

Steven Horwitz - VP of Investor Relations

Thank you. Good afternoon and welcome to RingCentral's second quarter 2026 conference call. Joining me today are Vlad Shmunis, Founder, Chairman, and CEO, Kira Makagon, President and COO, and Vaibhav Agarwal, CFO.

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

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

Vlad Shmunis – Founder, Chairman and CEO

Good afternoon and thank you for joining us.

Q2 FINANCIAL RESULTS

We delivered another strong quarter, exceeding the high end of guidance across all key metrics. Total revenue, subscription revenue, and both GAAP and non-GAAP operating margins surpassed expectations. Free cash flow generation also remained strong, and we now expect to deliver more than \$7 per share for the full year.

Given our quarterly performance and our confidence in the longer-term sustainability of our operating model and free cash flow profile, I am excited to announce that our board has approved an increase to our quarterly dividend to 12 and ½ cents per quarter per share.

We are also making meaningful progress toward our medium-term target of reducing SBC to a range of 3% to 4% of total revenue. Our disciplined focus on profitability has put us ahead of schedule on GAAP operating margin, and we now expect to reach our 20% target within two to three years, a year ahead of schedule. We also remain on track to reduce gross debt to \$1 billion by year end.

This performance reflects a multi-year effort to strengthen our financial profile while transforming the company into an Agentic Voice AI leader. RingCentral is becoming an intelligence layer where AI agents and human agents work together to manage customer interactions end to end for better business outcomes.

LARGE TAM

We believe the market opportunity is large, spanning UCaaS, CCaaS, and Conversational AI, totaling more than \$150 billion. This is based on estimates from IDC and Gartner. Further we believe that the convergence of these disparate markets into a broader category of AI-powered customer engagement plays to our strengths, and that we are well positioned to address this shift with one of the industry's broadest AI-

powered customer engagement portfolios. We are investing over a quarter billion dollars annually in R&D to expand our portfolio, deepen our moat, and accelerate innovation.

VOICE AS A STRUCTURAL ADVANTAGE

Voice is at the center of this transformation. It remains the primary way customers engage with businesses, through both human-to-human conversations, and increasingly, interactions between people and AI agents.

Our carrier-grade platform serves approximately 600,000 businesses across 45 countries and supports international numbers in nearly 100 countries. It carries roughly 40 billion voice minutes annually and more than 3 billion text messages, both growing faster than our user base. Adding to our moat are billions of recorded and transcribed conversations that reside on our platform. This gives us invaluable learnings in delivering AI-native solutions that are best tailored to address our customers' needs.

This wealth of data combined with our infrastructure, scale, reliability, and decades of operating experience create a high barrier to entry. In addition, the breadth of our product portfolio gives us the ability to cover all aspects of customer-to-business interactions: including person-to-person, person to informal contact center agent, person to a dedicated contact center agent, and of course, increasingly person to an AI agent. It is this ability to freely intermix AI and human agents, while having both learn from the other, that gives RingCentral a sustainable structural advantage.

Unlike many AI point solutions that depend on third-party telephony or contact center stacks, RingCentral's Agentic Voice AI is built on our own global business voice network that is hard to replicate. It also integrates closely with our well-established cloud native product portfolio. This matters because most businesses want a single platform that can support, connect, and orchestrate across every customer interaction, whether to a human or to an AI agent. This constitutes a clear competitive advantage to RingCentral.

WINNING IN THE MARKET

This advantage translates into strong adoption, broader portfolio penetration, and meaningful customer expansion. We are seeing that demand across every part of our go-to-market engine, direct, channel, and GSP, with customers and partners increasingly leaning in to adopt AI across the entire platform. Numbers don't lie. ARR from customers who utilized at least one of our native paid AI products now represent approximately 13% of ARR, having doubled year over year. These customers have net retention well above 100% and meaningfully higher ARPU than the rest of our base.

This momentum spans our entire AI portfolio. We ended Q2 with more than 16,000 paying AIR, or AI Receptionist, customers, which is up 400% year over year. ACE, our AI Conversation Expert, has more than 6,300 customers, growing more than 70% year over year. More broadly, ARR from our AI-led new products grew nearly 60% during the first half of the year.

These new products also help us increase wallet share. One example is a large U.S. automotive dealership group with approximately 30,000 employees. Beginning with RingEX in 2024, they later expanded into RingCX and AI Quality Management, and more recently rolled out AIR and Call Queues across its dealerships. This has more than doubled their ARR over the last several months.

