

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

2 Thank you. Good afternoon and welcome to RingCentral's first quarter 2026 conference
3 call. Joining me today are Vlad Shmunis, Founder, Chairman, and CEO, Kira Makagon,
4 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.

18

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

20 Good afternoon and thank you for joining us.

21 **Q1 FINANCIAL RESULTS**

22 We are off to a strong start to the year as we delivered another solid quarter, with total revenue
23 at the high end of our guidance.

24 Importantly, we are also making meaningful progress in the quality of our operating model. We
25 delivered record GAAP and non-GAAP operating margins, reduced stock-based compensation,
26 paid down debt, and returned capital to shareholders, including our first-ever dividend. These
27 are important milestones and reflect a business that is becoming more efficient, more profitable,
28 and more durable over time.

29 As to free cash flows, we now expect approximately \$600 million of free cash flow this year,
30 which is approaching \$7.00 per share, which we believe is among the best in our peer group.

31 Moving forward, we plan to continue to reduce SBC with a path toward our medium-term target
32 of 3% to 4% of revenue, and we are steadily building toward our goal of 20% GAAP operating
33 margin in the next 3 to 4 years.

34 Our strong financial performance is rooted in operational discipline that is underpinned by our
35 unwavering commitment to innovation and a strong competitive position.

36 As one of the original cloud-native SaaS providers, we revolutionized customer communications
37 by taking it from on-prem legacy infrastructure to the multi-tenant cloud. On the strength of that
38 innovation, we've built a \$2.7 billion ARR business that is growing, generating a healthy amount
39 of cash, and is returning value to shareholders in a meaningful way.

40 RingCentral's original success was rooted in the convergence of —broadband, mobility, and
41 cloud computing. We leveraged these megatrends to transform how hundreds of thousands of
42 businesses and millions of users communicate with their customers. Today, we're at the start of
43 an even bigger innovation: namely AI, and specifically, the rise of agentic voice AI. AI builds on
44 top of all the world-class assets that RingCentral has created over the years.

45

46 It plays directly to our strengths. With our robust platform, massive amounts of rich data,
47 omnichannel communication capabilities and global GTM and innovation at scale, we are well
48 positioned to leverage AI as a key driver of our long-term growth and profitability.
49

50 While agentic AI is very powerful and will be transformational to how businesses interact with
51 consumers, our core belief is that it won't replace all humans. AI can and will do a lot, and it will
52 make humans in the loop more effective. RingCentral's secret sauce is to deliver agentic AI
53 experiences at every stage of consumer-to-business interactions, while enabling businesses to
54 get human agents involved at the right time. RingCentral's differentiated approach is to make
55 both AI agents and human agents smarter by working together seamlessly, resulting in better
56 customer outcomes and greater cost efficiencies. This hybrid, human-in-the-loop model is
57 where RingCentral excels.

58 More specifically, our ability to orchestrate AI and human interactions at scale on a single
59 platform, across voice, text, and video, and do this at a global scale, with industry-leading
60 reliability, security, and quality of service — this is our structural advantage and a defensible
61 competitive moat.

62 RingCentral processes tens of billions of minutes and billions of calls and messages each year.
63 As the **front door** to consumer-to-business interactions at scale, we're uniquely positioned to
64 deploy AI across every stage of the journey—before, during, and after human involvement. We
65 offer a modern, end-to-end customer engagement platform spanning all consumer-to-business
66 interactions. Our portfolio includes RingEX for cloud PBX, RingCX and RingCentral Workforce
67 Engagement Management or RingWEM for full-featured contact centers, and our recently
68 introduced Customer Engagement Bundle or CEB, for informal contact center capabilities. We
69 embed agentic voice AI across our entire platform. Our agentic voice AI portfolio or RCAI, is
70 currently comprised of AI Receptionist or AIR and AIR Pro - which automate customer
71 interactions from the get go, AI Virtual Assistant, or AVA, which assists the human agent in real-
72 time, and AI Conversation Expert, or ACE, for deep conversational analysis and coaching.
73 Overall, we are good at helping businesses connect with more customers, resolve issues faster
74 and more cost effectively, capture more leads, and make remaining human agents more
75 effective.

