RingCentral

RINGCENTRAL 2018 INVESTOR DAY

Welcome

Paul Thomas
Head of Investor Relations

Disclaimer

This presentation and the accompanying oral presentation include forward-looking statements within the meaning of the federal securities laws. These statements relate to, among other things, our business strategy, goals and expectations concerning our market position, our products and product development, the size and growth of the markets in which we compete, our channel partners, and our future financial and operating results.

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 filings with the Securities and Exchange Commission, including our Form 10-Q for the quarter ended March 31, 2018. 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 addition to the GAAP financial measures, this presentation includes certain non-GAAP financial measures, including gross margin, operating margin, recurring margin, sales and marketing spend and core subscription revenue. The non-GAAP measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under GAAP. The Company considers these non-GAAP financial measures to be important because they provide useful measures of the operating performance of the Company, exclusive of unusual events or factors that do not directly affect what we consider to be our core operating performance, and are used by the Company's management for that purpose. All non-GAAP financial measures are reconciled to their directly comparable GAAP financial measures. These reconciliations are presented in the Appendix at the end of this presentation. In addition, unless otherwise stated prior-period information has been restated for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

We also provide other measures such as annualized exit monthly recurring subscriptions (ARR), net bookings, gross churn, cost to book, cost to serve and net retention by customer cohort.

2018 Investor Day agenda

Time	Topic	Speaker
1:30–1:35pm	Welcome	Paul Thomas
1:35–2:00pm	Opportunity	Vlad Shmunis
2:00–2:30pm	Industry Leadership	David Sipes
2:30–2:50pm	Product Demo	Jose Pastor
2:50–3:00pm	Break	
3:00–3:25pm	Customer Panel	Mitch Tarica
3:25–3:50pm	Partner Panel	Zane Long
3:50–4:10pm	Break	
4:10–5:00pm	Compelling SaaS Economics	Mitesh Dhruv
5:00–5:30pm	Q&A	All
5:30–7:00pm	Cocktail Reception and Demos	







OPPORTUNITY

+$50B
TAM

INNOVATION

Collaborative
Communications

FINANCIAL MODEL

Compelling SaaS
Economics







RingCentral

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Opportunity

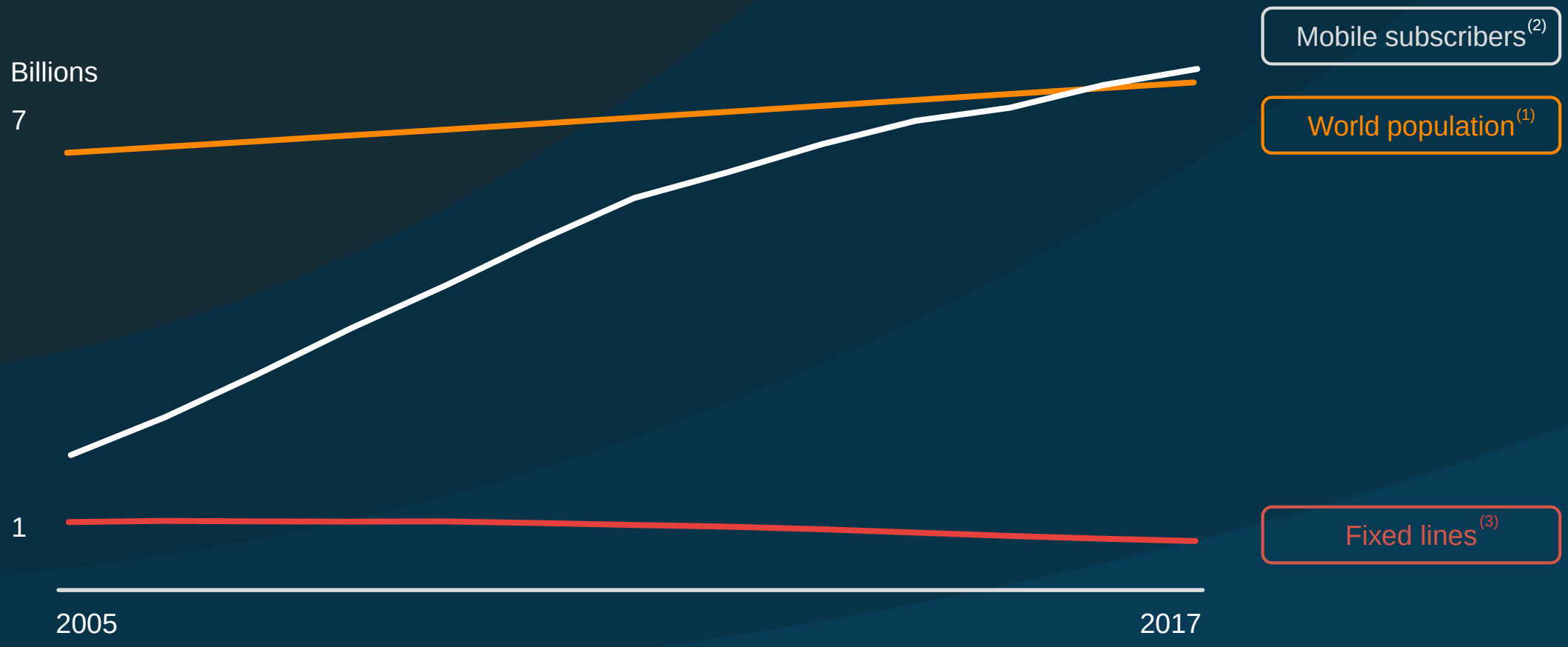
Vlad Shmunis
Founder, CEO and Chairman



Employees come first. If you take care of your employees, they will take care of the clients.

Sir Richard Branson

The world is changing



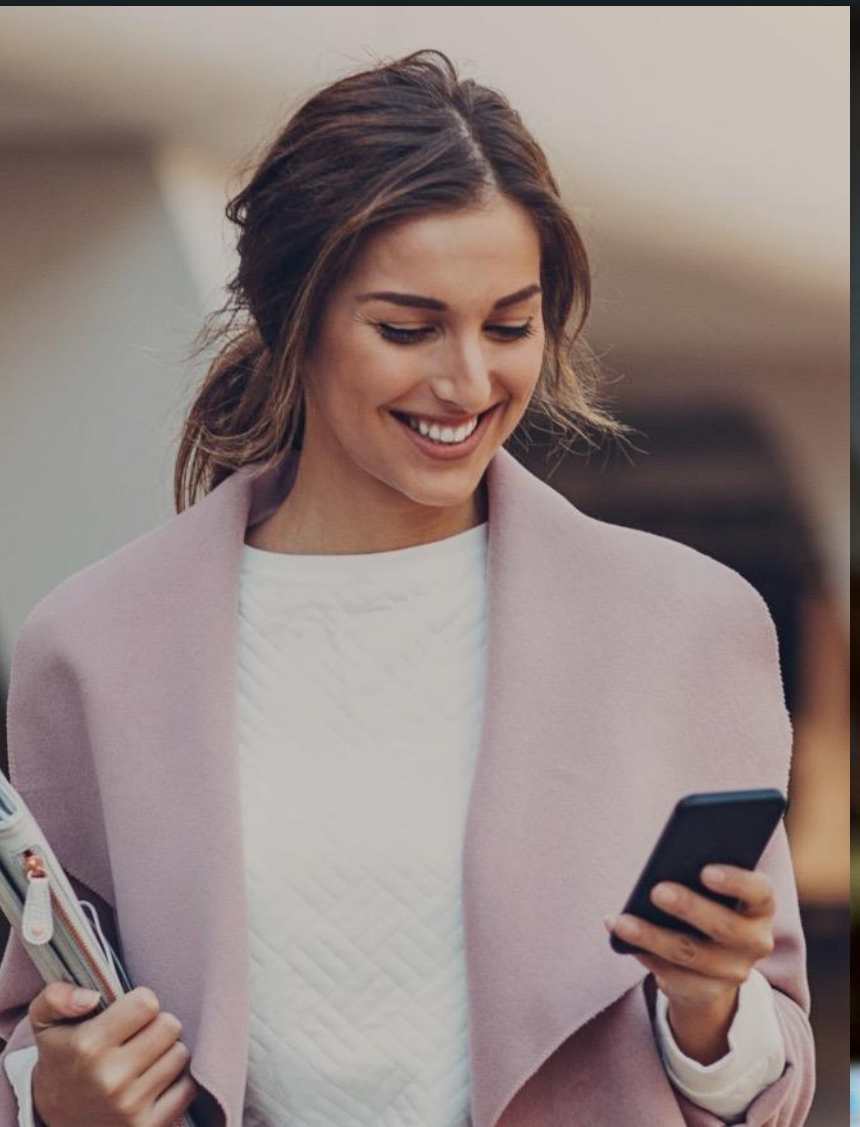
(1) Worldometers elaboration of data by United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2017 Revision
(2) ITU International Telecommunications Union, October 2017
(3) Statista Number of fixed telephone lines worldwide from 2000 to 2017

Legacy designed for the old world



The way people communicate has changed

Any device



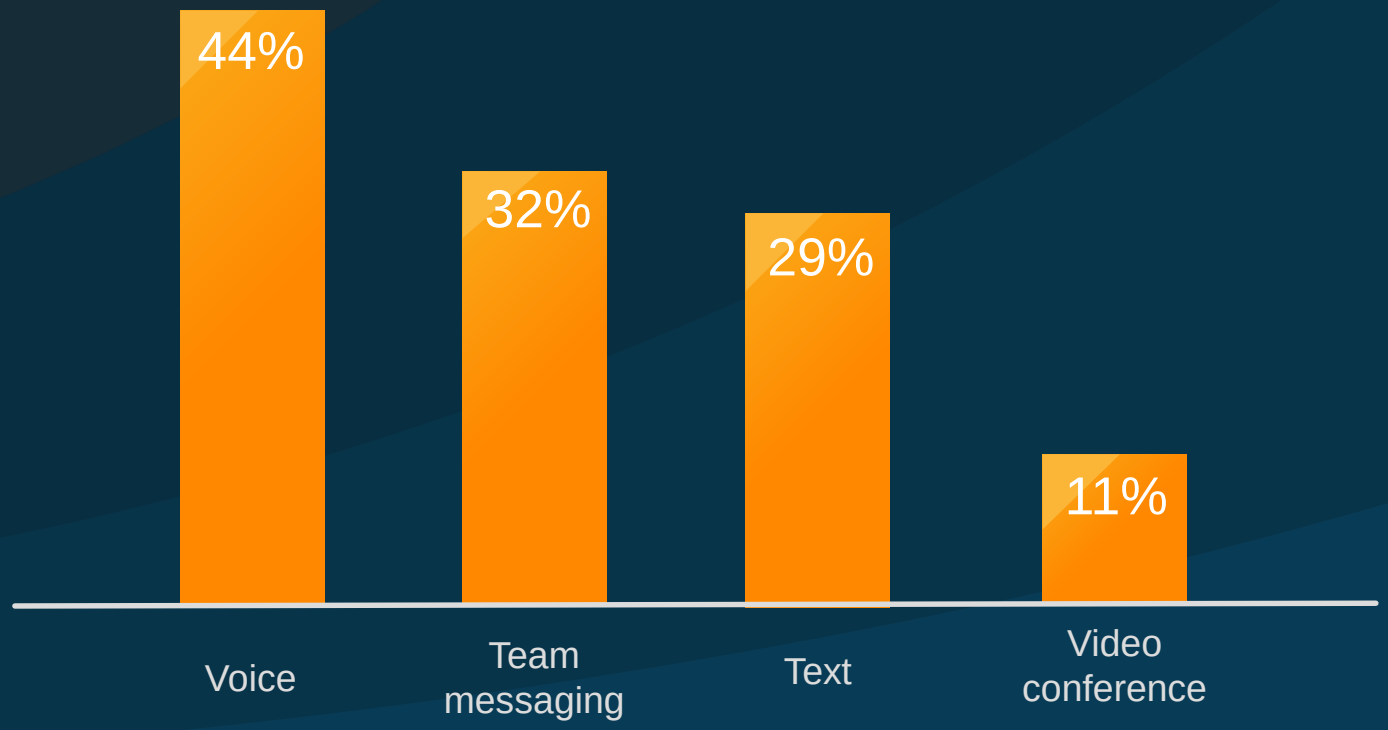
Anywhere



Any mode



Business communications is now more than voice

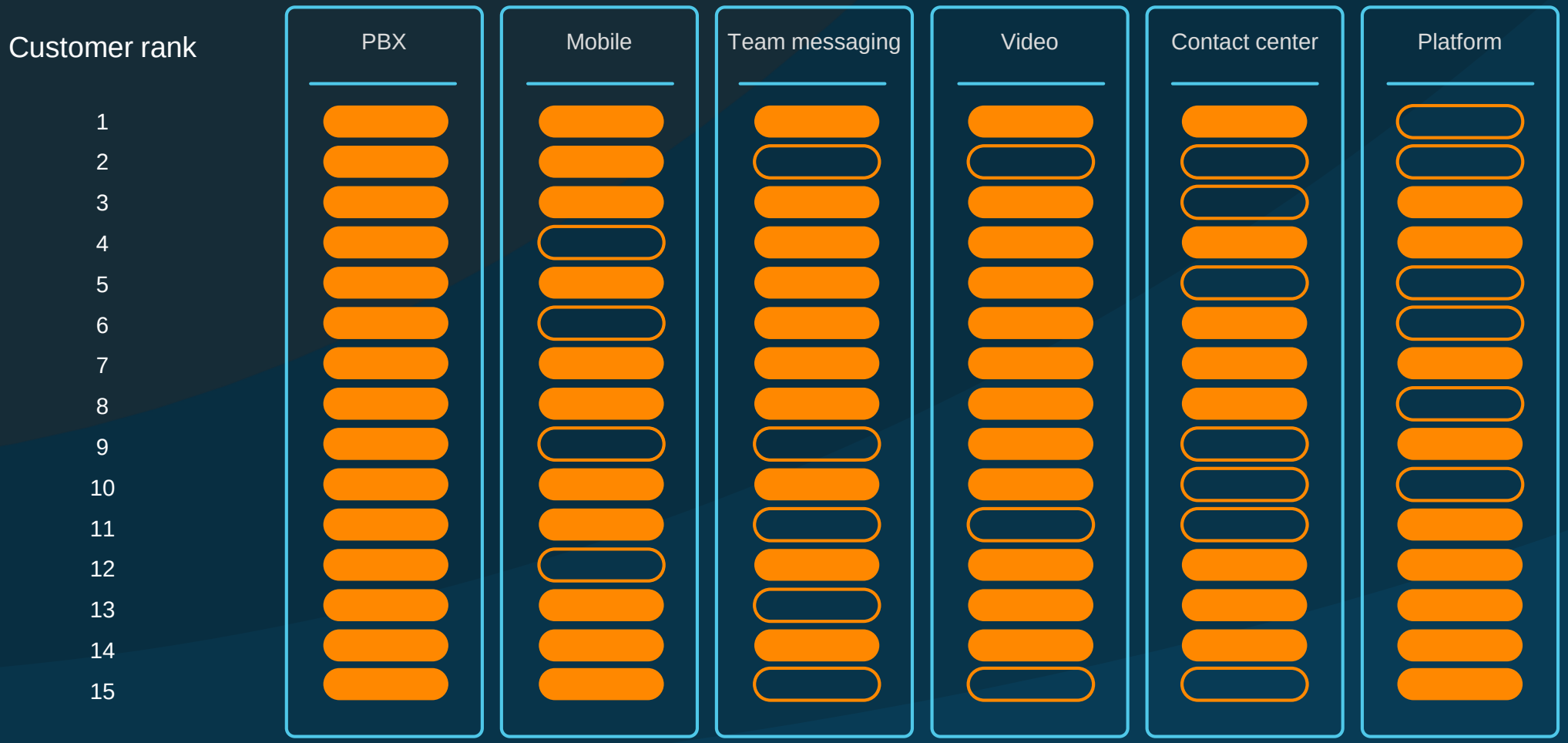


Based on a global survey of 2,000 knowledge workers by CITE Research, January 2018

UCaaS: Any device, anywhere, any mode

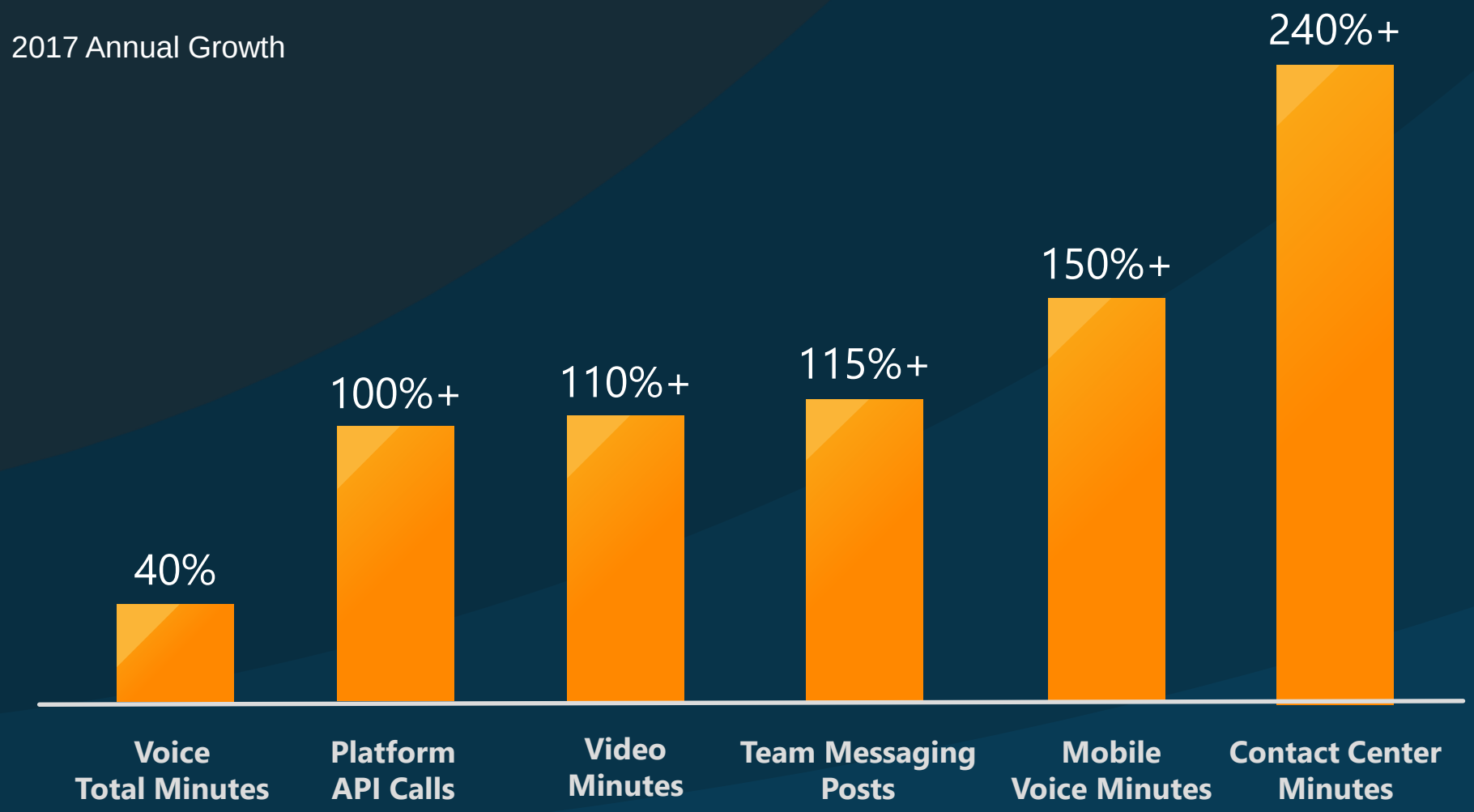


More than legacy wireline voice replacement

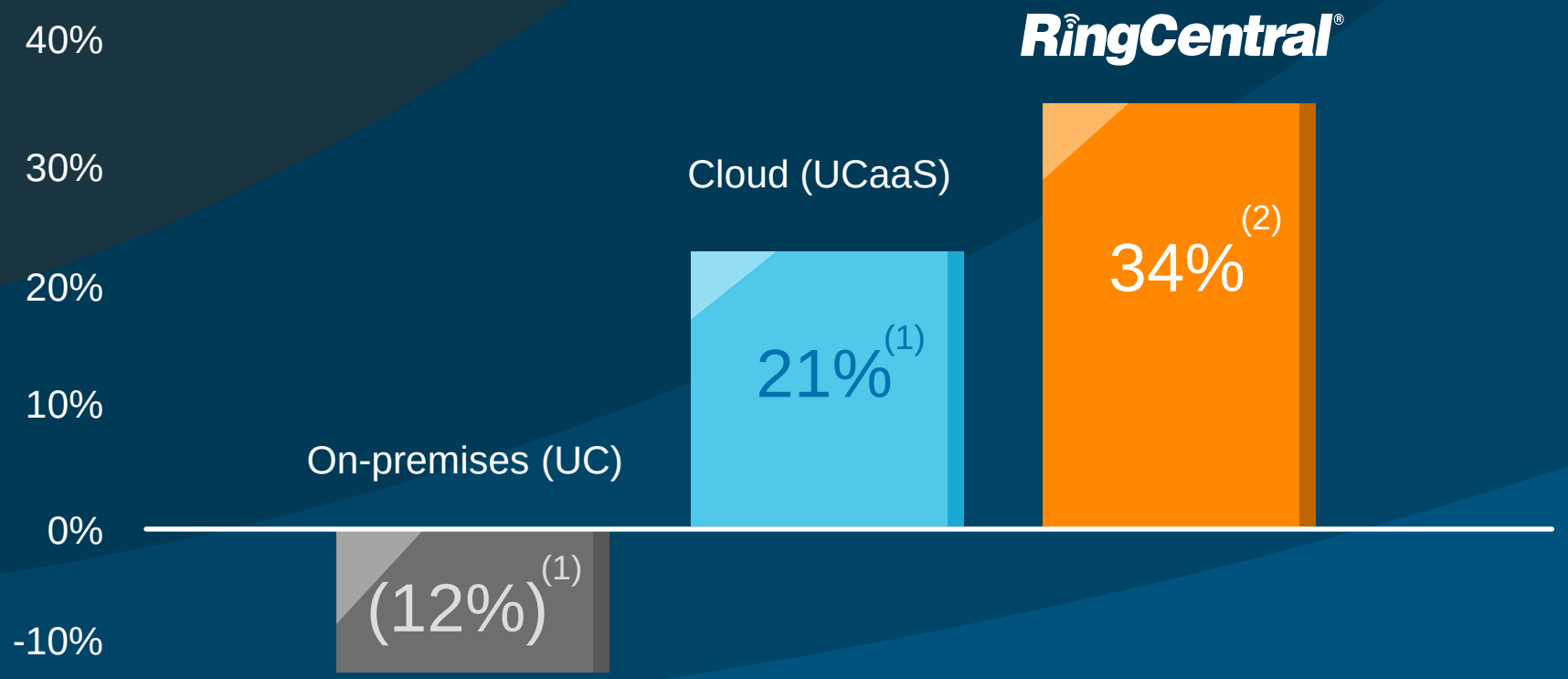


Features that influenced the purchasing decisions of the top 15 customers ranked by MRR as of 1Q18

Usage growth



Cloud is winning.
RingCentral is winning in the cloud.

