RingCentral

Q3 2023 Earnings Presentation

November 6, 2023

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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, as well as macroeconomic factors, including Russia's ongoing invasion of Ukraine and the armed conflict involving Israel.

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 our other filings 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, non-GAAP EPS and adjusted, unlevered free cash flow. 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 have not reconciled adjusted, unlevered free cash flow guidance to net cash provided by (used in) operating activities because we do not provide guidance on the reconciling items between net cash provided by (used in) operating activities and adjusted, unlevered free cash flow due to the uncertainty regarding, and the potential variability of, these items. Accordingly, a reconciliation of net cash provided by (used in) operating activities to adjusted, unlevered free cash flow guidance 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.

RingCentral at a Glance

Global Scale

400K+
Customers

#1
In UCaaS Revenue Market Share (1)

~4K
Employees (2)

18
Languages + 46 MVP Countries

Expanding Profitability with Consistent Customer Retention

82%
Q3'23 Subscription GM% (3)

23%
Q3'23 Adj. EBITDA Margin (3)
Up 580 bps Y/Y

19%
Q3'23 Operating Margin (3)
Up 560 bps Y/Y

99%+
Q3'23 Net Monthly Subscription Dollar Retention(4)

Unless otherwise noted, company metrics as of Q3'23
1. Source: Synergy Research Group, UC Market Tracker – UCaaS Firmographics, Worldwide Revenue for Q1'21 to Q2'23, 9/14/2023
2. Full time employees, as of 12/31/2022
3. Non-GAAP financial measure; see appendix for a reconciliation to the most comparable GAAP measure
4. See appendix for definition.

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Operational Focus Areas

- Innovate and build multi-product business
- Segment customers and key verticals more deeply
- Expand partnerships
- Grow internationally
- Increase operational productivity



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Q3’23 Highlights

ARR

$2.3B

Up 11% Y/Y

Total Revenue

$558M

Up 10% Y/Y

Adj. Unlevered FCF(1)

$87M

Up 161% Y/Y

1. Non-GAAP financial measure

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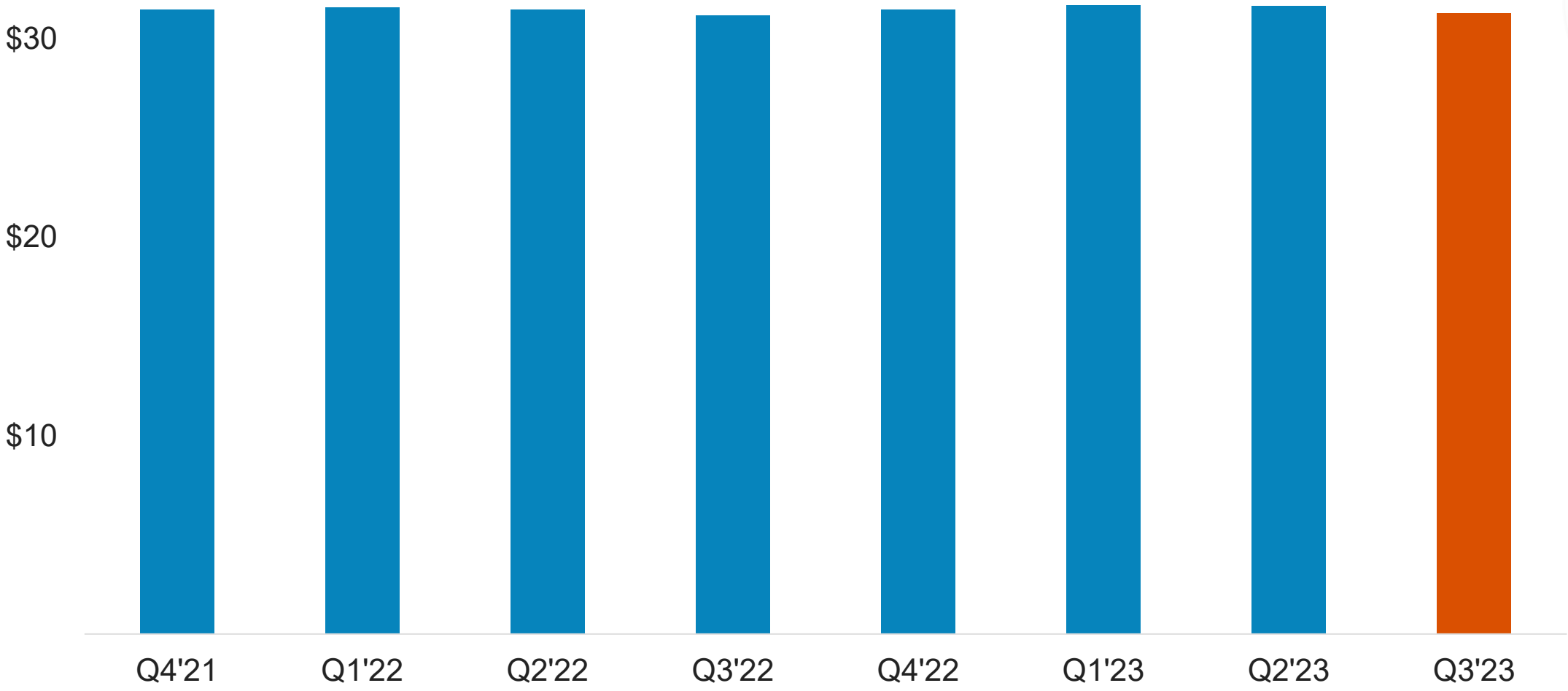
Overall Average Revenue per User (ARPU)