76 Adoption of our AI product portfolio is strong. Customers using our AI adopt more products,
77 spend more with us, and stay longer — driving higher ARPU and net retention well above
78 100%. ARR from customers who utilize at least one of our paid AI products, which we refer to
79 as RCAI utilizing customers, has more than doubled year over year, and is growing in double
80 digits sequentially, with favorable ARPU and retention metrics. Kira and Vaibhav will provide
81 more details.

82 **Closing**

83 In summary, I'd like to leave you with these 4 takeaways:

84 First, RingCentral has a **deep and defensible moat in an expanding market**. We have built a
85 carrier-grade communications platform with the scale, reliability, and trust required for mission-
86 critical customer interactions. As AI expands the scope of customer engagement, we believe
87 that our market opportunity is only getting larger, and we are uniquely positioned to capture it.
88 We are currently investing over \$250 million dollars in innovation annually, with a meaningful
89 and increasing portion dedicated to RCAI. This is another sustainable competitive advantage,
90 and we are confident in our ability to keep investing in innovation while continuing to further
91 improve our operating metrics moving forward.

92 Second, we are at the **front door and the top of the funnel** for consumer to business
93 communications. We sit where interactions begin, where customer intent is first expressed, and
94 where routing and resolution decisions are made. This gives us access to the real-time context
95 and workflow intelligence that are increasingly valuable in the AI era.

96 Third, we have a **complete customer engagement platform** powered by RCAI. This allows us
97 to bring together AI agents and human agents on a single platform across voice, messaging,
98 and video. This is delivering real value for customers, and we are already seeing solid early
99 adoption, growing monetization, higher ARPU and strong retention across our RCAI-utilizing
100 customer base. Important to note is that all of our RCAI and customer engagement products are
101 fully owned by RingCentral with attendant benefits to control over the roadmap, time to market,
102 and owner economics. We believe this to be another important competitive differentiator.

103 And fourth, we are delivering **strong financial performance**. We are improving non-GAAP and
104 GAAP profitability, reducing SBC, generating meaningful free cash flow and free cash flow per

105 share that is amongst the best in class, and returning capital to shareholders via buybacks and
106 dividends.

107 Our results speak for themselves and we could not be more excited about the road ahead.

108 With this, let me turn it over to Kira.

109

110 **Kira Makagon, President & COO**

111 Thank you Vlad – and good afternoon everyone.

112 Vlad laid out our vision: a complete Customer Engagement platform built on a hybrid model of
113 AI and humans working together — delivering seamless customer experiences and better
114 business outcomes. Here is an example of this vision becoming reality.

115 Meet **Cartelligent**, a California-based automotive broker, deployed our entire RCAI portfolio –
116 AIR, AVA, and ACE. Previously, their high-value leads were being routed to an answering
117 service where many calls were dropped. With AIR, they decreased lead abandonment to zero,
118 connecting 100% of live leads during business hours, and achieved an 85% lead-to-signup
119 target. AVA eliminated manual notetaking. ACE delivered visibility and coaching to keep
120 improving. As the result of all 3As working together with *human in the loop* they achieved a 9.85
121 out of 10 customer satisfaction score.

122 Let me unpack these solutions further.

123 **AIR**

124 AI Receptionist, or AIR, is designed for front office workers who demand “it just works” –
125 deployable in minutes, no developers required, built for businesses of any size. AIR can now
126 receive customer inquiries over voice and text messages. AIR is also integrated into call
127 queues, handling overflow and missed calls to improve responsiveness without adding
128 operational overhead. The market is responding well – we ended Q1 with more than 11,800
129 paying AIR customers, up more than 40% percent quarter-over-quarter.

130

131 **AIR Pro**

132 For customers requiring more complex, configurable use cases, we recently introduced AIR Pro.
133 With AIR Pro, customers can create multitudes of fit-to-purpose agents leveraging over one
134 hundred pre-built integrations, including EHR, CRM, scheduling, e-commerce, and billing. Users
135 simply describe what they need their AI agent to do — AIR Pro builds and deploys it, executing
136 multi-step workflows. We already have our first paying customers, with healthcare emerging as
137 a natural early fit given AIR Pro's ability to address rich workflows, while maintaining ease of
138 deployment.