Our new Customer Engagement Business Solution, or CEB, is another standout. CEB adds lightweight contact center capabilities to RingEX, such as call queues, shared SMS inbox, and analytics. CEB now serves more than 9,600 customers and has grown more than 80% sequentially.

TRANSFORMING THE WAY WE WORK

Our progress on product innovation wouldn't be possible without transforming ourselves into an AI-native company. This quarter, most of our product & technology employees, in partnership with OpenAI, executed an AI-native project with over 99% success rate. This marks a major milestone towards RingCentral becoming an AI native company.

We'd like to thank OpenAI for their guidance and support in making this happen.

DIFFERENTIATED GO TO MARKET

Another core strength and moat is our differentiated go-to-market, which includes direct sales, over 16,000 channel partners and resellers, and Global Service Providers.

Our AI and new products are resonating with channel partners. In fact, about half of our AI ARR originated from the channel. Partners investing in AI services and outcomes are winning, and we are building our program around that momentum.

We also have 16 leading global service providers in our network and they remain an important part of our go-to-market strategy. These partners are increasingly bringing our AI products to market. Recent wins include BT selling RingCX and AI Quality Management to one of the UK's largest electricity and gas brokers, and Vodafone UK recently deployed AI-powered RingEX at one of the big four consulting firms.

To further build on our momentum, I'm delighted to welcome NICE to our family of strategic resellers. Today, we've announced an extension and expansion of our partnership – whereby NICE will begin marketing and selling RingEX in combination with CXone, while we continue to offer NICE CXone to our customers. We now have a symmetrical, mutually reinforcing partnership that brings together two market leaders to deliver the future of AI-powered customer and employee experiences to businesses of all sizes.

Also, in an effort to streamline customer experience, and to better align with our respective strategic directions moving forward, we have recently restructured our relationship with Avaya. While RingCentral will remain Avaya's exclusive multitenant cloud UCaaS offering, existing Avaya Cloud Office customers and partners will transition to the RingCentral platform and brand directly. We see this restructuring as a win-win for RingCentral, Avaya, and most importantly for ACO customers and partners alike. We look forward to continuing to serve the ACO community under the RingCentral brand and working with them directly.

CLOSING

Last but not least, this progress would not be possible without our outstanding people. I'm delighted to announce that RingCentral was recently named to TIME's list of America's Best Companies for 2026, recognizing employee satisfaction, financial performance, and sustainability over a three-year period. This important award recognizes the passion of our employees, the trust of our customers, and our focus on culture, innovation, and execution.

I could not be more excited about the road ahead. With that, I'll turn it over to Kira.

Kira Makagon, President & COO

Thank you, Vlad, and good afternoon, everyone.

As Vlad said, RingCentral is uniquely positioned as the most complete Customer Engagement platform with Agentic Voice AI woven across the portfolio. This quarter, we saw customers accelerate their adoption of RingCentral AI.

For example:

VGM Group, a national post-acute healthcare organization, deployed our full RingCentral AI portfolio, AIR, AVA, and ACE, on top of RingEX. AIR recovered 45% of their calls previously lost to abandonment. AVA eliminated manual notetaking. ACE delivered the call visibility and coaching to help them improve their customer interactions. They're now rolling out our AI solutions to every department across the company. This example highlights the flywheel effect of more calls captured, less time spent on manual work, and more insights that make each interaction better than the last.

Now let me unpack our AI portfolio further.

AIR

AIR, our AI Receptionist handles inbound voice calls and text messages, deploys in minutes, and works for businesses of any size. This quarter, we enhanced AIR with new spam blocking filters and lead capture that collects information at the right moment and syncs with Salesforce, Hubspot, and Zoho.

Customers are seeing the impact of using AIR. Based on a recent survey, AIR customers reduced their missed call rate from an average of 20% to close to zero. For example, **JTR Insurance**, a family-owned insurance business, said they are “no longer buried in 50 calls a day, and AIR is saving them \$6,000 a month.” That’s time and money they’re putting back into growing their small business.

AIR Pro

For customers with more complex use cases, AIR Pro enables businesses to create fit-to-purpose agents leveraging over one hundred pre-built integrations, including EHR, CRM, scheduling, e-commerce, and billing. This quarter, we advanced our AI agents to handle multiple intents, retain context across conversations, and ask targeted follow-up questions to improve accuracy.