Remains Steady >$30

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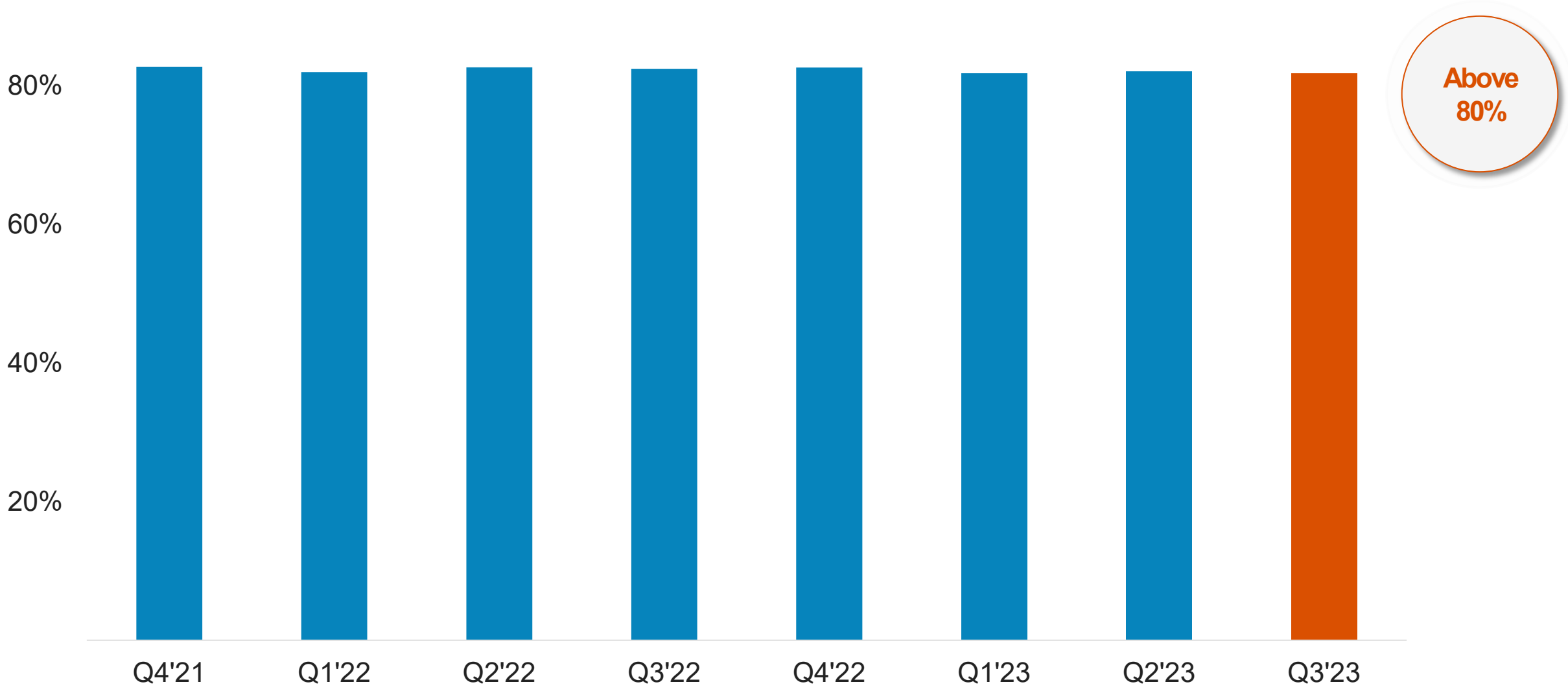
Non-GAAP Subscriptions Gross Margin



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Expanding Operating Margin(1)

