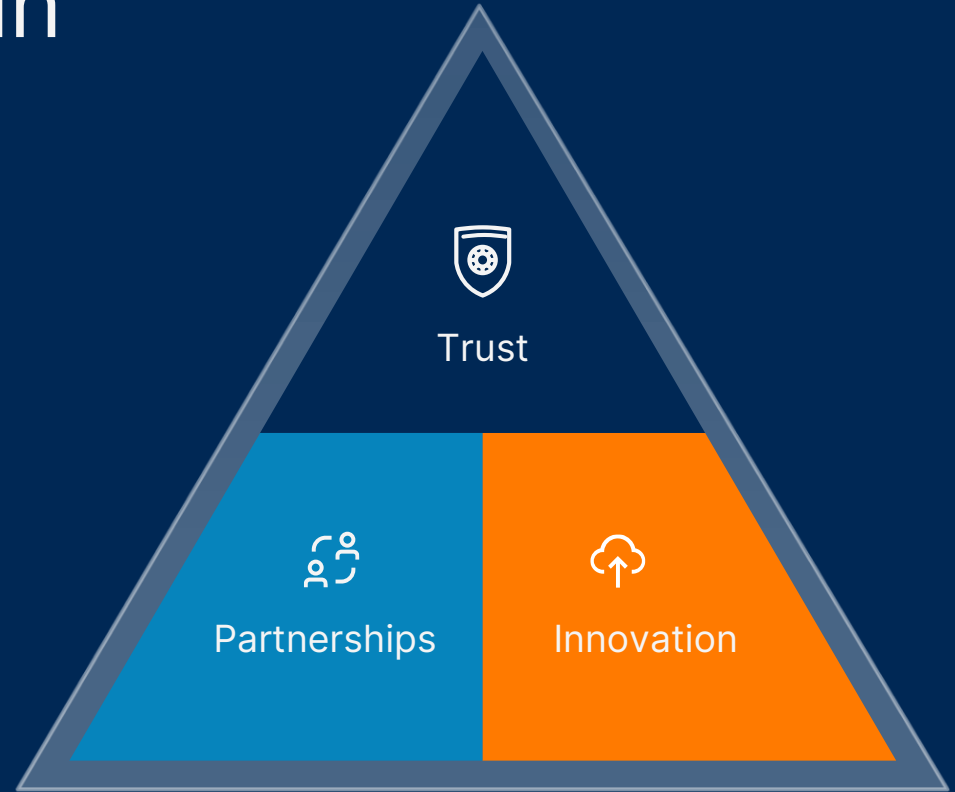
Reliability, Security,
Data Privacy

Innovation

Best in Class
UCaaS Platform

Partnerships

Global Network with
Industry Leaders



Commitment to Trust

100x Better Reliability vs Three Nines

RingCentral

99.9%

8.8 hours

99.99%

52.6 minutes

99.999%

5.3 minutes

Annual downtime
allowed

**Reliability
is
Mission Critical**

18 straight quarters
of 99.999%
performance

History of Deep Innovation

2023

Pre-2014



RingCentral
Cloud PBX



Integrated
Partner Video



Open
Platform



Team
Messaging



Global
Office



Analytics &
Quality
of Service



Unified
MVP



Collaborative
Contact Center



Digital
Channels



AI powered
Video meetings

RingCentral End-to-End Encryption

DIFFERENTIATOR

The most complete deployment for end-to-end encryption intended for enterprise communications



Phone



Message



Video





RingCentral's E2EE for enterprises will be able to go beyond 1:1 calls and support large groups



