

1 **Steven Horwitz - VP of Investor Relations**

2 Thank you. Good afternoon and welcome to RingCentral's fourth quarter and full year
3 2025 earnings conference call. Joining me today are Vlad Shmunis, Founder,
4 Chairman, and CEO, Kira Makagon, President and COO, and Vaibhav Agarwal, CFO.

5 Our remarks today include forward-looking statements regarding the Company's
6 business operations, financial performance, and outlook. These statements are subject
7 to risks and uncertainties, some of which are beyond our control, and are not
8 guarantees of future performance. Actual results may differ materially from our forward-
9 looking statements and we undertake no obligation to update these statements after this
10 call. If the call is replayed after today, the information presented may not contain current
11 or accurate information. For a complete discussion of the risks and uncertainties related
12 to our business, please refer to the information contained in our filings with the
13 Securities and Exchange Commission, as well as today's earnings release.

14 Unless otherwise indicated, all measures that follow are non-GAAP with year over year
15 comparisons. A reconciliation of all GAAP to non-GAAP results is provided with our
16 earnings release and in the slide presentation, which you can find under the Financial
17 Results section at ir.ringcentral.com. With that, I'll turn the call over to Vlad.

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19 **Vlad Shmunis – Founder, Chairman and CEO**

20 Good afternoon and thank you for joining us.

21 Before I begin, let me warmly welcome Mahmoud ElAssir to our Board of Directors. As Senior
22 Vice President and Chief Technology Officer at UnitedHealth Group, ElAssir leads Group
23 Technology Infrastructure, Platforms, and Services, including Corporate Systems. Previously,
24 Mahmoud held senior leadership roles at Google and Verizon, where he led major AI/cloud,
25 network, and platform transformation initiatives powering global enterprise and consumer
26 services. Mahmoud brings deep expertise in AI-native platforms, cloud infrastructure, real-time
27 data systems, security, and large-scale product engineering. His perspective will be invaluable
28 as we scale RingCentral through the next phase of our AI-led evolution.

29 Moving on to the results, we had a strong Q4, capping a solid 2025 in which we met or
30 exceeded all our key operating metrics. Total revenue for the year grew nearly 5% and
31 subscription revenue grew just over 5.5%. Of particular note, we generated record free cash
32 flow of more than a half billion dollars, up 32% versus 2024. This translated to over \$5.80 of free
33 cash flow per share in 2025.

34 I am also pleased with the progress we have made in meaningfully reducing the value of new
35 shares granted by over 35% year over year. Managing SBC is a key priority. Our steady state
36 SBC target is 3-4% of annual revenue, and we expect to achieve it in the next three to four
37 years.

38 Improving profitability combined with reduction in SBC translated to our first ever full year of
39 positive GAAP operating margin. We achieved nearly 5% GAAP operating margin in 2025,
40 which we expect to approximately double in 2026. We are targeting to achieve approximately
41 20% GAAP operating margin in the next 3 to 4 years.

42 With this in mind, we are now in a position to expand and diversify our overall capital allocation
43 strategy. I'm happy to share that today we've announced our first ever quarterly dividend of
44 \$0.075 per share.

45 We believe that these strong results are not an aberration, but an early sign of good things yet
46 to come as RingCentral transforms itself into an Agentic Voice AI Company. Here is why:

47 RingCentral is an acknowledged leader in cloud-based business communications. We have built
48 a \$2.5B business from scratch by making human connections simpler, cheaper and more
49 reliable. Our global platform is carrier-grade, secure, and regulatory-compliant. It is trusted by
50 half a million businesses and over 8 million end users worldwide, and supports tens of billions of
51 minutes, and billions of calls and SMS messages annually. Critical technical requirements are
52 low latency and bullet-proof reliability, with the system designed to avoid any downtime even
53 during maintenance windows, as scratchy voice, or worse - no dial tone - are simply not
54 acceptable. With a multi-billion dollar cumulative investment, and thousands of highly-
55 specialized real-time communications specialists expanding and improving our cloud-native
56 platform over the last two decades, this asset is a strong differentiator as the world gets
57 transformed by AI. Simply put, RingCentral's investment and know-how serve a mission-critical
58 need, and are very hard, and likely not cost-effective, to replicate. Far from being outdated by
59 forthcoming AI agents, RingCentral's platform is a natural bedrock for emerging Agentic Voice
60 AI.