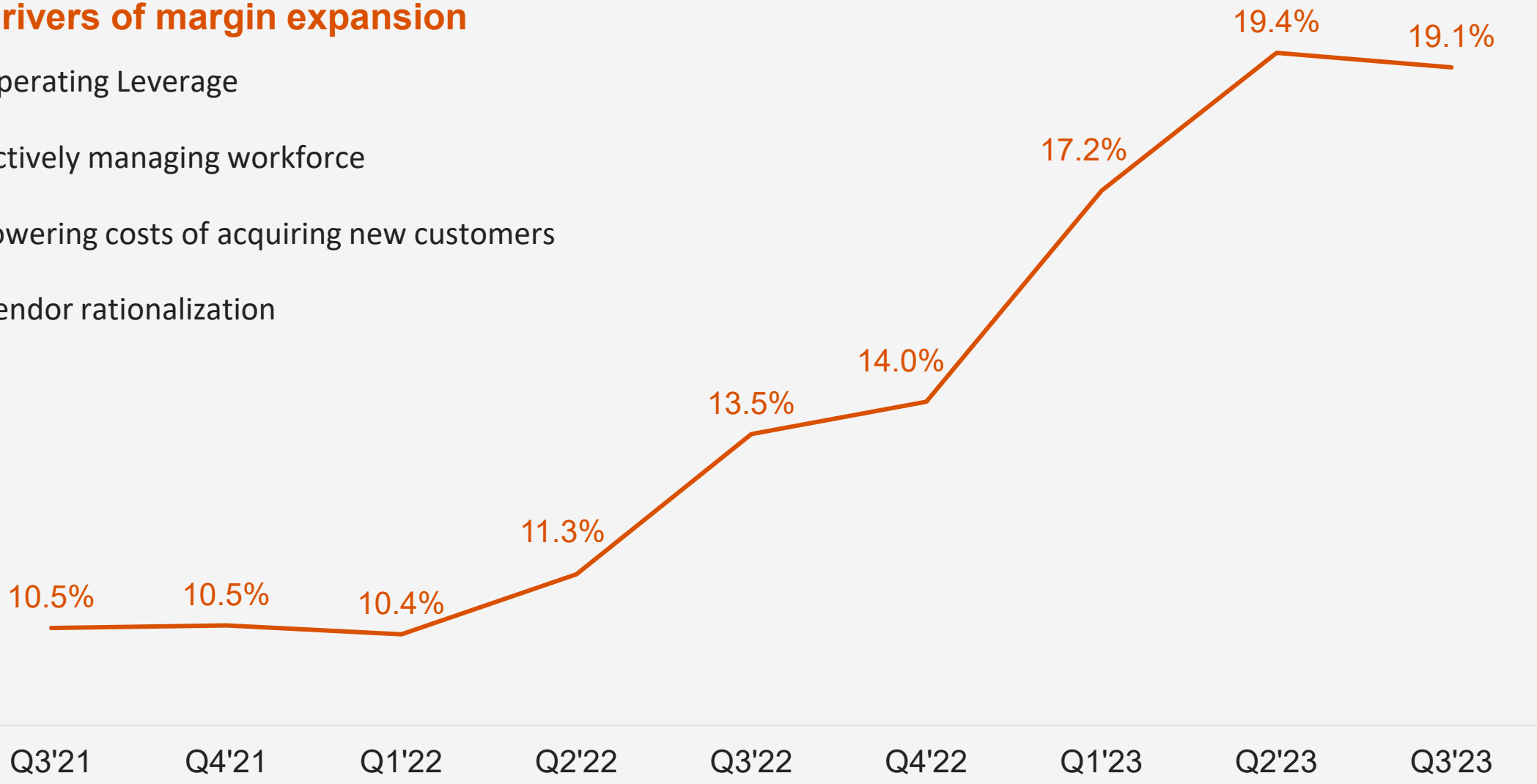
Drivers of margin expansion

Operating Leverage

Actively managing workforce

Lowering costs of acquiring new customers

Vendor rationalization