139 One example is a **federally qualified health center** that was already running RingEX, RingCX,
140 and ACE. They added AIR Pro to handle real-time shuttle routing for patients. The agent
141 recognizes the caller's location, current time, and live shuttle status to guide patients to the right
142 pickup point. It sounds simple. The underlying workflow is not. That's exactly the point: AIR Pro
143 makes complex orchestration feel effortless — for the customer, and for the business.

144 And once the conversation ends, ACE takes over.

145 **ACE**

146 ACE now has more than 5,200 customers, up 85% year-over-year. Sales, marketing, and
147 compliance leaders use it to automate interaction reviews, connect conversation intelligence
148 into their CRM and ticketing systems, and replace manual evaluations with complete visibility
149 across every call.

150 Take **ATB**, the largest financial institution in Canada. They added RingEX seats and ACE to
151 eliminate the time lost on manual analysis; a strong example of AI and humans working
152 together. With human agents handling customer interactions, ACE delivers the post-call
153 analysis – surfacing sentiment, gaps, and next steps – giving supervisors a clear picture of
154 every conversation, scoring agents, and the coaching data to continuously improve human
155 agent performance.

156 **SMS**

157 As Vlad mentioned, we have an extensive R&D spend with a wave of new innovations opening
158 up new use cases and expanding our TAM. These investments are leading to tangible results.

159 Last week, we introduced Branded Messaging via Rich Communication Services, also known as
160 RCS, delivering a verified business identity directly into the customer's native messaging app.
161 This pairs with Enterprise Branded Calling, which displays a company's name and logo on
162 outbound calls, driving higher answer rates from the first moment of contact. We've also
163 expanded support for SMS notifications with local numbers to 190 countries — so businesses
164 can engage their customers wherever they are, with the same reliability they expect from
165 RingCentral. Building upon our hybrid model of AI and humans working together, SMS is an
166 important customer engagement channel for both.

167 **Growth of CEB and RingCX**

168 Customer Engagement Bundle, or CEB, is our latest product introduction, and it is off to a
169 strong start. CEB already has more than 5,000 customers, with nearly 40% attach rate of our
170 paid AI products. CEB brings informal contact center capabilities to RingEX, including contact
171 center-grade call queues and SMS shared inboxes. One example of a customer using these
172 capabilities is **Worldwide Steel Buildings**, a Missouri-based company already using RingEX
173 and ACE. They added CEB to manage call queues, eliminate missed inquiries, and now get a
174 complete view into every interaction — all on one platform.

175 Importantly, CEB is now available for Microsoft Teams — embedding voice, call queues, SMS
176 inbox, intelligent routing, and analytics inside Teams, effectively turning Teams into an informal
177 contact center.

178 As to formal contact centers, RingCX now has more than 1,700 customers, up over 70% year-
179 over-year, with more than half utilizing AI. For example, **Excelsior Orthopedics** in Amherst, NY
180 was struggling with a 22% call abandonment rate and hold times averaging 30 minutes. With
181 RingCX and ACE Quality Management, they cut abandonment to 8% and reduced wait times
182 tenfold — down to just 3 minutes.

183 Together, CEB and RingCX give customers powerful, right-sized options across both informal
184 and formal contact centers — and a clear path to grow with us as their needs evolve.