61 Looking forward, consumers communicate with their providers, predominantly via voice and
62 text, and these interactions are growing. When a consumer calls or texts their business
63 provider, it can be answered by a human or an AI agent. In either case, it is RingCentral's
64 platform that makes this interaction possible. And as workflows gradually incorporate more AI
65 agents, RingCentral is in a strong position to provide additional value by incorporating Agentic
66 Voice AI at the very top of the B2C communications funnel.

67 At our recent investor product day, I laid out our vision for RingCentral 3.0 - whereby
68 RingCentral is well on its way to transforming itself into a leading Agentic Voice AI platform.
69 With Agentic Voice AI, we are now in a position to not only make connections but also to add
70 significant value to those interactions themselves - before, during, and after every call or text
71 message, thus enabling businesses to answer more calls more efficiently, garner more leads,
72 and process more inquiries at a higher quality. This makes our service substantially stickier and
73 more valuable to our customers as we are able to answer questions, provide insights, and
74 analyze conversations for better customer experience and outcomes.

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78 While it is still early, recent results are encouraging.

79 Firstly, our pure AI ARR revenue has almost tripled year over year and has contributed
80 significantly towards us meeting our stated goal of \$100 million ARR from new products in 2025.
81 But even more importantly, ARR from customers who utilize at least one of our monetized AI
82 products (which we refer to as RAI-utilizing customers) has more than doubled year over year
83 and is now approaching 10% of our overall ARR. With new logo acquisitions, AI attach rate is
84 meaningfully higher, making it a long-term tailwind. Importantly, our RAI-utilizing customers
85 average significantly better ARPU and are stickier, with net retention rates exceeding 100%.
86 This is another strong tailwind.

87 Looking forward, I could not be more excited about 2026 and beyond. We are leveraging a
88 scaled, cloud-native, real-time communications global platform, and are able to spend over
89 \$250 million on innovation annually. AI is a natural tailwind to our business. The majority of this
90 ongoing investment is now directed towards our new AI-led product portfolio. These products
91 are showing good early results. Our brand is strong, competitive moat is wide and increasing,
92 and our GTM is well established and differentiated. We are embedding intelligence across every
93 interaction and creating new monetization and differentiation opportunities to further widen our
94 moat and increase wallet share. Our financial performance is strong and improving, allowing us
95 multiple avenues to return capital to shareholders. With a proven team and a rapidly growing
96 portion of our revenue attributable to AI, we are in a unique position to revolutionize business
97 communications yet again - now through AI.

98 With that, I'll turn it over to Kira.

99

100 **Kira Makagon, COO**

101 Thank you Vlad. Let me now expand on a few points.

102 Agentic Voice AI is our strategic priority that's delivering clear ROI. RAI-utilizing customers are
103 driving tangible value – they have higher usage, increased spend, and stronger retention.

104 As Vlad highlighted, approximately 10% of our ARR now comes from customers using at least
105 one AI product, and that adoption more than doubled over the last year. AI is driving structural
106 improvements, making every customer more valuable.

107 Our AI solutions – AIR, AVA, and ACE – deliver measurable outcomes at every stage of a
108 conversation – before, during, and after respectively. Each plays a distinct role in driving
109 automation, productivity, and insights. Built upon our proven, mission-critical communications
110 platform, our Agentic Voice AI portfolio extends a durable moat grounded in scale, reliability,
111 and over two decades of customer trust.

112 **AIR**

113 Our AI Receptionist, or AIR, is a virtual receptionist that ensures businesses never miss an
114 important call or lead. It can handle multiple calls simultaneously, is multilingual, and is able to
115 answer questions, schedule appointments and meetings, and route calls. AIR is easy to set up
116 with no professional services required in most cases. As a matter of fact, we have proof points
117 of AIR being set up by human receptionists who are not technically savvy. AIR is our fastest-
118 growing Agentic Voice AI offering, and it is helping us capture greater wallet share from our
119 customers.