Up 560 bps Y/Y in Q3'23

(1) Non-GAAP Operating Margin

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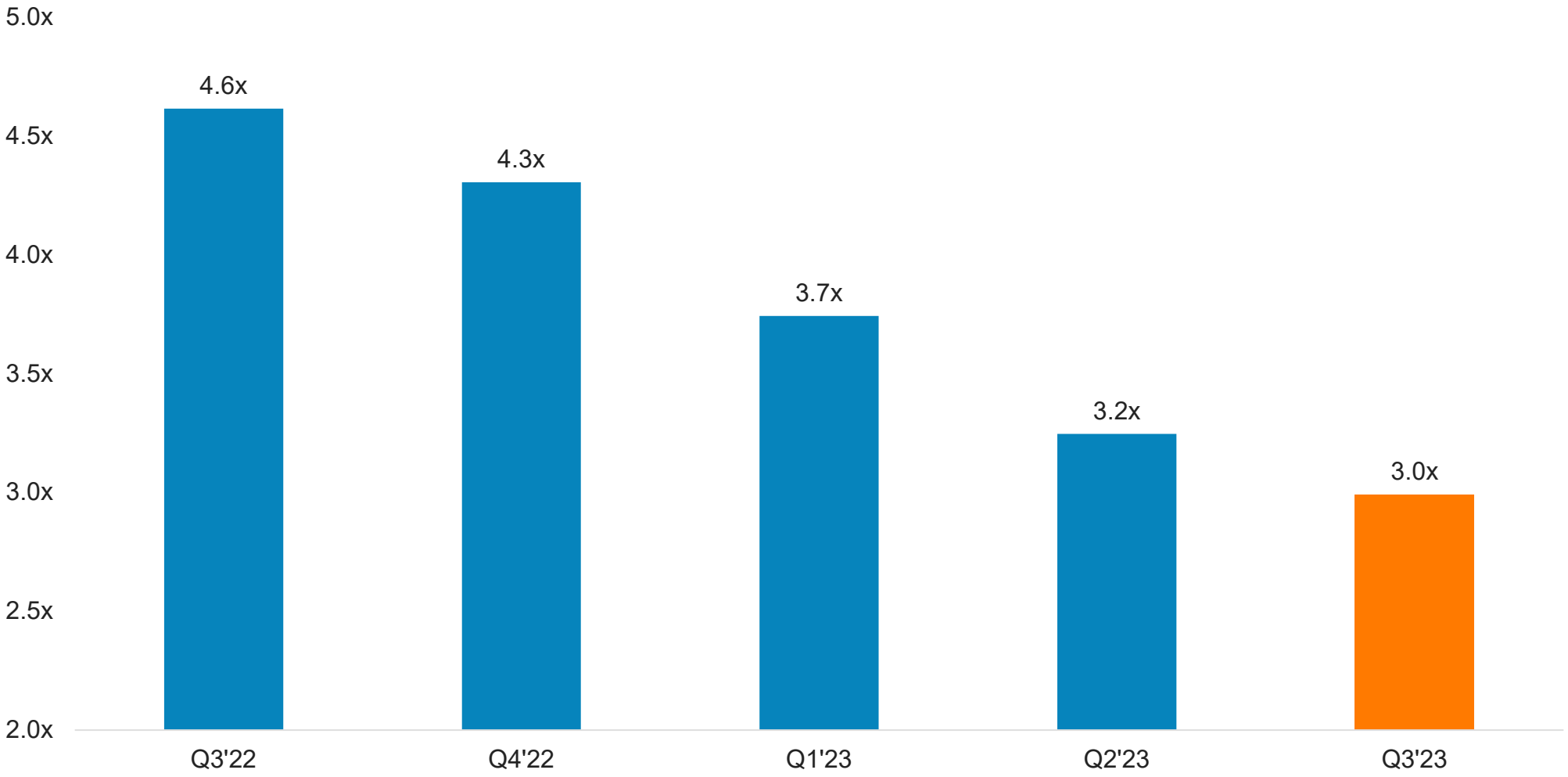
Net debt to LTM adjusted EBITDA[(1)]