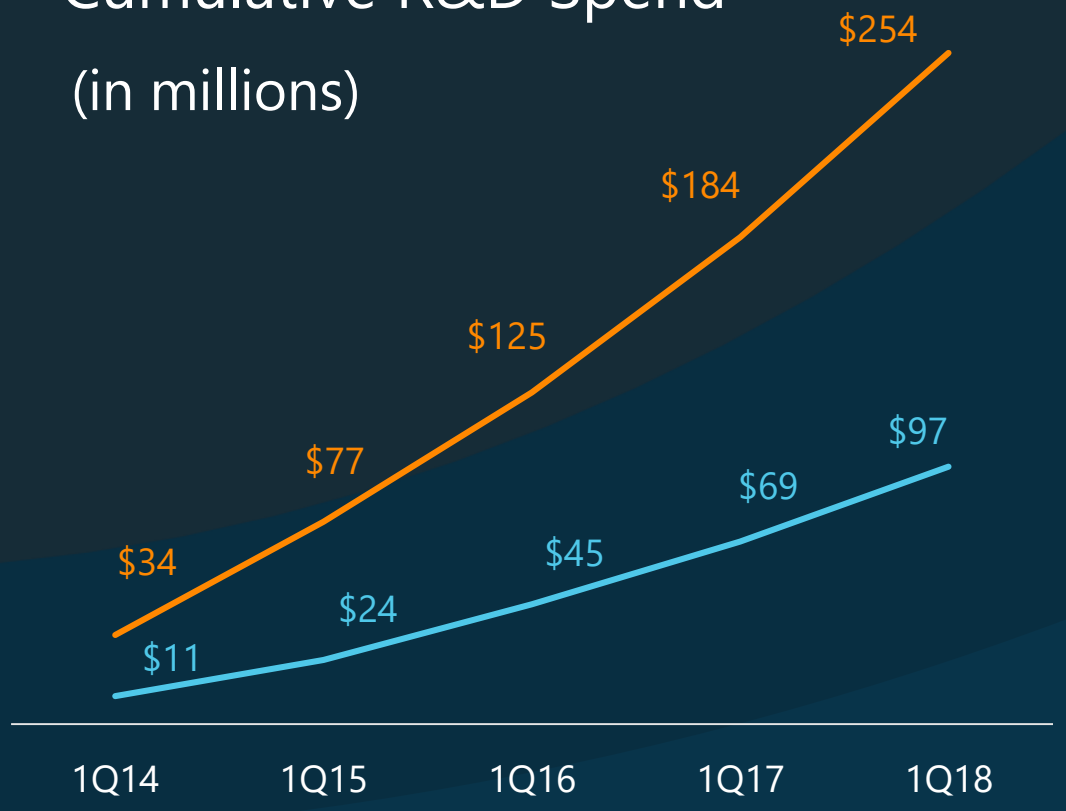


(1) Synergy Research Unified Communications as a Service (UCaaS) Revenue Tracker, Q3 2017 Y/Y revenue growth of on-premise and cloud markets
(2) Represents RingCentral Y/Y Revenue Growth for Q3 2017

Driven by innovation

Cumulative R&D Spend

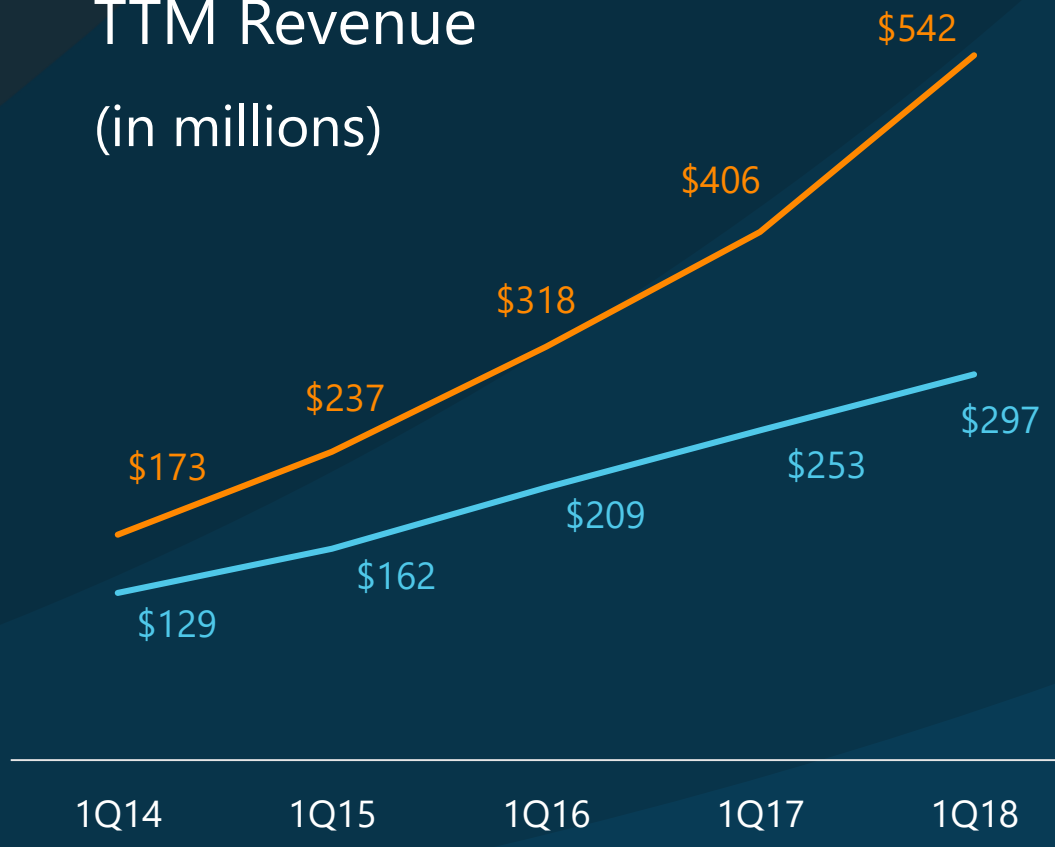
(in millions)



Cumulative RNG and nearest competitor non-GAAP R&D spend, trailing 4Q as of each C1Q

TTM Revenue

(in millions)



RNG and nearest competitor total revenue trailing 4Q as of each C1Q

RingCentral — Nearest competitor

Why we win



User-centric and mobile first



Integrated team messaging and cloud PBX



Open platform with 1,000+ integrations



Broad industry recognition

Gartner

A Gartner Magic Quadrant Leader for UCaaS 2017, 2016, and 2015

FROST & SULLIVAN

Frost & Sullivan North American UCaaS Company of the Year 2017 and 2016

IHS Markit

Ranked #1 in the IHS Markit 2018 and 2017 North American UCaaS Scorecard

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Market still in the early stage of transition



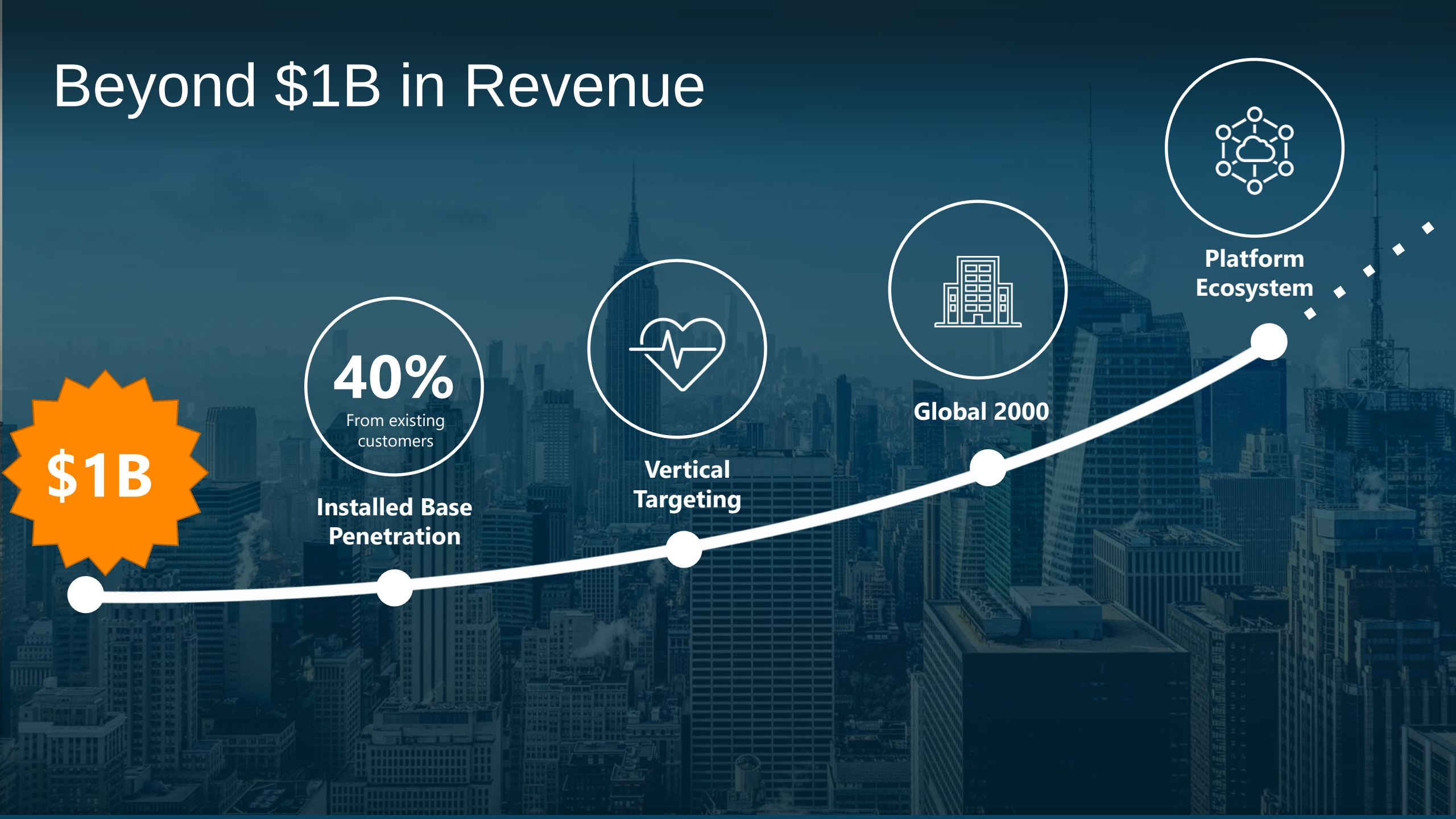
(1) Pure Play Cloud Providers, Synergy Research Group, UC Market Tracker – UCaaS, Worldwide Revenue Market Shares for 1Q 2016 to 1Q 2018
(2) 2010 U.S. Census data and RingCentral estimates; assuming $20 per seat per month
(3) UC Market Tracker - PBX Installed Base, Synergy Research Group, 3Q17 and RingCentral estimate of Global seat TAM assuming $20 per seat per month

$1B in Revenue by 2020



. . . is just the beginning

Beyond $1B in Revenue



Management team with proven ability to execute



Vlad Shmunis
Founder, CEO, and Chairman

RingCentral

10 years



Praful Shah
Chief Strategy Officer

Cisco webex ORACLE

10 years



Dave Sipes
Chief Operating Officer

Booz | Allen | Hamilton PEPSICO

10 years



Ryan Azus
EVP of Global Sales and Services

cisco Cisco webex

9 years



Mitesh Dhruv
Chief Financial Officer

Bank of America Merrill Lynch pwc

6 years



Kira Makagon
EVP of Innovation

SIEBEL Octane

6 years



Riadh Dridi
SVP and Chief Marketing Officer

vmware hp

2 years



Derrell James
SVP of Global Services and Solutions

AVAYA EMC²

1 year

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Industry Leadership

David Sipes
COO

Driving innovation

Pre-2014

RingCentral Office®





2014

Office for Enterprise and Video Meetings





2015

Contact Center™, Team Messaging, and Open Platform







2016

Collaborative Communications™ and Global Office®





2017

Analytics and Quality of Service



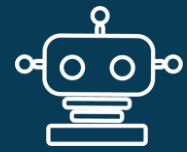


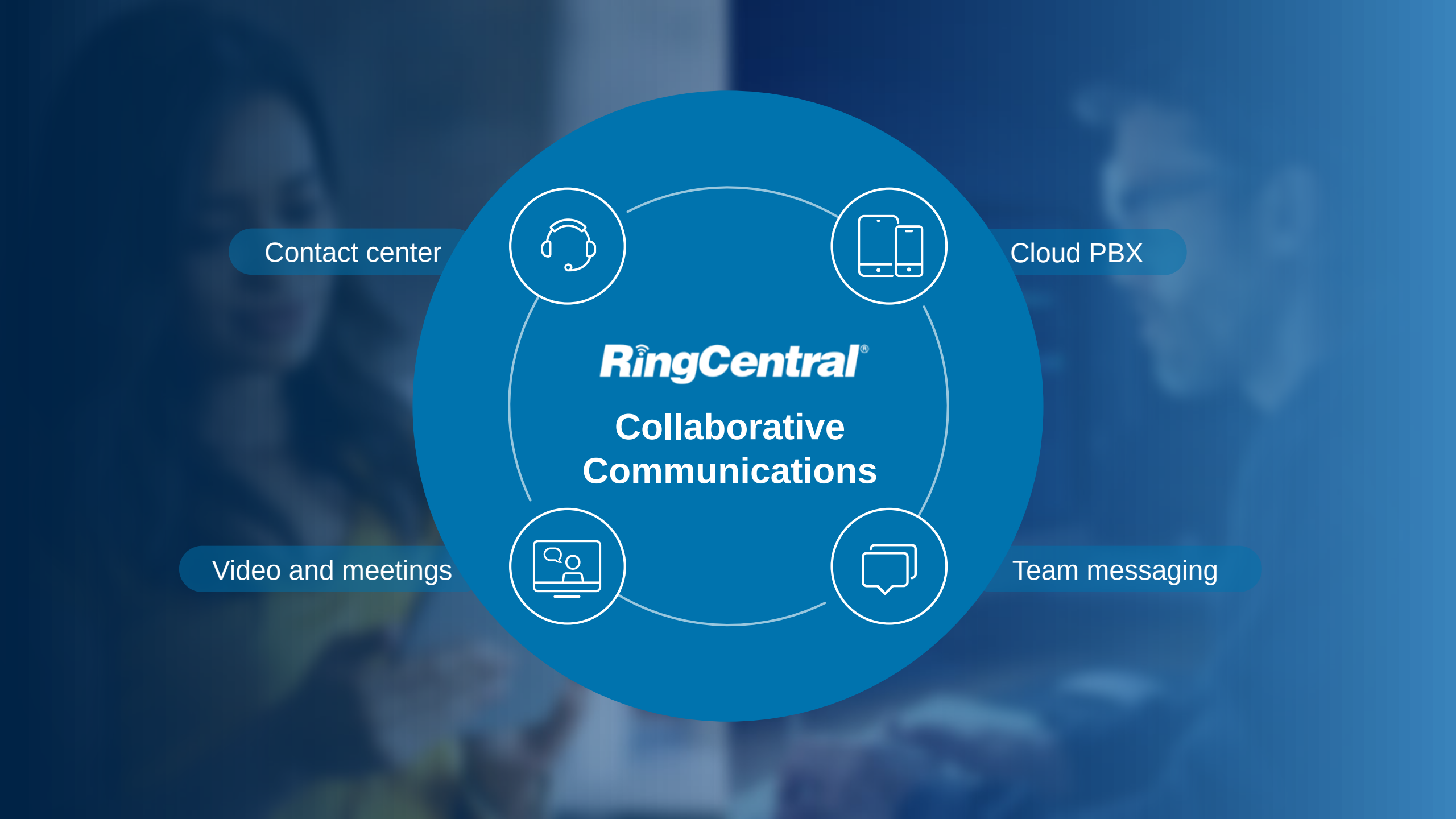
2018

Collaborative Meetings, Collaborative Contact Center, and Pulse™



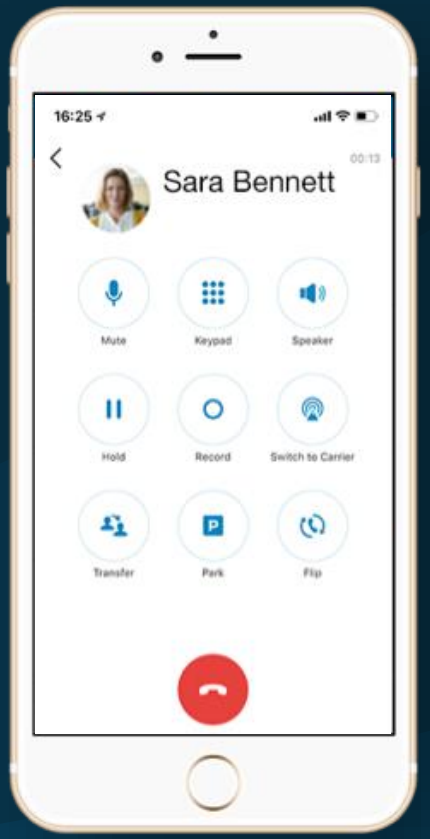





Contact center
Cloud PBX
RingCentral
Collaborative Communications
Video and meetings
Team messaging