120 In Q4, AIR customer count reached 8,300, up 44% sequentially, with customers adding usage-
121 based minute bundles to drive more efficient front-office operations, higher call intake, and
122 ultimately more revenue. With a usage-based model, AIR revenue scales directly with our
123 customers' business activity and is not subject to potential reduction in seat counts.

124 **AVA**

125 If and when a call is connected to a human, that's where our AI Virtual Assistant or AVA steps in
126 to assist in real time. AVA captures notes and surfaces recommendations, accelerating
127 workflows for our RingEX and RingCX customers.

128 **ACE**

129 After the call, our AI Conversation Expert or ACE closes the loop, analyzing every recorded
130 interaction for insights that improve coaching, quality and performance across the organization.
131 ACE has been well-received with customer count now exceeding 4,800, up 144% YoY.

132 Together, AIR, AVA and ACE, create a layer of intelligence at every point of interaction –
133 automating upfront, assisting in the moment, and analyzing for ongoing improvement – helping
134 customers drive better performance, stronger customer experiences, and more informed
135 decision-making.

136 Let me now provide some real-world examples:

137 A large multi-specialty healthcare provider in Tennessee deployed AIR in Q4 to address
138 persistent challenges with long wait times, inefficient routing, and scheduling appointments with
139 integrated SMS. After a 3 month trial which enabled them to route 100% of incoming calls
140 properly, they expanded AIR minutes from 30,000 to half a million minutes per quarter.

141 Destination Pet, a nationwide premium pet care provider, purchased RingEX and AIR in Q2
142 2025, and shortly after in Q4, they added ACE. They're leveraging AIR and ACE across 180+
143 locations to capture every call and monitor call quality across every site, demonstrating the
144 tangible ROI customers look to drive as they expand adoption of our AI portfolio.

145 PM Pediatrics, the largest specialized pediatric urgent care provider in the United States, is
146 leveraging AIR, AVA, and ACE to enable faster routing, higher first-contact resolution, and
147 richer patient engagement across their 80+ locations. In particular, AIR is allowing them to
148 handle 30% more patient calls. This integrated AI approach modernizes operations, reduces
149 friction, and enhances patient experience.

150 The key point is that AIR, AVA, and ACE are designed to automate, assist, and analyze across
151 the entire conversation journey. With RingCentral sitting at the very top of the B2C funnel and
152 serving hundreds of thousands of businesses and millions of end-users globally, we now have
153 tangible early proof points of our ability to deliver significant customer value via agentic voice AI.
154 The compounding flywheel of AIR, AVA, and ACE is building upon the strength of our carrier-
155 grade, secure, global business communications platform, and sets us apart from point solutions,
156 contributing to ARPU expansion and higher retention.

157 **Customer Engagement**

158 In November, alongside our agentic voice AI suite, we introduced Customer Engagement
159 Bundle or CEB for EX. CEB is a purpose-built solution for businesses with non-dedicated
160 agents who don't need the complexity of a full-scale contact center. Just months after launch,
161 we crossed 1,000 customers, confirming strong demand. CEB is also quickly becoming another
162 vector for RingCentral agentic voice AI growth.

163 For customers with dedicated agents that require formal contact centers, RingCX provides an
164 AI-powered customer experience suite, including WEM. Momentum for RingCX remains strong,
165 with adoption by more than 1,500 customers, nearly doubling year over year, while revenue and
166 ARR also more than doubled. In Q4, over half of our \$1-million-dollar-plus TCV deals included
167 RingCX, and more than 50% of overall RingCX deals included AI.

168 For example:

169 Patient Connect, a specialized healthcare call center and scheduling provider, uses RingCX
170 with AVA agent assist to surface patient insights, cutting handle times by 50%. They also use
171 ACE quality management to replace time-consuming "spot checks" of call recordings, reducing
172 escalations by 40%.