DIFFERENTIATOR



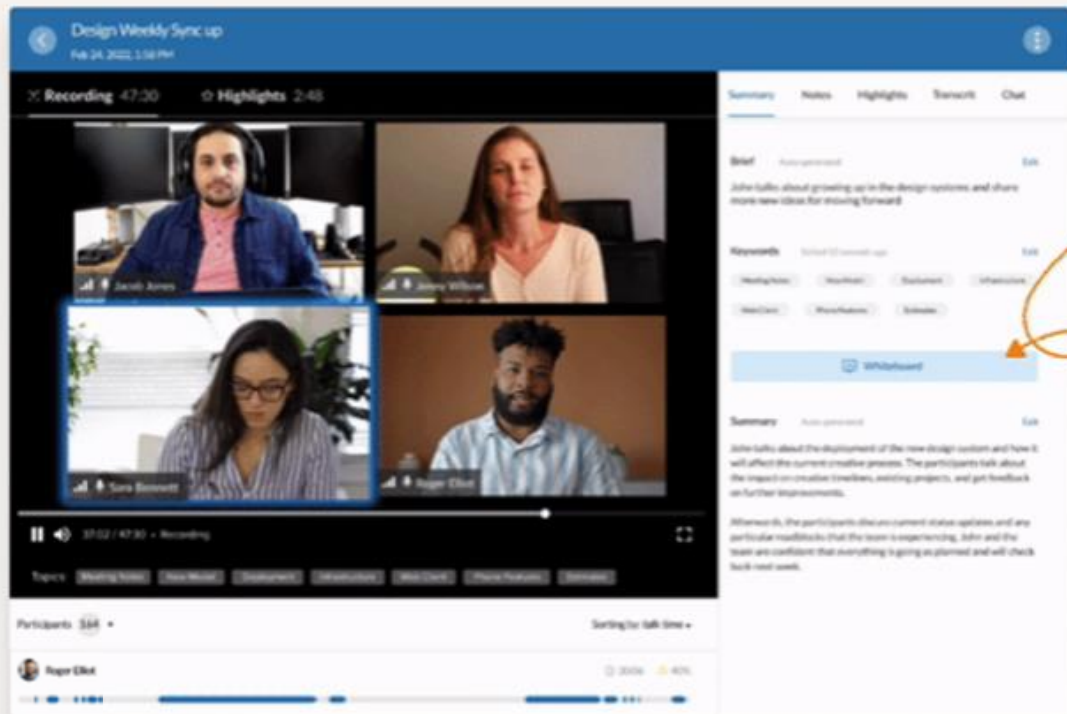
AI-powered

Advanced Meeting Insights

AI-powered conversation intelligence to boost productivity and combat meeting overload

New features:

- Playback by speaker
- Auto generate chapters
- Capture all collaboration



Unmatched Partner Ecosystem



15,000+
Channel
Partners

New

A Leader in the 2022 Gartner® Magic Quadrant™ for Unified Communications as a Service, Worldwide, for the 8th year in a row.

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from RingCentral, Inc.

Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. Gartner, Magic Quadrant for Unified Communications as a Service, Worldwide, 28 November 2022, Rafael Benitez, Megan Fernandez, Daniel O'Connell, Christopher Trueman, Pankil Sheth. Gartner and Magic Quadrant are registered trademarks and service marks of Gartner, Inc. and/or its affiliates in the U.S. and internationally, and are used herein with permission. All rights reserved.

Figure 1: Magic Quadrant for Unified Communications as a Service, Worldwide



Source: Gartner (November 2022)

Looking Ahead



Deliver World Class Customer Experience



Drive Healthy Growth



Increase Efficiency & Profitability



Creating a Great Place to Work

Mo Katibeh

President & Chief Operating Officer



Contact Center for Every Use Case

Informal Contact Center



RingCentral
Customer Service
Essentials

Outbound Voice



RingCentral
Engage Voice

Digital Engagement



RingCentral
Engage Digital

Omnichannel with integrated
Workforce Engagement
Management



RingCentral
Contact Center

Vertical Spotlight: Healthcare

Recent Q4 Wins: Aspen Dental, Community Health Plan of Washington, Viva Health



Why We Win in Healthcare



Meets
HIPAA
Requirements

Reduced
Coordination
Friction

Increased
Patient
Engagement

Streamlined
Call Routing

PSTN
failover

Increase
Staffing
Efficiencies

Why Microsoft Teams customers select RingCentral



Avaya Update

The Avaya logo is displayed in red, stylized capital letters. The letters are bold and have a modern, sans-serif font. The 'A' and 'Y' are particularly prominent, with the 'Y' having a unique shape. The logo is centered within a white rounded square.