RingCentral app unified experience







RingCentral app unified experience

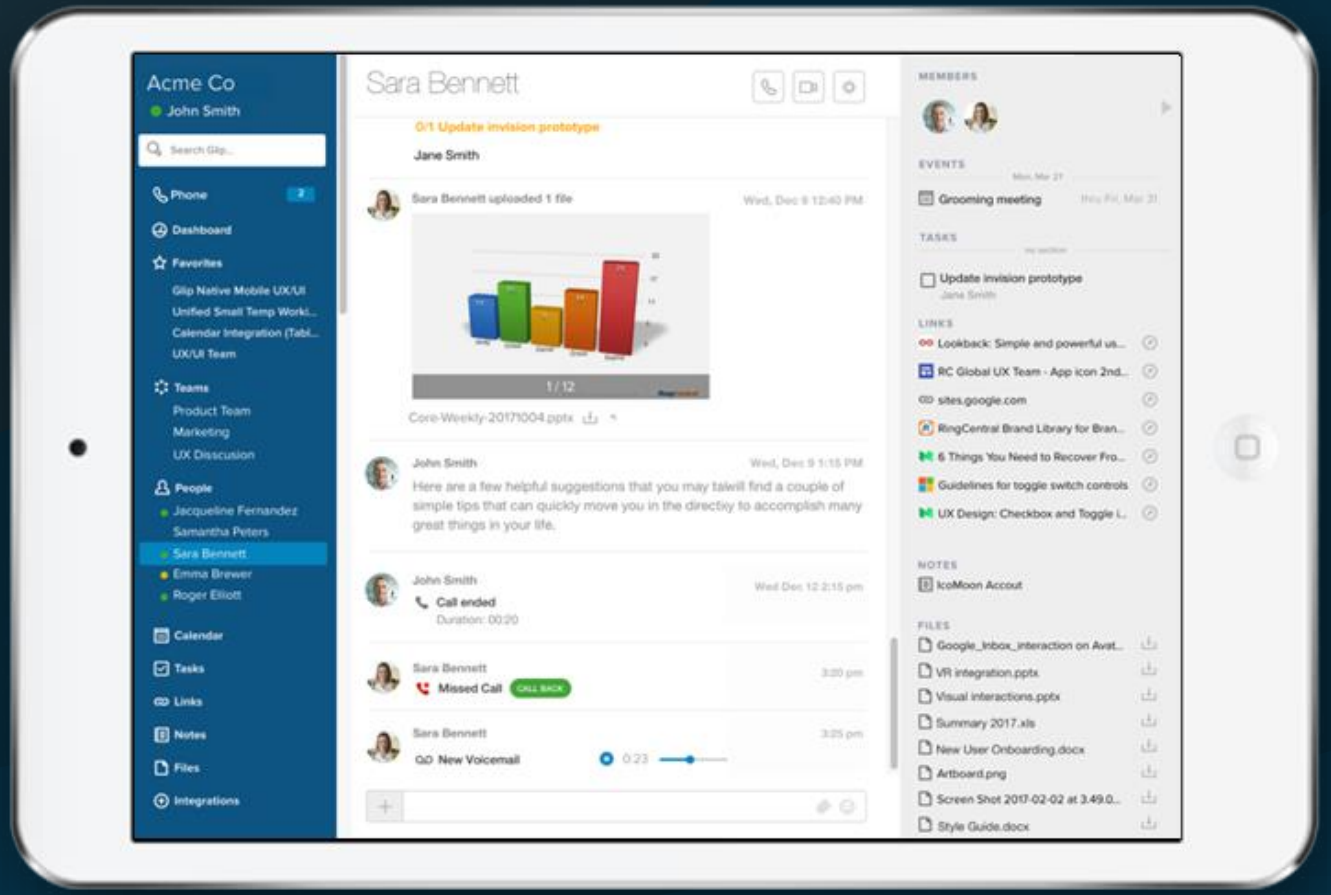






RingCentral app unified experience







RingCentral app unified experience



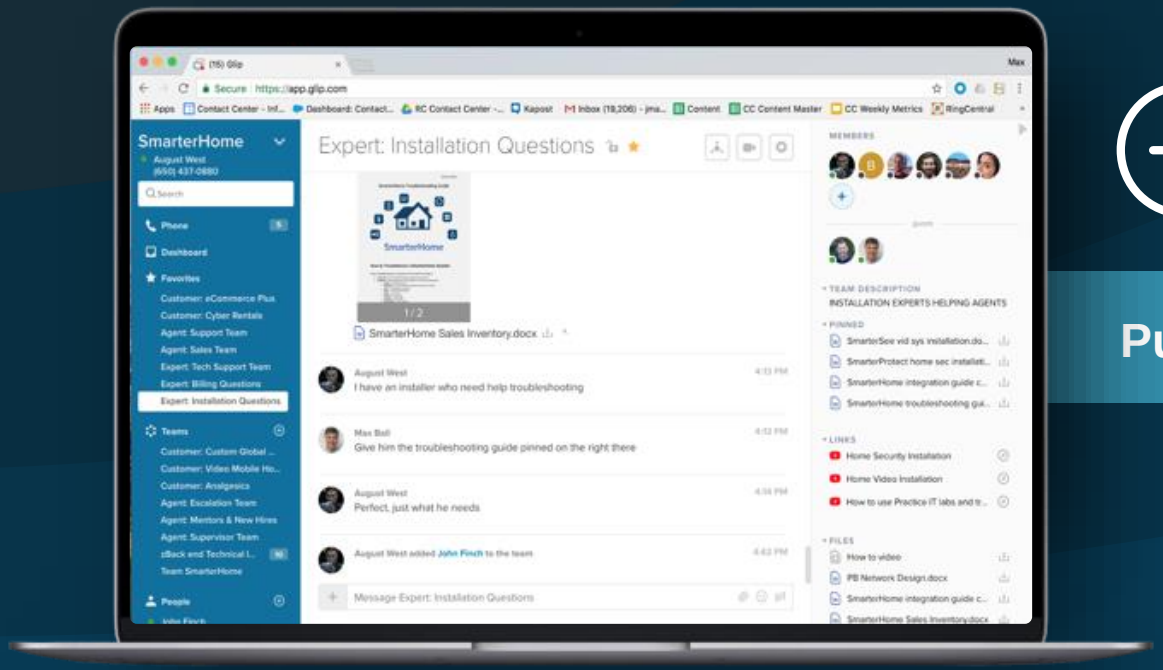




Collaborative Contact Center



RingCentral
Glip™ team messaging



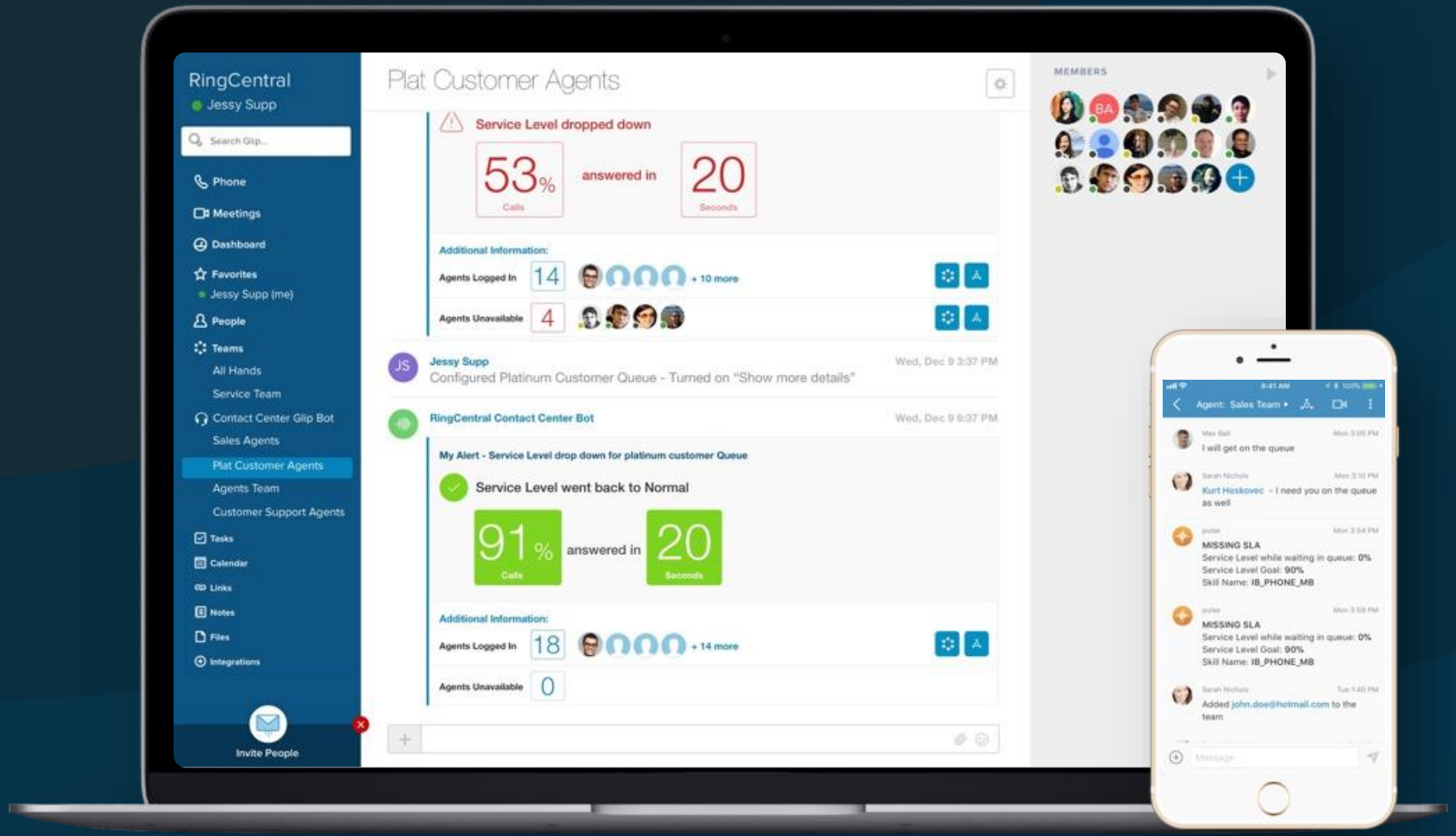
Pulse

RingCentral
Contact Center™



RingCentral Pulse™ for Contact Center

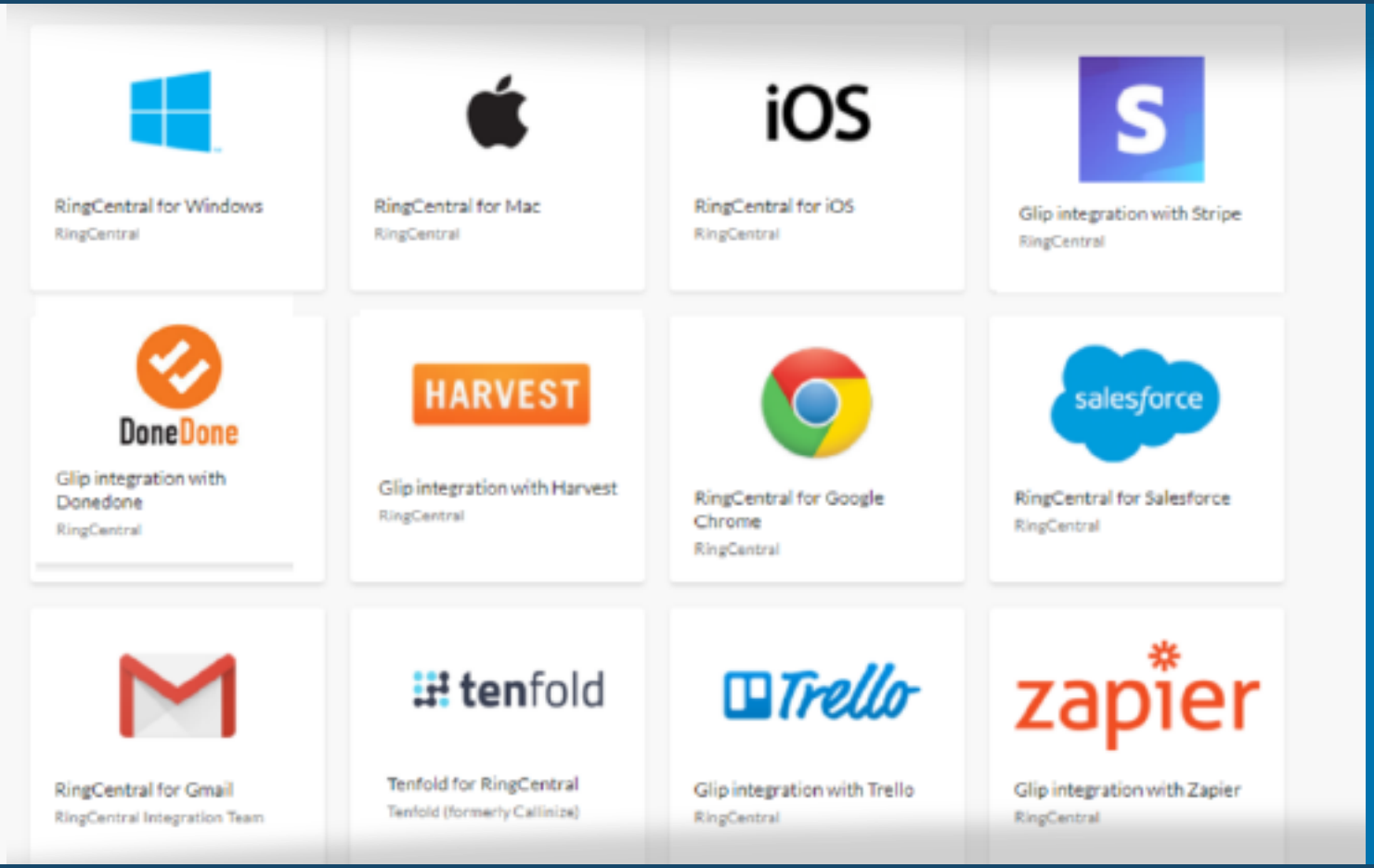





Open platform
RingCentral
Collaborative Communications
Global

RingCentral Connect Platform™

App Gallery

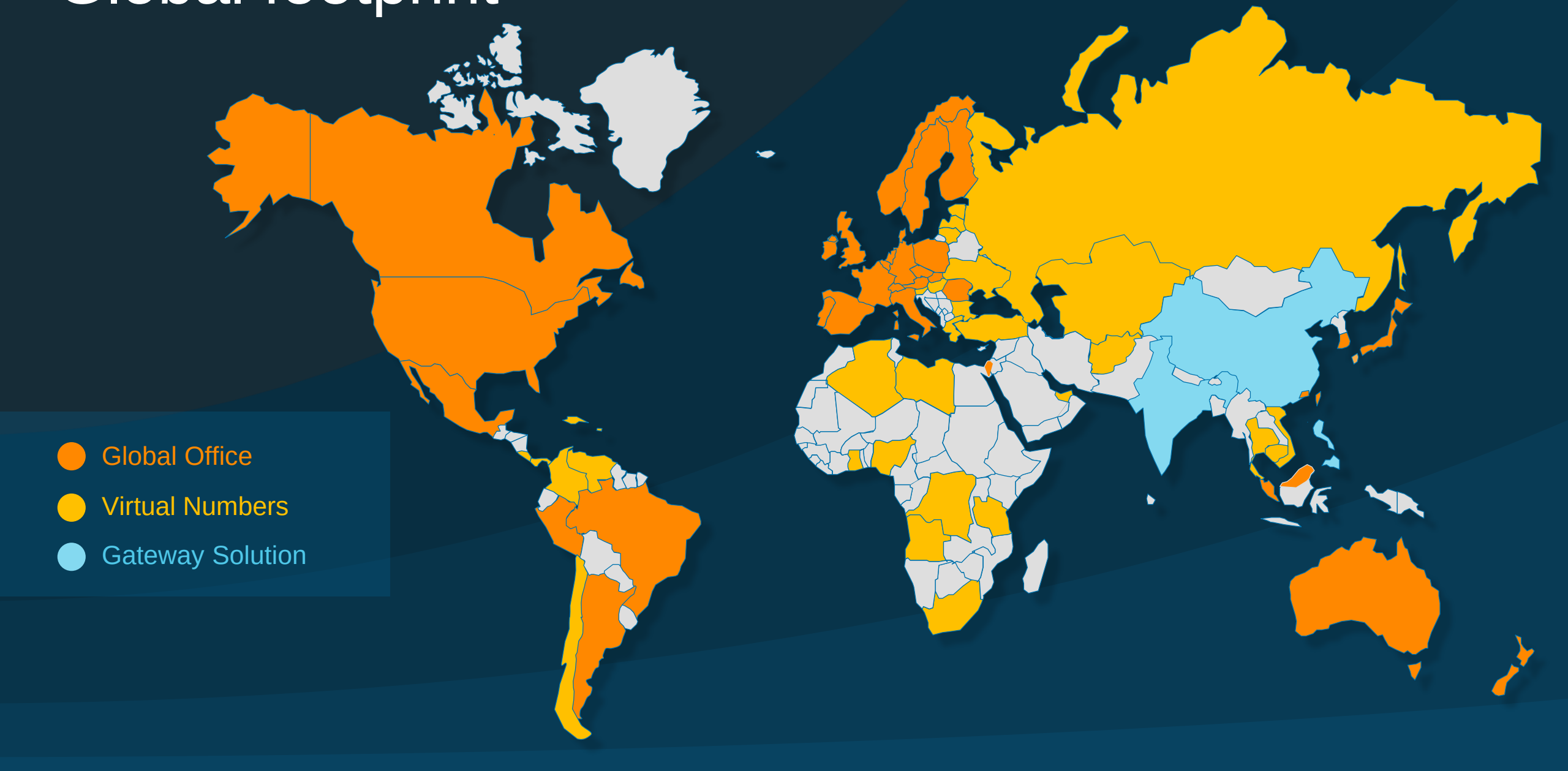


1,000+
Standard/customer integrations

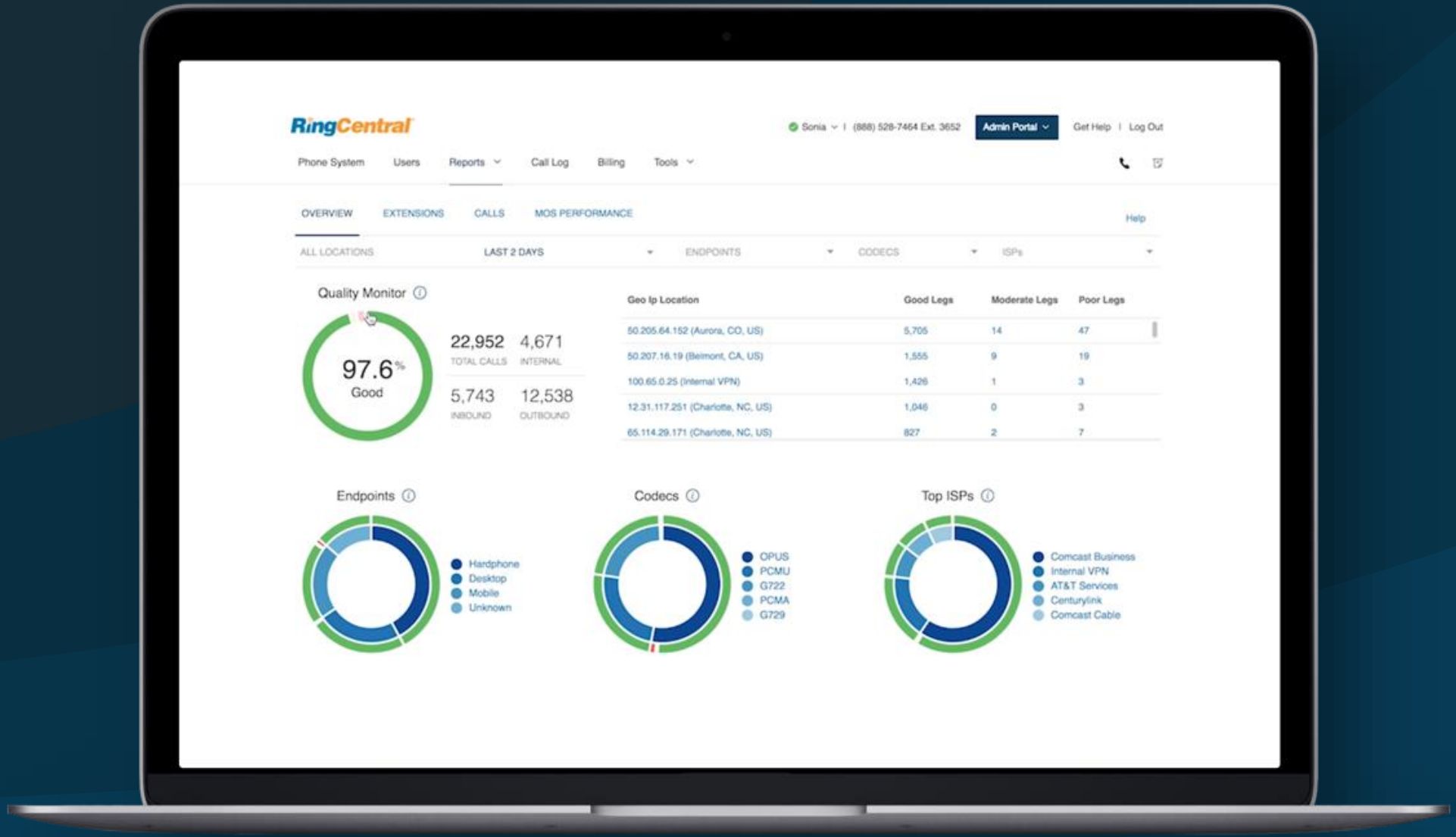
12,000+
Developers

ringcentral.com/apps

Global footprint



Global quality of service analytics



Why we win against legacy vendors

Legacy vendors

- Alcatel-Lucent
- Avaya
- Cisco
- Huawei
- Microsoft
- Mitel
- NEC
- Panasonic
- Unify (Siemens)

RingCentral®

- Mobile first
- Multimodal communications
- Speed of innovation
- Single global solution
- Significant cost of ownership savings

Why we win versus cloud competitors

Cloud vendors



RingCentral®

Innovation leadership

Open platform

Enterprise referenceable wins

Gartner Magic Quadrant leadership

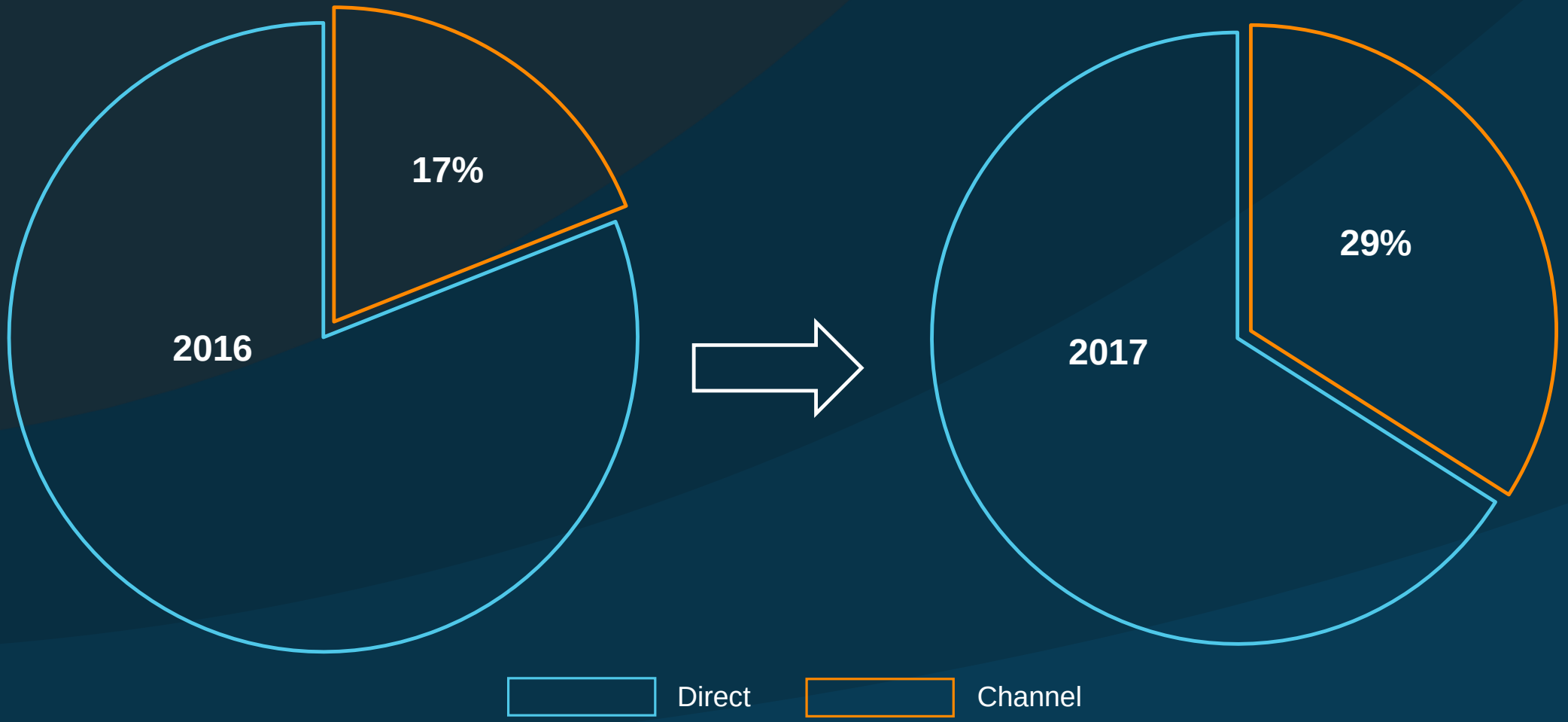
Market leadership

Segmented GTM model



	Sales model	Channel model
Strategic accounts (10K+)	Field sales	Overlay
Enterprise (250+)	Field sales	Overlay
Mid-Market (50–249)	Hybrid	Overlay
Mass market (<50)	Online and telesales	Dedicated team