Significant adjusted EBITDA growth driven primarily by operational improvements



1. *See Appendix for calculation.*

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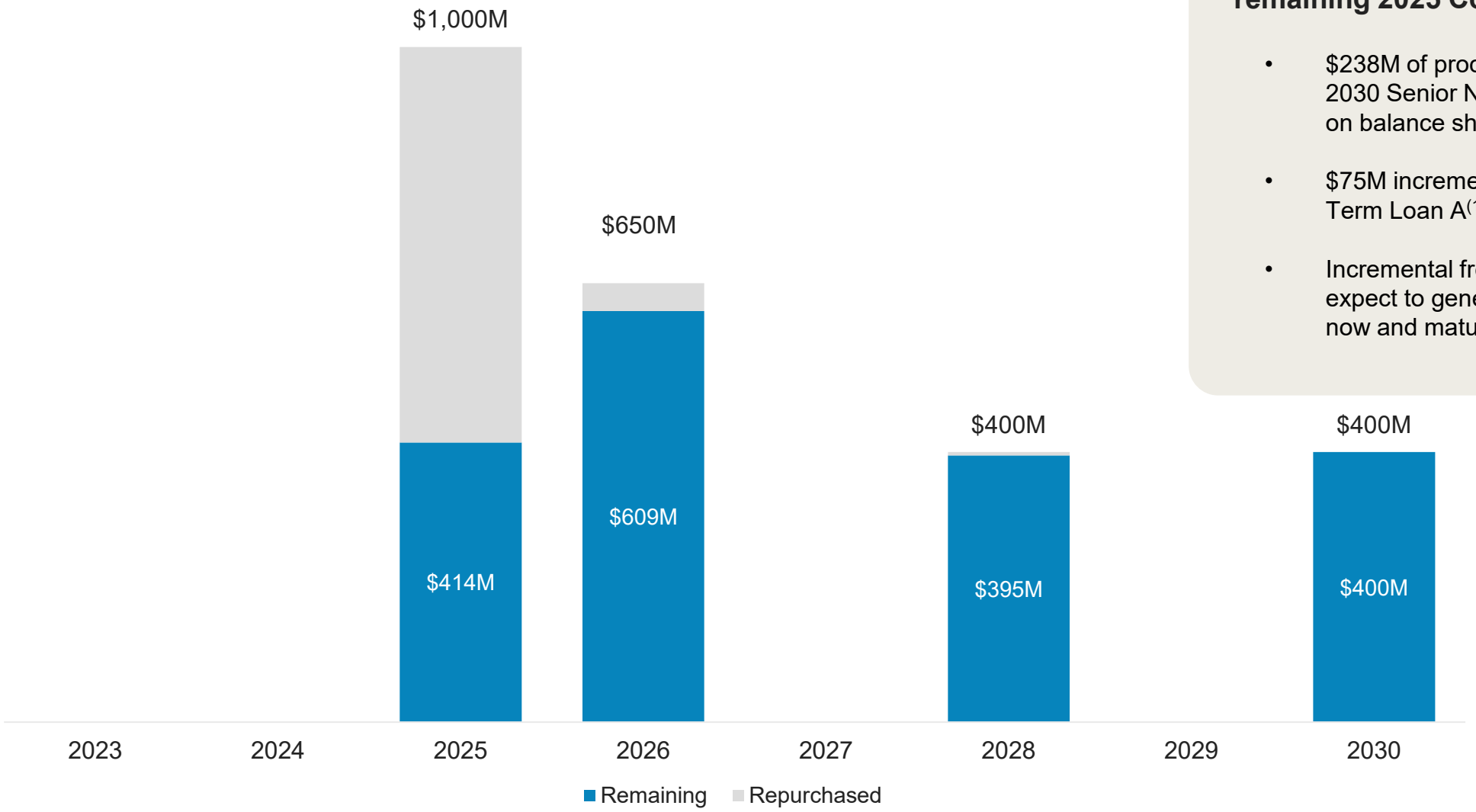
Debt Maturity Profile



Sources available to address remaining 2025 Convertible Notes

- $238M of proceeds from 2030 Senior Notes currently on balance sheet
- $75M incremental capacity from Term Loan A[(1)]
- Incremental free cash flow we expect to generate between now and maturity in March 2025

1. *On November 2, 2023, the Company entered into the Second Amendment to its Credit Agreement with certain lenders to increase the Term Loan by $75.0 million in accordance with the incremental loan provisions of the Credit Agreement, to an aggregate principal amount of $475.0 million.*

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Q4 2023 Guidance

	Q4 2023
Subscriptions Revenue Growth Y/Y	8% to 9%
Total Revenue Growth Y/Y	8% to 9%
Non-GAAP Operating Margin	20.0%
Non-GAAP EPS	$0.82 to $0.83

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FY 2023 Guidance

	Prior	Current
Subscriptions Revenue Growth Y/Y	11%	11%
Total Revenue Growth Y/Y	10% to 11%	11%
Non-GAAP Operating Margin	18.5% to 19.0%	19.0%
Non-GAAP EPS	$3.11 to $3.25	$3.19 to $3.20
Adj. Unlevered Free Cash Flow	$270 to $290 mil.	$290 to $300 mil.