185 **Continued Expansion**

186 The combination of our RingEX + RingCX + AI portfolio, robust platform, and omnichannel
187 capabilities, is fueling ongoing migrations from on-prem to cloud. For example, this quarter:

- 188 ● **Coca-Cola United**, the third-largest Coca-Cola bottler in the US with 60 locations, is
189 migrating thousands of seats to RingEX.
- 190 ● **A large Fortune 500 insurance company** replaced their on-prem system and is further
191 expanding RingCentral enterprise-wide deployment with tens of thousands of RingEX
192 seats.
- 193 ● The **New York Mets** are replacing a decade-old on-prem system with RingEX, RingCX,
194 and our Call Queues booster.
- 195 ● **A major internet and streaming provider** added RingEX to their existing RingCX
196 deployment, along with AI capabilities, including ACE, to drive greater operational
197 efficiency.
- 198 ● **Casio**, the iconic consumer electronics company, consolidated their legacy systems
199 onto RingEX and RingCX, and added ACE Quality Management to automatically score
200 calls and improve visibility across every customer interaction.

201 **GSP**

202 Our innovations continue to be well received by the channel and our GSP partner community in
203 particular. Multiple GSP partners are now extending their offerings to include our AI products.
204 Cox Communications recently began deploying our native, AI-powered contact center to their
205 customer base. And this quarter, Telus and Spectrum Business have also started bringing our
206 AI portfolio to their customers — expanding our reach and reinforcing the platform's value at
207 scale.

208 **Closing**

209 In summary, we're delivering significant value to businesses – and the industry analysts are
210 recognizing this. This quarter, we were named a leader in both the inaugural 2026 IDC
211 MarketScape for Worldwide Communications Engagement Platforms, and the 2026 Omdia
212 Universe for Customer Engagement Platforms.

213 From serving SMBs to enterprise, and addressing simple to complex needs - and with our
214 unwavering commitment to innovation and a well-differentiated GTM, we are in a strong position
215 to deliver a modern complete, AI-first Customer Engagement platform at scale.

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

217 **Vaibhav Agarwal, CFO**

218 Thank you, Kira, and good afternoon, everyone.

219 **Introduction**

220 We started 2026 with another solid quarter and delivered against all commitments we laid out
221 entering the year. Q1 reflected continued consistency in our execution and the further
222 strengthening of our financial profile.

223 Let me turn to our first quarter results.

224 **Profitable Growth**

225 Starting with growth, total revenue was approximately \$644 million, up 5.3% year-over-year
226 and at the upper end of guidance. Subscription revenue was approximately \$623
227 million, up 5.6% year-over-year.

228 Customer trends remain healthy, including steady new customer additions and monthly net
229 retention above **99%**. These metrics continue to reinforce the resilience of our recurring revenue
230 model and the mission-critical role our platform plays for customers.

231 As Vlad noted, we are seeing encouraging early momentum in our AI-led new products.
232 Customers using at least one paid AI product now represent more than 10% of the base, have
233 doubled year over year and are growing in double digits sequentially. Within these cohorts, we
234 see stronger ARPU and net retention rates above 100%. Our growth profile remains durable,
235 and newer products are increasingly contributing to both expansion and overall revenue quality.

236 **Profitability & Margins**

237 Turning now to profitability, we delivered another quarter of strong margin performance.
238 Subscription gross margin remained stable above 80%. Non-GAAP operating margin reached
239 approximately 23%, up 110 basis points year over year and at the high end of our guidance.

240 We continue to view this margin expansion as structural. It is being driven by the underlying
241 leverage in a high-recurring-revenue model at scale, combined with disciplined hiring, expanded
242 offshoring, vendor consolidation, greater internal use of AI, and continued focus on our highest-
243 return go-to-market and products.

244 **Stock-based Compensation and GAAP Profitability**

245 SBC as a percentage of revenue declined approximately 400 basis points year over year to 9%
246 in Q1. For the full year, we now expect SBC to be approximately 9% of revenue in 2026, down
247 from approximately 11% in 2025. This continued improvement reflects our disciplined approach
248 to equity management and gives us confidence in our path forward toward a steady-state level
249 of 3% to 4% in the medium term.

250 The combination of stronger non-GAAP margin and lower SBC drove a record GAAP operating
251 margin of **7.8%**, improving by more than **600 basis points year over year** in Q1. For the full
252 year, we now expect GAAP operating margin to improve from 4.8% in 2025 to more than 9% in
253 2026. That is a meaningful step forward and reinforces our confidence in reaching our target of
254 20% over the next three to four years.