173 Patient Connect reflects a broader pattern. Our agentic voice AI is delivering transformative
174 results across customers of all sizes and industries, ourselves included. RingCentral
175 customer support runs the full RingCX suite with WEM and agentic voice AI, resolving more
176 interactions upfront, cutting queue volumes by over 50%, accelerating resolution times, and
177 elevating customer experiences. This is reflected in our latest Gartner Peer Insights ranking,
178 where Service and Support scored a new high, placing us in the top tier of communications
179 vendors.

180 In summary, we are executing on our Agentic Voice AI vision – where AIR, AVA, and ACE
181 create an intelligence layer across every conversation. RCAI-utilizing customers spend more,
182 stay longer, and represent a growing share of our business. This sets RingCentral up for
183 durable growth, expanding profitability, and meaningful long-term value creation.

184 With that, I'll hand it to Vaibhav.

185

186 **Thank you, Kira, and good afternoon, everyone.**

187 As Vlad noted in his comments, we have a durable TAM, well established competitive moat, a
188 rapidly emerging Agentic Voice AI portfolio, and a well established GTM. Our AI, while early, is
189 making a meaningfully positive impact on our performance, and is already contributing to all key
190 financial metrics. Let me now provide more details on our performance and outlook.

191 Q4 was a strong finish to a good year, reflecting our strong position in a growing market, and
192 disciplined execution across the board. Over the course of 2025, we meaningfully strengthened
193 our financial profile across all key metrics. Our business is robust, growing, and poised to further
194 benefit from Agentic Voice AI. We believe we are well positioned to continue strengthening our
195 balance sheet, and enhancing capital returns, thus positioning the company for sustained long-
196 term value creation.

197 As Vlad noted, in 2025, we surpassed \$2.5 billion in revenue, achieved \$100 million in ARR
198 from new products, delivered record free cash flow of over half a billion, achieved full-year
199 GAAP profitability, reduced net leverage and SBC, and returned our absolute share count to
200 2019 levels. These milestones enabled us to drive record free cash flow per share while
201 continuing to invest in innovation at a world-class level.

202 Based on our strong financial performance and outlook that I will be sharing with you shortly, I'm
203 now incredibly excited to announce our first ever quarterly dividend of \$0.075 per share. This
204 strategic enhancement to our capital return strategy is reflective of our confidence in the future
205 of our business and our ability to drive long-term cash flows. More details of this dividend are
206 available in our press release.

207 Turning to Q4, Subscription revenue was \$622 million, up 5.5% year over year, and total
208 revenue was \$644 million, up 4.8%, both in line with guidance.

209 Our core business remained durable in Q4, with stable monthly net retention rates above 99%.

210 Within our customer cohorts, Small Business and Global Service Provider businesses, totaling
211 over \$1.1 billion in ARR, both grew in double digits with strong unit economics. As Vlad
212 indicated, a key metric moving forward is performance from customers using at least one of our
213 AI products. We refer to these as RCAI-utilizing customers. This is currently approaching 10%
214 of our overall ARR, more than doubling year over year. As these RCAI-utilizing customers come
215 from all cohorts, this metric better reflects how we manage our business. We plan to report on

216 our progress with RCAI-utilizing customers periodically instead of previously disclosed cohort-
217 based metrics.

218 Moving to profitability, Q4 subscription gross margin remained above 80%. Non-GAAP
219 operating margin reached 22.8%, up more than 140 basis points year over year, driven by
220 operating leverage and improved sales and marketing efficiency.

221 Our disciplined approach to equity management resulted in an SBC reduction by over 300 basis
222 points as a percentage of revenue year over year. This contributed to us delivering GAAP
223 operating margin of 6.6%, up about 4 points year over year, and GAAP EPS of \$0.26. Non-
224 GAAP EPS increased more than 20% to \$1.18, above the high end of guidance.

225 In Q4, we generated \$126 million of FCF, up 13% year over year. During the quarter, we also
226 repurchased approximately 5 million shares for \$135 million.

227 For the full year 2025, subscription revenue grew 5.6% to \$2.43 billion and total revenue
228 increased 4.8% to \$2.52 billion.

229 Subscription gross margin was 80.5%, and non-GAAP operating margin improved 150 basis
230 points to 22.5%, or \$566 million of operating profit. Revenue growth again outpaced operating
231 expense growth, reflecting disciplined hiring, expanded offshoring, vendor consolidation,
232 increased internal use of AI, and investments in higher-return products and go-to-market
233 motions.