Channel momentum—new bookings



New bookings mix for 2016 and 2017

Enterprise marketing strategy

Build a global brand

- Thought leadership
- Industry events
- Influencers engagement

Create demand

- CxO marketing
- Account-based marketing
- Field and partner events

Customer advocacy

- User conference
- Customer Advisory Board
- Customer references

Delivering a great customer experience

Professional services



Customer support

Services enhancements



Global delivery capability



Enterprise premium support



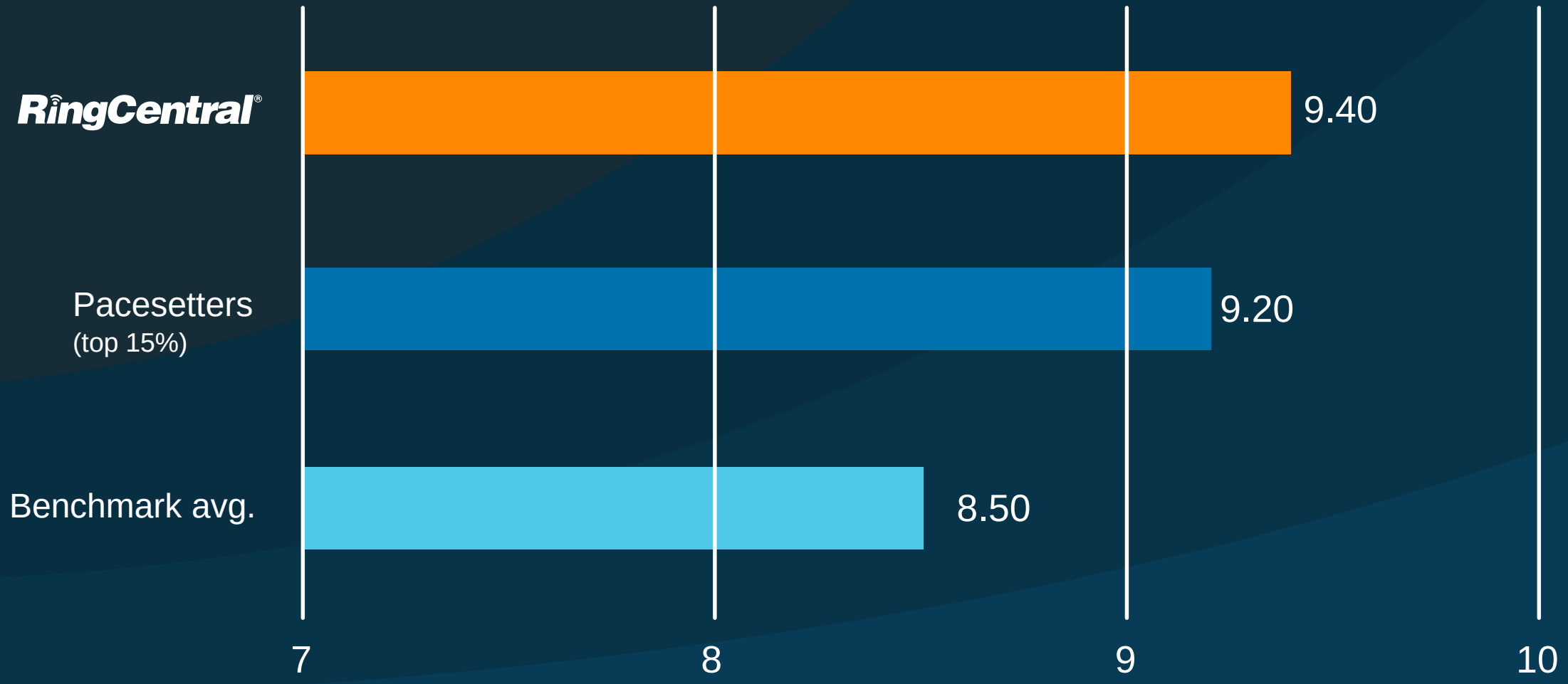
RingCentral University



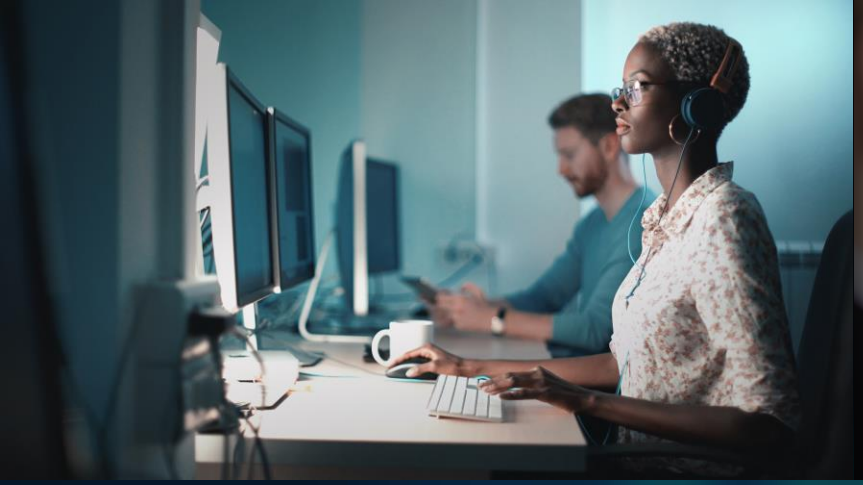
Multi-language support

Award-winning customer satisfaction

TECHNOLOGY SERVICES INDUSTRY ASSOCIATION



Based on TSIA 2017 survey data and Medallia 2018 data





INNOVATION

DIFFERENTIATION

GO TO MARKET





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Product Demo

Jose Pastor
VP, Product

RingCentral

RINGCENTRAL 2018 INVESTOR DAY

Customer Panel

Mitch Tarica

SVP, Worldwide Sales

Customer Panel



Paul Chapman
Chief Information Officer

box



David Baker
Chief Information Officer

PACIFIC DENTAL SERVICES®



Hernando Celada
Chief Information and Asset Officer

ChenMed

RingCentral

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Channel Partner Panel

Zane Long

SVP, Global Channel Sales

Channel Partner Panel



Mike Dolloff
Chief Revenue Officer

Inflow COMMUNICATIONS



Scott Davis
EVP, Sales and Marketing

AGC



Ryan Heath
CTO

PCM

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Compelling SaaS Economics

Mitesh Dhruv
CFO





OPPORTUNITY

$50B+
TAM

INNOVATION

Collaborative
Communications

GO TO MARKET

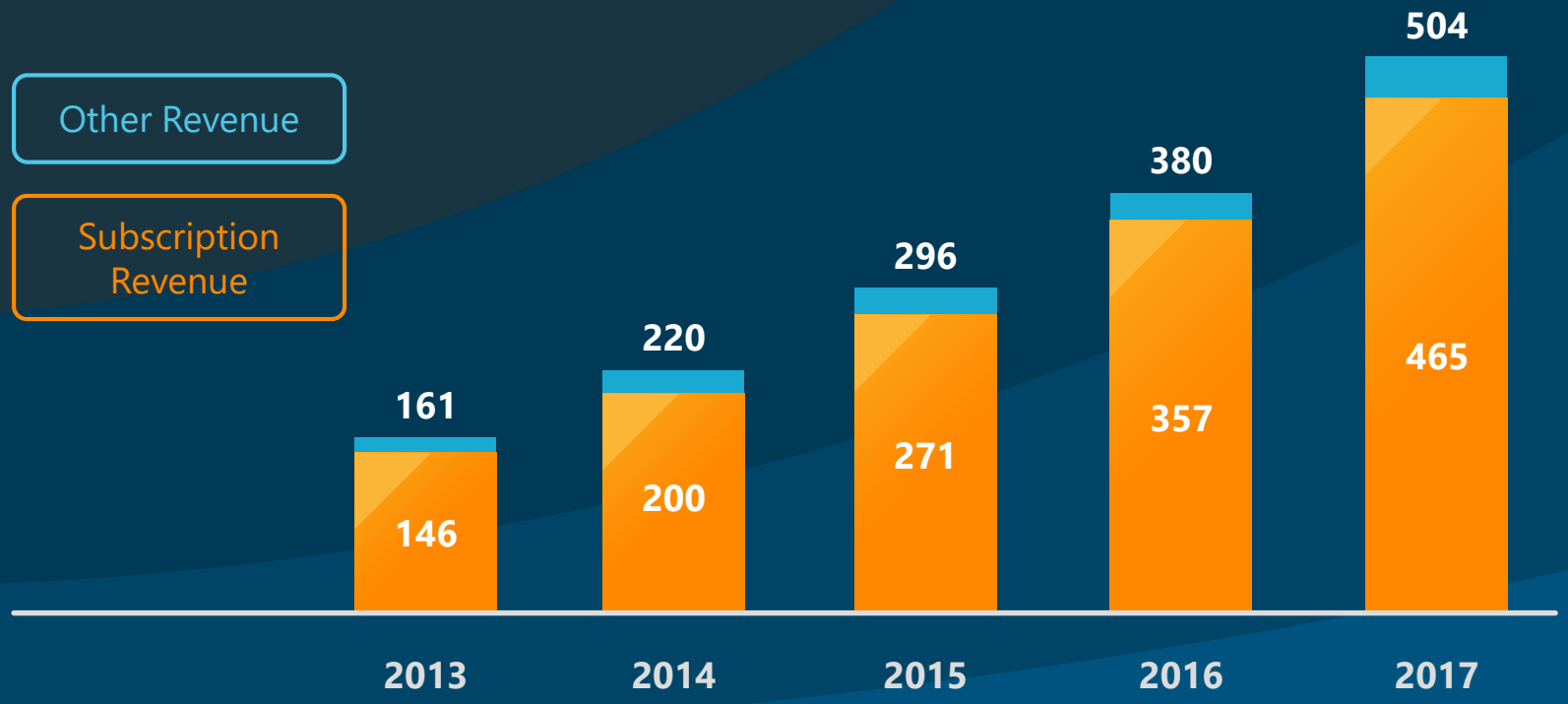
Mid-Market/Enterprise
& Channel





Since IPO: Significant Revenue Growth

Total Revenue ($ in millions)



33%

CAGR (2)

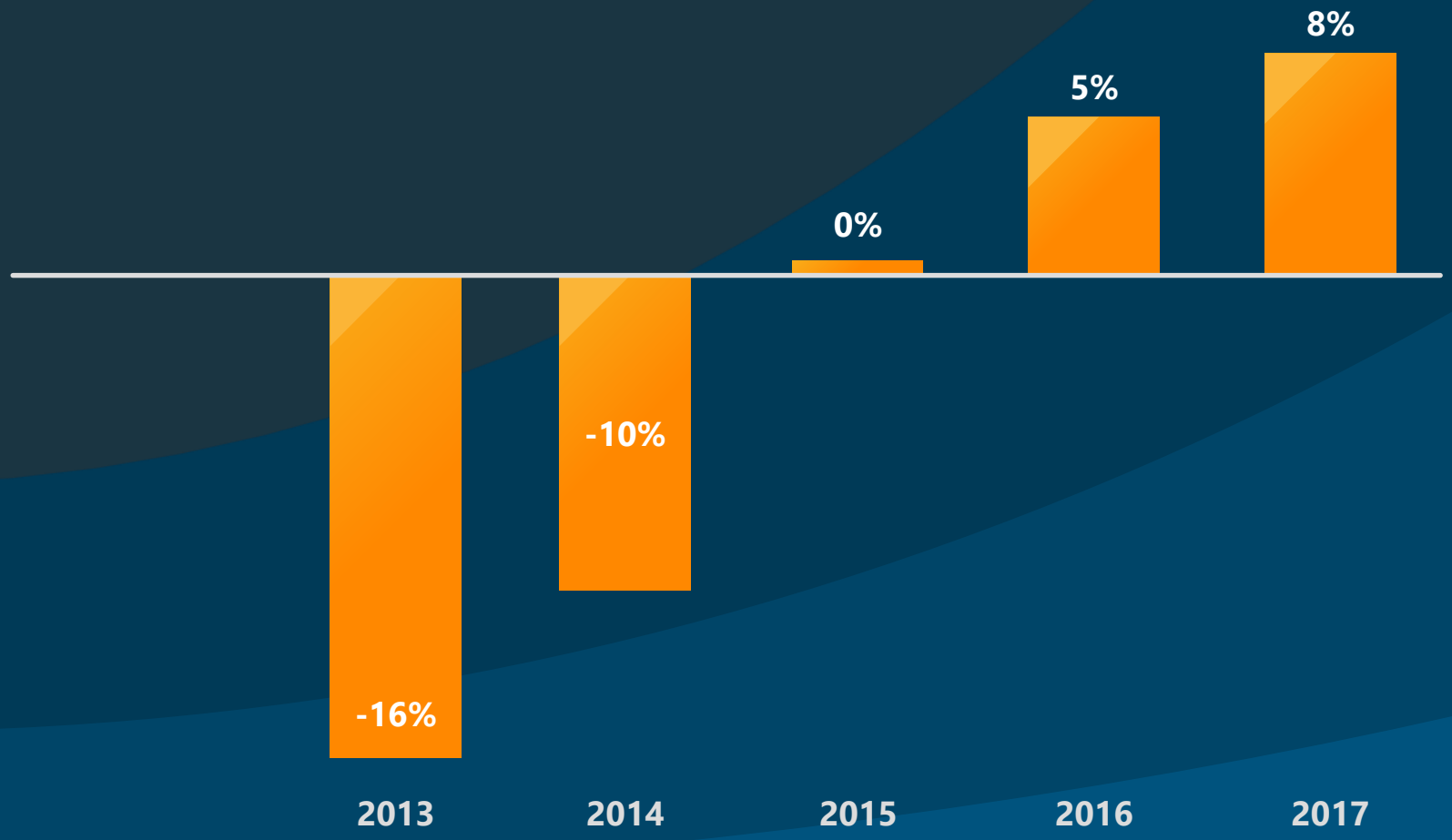
90%+

Recurring Revenues (1)

(1) Recurring Revenues: Subscription Revenue / Total Revenue for the periods 2013 - 2017
(2) CAGR: Total Revenue CAGR for the periods 2013 – 2017