255 **Free Cash Flow and Free Cash Flow per Share**

256 Turning to cash flow, we generated more than \$140 million of free cash flow in the quarter, up
257 8% year over year. This reflects strong operating performance, continued efficiency gains, and
258 improvement in working capital. We generated free cash flow per share of \$1.62, up 15.4% year
259 over year.

260 Recurring revenue, strong gross margins, and improving operating efficiency continue to
261 translate into substantial cash generation. As a result we are now raising our full-year free cash
262 flow outlook to **approximately \$600 million or a 13% improvement year-over-year**.

263 **Capital Allocation and Balance Sheet**

264 Now let me turn to capital allocation. Our approach remains balanced and disciplined. We are
265 investing in growth, de-levering the balance sheet, and returning capital to shareholders.

266 During the quarter, we addressed the **\$609 million convertible maturity** by refinancing it with
267 undrawn Term Loan A. We reduced overall debt by approximately **\$46 million** and lowered net
268 leverage to **1.6x**. We continue to make steady progress toward our goal of reducing gross debt
269 to **\$1 billion by the end of 2026**. Importantly, we now have no maturities until **2030**, and we
270 maintain **\$355 million** of undrawn credit capacity.

271 We also continued to return capital to shareholders. During the quarter, we repurchased
272 approximately **2.5 million shares for \$81 million**. At the end of Q1, we had approximately
273 **\$418 million** remaining under our repurchase authorization. Diluted share count declined **6%**
274 **year over year** to approximately **87 million shares**, and we paid our first quarterly dividend of **7**
275 **and ½ cents per share** during the quarter.

276 **Guidance**

277 With that, let me turn to guidance. For fiscal 2026 we are:

- 278 ● Raising subscription revenue to be \$2.540 billion to \$2.560 billion, representing growth
279 of 4.7% to 5.5%
- 280 ● Raising total revenue to be \$2,620 billion to \$2.640 billion, representing growth of 4.2%
281 to 5.0%
- 282 ● Raising GAAP operating margin to 8.9% to 9.6%, expanding 450 basis points y/y.
- 283 ● Raising non-GAAP operating margin to 23.3% to 23.7%, expanding 100 basis points y/y
- 284 ● Raising free cash flow to \$590 million to \$605 million, up 13% y/y.
- 285 ● SBC in the range of approximately \$240 million to \$245 million, improving 180 basis
286 points y/y as a percentage of revenue.
- 287 ● Fully diluted shares count of approximately 86.5 to 87.0 million shares, 5% lower y/y.
- 288 ● Raising non-GAAP EPS to between \$4.85 to \$5.01, up 13% y/y.
- 289 ● This results in free cash flow per share of \$6.78 to \$6.99 for the year, up 18% y/y.

290 For Q2'26, we expect:

- 291 ● Subscription revenue of approximately \$628 million to \$633 million
- 292 ● Total revenue of approximately \$648 million to \$653 million
- 293 ● GAAP operating margin of 6.6% to 7.6%, up 110 basis points y/y
- 294 ● Non-GAAP operating margin of approximately 23.0% to 23.2%, up 50 basis points y/y
- 295 ● Non-GAAP EPS of \$1.15 to \$1.17, up 10% y/y
- 296 ● SBC in the range of approximately \$58 million to \$62 million, improving 130 basis points
297 y/y as a percentage of revenue
- 298 ● Fully diluted share count of approximately 87 million shares, lower by 6% y/y

299

300

301 **Closing**

302 In closing, Vlad has stated 4 key takeaways. Namely, deep and defensible moat in an
303 expanding market, RingCentral as the front door and the top of the funnel for consumer to
304 business interactions, complete customer engagement platform powered by RCAI, and strong
305 financial performance. To double click on the last point, we have an efficient business at-
306 scale and a durable compounding free cash flow model. With approaching \$600 million of
307 expected free cash flow in 2026, we have the flexibility to reinvest for growth, strengthen the
308 balance sheet, all while returning capital to shareholders.

309 And I couldn't be more excited about the opportunities ahead.

310 With that, let's open the call for questions.