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Appendix

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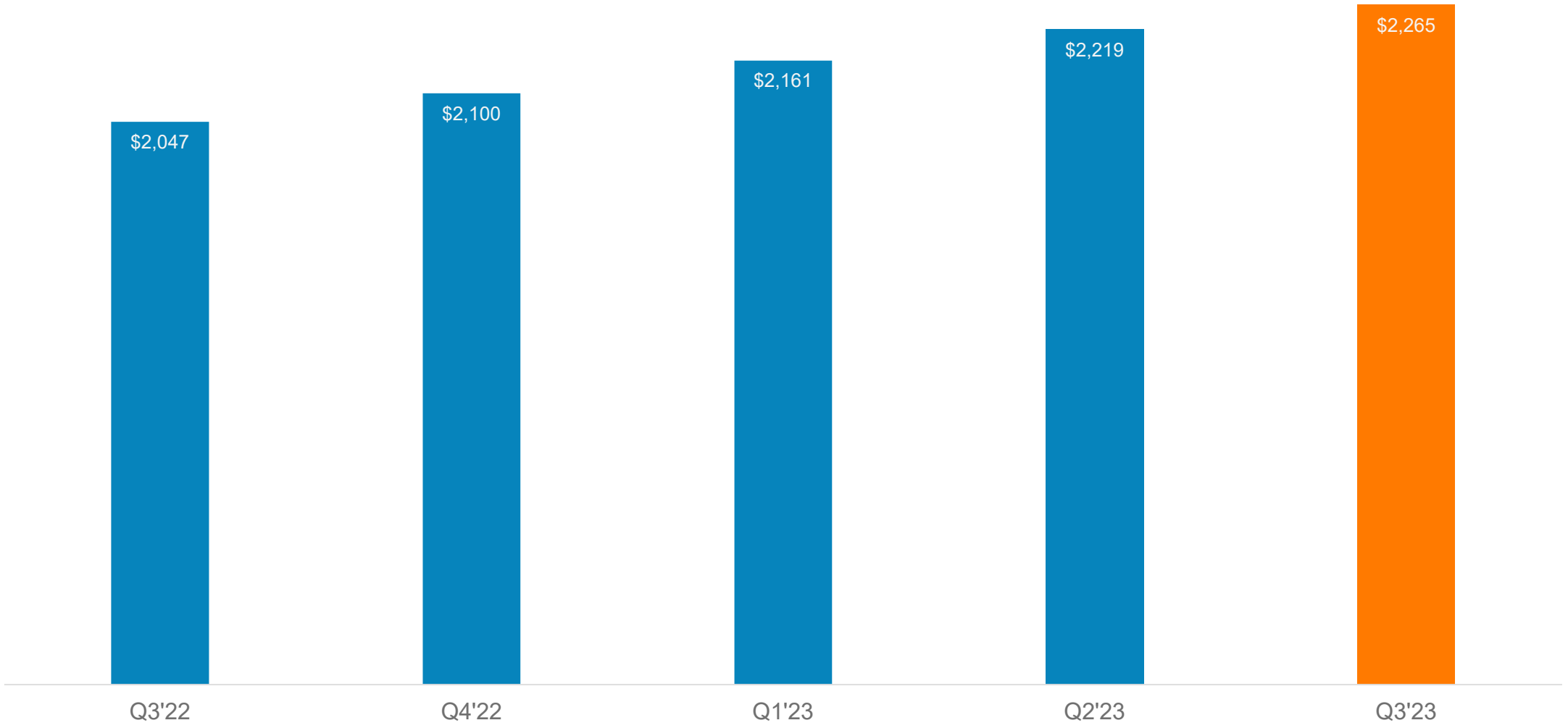
Total ARR



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Q3 2023 Financial Highlights

		$ Metric	Y/Y Growth
Revenue	Subscriptions Revenue	$531M	10%
	Other Revenue	$27M	5%
	Total Revenue	$558M	10%
ARR	Total	$2,265M	11%
	Customer ARR by Size[1]		
	Mid-Market and Enterprise	$1,410M	13%
	Enterprise	$966M	13%

1) Our reported results also include our annualized exit monthly recurring subscriptions, mid-market and enterprise annualized exit monthly recurring subscriptions, enterprise annualized exit monthly recurring subscriptions, and net monthly subscription dollar retention rate. We define our annualized exit monthly recurring subscriptions as our monthly recurring subscriptions multiplied by 12. Our monthly recurring subscriptions equal the monthly value of all customer recurring charges contracted at the end of a given month. We believe this metric is a leading indicator of our anticipated subscriptions revenue. We calculate mid-market and enterprise annualized exit monthly recurring subscriptions in the same manner as we calculate our annualized exit monthly recurring subscriptions, except that only customer subscriptions from customers generating $25,000 or more in annual recurring revenue are included. We calculate enterprise annualized exit monthly recurring subscriptions in the same manner as we calculate our annualized exit monthly recurring subscriptions, except that only customer subscriptions from customers generating $100,000 or more in annual recurring revenue are included. We define our net monthly subscription dollar retention rate as (i) one plus (ii) the quotient of dollar net change divided by average monthly recurring subscriptions. We calculate dollar net change as the quotient of (i) the difference of our monthly recurring subscriptions at the end of a period minus our monthly recurring subscriptions at the beginning of a period minus our monthly recurring subscriptions at the end of the period from new customers we added during the period, (ii) all divided by the number of months in the period. We define our average monthly recurring subscriptions as the average of the monthly recurring subscriptions at the beginning and end of the measurement period.

Q3 2023 Results vs Guidance

	Q3 Guidance	Q3 Results
Subscriptions Revenue	$526M to $530M	$531M
Subscriptions Revenue Growth Y/Y	9% to 10%	10%
Total Revenue	$552M to $556M	$558M
Total Revenue Growth Y/Y	8% to 9%	10%
GAAP Operating Margin	(9.1%) to (7.3%)	(9.7%)
Non-GAAP Operating Margin	18.0% to 18.5%	19.1%
Non-GAAP EPS	$0.75 to $0.78	$0.78

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Q4 2023 Guidance

	Q4 2023
Subscriptions Revenue	$542.0M to $548.0M
Subscriptions Revenue Growth Y/Y	8% to 9%
Total Revenue	$566.5M to $573.5M
Total Revenue Growth Y/Y	8% to 9%
GAAP Operating Margin	(8.8%) to (6.7%)
Non-GAAP Operating Margin	20.0%
Non-GAAP Tax Rate	22.5%
Non-GAAP EPS	$0.82 to $0.83