Since IPO: Driving Leverage in the Model

Annual Operating Margin



+24 pts

Margin Expansion

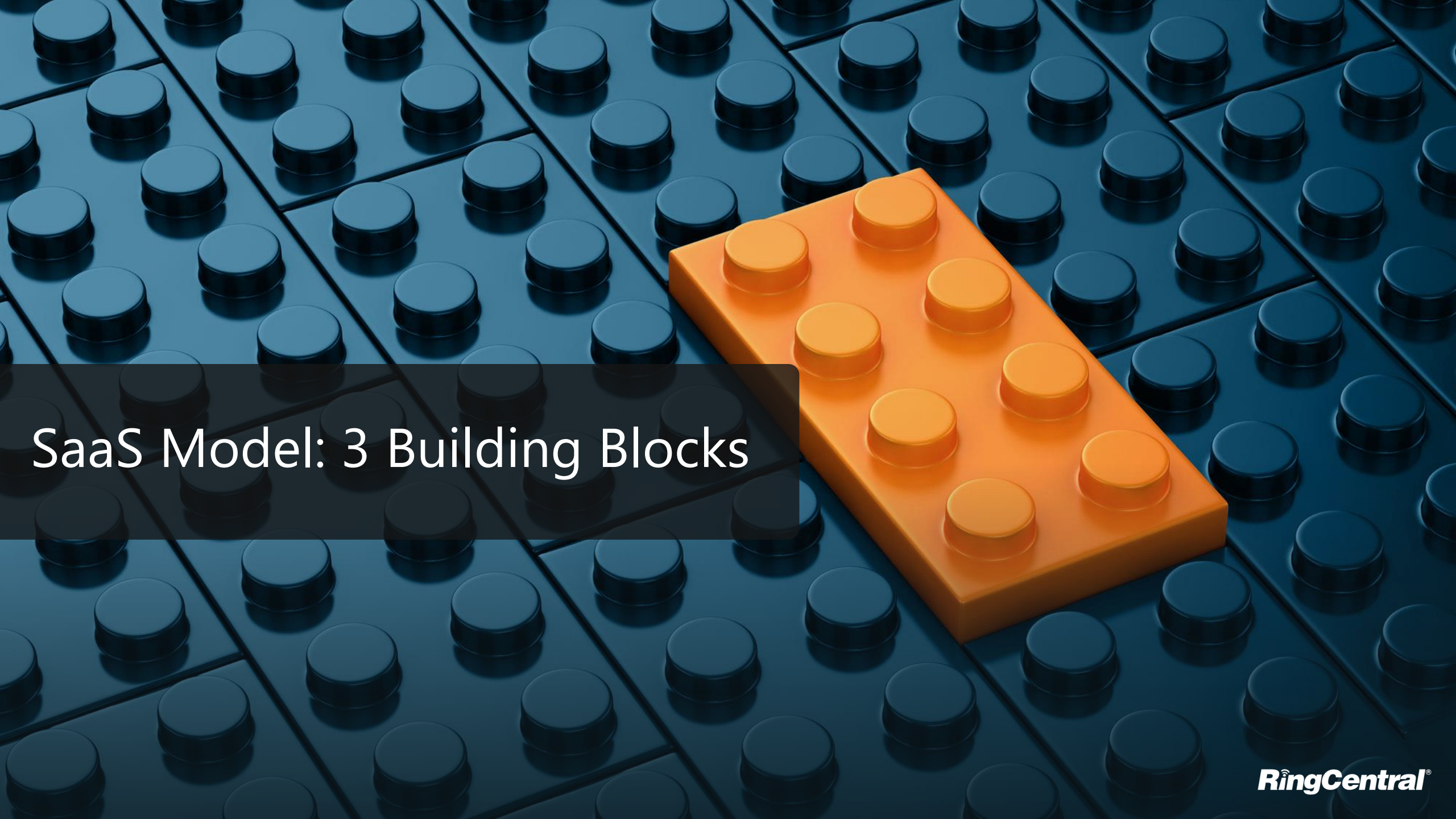
+12 pts

Subscription COGS

SaaS Business Model Tradeoff



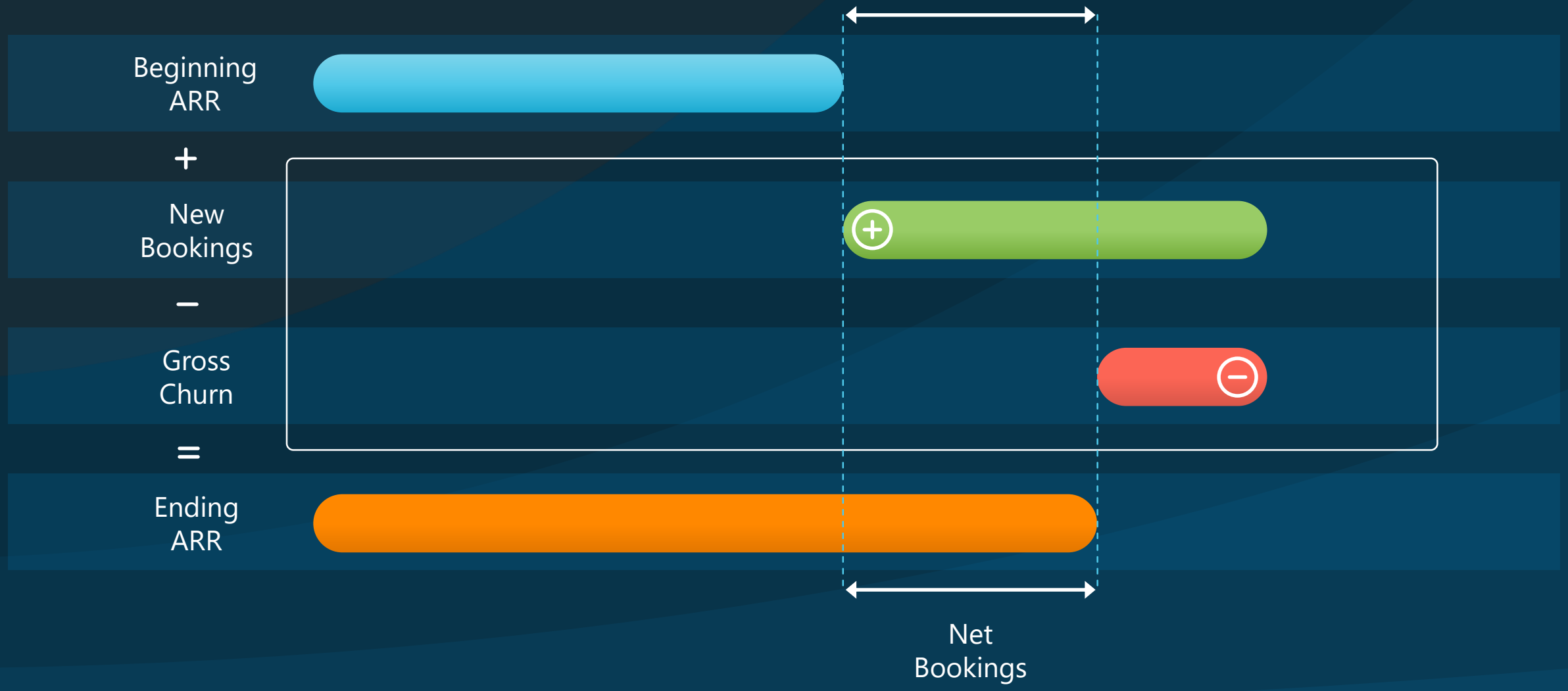

Growth



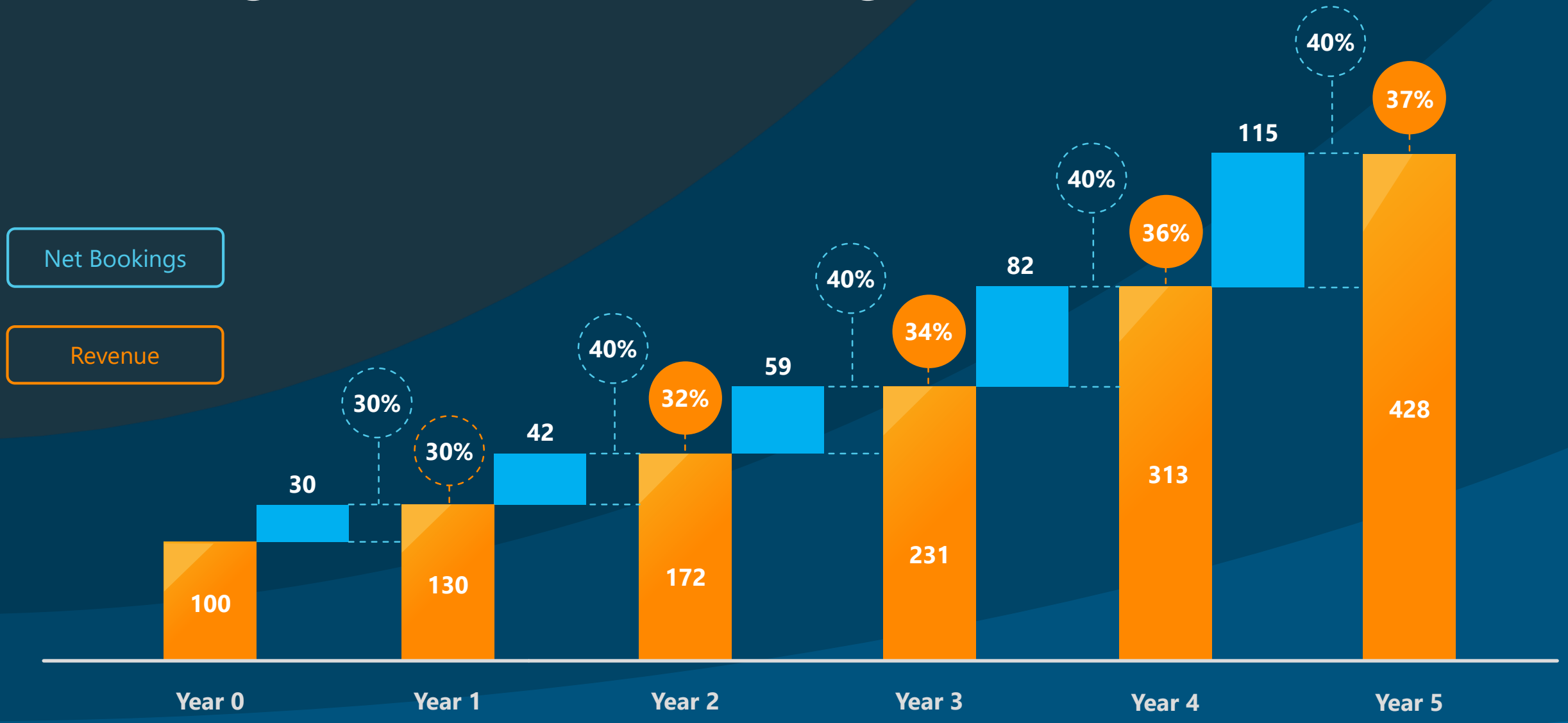
SaaS Model: 3 Building Blocks

RingCentral®

Building Block 1: Net Bookings

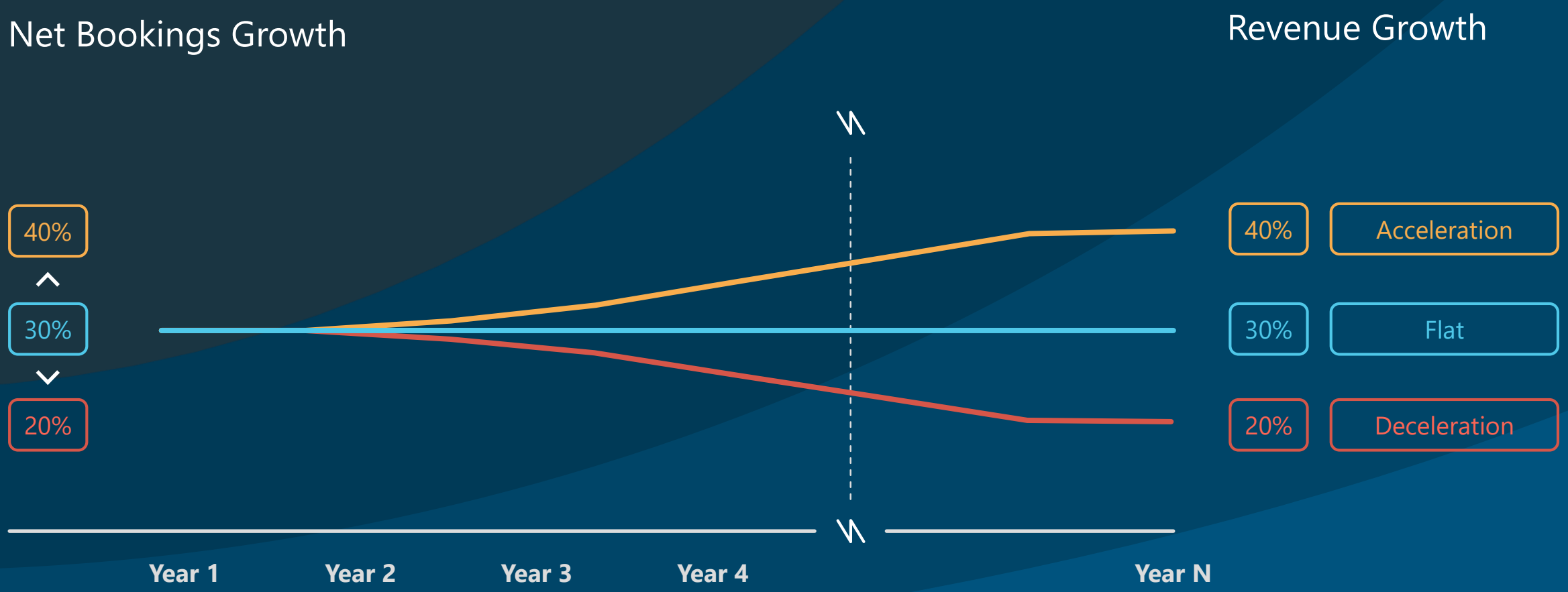


Building Block 2: Net Bookings/Revenue Growth



Illustrative example

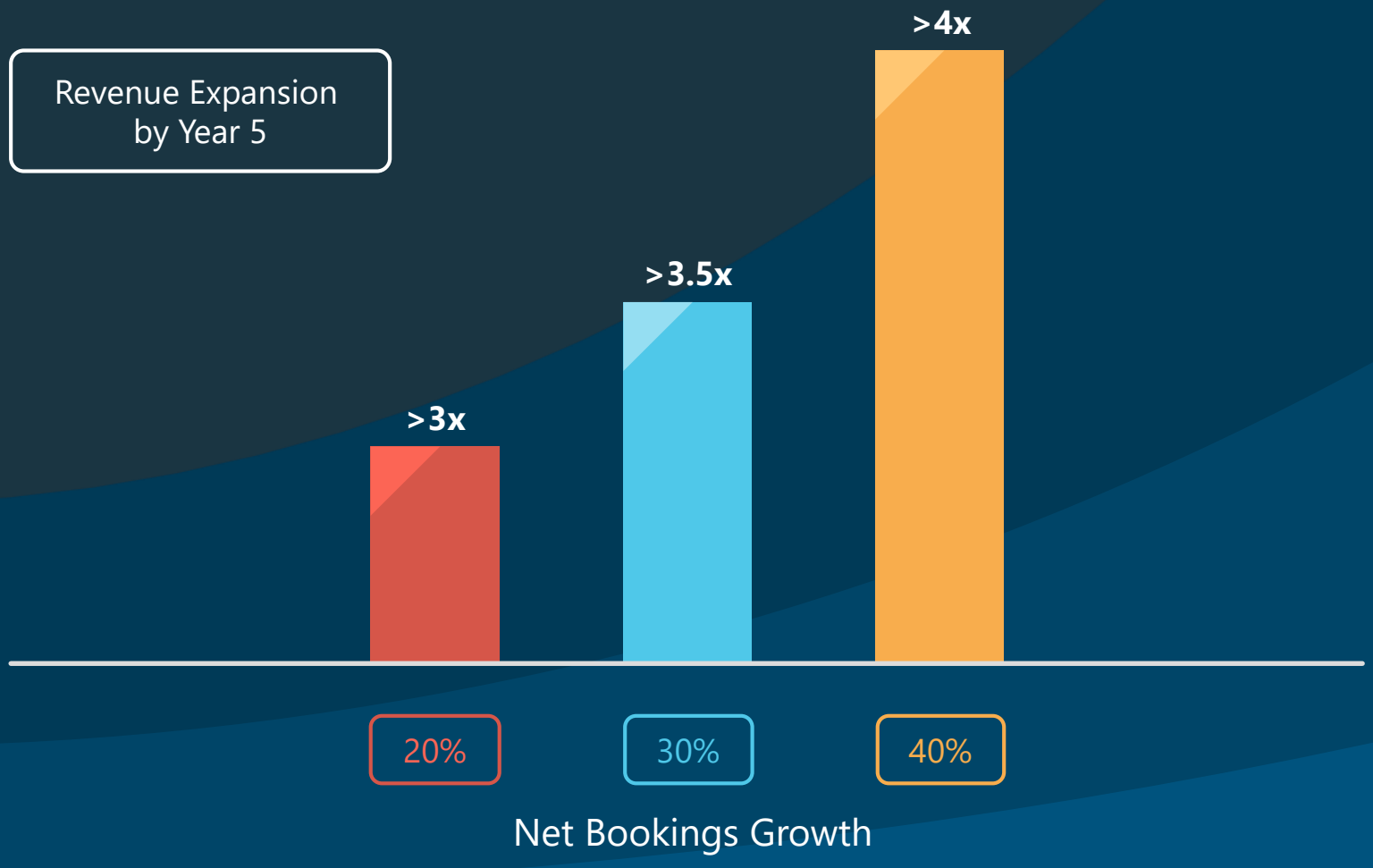
Building Block 2: Scenarios



Illustrative example: Sample company Year 1 revenue and net bookings at 30%.

Building Block 3: Revenue Growth/Company Size

Revenue Expansion by Year 5



40%

Net Bookings Growth

>4x

Revenue Expansion by Year 5

Illustrative example: Sample company Years 0 and 1 revenue and net bookings growth at 30%. Second year and onward assumes net bookings growth at scenario growth rate. Net bookings growth adjusts in Year 2. Revenue expansion calculated as Year 5 revenue / Year 0.



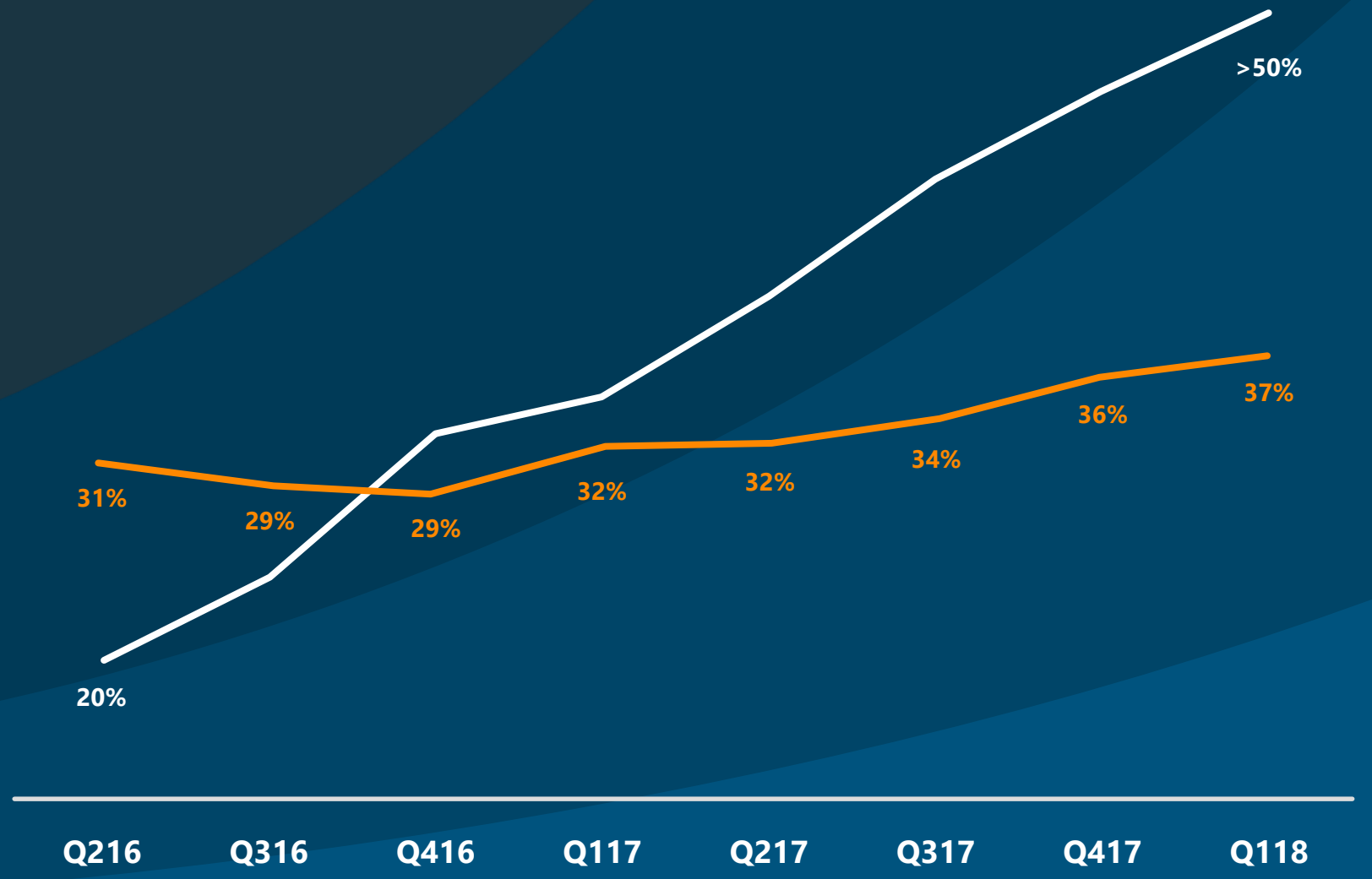
The RingCentral SaaS Model

RingCentral®

RingCentral: Net Bookings and Revenue Growth

Core Net Bookings Growth[1]

Core Subscription Revenue Growth[2]

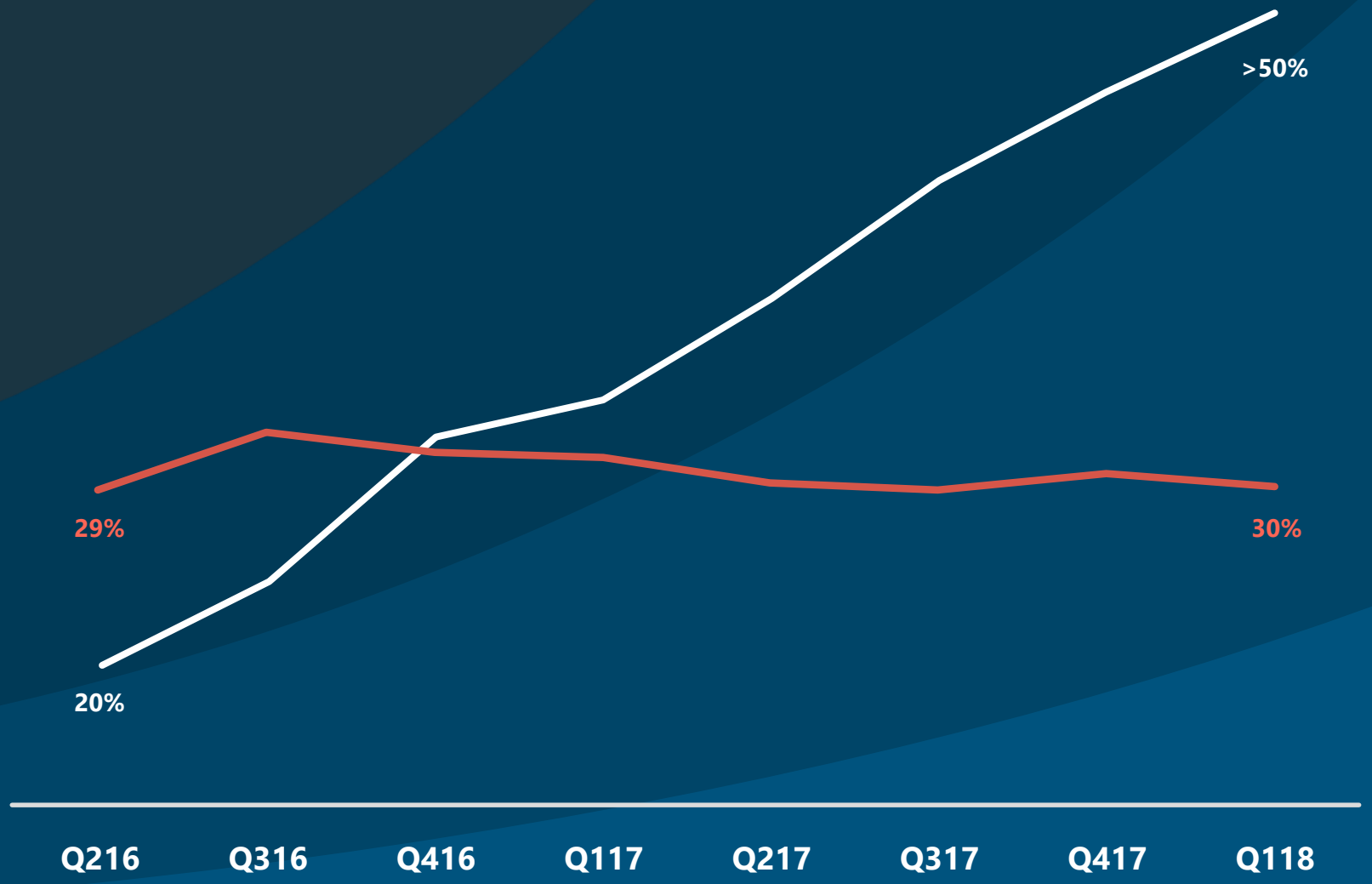


(1) Core Net Bookings Growth: New Bookings less Gross Churn, excluding impact of AT&T and Q117 monetization of the base for trailing twelve month period compared to the prior year
(2) Core Subscription Revenue Growth: Y/Y Subscription Revenue excluding impact of AT&T

RingCentral: Efficient Growth

Core Net Bookings Growth(1)

Sales & Marketing Growth(2)