- Better alignment of incentive structure
- No upfront prepay
- Minimum seat commitment
- Exclusive multi-tenanted UCaaS solution
- Wrote down existing prepaid commissions

Sales and Marketing Efforts

- Evolving partnerships to improve economics
- Improving ratio of frontline to support functions
- Disciplined marketing spend – better returns

Sonalee Parekh

Chief Financial Officer



Q4 2022 Highlights

Subscriptions Revenue

\$502M

Up 19% Y/Y

ARR

\$2.1B

Up 17% Y/Y

Record Operating Margin¹

14.0%

Up 340 bps Y/Y

FY2022 Highlights

Subscriptions Revenue

\$1.89B

Up 27% Y/Y

Total Revenue

\$1.99B

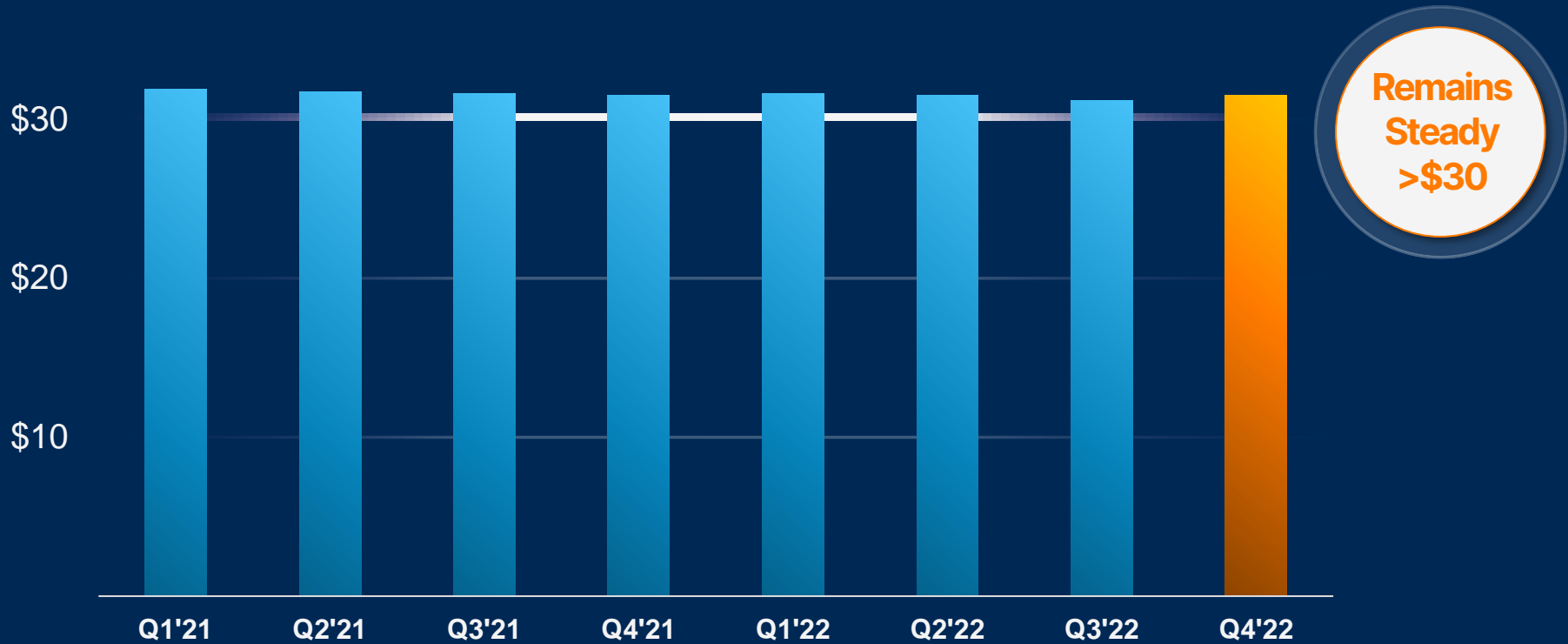
Up 25% Y/Y

Operating Margin¹

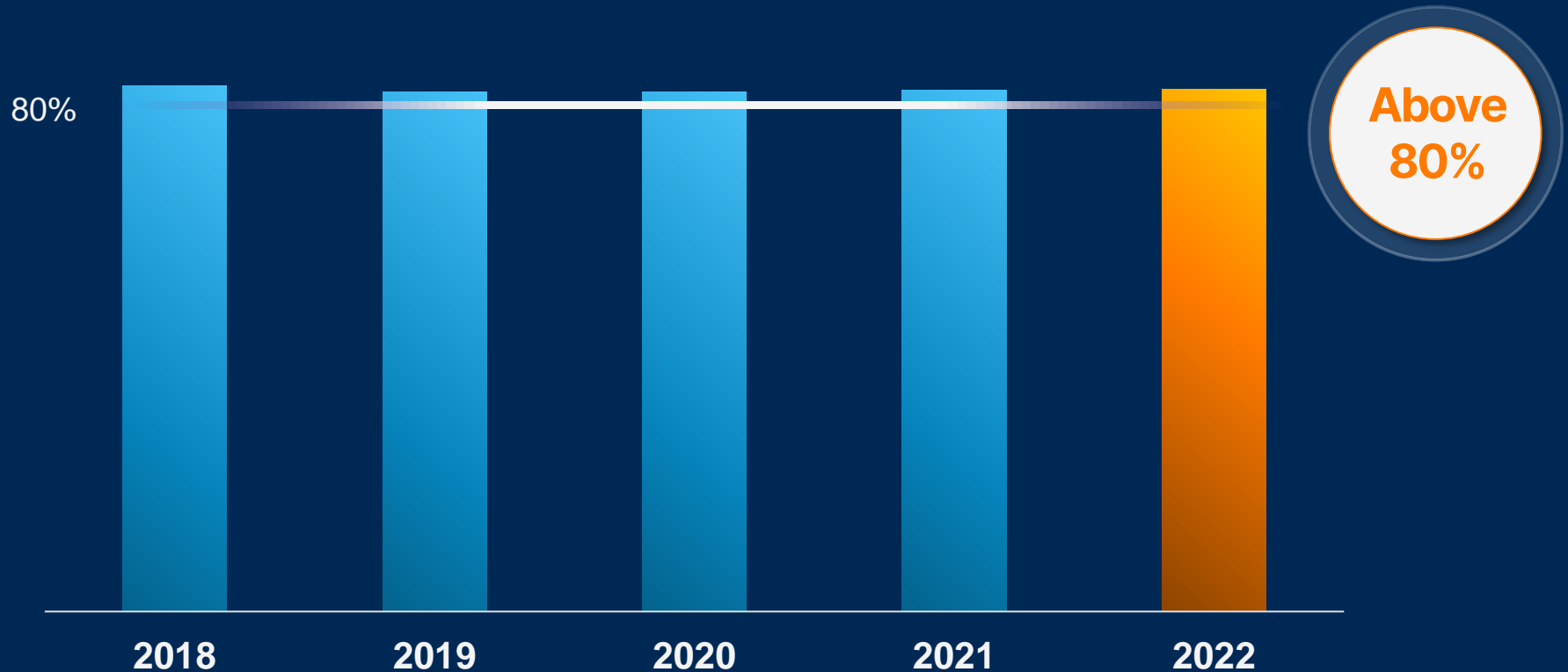
12.4%

Up 220 bps Y/Y

Overall Average Revenue per User (ARPU)



Non-GAAP Subscriptions Gross Margin



New Credit Facility



5-Year, \$600M Credit Facility consisting of:

→ \$400M Delayed-Draw Term Loan A

→ \$200M Revolver

Expanding Operating Margin

Drivers of margin expansion

- ❖ Operating leverage
- ❖ Actively managing workforce
- ❖ Lowering costs of acquiring new customers
- ❖ Vendor rationalization



Q1 2023 and FY 2023 Guidance Summary

	Q1 2023	FY 2023
➤ Subscriptions Revenue Growth Y/Y	14% – 15%	10% – 11%
➤ Total Revenue Growth Y/Y	12% – 13%	10% – 11%
➤ Non-GAAP Operating Margin	16.5%	At least 18.0%
➤ Non-GAAP EPS	\$0.69 – \$0.70	\$3.04 – \$3.10

Appendix



Q4 2022 Financial Highlights:

		\$ Metric	Y/Y Growth
Revenue	Subscriptions Revenue	\$502 million	19%
	Other Revenue	\$23 million	(18%)
	Total Revenue	\$525 million	17%
ARR	Total	\$2,100 million	17%
	Customer ARR by Size		
	<i>Mid-Market and Enterprise¹</i>	\$1,301 million	20%
	<i>Enterprise²</i>	\$891 million	21%

1) Mid-market and Enterprise ARR is defined as customers that generate \$25,000 or greater annualized recurring revenue (ARR)

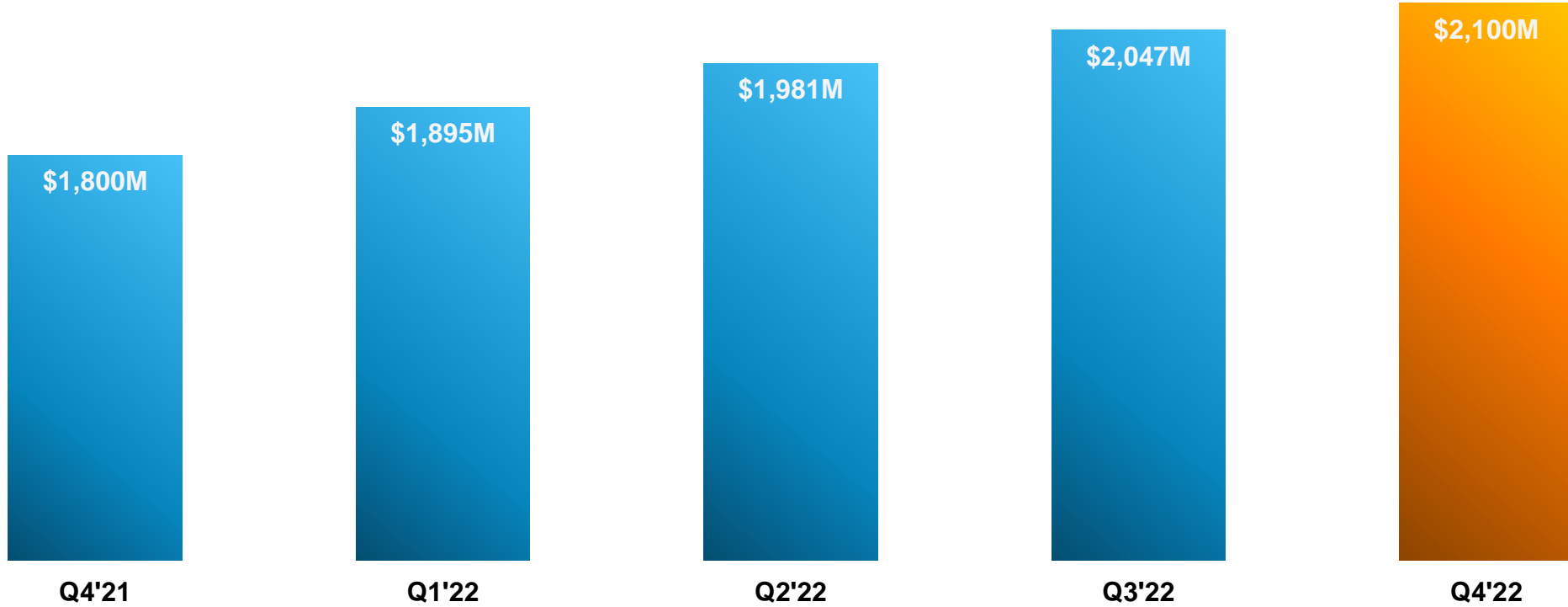
2) Enterprise ARR is defined as customers that generate \$100,000 or greater ARR

Annual Results Summary

FY 2022 vs FY 2021

	FY 2021	FY 2022	Y/Y
Subscriptions Revenue	\$1,482M	\$1,888	27%
Other Revenue ¹	\$113M	\$101M	(11)%
Total Revenue	\$1,595M	\$1,988M	25%
GAAP Operating Margin	(18.9%)	(32.7%)	(13.8 pts)
Non-GAAP Operating Margin	10.2%	12.4%	2.2 pts
Non-GAAP EPS	\$1.34	\$1.99	\$0.65

Total ARR



Q4 2022 Results vs Guidance:

	Q4 Guidance	Q4 Results
Subscriptions Revenue	\$501.5M - \$506.5M	\$501.6M
Subscriptions Revenue Growth Y/Y	19% - 21%	19%
Total Revenue	\$523.0M - \$529.0M	\$524.7M
Total Revenue Growth Y/Y	17% - 18%	17%
GAAP Operating Margin	(13.5%) - (12.5%)	(48.7%)
Non-GAAP Operating Margin	14.0%	14.0%
Non-GAAP EPS	\$0.59-\$0.60	\$0.60

Q1 2023 and FY 2023 Guidance

	Q1 2023	FY 2023
Subscriptions Revenue	\$503M - \$505M	\$2,080M - \$2,100M
Subscriptions Revenue Growth Y/Y	14% - 15%	10% - 11%
Total Revenue	\$526M - \$530M	\$2,180M - \$2,200M
Total Revenue Growth Y/Y	12% - 13%	10% - 11%
GAAP Operating Margin	(11.5%) - (9.4%)	(8.3%) - (6.9%)
Non-GAAP Operating Margin	16.5%	18.0%
Non-GAAP Tax Rate	22.5%	22.5%
Non-GAAP EPS	\$0.69 - \$0.70	\$3.04 - \$3.10

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenues				
Subscriptions	\$ 501,616	\$ 420,214	\$1,887,756	\$1,482,080
Other	23,130	28,282	100,574	112,674
Total revenues	<u>524,746</u>	<u>448,496</u>	<u>1,988,330</u>	<u>1,594,754</u>
Cost of revenues reconciliation				
GAAP Subscriptions cost of revenues	136,015	109,229	531,098	345,948
Share-based compensation	(6,381)	(6,656)	(26,802)	(22,824)
Amortization of acquisition intangibles	(42,196)	(29,944)	(170,805)	(62,562)
Third-party relocation and other costs	(16)	—	(1,245)	—
Restructuring costs	(205)	—	(457)	—
Non-GAAP Subscriptions cost of revenues	<u>87,217</u>	<u>72,629</u>	<u>331,789</u>	<u>260,562</u>
GAAP Other cost of revenues	24,578	26,787	110,633	102,421
Share-based compensation	(1,890)	(2,320)	(8,595)	(8,726)
Amortization of acquisition intangibles	(22)	(12)	(76)	(16)
Non-GAAP Other cost of revenues	<u>22,666</u>	<u>24,455</u>	<u>101,962</u>	<u>93,679</u>
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	82.6 %	82.7 %	82.4 %	82.4 %
Non-GAAP Other	2.0 %	13.5 %	(1.4)%	16.9 %
Non-GAAP Gross profit	79.1 %	78.4 %	78.2 %	77.8 %
Operating expenses reconciliation				
GAAP Research and development	88,764	86,781	362,256	309,739
Share-based compensation	(20,697)	(25,046)	(90,961)	(87,854)
Third-party relocation and other costs	(1,427)	—	(18,987)	—
Restructuring costs	(2,599)	—	(5,321)	—
Non-GAAP Research and development	<u>64,041</u>	<u>61,735</u>	<u>246,987</u>	<u>221,885</u>
As a % of total revenues non-GAAP	<u>12.2 %</u>	<u>13.8 %</u>	<u>12.4 %</u>	<u>13.9 %</u>
GAAP Sales and marketing	275,464	246,398	1,057,231	854,156
Share-based compensation	(35,997)	(40,918)	(155,746)	(145,289)
Amortization of acquisition intangibles	(895)	(946)	(3,641)	(3,846)
Third-party relocation and other costs	(66)	—	(121)	—
Restructuring costs	(6,662)	—	(9,695)	—
Non-GAAP Sales and marketing	<u>231,844</u>	<u>204,534</u>	<u>888,028</u>	<u>705,021</u>
As a % of total revenues non-GAAP	<u>44.2 %</u>	<u>45.6 %</u>	<u>44.7 %</u>	<u>44.2 %</u>
GAAP General and administrative	75,088	82,560	292,898	284,276
Share-based compensation	(28,231)	(31,822)	(112,740)	(112,277)
Third-party relocation and other costs	(396)	(12,866)	(3,770)	(20,508)
Restructuring costs	(888)	—	(2,711)	—
Non-GAAP General and administrative	<u>45,573</u>	<u>37,872</u>	<u>173,677</u>	<u>151,491</u>
As a % of total revenues non-GAAP	<u>8.7 %</u>	<u>8.4 %</u>	<u>8.7 %</u>	<u>9.5 %</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Income (loss) from operations reconciliation				
GAAP loss from operations	(255,610)	(103,259)	(649,475)	(301,786)
Share-based compensation	93,196	106,762	394,844	376,970
Amortization of acquisition intangibles	43,113	30,902	174,522	66,424
Third-party relocation and other costs	1,905	12,866	24,123	20,508
Asset write-down charge	180,447	—	283,689	—
Restructuring costs	10,354	—	18,184	—
Non-GAAP Income from operations	<u>73,405</u>	<u>47,271</u>	<u>245,887</u>	<u>162,116</u>
Non-GAAP Operating margin	14.0 %	10.5 %	12.4 %	10.2 %
Depreciation and amortization	19,282	16,167	72,039	58,868
Non-GAAP Adjusted EBITDA	<u>92,687</u>	<u>63,438</u>	<u>317,926</u>	<u>220,984</u>
As a % of total revenues non-GAAP	17.7 %	14.1 %	16.0 %	13.9 %