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FY 2023 Guidance

	Prior	Current
Subscriptions Revenue	$2,086M to $2,104M	$2,095M to $2,101M
Subscriptions Revenue Growth Y/Y	11%	11%
Total Revenue	$2,187M to $2,205M	$2,198M to $2,205M
Total Revenue Growth Y/Y	10% to 11%	11%
GAAP Operating Margin	(8.0%) to (6.3%)	(9.3%) to (8.7%)
Non-GAAP Operating Margin	18.5% to 19.0%	19.0%
Non-GAAP Tax Rate	22.5%	22.5%
Non-GAAP EPS	$3.11 to $3.25	$3.19 - $3.20
Adj. Unlevered Free Cash Flow	$270 to $290 mil.	$290 to $300 mil.

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Debt Profile at September 30, 2023

Debt Instrument	Maturity Date	September 30, 2023	December 31, 2022
2025 Convertible Notes [(1)]	March 1, 2025	$ 413,957	$ 1,000,000
2026 Convertible Notes [(2)]	March 15, 2026	609,065	650,000
Term Loan under Credit Agreement	February 14, 2028	395,000	--
Revolving Credit Facility under Credit Agreement [(3)]	February 14, 2028	--	--
2030 Senior Notes	August 15, 2030	400,000	--
Total principal amount		1,818,022	1,650,000

(1) The Company repurchased $586.0 million principal amount of the 2025 Convertible Notes during the nine months ended September 30, 2023 using $400.0 million of proceeds from the Term Loan, $118.4 million of proceeds from the 2030 Senior Notes, and $27.3 million of other available cash, resulting in a $37.5 million gain on early debt extinguishment, net of debt issuance costs.

(2) The Company repurchased $40.9 million principal amount of the 2026 Convertible Notes during the nine months ended September 30, 2023 using $35.2 million of proceeds from the 2030 Senior Notes, resulting in a $5.4 million gain on early debt extinguishment, net of debt issuance costs.

(3) Of the $225.0 million available for borrowing, the Company has not drawn down any amount under the Revolving Credit Facility.

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Net debt to adjusted EBITDA

($millions)	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Adj. EBITDA	63.4	65.5	72.7	87.0	92.7	112.3	125.0	127.8
LTM Adj. EBITDA				*288.7*	*317.9*	*364.7*	*416.9*	*457.8*
Total Debt				1,637.3	1,638.4	1,639.5	1,578.8	1,801.3
Total Cash[(1)]				305.4	270.0	274.8	225.4	432.4
Net Debt				1,331.9	1,368.4	1,364.7	1,353.4	1,368.9
Net Debt to Adj. EBITDA				4.6x	4.3x	3.7x	3.2x	3.0x

1. *Cash balance reflects approximately $250 million in cash paid during the nine months ended September 30, 2023 for the repurchase of shares, as well as approximately $15 million in cash paid for the acquisition of certain assets of Hopin, Inc. Additionally, cash balance includes $238M of proceeds from the 2030 Senior Notes.*

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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,	
	2023	2022	2023	2022
Revenues				
Subscriptions	$ 531,030	$ 483,229	$1,552,956	$1,386,140
Other	27,134	25,803	78,202	77,444
Total revenues	558,164	509,032	1,631,158	1,463,584
Cost of revenues reconciliation				
GAAP Subscriptions cost of revenues	141,172	134,372	413,664	395,083
Share-based compensation	(7,392)	(6,577)	(21,096)	(20,421)
Amortization of acquired intangibles	(37,045)	(42,750)	(110,324)	(128,609)
Third-party relocation and other costs	(93)	(74)	(105)	(1,229)
Restructuring costs	—	(96)	(637)	(252)
Non-GAAP Subscriptions cost of revenues	96,642	84,875	281,502	244,572
GAAP Other cost of revenues	27,802	33,102	80,403	86,055
Share-based compensation	(2,380)	(2,066)	(6,892)	(6,705)
Amortization of acquired intangibles	(22)	(23)	(66)	(54)
Restructuring costs	(6)	—	(58)	—
Non-GAAP Other cost of revenues	25,394	31,013	73,387	79,296
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	81.8 %	82.4 %	81.9 %	82.4 %
Non-GAAP Other	6.4 %	(20.2)%	6.2 %	(2.4)%
Non-GAAP Gross profit	78.1 %	77.2 %	78.2 %	77.9 %
Operating expenses reconciliation				
GAAP Research and development	85,444	86,700	250,965	273,492
Share-based compensation	(24,576)	(22,105)	(71,804)	(70,264)
Third-party relocation and other costs	(3,401)	(1,468)	(4,964)	(17,560)
Restructuring costs	(1,794)	(2,383)	(4,281)	(2,722)
Non-GAAP Research and development	55,673	60,744	169,916	182,946
As a % of total revenues non-GAAP	10.0 %	11.9 %	10.4 %	12.5 %
GAAP Sales and marketing	270,767	261,914	795,422	781,767
Share-based compensation	(38,287)	(38,139)	(117,063)	(119,749)
Amortization of acquired intangibles	(1,134)	(894)	(2,529)	(2,746)
Third-party relocation and other costs	(86)	(41)	(101)	(55)
Restructuring costs	(1,124)	(2,096)	(5,093)	(3,033)
Non-GAAP Sales and marketing	230,136	220,744	670,636	656,184
As a % of total revenues non-GAAP	41.2 %	43.4 %	41.1 %	44.8 %
GAAP General and administrative	87,154	72,261	244,472	217,810
Share-based compensation	(40,456)	(28,096)	(103,858)	(84,509)
Third-party relocation and other costs	(1,689)	(430)	(5,317)	(3,374)
Restructuring costs	(1,520)	(740)	(2,856)	(1,823)
Non-GAAP General and administrative	43,489	42,995	132,441	128,104
As a % of total revenues non-GAAP	7.8 %	8.4 %	8.1 %	8.8 %