234 Our strong operating performance combined with working capital improvements drove a record
235 \$530 million in free cash flow, up 32% year over year, representing a 21% margin.

236 New equity grants declined 36% to approximately \$160 million, or 6% of revenue, driving a 340
237 basis point reduction in SBC as a percentage of revenue.

238 As a result, we achieved a full year of GAAP operating profitability, with GAAP operating margin
239 of 4.8% and GAAP EPS of \$0.48. Non-GAAP EPS grew 18% to \$4.36, above the high end of
240 guidance. Weighted average fully diluted shares were approximately 91 million. Free cash flow
241 per share increased 36% to \$5.81. Expanding free cash flow per share as well as our GAAP
242 profitability remain core priorities.

243 Turning to our balance sheet, we reduced debt by more than \$275 million, ending the year at
244 1.7x net leverage. We have \$955 million of undrawn credit capacity, which we expect to use to
245 address the \$609 million convertible maturity in March 2026. After that, we have no maturities
246 until 2030.

247 We also used \$334 million towards repurchase of shares in 2025.

248 Before I get into the specific guidance for Q1 and 2026, let me highlight a few key pillars that are
249 foundational to our long-term strategy.

250 First, we remain committed to investing in durable growth rooted in world-class ongoing
251 innovation. We are spending over \$250 million in innovation, with a majority going towards our
252 new AI-led products.

253 Second, improving GAAP and non-GAAP profitability and free cash flows. We expect free cash
254 flow of \$590 million in 2026 at midpoint. As Vlad noted, we also expect GAAP operating margins
255 of 9% in 2026 at midpoint, with a goal of reaching 20% over the next three to four years.

256 Third, we remain focused on reducing SBC to drive improvements in EPS and FCF per share.
257 We expect annual grants in dollars to decline further to approximately \$150 million in 2026 with
258 further reductions over time. Our goal is to reach a steady state of 3–4% SBC as a percentage
259 of revenue over the next three to four years.

260 Fourth, continue deleveraging with a near term goal of achieving investment grade credit rating.
261 To that end, we remain committed to reducing our gross debt to \$1 billion by the end of 2026.

262 Fifth, returning additional capital in the form of dividends and share buybacks. On the latter
263 note, our board has approved a \$250 million increase in our share repurchase plan, bringing the
264 total authorization to \$500 million.

265 With this context, let me turn over to guidance

266 For full-year 2026, we expect:

- 267 ● Subscription revenue growth of 4.5% to 5.5%
- 268 ● Total revenue growth of 4% to 5%
- 269 ● GAAP operating margin of 8.6% to 9.6%, expanding approximately 430 basis points at
270 the midpoint

- 271 ● Non-GAAP operating margin of 23% to 23.5%, expanding approximately 75 basis points
- 272 at the midpoint
- 273 ● Free cash flow of \$580 million to \$600 million, up 11% at the midpoint
- 274 ● SBC of \$240 million to \$250 million, down about 2 points to approximately 9% of
- 275 revenue at the midpoint
- 276 ● In-year new stock grants of \$145 to \$155 million
- 277 ● Free cash flow per share of \$6.67 to \$6.94, up 17% at the midpoint based on 86.5-87
- 278 million shares
- 279 ● Non-GAAP EPS of \$4.76 to \$4.97, up 11% at the midpoint

280 For Q1 2026, we expect:

- 281 ● Subscription revenue of \$620 million to \$625 million
- 282 ● Total revenue of \$640 million to \$645 million
- 283 ● GAAP operating margin of 7.1% to 8.2%
- 284 ● Non-GAAP operating margin of 22.8% to 22.9%, up approximately 100 bps year over
- 285 year
- 286 ● Non-GAAP EPS of \$1.16 to \$1.19
- 287 ● SBC of \$60 million to \$65 million

288 In closing, I would like to thank our customers and employees for a strong 2025 and now we
289 look forward to another strong year of execution with Agentic Voice AI providing a durable
290 tailwind to our business.

291 With that, we'll open the call for questions.