We are excited about the traction with AIR Pro since launching just a few months ago in early access. One example, a leading global **BPO**, achieved a containment rate of above 85% with no live agent transfers, after using AIR Pro together with their CRM integration. Another example is **a healthcare customer** which added AIR Pro and ACE for integrated scheduling and customized lead qualification. The deployment succeeded quickly, and they're already expanding AIR Pro to new use cases.

That kind of rapid time-to-value is exactly what we're seeing across our portfolio.

ACE

ACE, our AI Conversation Expert, gives sales, marketing, and compliance leaders complete visibility across every call, automating reviews, replacing manual evaluations, and feeding conversation intelligence directly into their CRM and ticketing systems. In the last quarter, we saw record ACE adoption with the number of calls processed jumping double digits quarter over quarter.

An example of a customer win this past quarter is **one of the nation's largest healthcare workforce providers**, which purchased nearly 700 licenses of ACE to improve their nursing placement conversion rate and enhance their recruitment training and coaching.

Growth of CEB and RingCX

CEB, our Customer Engagement Business Solution, is also scaling fast with a healthy attach rate of our AI products. A recent customer win is a **financial services firm** that chose CEB attached with ACE to manage inbound calls and SMS with automation, AI

support agent coaching, and have full visibility into call queue volume with robust analytics. This example underscores the growing attachment of AI with CEB.

We continue to invest in strengthening our **AIR Pro offering within RingCX**. We added **autonomous outreach**, enabling AI to proactively initiate conversations on its own. And when human judgment is needed, **intelligent handoffs** transfer full context to a live agent seamlessly.

The market is taking notice. This quarter, both Aragon Research and Nucleus Research named RingCX a Leader in their respective contact center reports recognizing our AI investment, workforce engagement capabilities, and embedded contact center experiences.

We're proud of this industry recognition, and our ability to give customers powerful, right-sized options across both informal and formal contact centers, and a clear path to grow with us as their needs evolve.

Closing

With our unwavering commitment to innovation and a well-differentiated go-to-market, we are in a strong position to drive AI-first customer engagement at-scale.

With that, I'll hand it to Vaibhav.

Vaibhav Agarwal, CFO

Thank you, Kira, and good afternoon, everyone.

Introduction

Q2 was another solid quarter, with all key metrics above the high end of our guidance. Our results reflect RingCentral's strong position in a growing market, durable TAM, well-established competitive moat, and rapidly emerging AI portfolio that is increasingly contributing to our performance. We continued to strengthen our financial profile through disciplined execution: driving profitable growth, expanding GAAP and non-GAAP margins and free cash flow, reducing SBC, and executing a balanced capital allocation strategy across innovation, debt reduction, buybacks, and dividends.

As Vlad mentioned, given our strong operating performance, demonstrable traction of our AI and AI-led products, and our confidence in the long-term free cash flow generation, we are pleased the board has approved an increase in the quarterly dividend to 12 and ½ cents per share.

Together, these actions position RingCentral to deliver durable, profitable growth, strengthen our balance sheet, enhance capital returns, and drive sustained long-term shareholder value creation.

Now let me turn to our second quarter results.

Profitable Growth

Total revenue was approximately \$657 million, up 5.9% year over year and subscription revenue was approximately \$634 million, up 5.8% year over year. Both came in above the high end of our guidance, reflecting the durability of our core business and increasing traction from our AI-led products.

Customer trends remain healthy, including steady new customer additions and improving monthly net retention above 99%. These metrics continue to reinforce the resilience of our recurring revenue model and the mission-critical role our platform plays for customers. As Vlad mentioned, our AI-led new products are still early, but they continue to gain traction. Combined with the durability of our core business, they are improving the quality of our growth by increasing the ARPU and net retention while also expanding our long-term opportunity by increasing the TAM we are addressing.

Profitability & Margins

Turning now to profitability, we delivered another quarter of strong margin performance. Subscription gross margin remained stable above 80%. Non-GAAP operating margin reached 23.4%, up nearly 90 basis points year over year and, again, above the high end of guidance.

We believe our margin expansion trend is sustainable and supported by multiple structural drivers such as scale benefits of our recurring revenue model, increasing contributions from our AI products, disciplined hiring, expanded use of lower-cost locations, vendor consolidation, broader internal adoption of AI and continued focus on our highest-return products and go-to-market motions.