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Income (loss) from operations reconciliation				
GAAP loss from operations	(54,175)	(182,559)	(153,768)	(393,865)
Share-based compensation	113,091	96,983	320,713	301,648
Amortization of acquired intangibles	38,201	43,667	112,919	131,409
Asset write-down charge	—	103,242	—	103,242
Third-party relocation and other costs	5,269	2,013	10,487	22,218
Restructuring costs	4,444	5,315	12,925	7,830
Non-GAAP Income from operations	106,830	68,661	303,276	172,482
Non-GAAP Operating margin	19.1 %	13.5 %	18.6 %	11.8 %
Depreciation and amortization	20,966	18,298	61,804	52,757
Non-GAAP Adjusted EBITDA	127,796	86,959	365,080	225,239
As a % of total revenues non-GAAP	22.9 %	17.1 %	22.4 %	15.4 %

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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,	
	2023	2022	2023	2022
Net income (loss) reconciliation				
GAAP net loss	$ (42,116)	$ (284,616)	$ (117,997)	$ (595,103)
Share-based compensation	113,091	96,983	320,713	301,648
Amortization of acquired intangibles	38,201	43,667	112,919	131,409
Asset write-down charge	—	103,242	—	103,242
Third-party relocation and other costs, net	(1,731)	2,013	(22)	22,204
Restructuring costs	4,444	5,315	12,925	7,830
Amortization of debt discount and issuance costs	1,067	1,118	3,465	3,350
Loss associated with investments	99	99,835	1,745	194,080
Gain on early extinguishment of debt	(11,784)	—	(42,891)	—
Intercompany remeasurement loss (gain)	669	35	(1,217)	519
Income tax expense effects	(25,866)	(14,532)	(60,319)	(35,818)
Non-GAAP net income	$ 76,074	$ 53,060	$ 229,321	$ 133,361
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	94,593	95,575	95,213	95,097
Effect of dilutive securities	2,362	927	1,622	977
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	96,955	96,502	96,835	96,074
Diluted net income (loss) per share				
GAAP net loss per share	$ (0.45)	$ (2.98)	$ (1.24)	$ (6.26)
Non-GAAP net income per share	$ 0.78	$ 0.55	$ 2.37	$ 1.39

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	$ 86,594	$ 42,260	$ 285,818	$ 151,933
Less:				
Capitalized expenditures	(16,632)	(21,745)	(55,756)	(63,466)
Strategic partnerships	—	—	(33,250)	—
Add:				
Restructuring and other payments	10,038	12,724	21,460	14,118
Cash paid for interest, net of interest rate swap	6,737	52	10,166	272
Non-GAAP adjusted, unlevered free cash flow	$ 86,737	$ 33,291	$ 228,438	$ 102,857

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

	Q4 2023		FY 2023	
	Low Range	High Range	Low Range	High Range
GAAP revenues	566.5	573.5	2,197.7	2,204.7
GAAP loss from operations	(49.7)	(38.3)	(203.4)	(192.1)
GAAP operating margin	(8.8%)	(6.7%)	(9.3%)	(8.7%)
Share-based compensation	110.0	105.0	430.7	425.7
Amortization of acquired intangibles	38.0	38.0	150.9	150.9
Third-party relocation and other costs, net	—	—	10.5	10.5
Restructuring costs	15.0	10.0	28.0	23.0
Non-GAAP income from operations	113.3	114.7	416.7	418.0
Non-GAAP operating margin	20.0 %	20.0 %	19.0 %	19.0 %

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