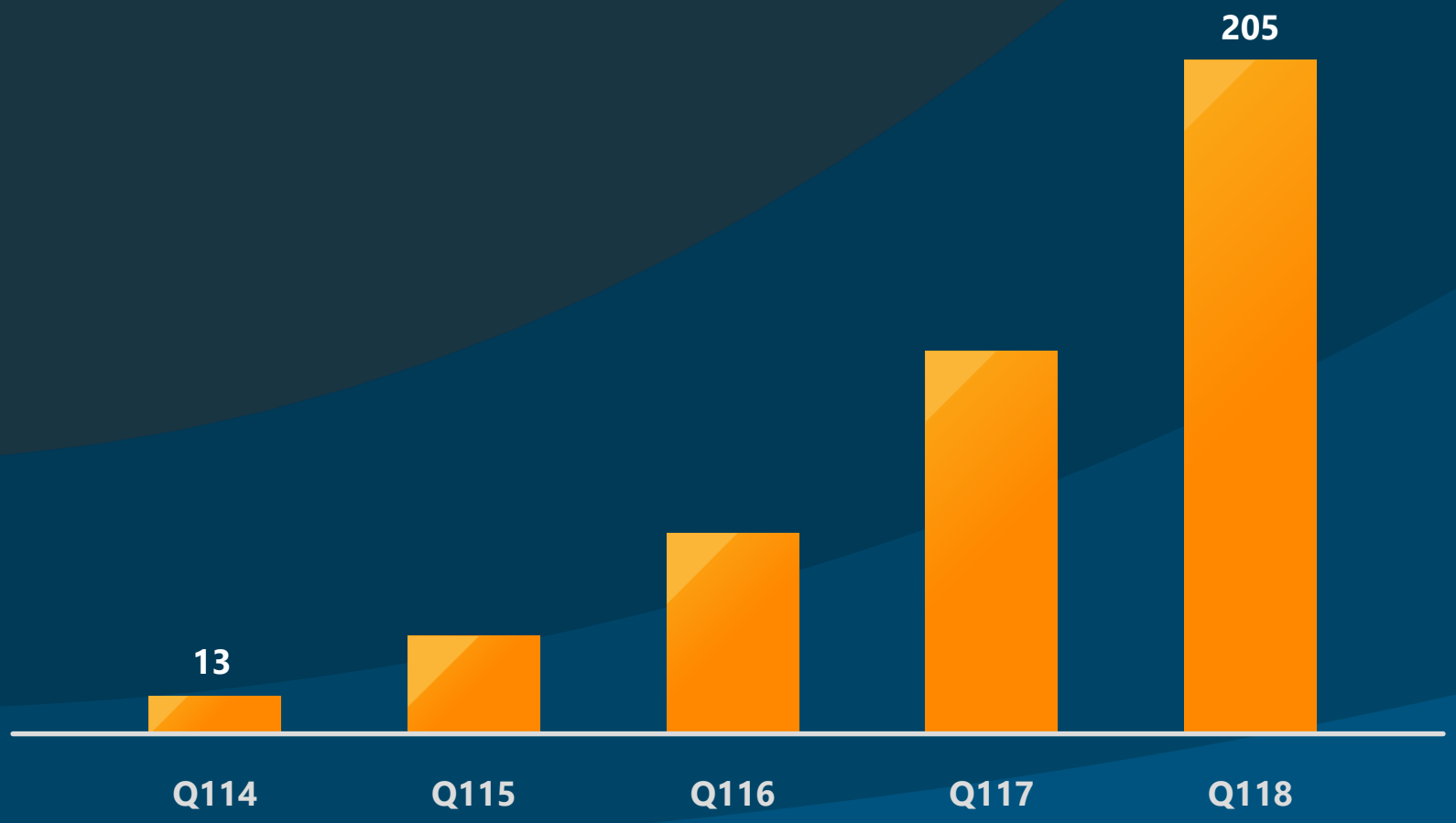
(1) Core Net Bookings Growth: New Bookings less Gross Churn, excluding impact of AT&T and Q117 monetization of the base for trailing twelve month period compared to the prior year
(2) Sales & Marketing growth: Y/Y growth in non-GAAP Sales & Marketing spend


Growth
Mid-Market/Enterprise
Channel

Mid-Market/Enterprise

Growth Performance

Annual Recurring Revenue ($ in millions)



$200M+ (1)

Runrate

75%+

Y/Y Growth

(1) Mid-Market and Enterprise ARR and growth rate exiting Q118, Mid-Market and Enterprise defined as 50 seats and above

Mid-Market/Enterprise

Growth Economics

Cost to Book

EFFICIENCY

Churn

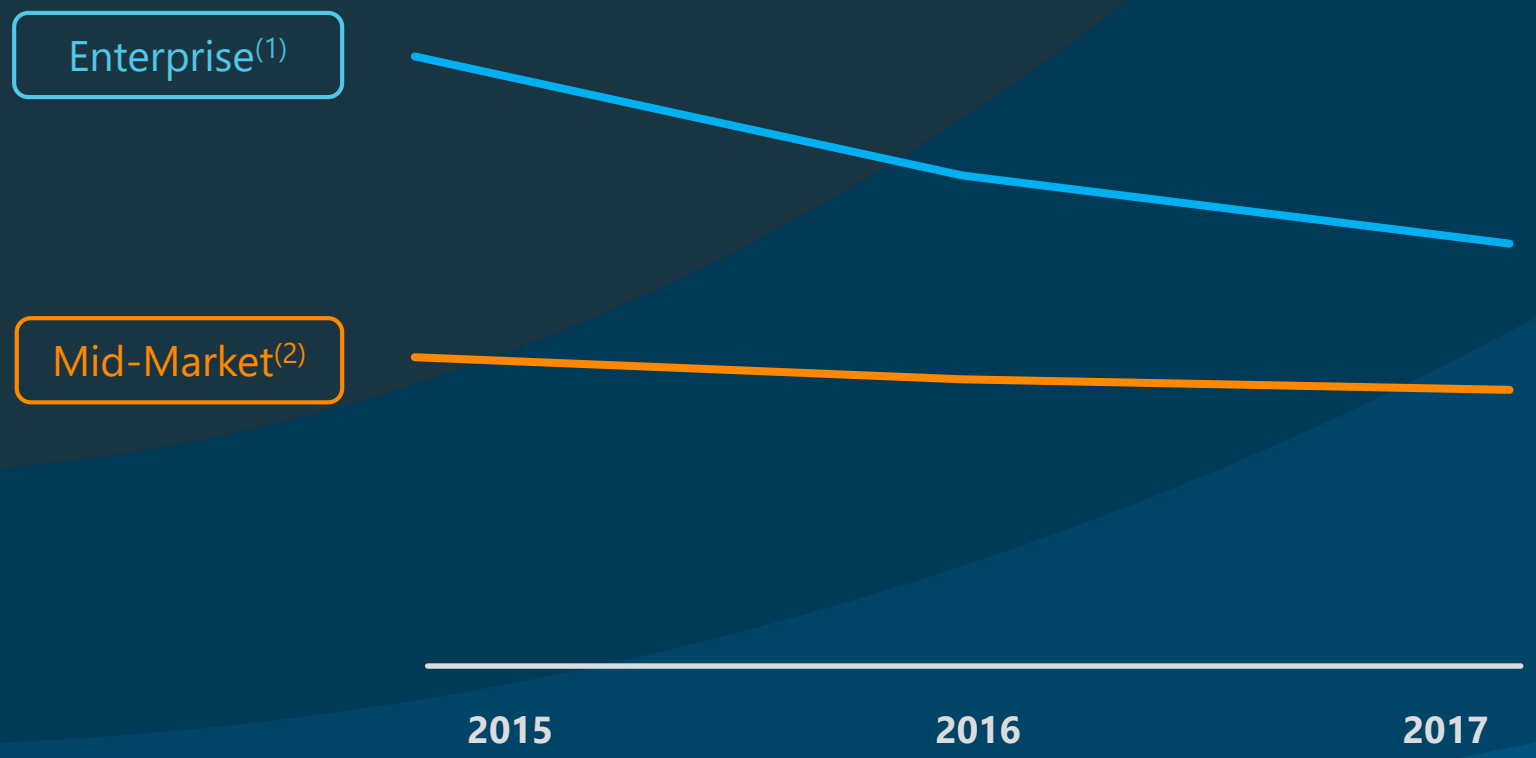
STICKINESS

Upsell

EXPANSION

Mid-Market/Enterprise

Cost to Book: Improvement



Enterprise

Very early stages

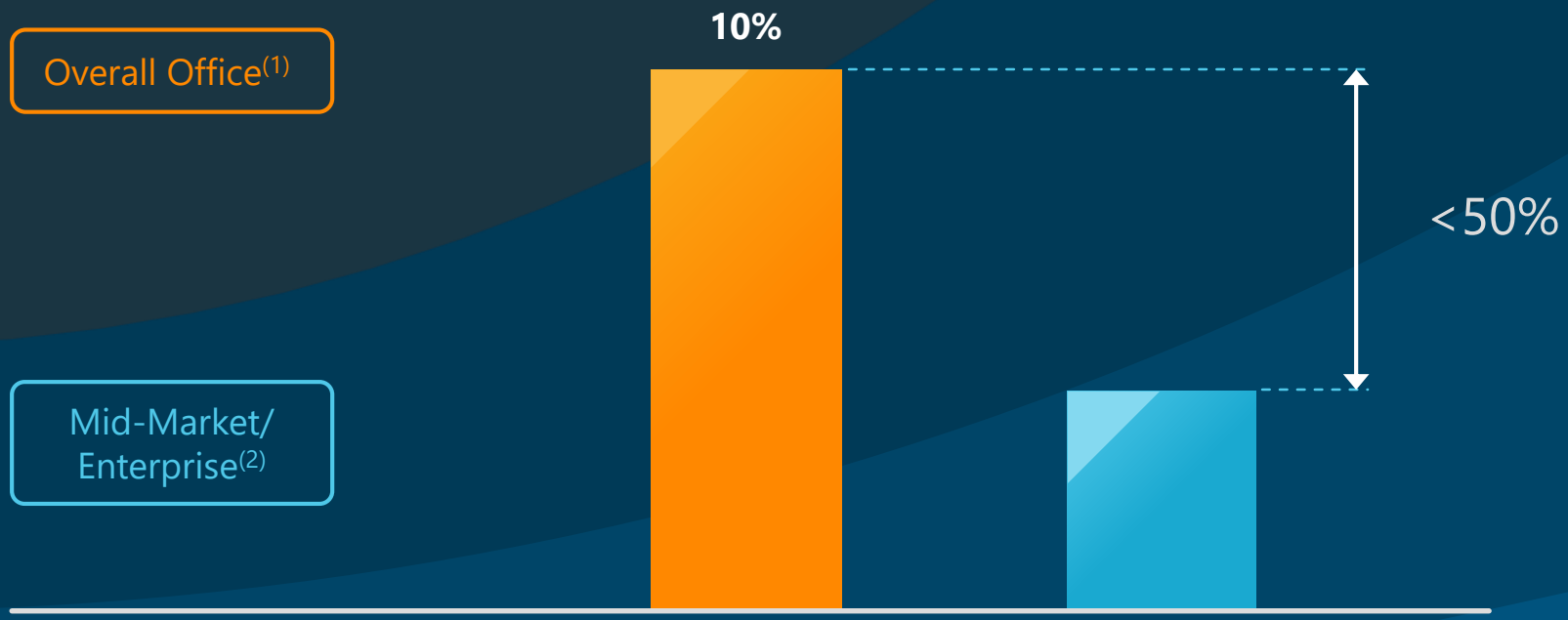
< 50 % reps ramped

Productivity increasing

(1) Enterprise defined as 250+ seat opportunities
(2) Mid-Market defined as 50-249 seat opportunities
Note: Cost to Book is measured as non-GAAP Sales & Marketing spend divided by New Bookings excluding monetization of the base, carrier spend and partner commissions as if under ASC 605

Mid-Market/Enterprise

Gross Churn: Lower



Churn

Low business mortality

High switching costs

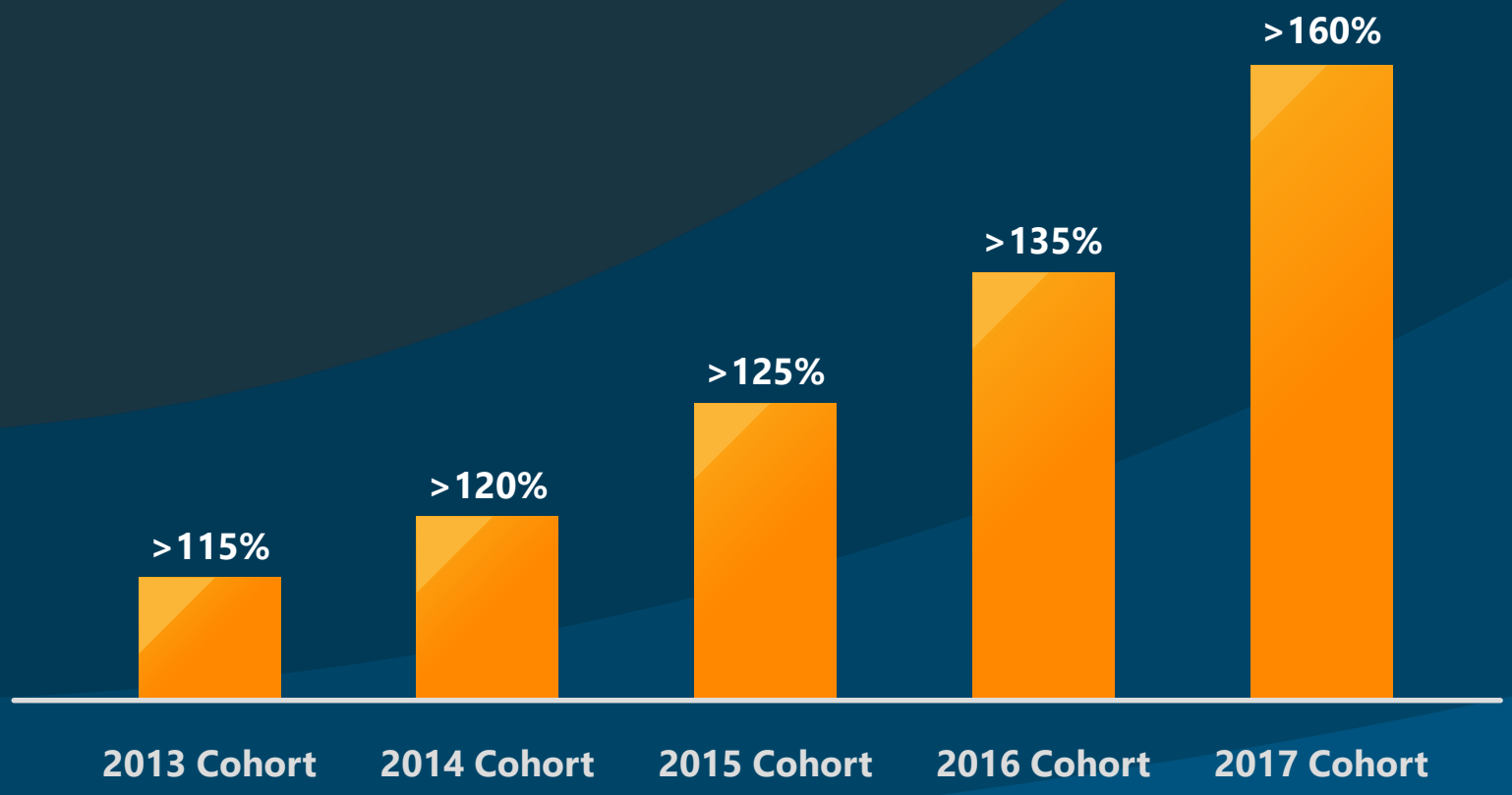
Enhanced support

(1) Overall Office includes all company segments and excludes Pro and Fax products
(2) Mid-Market/Enterprise defined as 50 seats and above
Note: Churn is calculated as Gross Churn / ((Beginning ARR + Ending ARR)/2). Based on FY17 data

Mid-Market/Enterprise

Upsell: Higher Net Retention

Annualized Net Retention by Cohort as of Q118



Net Retention

Customer mix

Land and expand

Product expansion

Note: Chart reflects growth in total monthly recurring subscriptions over time, inclusive of losses, for the group of customers that joined RingCentral in each respective year. Net retention represents increases in total monthly recurring subscriptions after the initial acquisition of each customer, annualized for the time period from the month of acquisition to the end of Mar 2018.



Mid-Market/Enterprise

RingCentral

Mid-Market/Enterprise

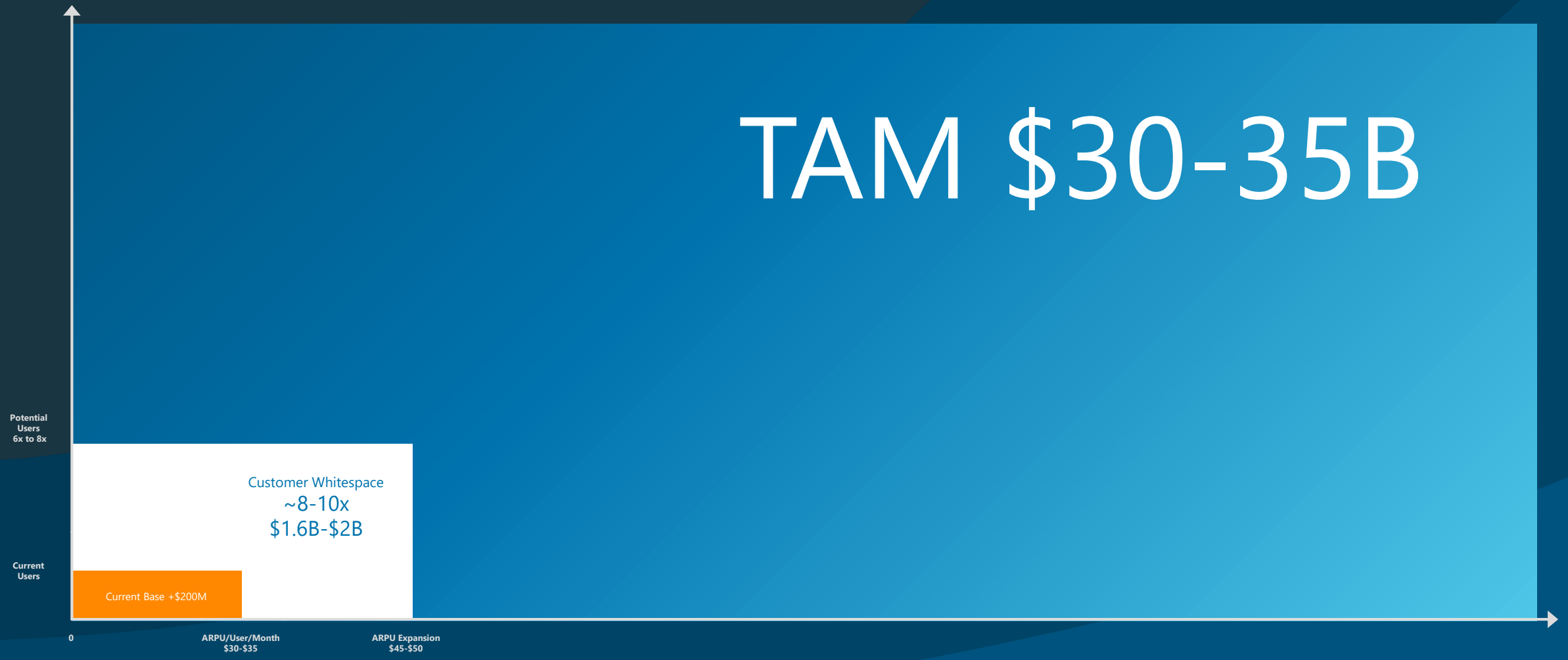
Installed Base: Expansion Potential



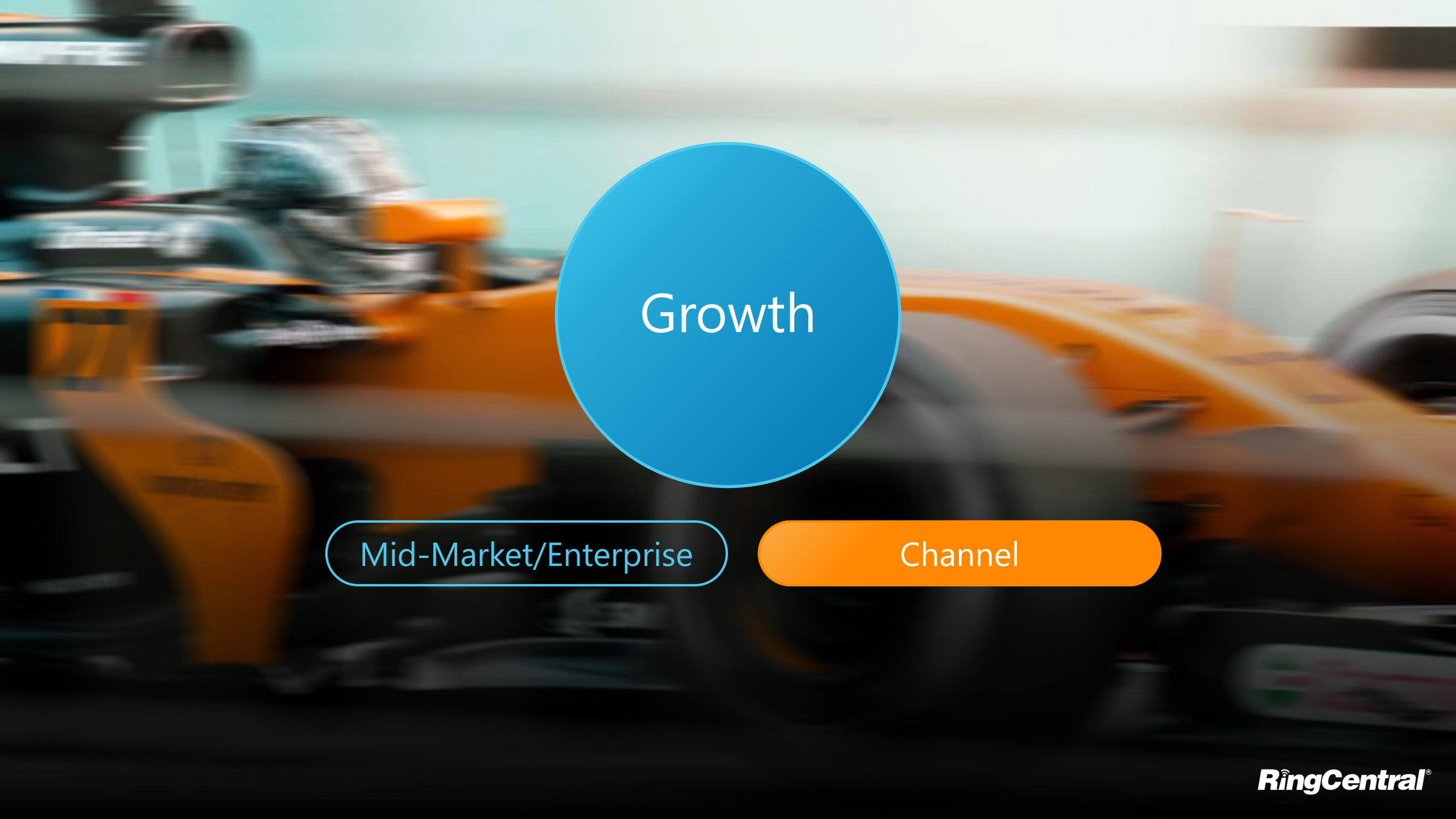
Notes:
Potential Users includes all employees from install base. Number of employees from Dun & Bradstreet data.
Potential ARPU upside based on attach rate assumptions for Contact Center, Global Office, and Add Ons.
Current Base, Users and ARPU as of Q118