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net income (loss) income reconciliation				
GAAP net loss	\$ (284,063)	\$ (118,357)	\$ (879,166)	\$ (376,250)
Share-based compensation	93,196	106,762	394,844	376,970
Amortization of acquisition intangibles	43,113	30,902	174,522	66,424
Third-party relocation and other costs	1,905	12,866	24,109	20,508
Asset write-down charge	180,447	—	283,689	—
Restructuring costs	10,354	—	18,184	—
Amortization of debt discount and issuance costs	1,118	16,083	4,468	64,063
Loss (gain) associated with investments	27,265	(2,744)	221,345	3,457
Loss on early extinguishment of debt	—	—	—	1,736
Intercompany remeasurement (gain) loss	(639)	658	(120)	2,167
Income tax expense effects	(14,641)	(9,535)	(50,459)	(33,833)
Non-GAAP net income	<u>\$ 58,055</u>	<u>\$ 36,635</u>	<u>\$ 191,416</u>	<u>\$ 125,242</u>
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	95,663	93,297	95,239	91,738
Effect of dilutive securities	1,005	1,220	984	1,649
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	<u>96,668</u>	<u>94,517</u>	<u>96,223</u>	<u>93,387</u>
Diluted net (loss) income per share				
GAAP net loss per share	<u>\$ (2.97)</u>	<u>\$ (1.27)</u>	<u>\$ (9.23)</u>	<u>\$ (4.10)</u>
Non-GAAP net income per share	<u>\$ 0.60</u>	<u>\$ 0.39</u>	<u>\$ 1.99</u>	<u>\$ 1.34</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Net cash provided by (used in) operating activities	\$ 39,372	\$ 47,651	\$ 191,305	\$ 152,151
Strategic partnerships	(30,000)	—	(30,000)	—
Repayment of convertible senior notes attributable to debt discount	—	—	—	10,131
Non-GAAP net cash provided by operating activities	9,372	47,651	161,305	162,282
Purchases of property and equipment	(8,885)	(7,172)	(32,713)	(28,959)
Capitalized internal-use software	(14,092)	(12,760)	(53,730)	(43,692)
Non-GAAP free cash flow	<u>\$ (13,605)</u>	<u>\$ 27,719</u>	<u>\$ 74,862</u>	<u>\$ 89,631</u>

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

	Q1 2023		FY 2023	
	Low Range	High Range	Low Range	High Range
GAAP revenues	526.0	530.0	2,180.0	2,200.0
GAAP loss from operations	(60.7)	(50.1)	(181.1)	(152.5)
GAAP operating margin	(11.5%)	(9.4%)	(8.3%)	(6.9%)
Share-based compensation	100.0	95.0	415.0	395.0
Amortization of acquisition intangibles	37.5	37.5	148.5	148.5
Restructuring costs	10.0	5.0	10.0	5.0
Non-GAAP income from operations	86.8	87.5	392.4	396.0
Non-GAAP operating margin	16.5 %	16.5 %	18.0 %	18.0 %