Stock-based Compensation and GAAP Profitability

SBC as a percentage of revenue declined approximately 150 basis points year over year to 9% in Q2. We remain on track for SBC to be approximately 9% of revenue in 2026, down 180 basis points from 2025. This continued improvement reflects our disciplined approach to equity management.

The combination of stronger non-GAAP margin and lower SBC drove GAAP operating margin of 7.7%, improving by more than 170 basis points year over year in Q2. As Vlad mentioned, we believe we are ahead of schedule in reaching our target of 20% GAAP operating profit, now expecting to accomplish this milestone in the next 2-3 years.

Free Cash Flow and Free Cash Flow per Share

Turning to cash flow, we generated \$180 million of free cash flow in the quarter, up 25% year over year. This reflects strong operating performance, continued efficiency gains, and improved working capital, including certain one-time benefits from customer and partner prepayments and continued discipline around vendor spend.

Our recurring revenue model, strong gross margins, and improving operating efficiency continue to translate into substantial cash generation. Given our first half performance, we are raising our full-year free cash flow outlook to \$620 million at the midpoint, over 23% of revenue.

Importantly, we believe the durability of our recurring revenue base with growing contributions from AI products, structural margin expansion, disciplined capital allocation, and continued reduction in SBC provide a strong foundation for sustained free cash flow generation over time. As a result, free cash flow and free cash flow per share remain central to how we manage the business.

Capital Allocation and Balance Sheet

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

During the quarter, we reduced overall debt by approximately \$85 million and lowered net leverage to 1.5x. Together in the first half of 2026 we have reduced our gross debt by about \$130 million. We continue to make steady progress toward our goal of reducing gross debt to \$1 billion by the end of 2026. Important to note is that we have no maturities until 2030, and we maintain \$355 million of undrawn credit capacity.

We also continued to return capital to shareholders. During the quarter, we repurchased approximately 2.2 million shares using approximately \$94 million. At the end of Q2, we had approximately \$326 million remaining under our repurchase authorization. Diluted share count declined 6% year over year to approximately 87 million shares.

The durability of our free cash flow enables this balanced approach and gives us confidence in our ability to continue investing in innovation, strengthening the balance sheet, and returning capital to shareholders over time.

Guidance

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

- Raising subscription revenue to be \$2.550 billion to \$2.561 billion, representing growth of 5.1% to 5.5%
- Raising total revenue to be \$2.635 billion to \$2.646 billion, representing growth of 4.8% to 5.2%
- Raising GAAP operating margin to be from 9.0% to 9.7%, expanding 460 basis points y/y.
- Non-GAAP operating margin of approximately 23.6% to 24.0%.
- Raising free cash flow by approximately \$20 million to \$615 million to \$625 million, up 17% y/y.
- SBC in the range of approximately \$240 million to \$245 million, improving 180 basis points y/y as a percentage of revenue.
- Fully diluted share count of approximately 86.5 to 87.0 million shares, 5% lower y/y.
- Raising non-GAAP EPS to between \$4.96 to \$5.10, up 15% y/y.
- This results in free cash flow per share of \$7.07 to \$7.23 for the year, up 23% y/y.

For Q3'26, we expect:

- Subscription revenue of \$643 million to \$649 million
- Total revenue of \$664 million to \$670 million
- GAAP operating margin of 7.2% to 8.6%, up 310 basis points y/y
- Non-GAAP operating margin of approximately 23.5% to 24.0%, up 100 basis points y/y
- Non-GAAP EPS of \$1.25 to \$1.30, up 13% y/y

- SBC in the range of approximately \$63 million to \$67 million, improving 60 basis points y/y as a percentage of revenue
- Fully diluted share count of 86.5 million shares, lower by 6% y/y

Closing

In closing, Q2 was another strong proof point of the durability and efficiency of the RingCentral model. We exceeded the high end of guidance across all key metrics, expanded both GAAP and non-GAAP profitability, generated strong free cash flow, reduced debt, returned capital to shareholders including increasing the dividend, and continued to reduce dilution. At the same time, we are investing in innovation and seeing early AI traction contribute to our growth profile and revenue quality. With free cash flow per share now expected to exceed \$7 this year, we believe RingCentral is well positioned to continue compounding shareholder value.

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