Growth Runway

Mid-Market/Enterprise



Notes:
Potential Users includes all employees from install base. Number of employees from Dun & Bradstreet data
Potential ARPU upside based on attach rate assumptions for Contact Center, Global Office, and Add Ons; Current Base, Users and ARPU as of Q118
$30-35B TAM is Mid-Market and Enterprise portion of worldwide market (60-70% of $50B)

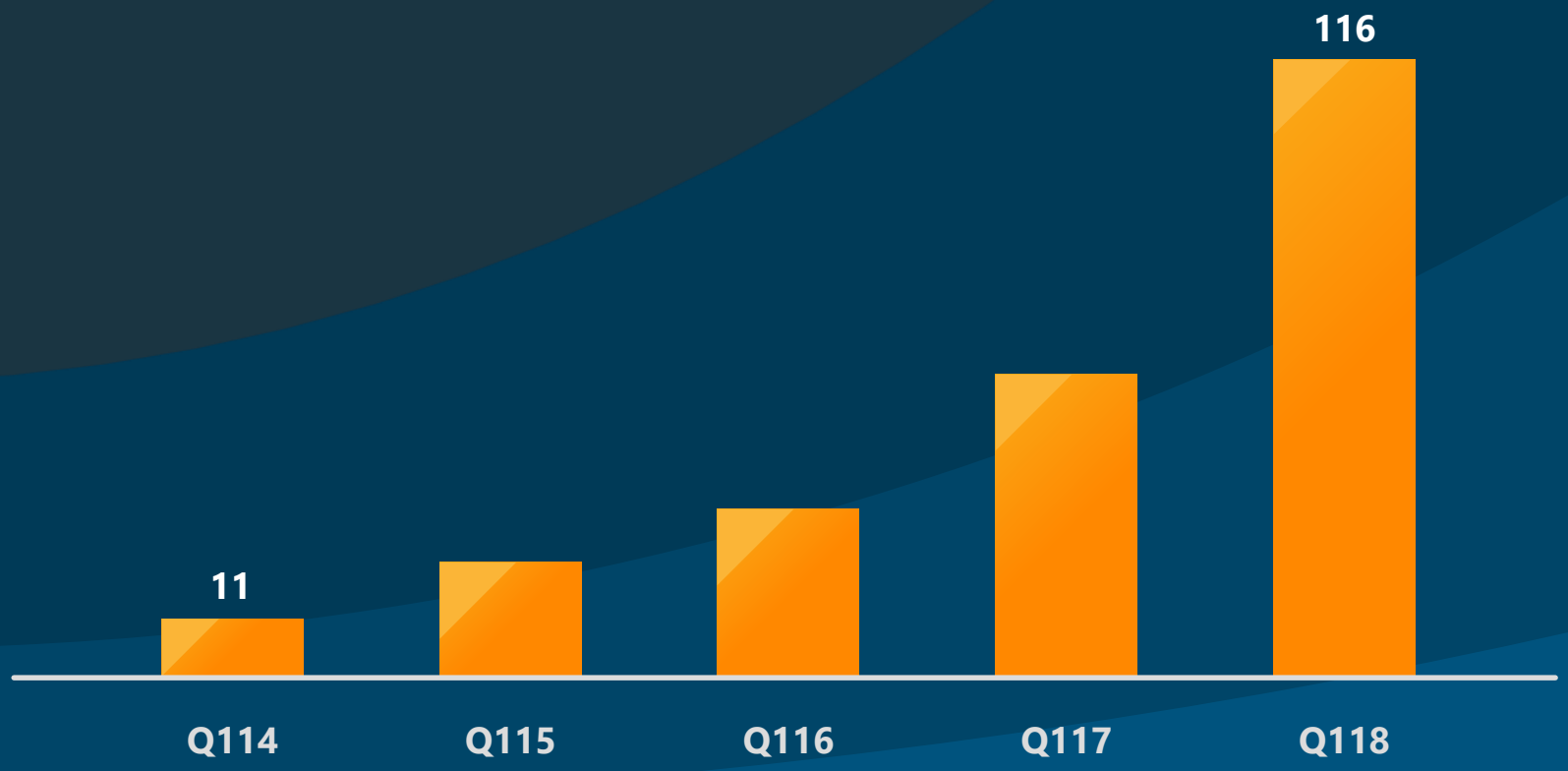

Growth
Mid-Market/Enterprise
Channel

Channel

Growth Performance

Annual Recurring Revenue ($ in millions)

(exiting each period)



$115M+

Runrate

~100%

Y/Y Growth

Channel ARR and growth rate exiting Q118, Channel defined as deals sourced by channel partners

Channel

Growth Economics

Cost to Book

EFFICIENCY

Churn

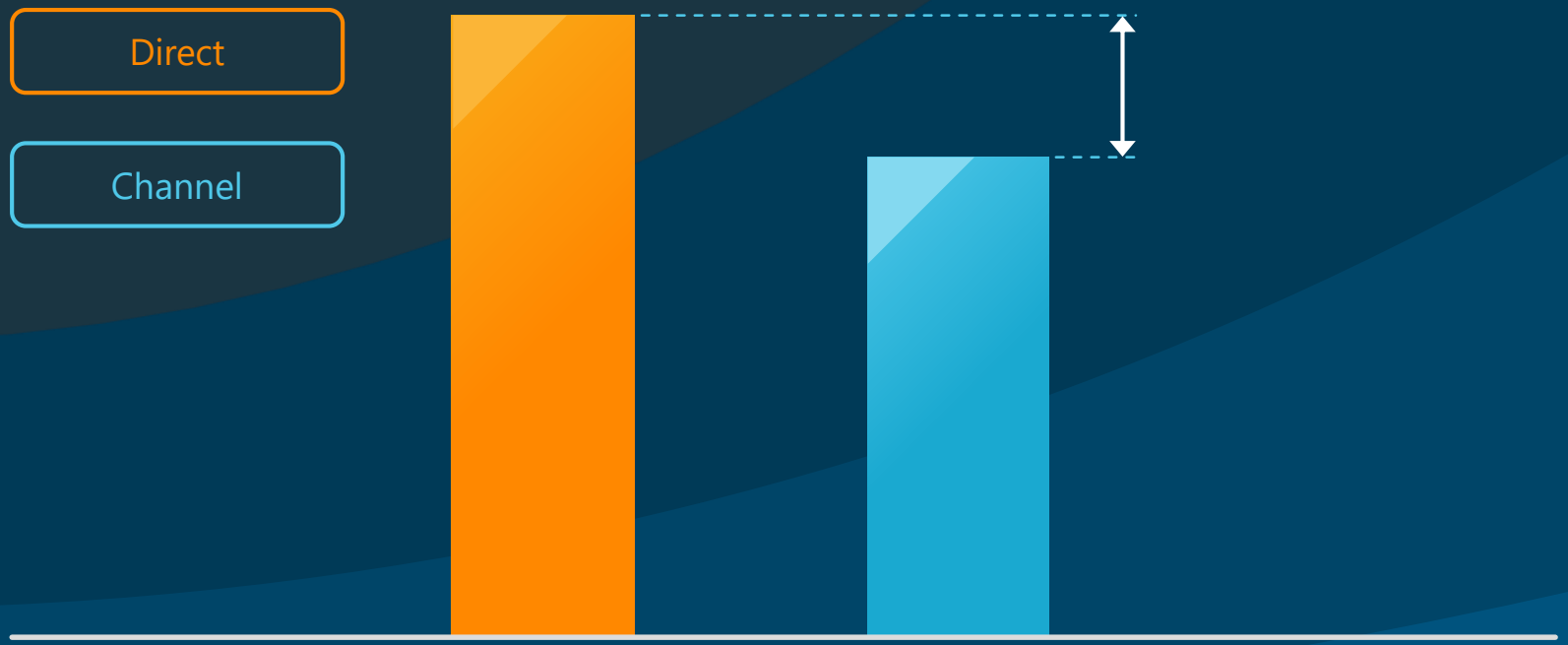
STICKINESS

Residuals

COST

Channel

Cost to Book: Lower



Lower Cost

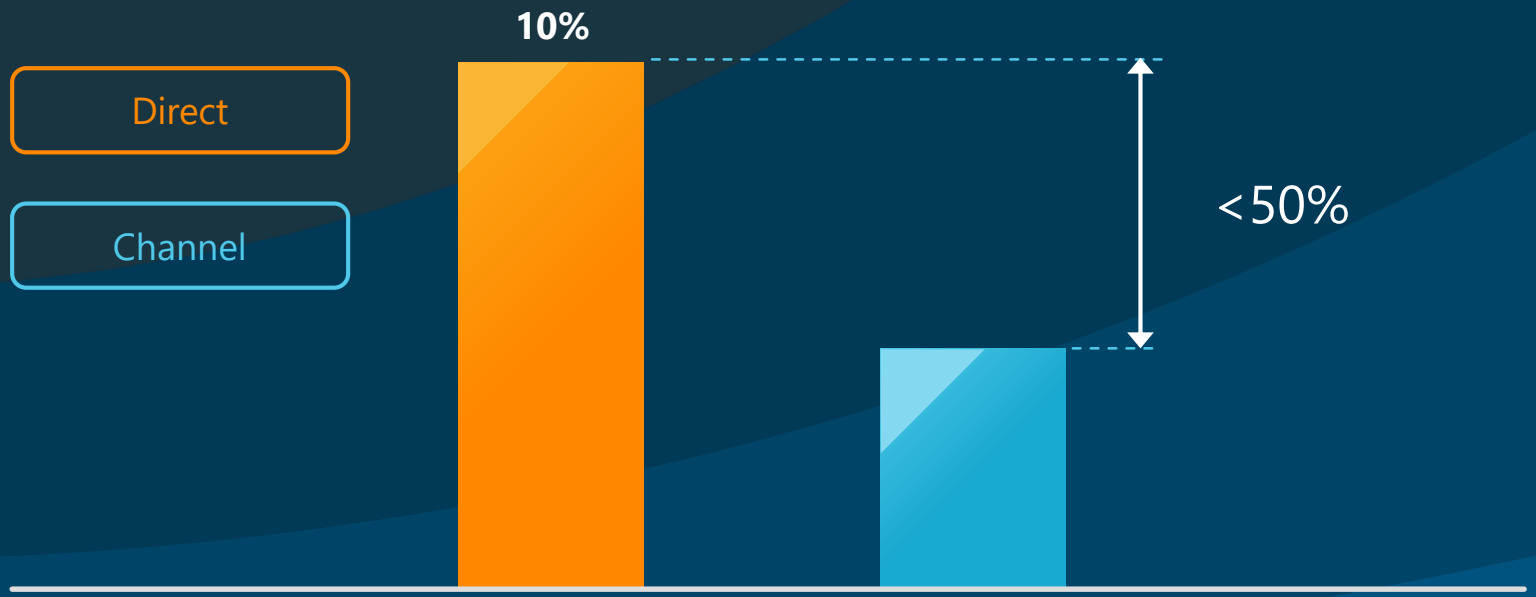
Lead gen savings

Paid only on deals won

Note: Cost to Book is measured as non-GAAP Sales & Marketing spend divided by New Bookings excluding monetization of the base, carrier spend and partner commissions as if under ASC 605; FY17 data

Channel

Gross Churn: Lower



Churn

Larger customers

Reseller support

Residual incentives

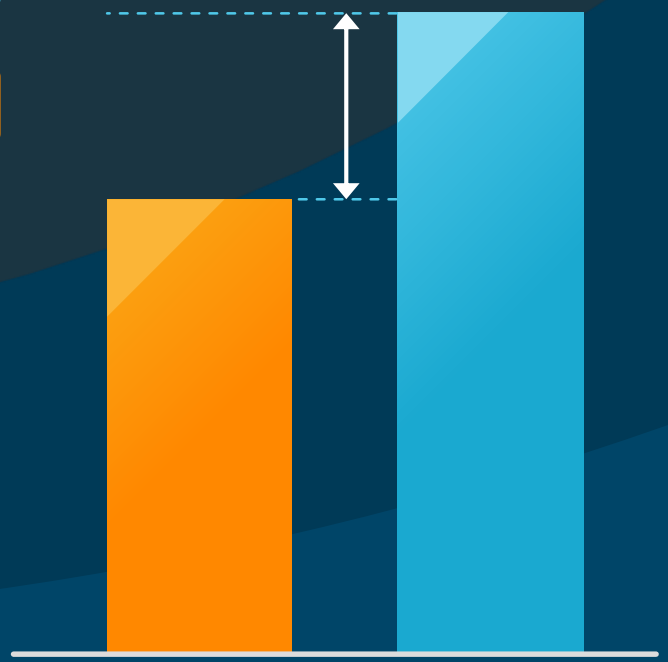
Churn based on RingCentral Office; FY17 data

Channel

Net Efficiency Including Residuals

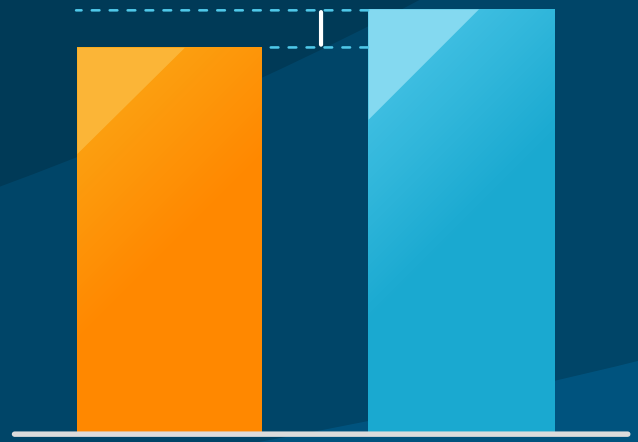
Channel

Direct



5 Year Cumulative $ Revenue

High Dollar Value



5 Year Cumulative $ Contribution

Net Efficiency

Cumulative Residuals Offset by

Lower Cost to Book

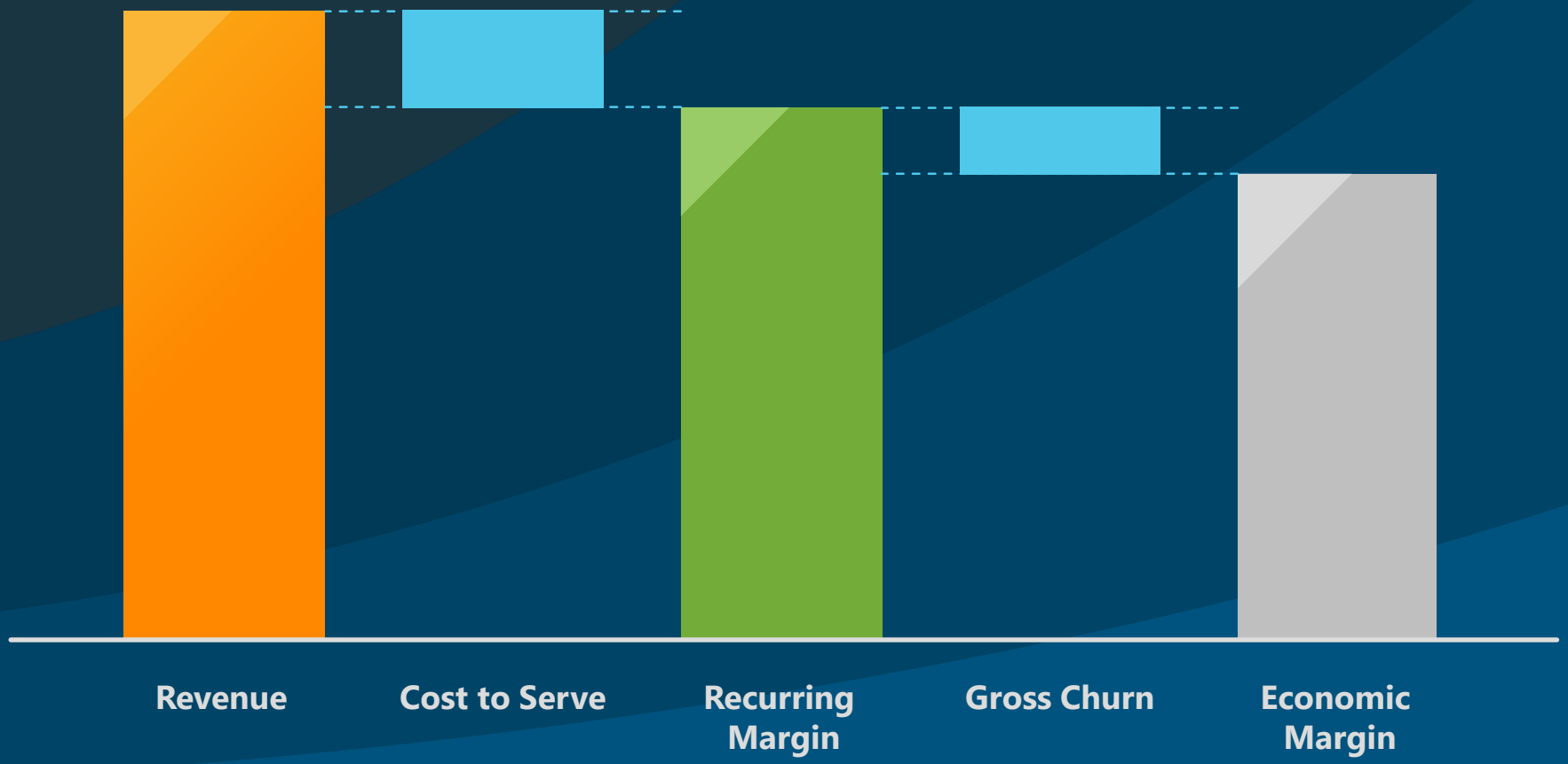
Lower Churn

5 Year cumulative contribution: Subscription Revenue less Subscription COGS and Residuals for $1 of Sales & Marketing spend
Residuals are commissions paid to channel partners
Based on FY17 data


Growth
Profitable Growth
Profit

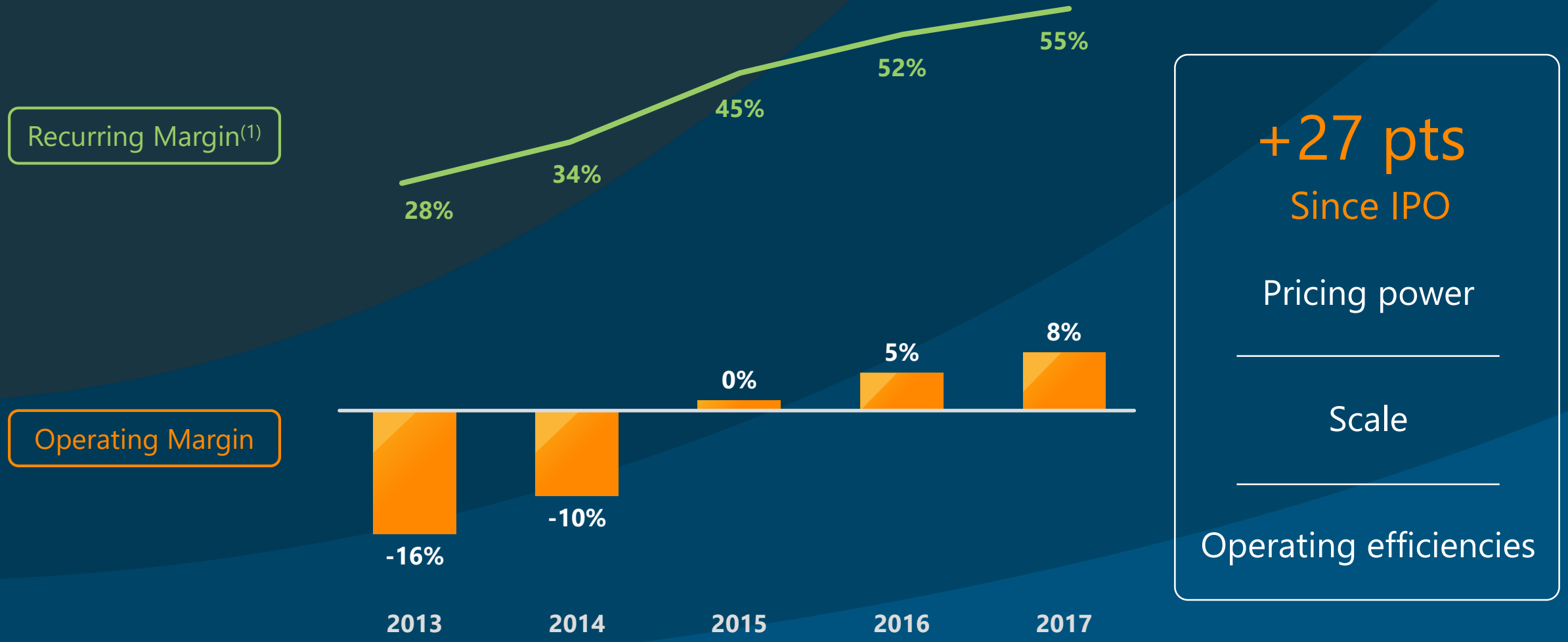

Profit

Key Profit Measures



Note: Cost to serve includes non-GAAP Subscription COGS, R&D and G&A

Recurring Margin



+27 pts

Since IPO

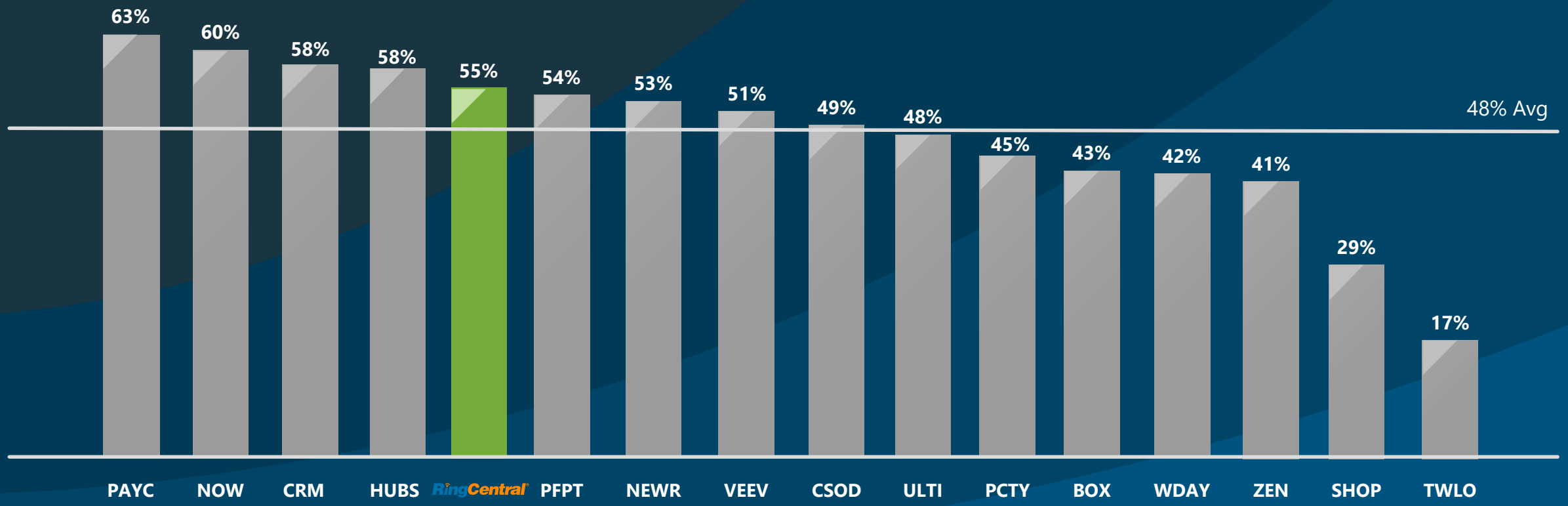
Pricing power

Scale

Operating efficiencies

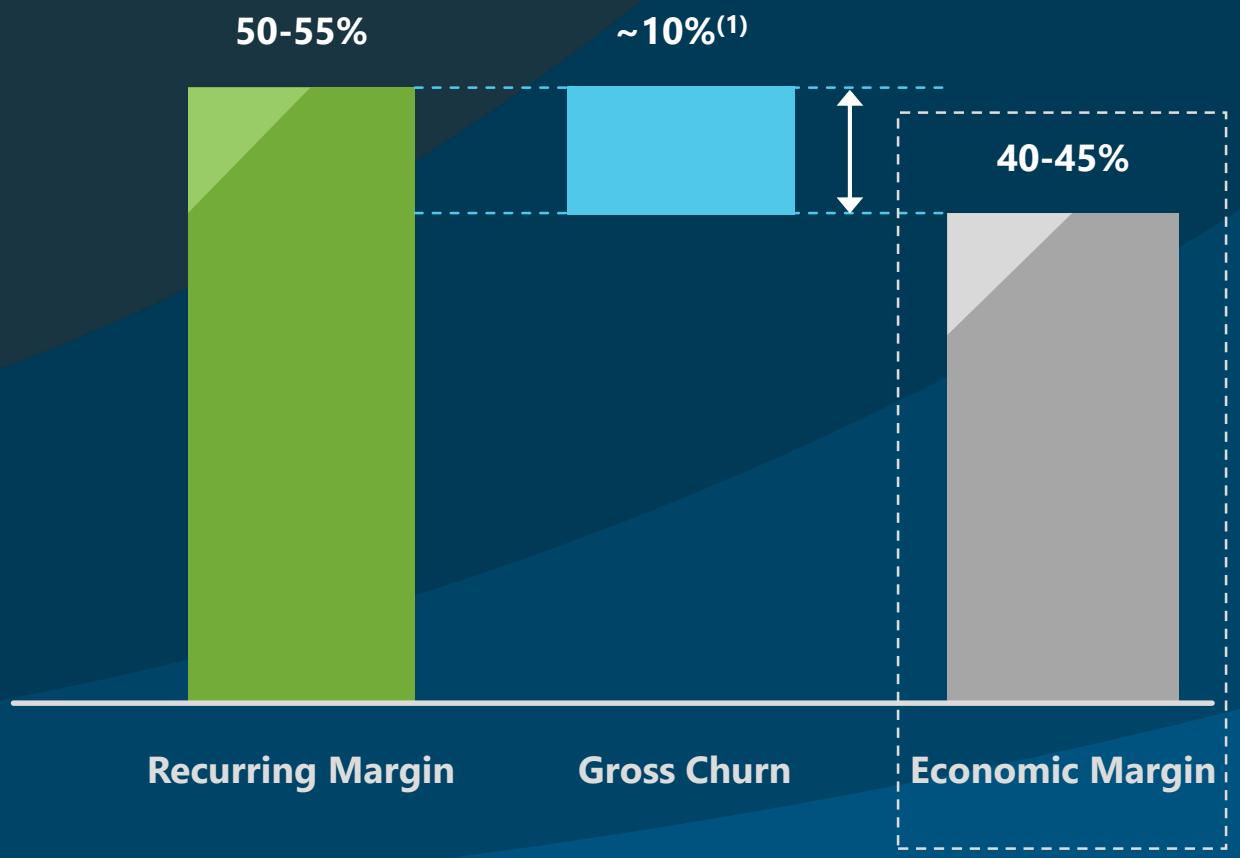
(1) Recurring Margin: Subscription Revenue less non-GAAP Subscription COGS, R&D and G&A divided by Subscription Revenue

Recurring Margin Benchmarking



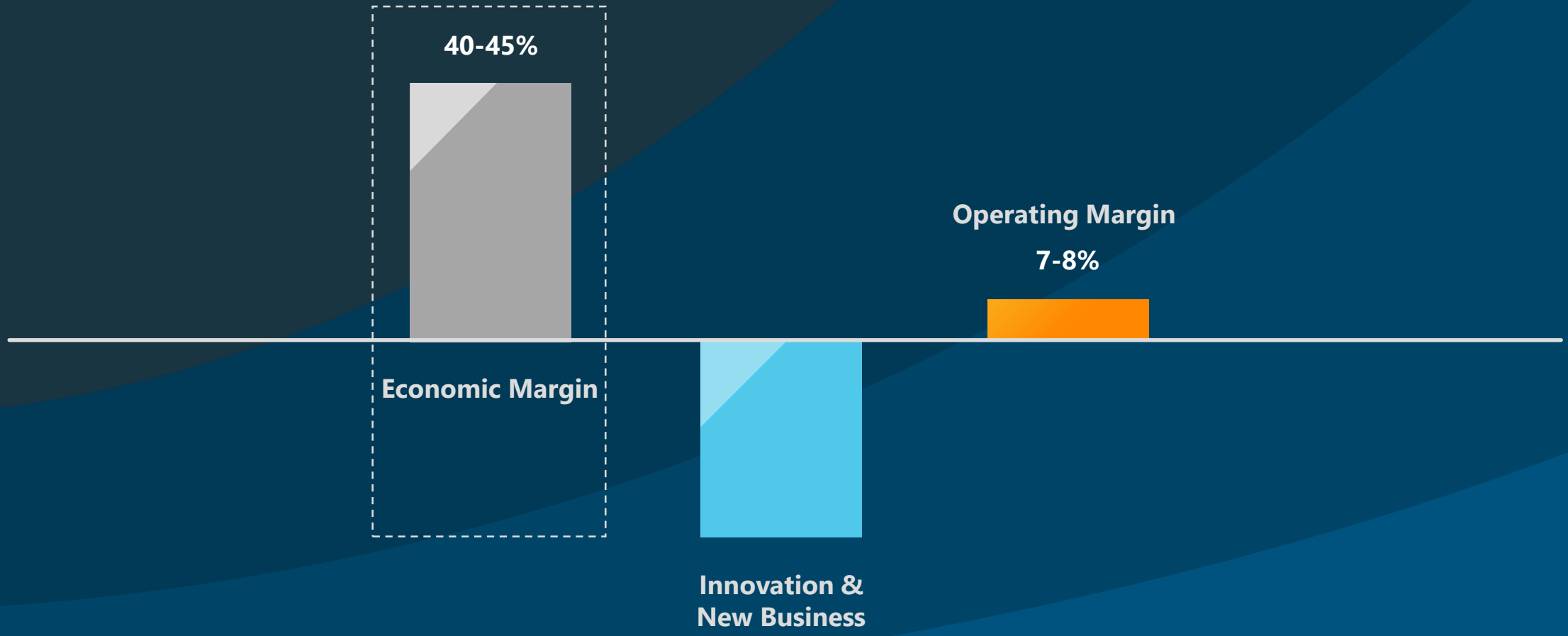
Recurring Margin is Subscription Revenue less Subscription COGS, R&D, and G&A divided by Subscription Revenue
Total Revenue and Total COGS for NEWR, CSOD, BOX, ZEN, PAYC, TWLO (lack of disclosure for Subscription Revenue and Subscription COGS)
Data is from most recently reported fiscal year which is FY18 for CRM, NEWR, VEEV, BOX, WDAY, otherwise FY17; All companies shown had at least $300M in Total Revenue

Economic Margin



(1) *Gross Churn based on overall Office; FY17 data*

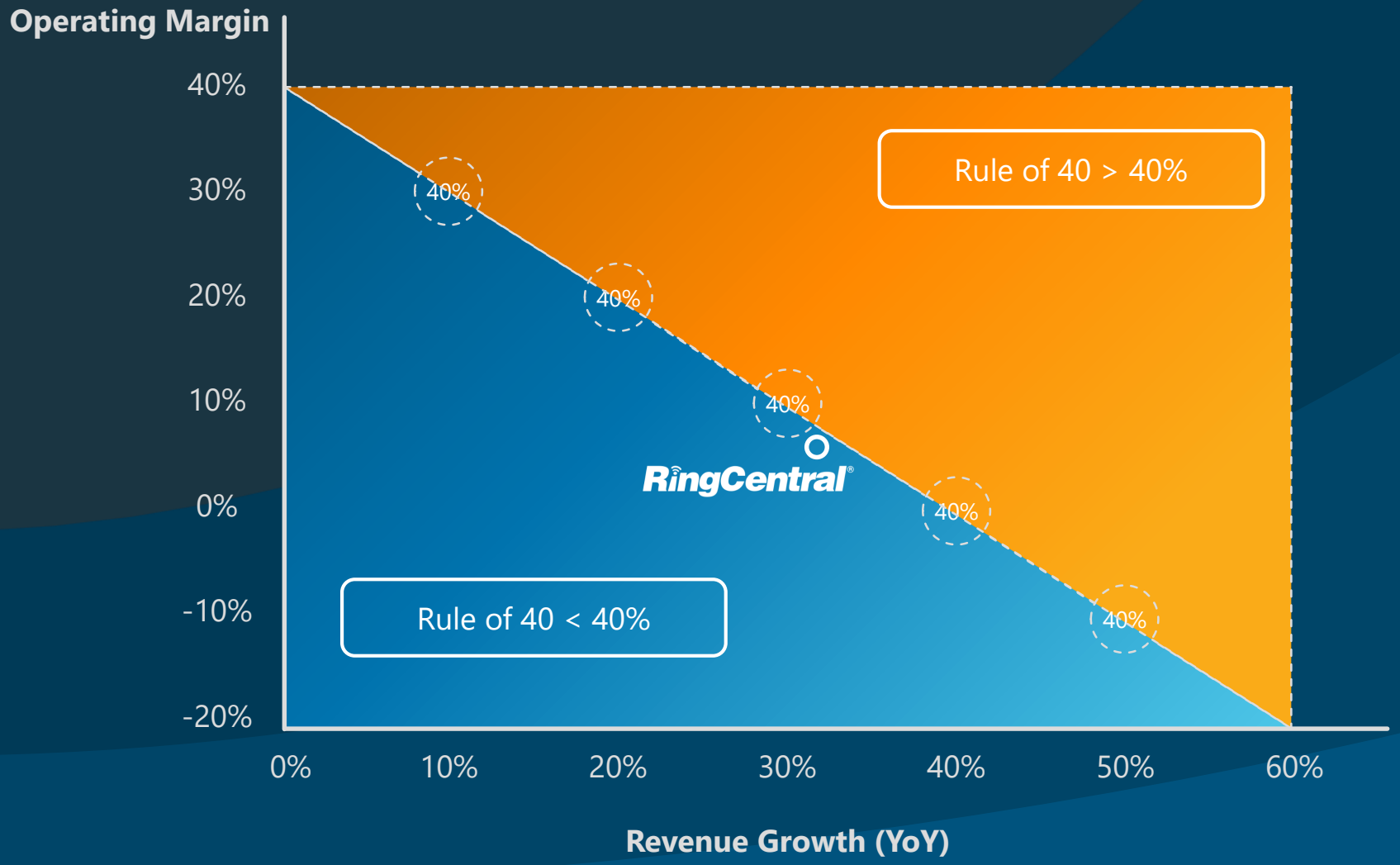
Reinvesting for Growth



Note: New business is non-GAAP Sales & Marketing spend. Innovation represents concept that we use economic margin to invest in R&D. Based on FY17 data


Growth
Profitable Growth
Profit

Rule of 40



>$1 Billion 2020 Target

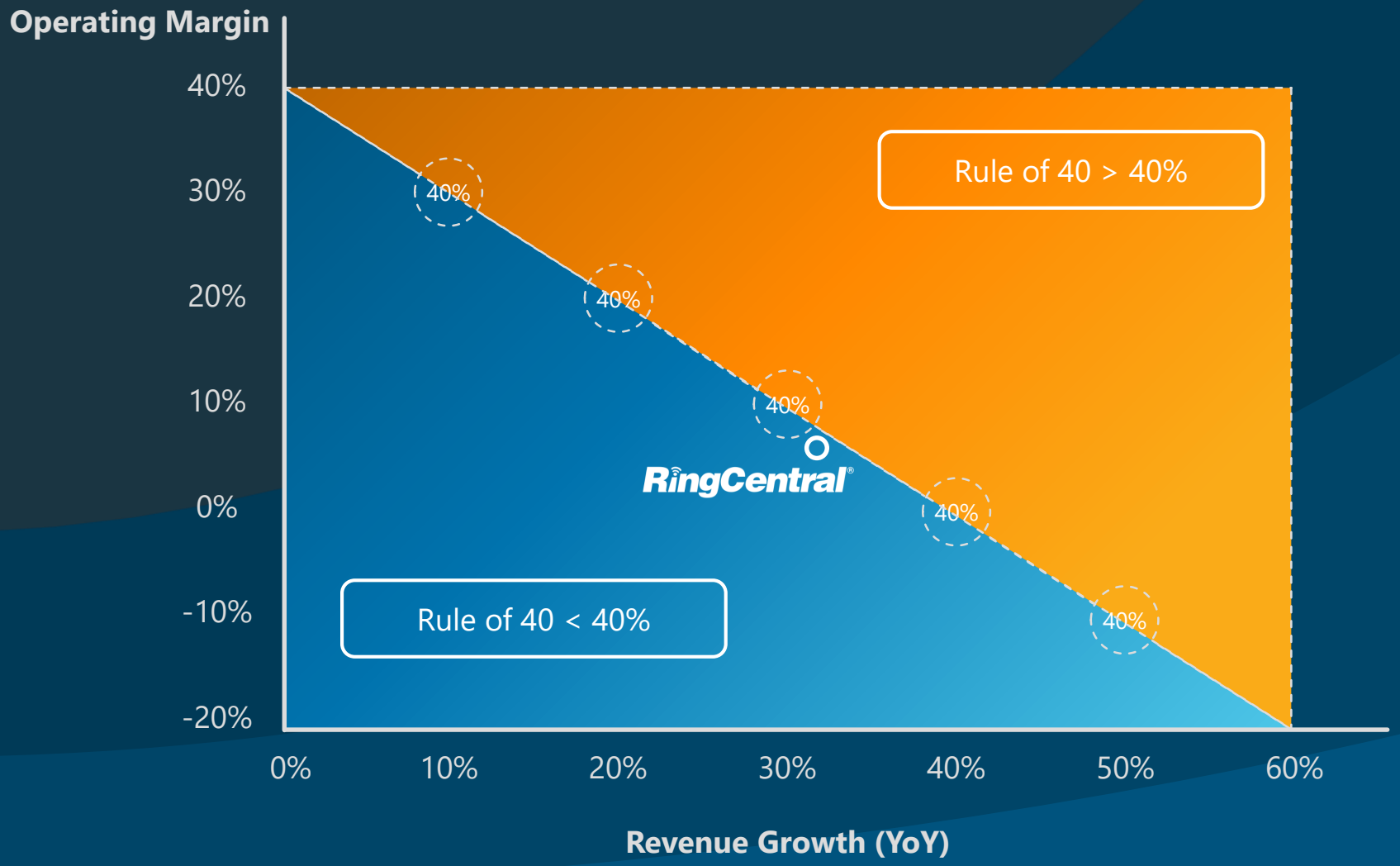
>Rule of 40

Bias towards growth

+75-100 bps margin/yr

Rule of 40 Defined as Y/Y Revenue Growth + Operating Margin
RingCentral placement based on FY17 data

Rule of 40



>40 Drivers

Shift Upmarket

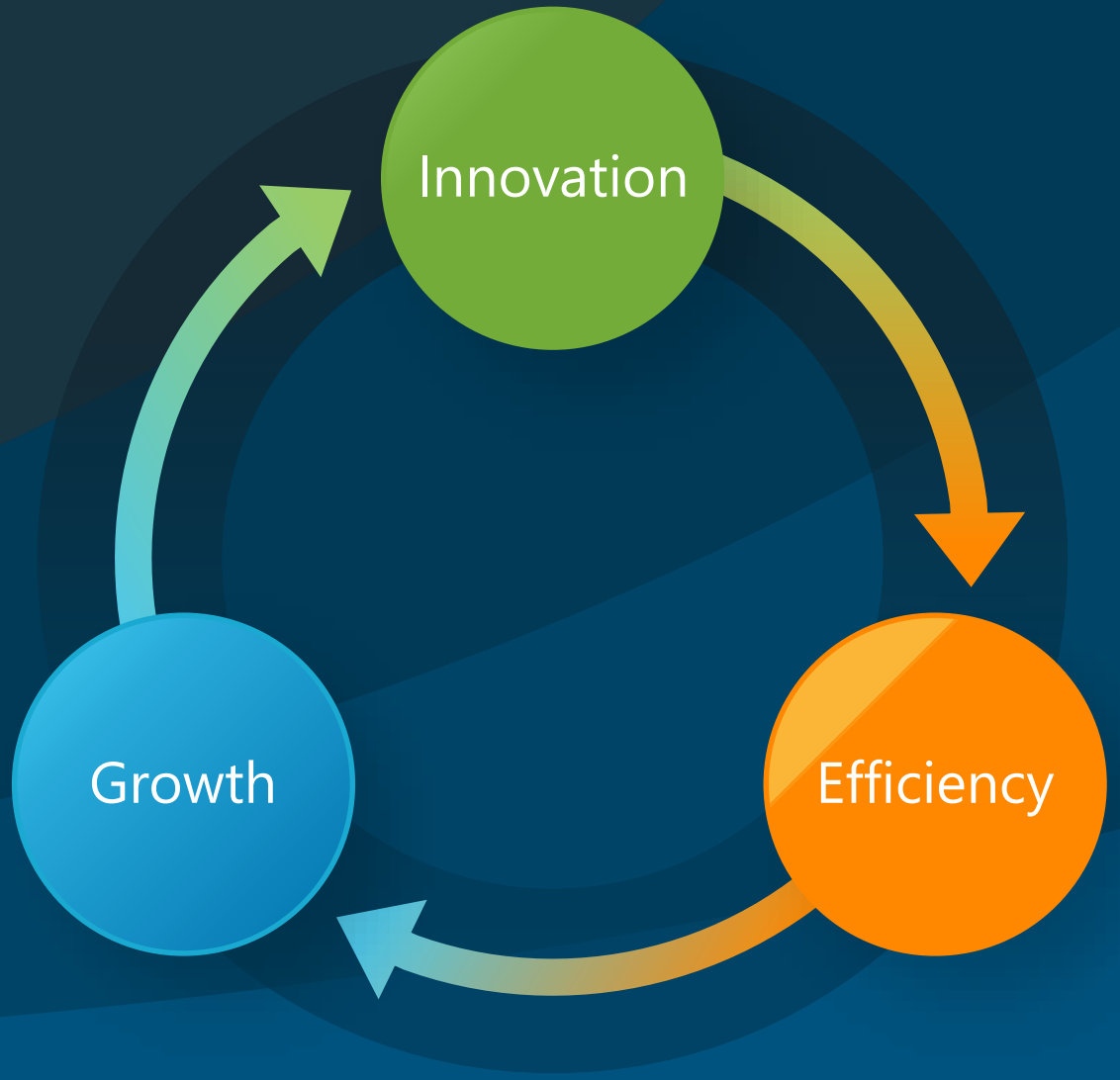
Reduced Churn

Ramped Reps

>Recurring Margin

Rule of 40 Defined as Y/Y Revenue Growth + Operating Margin
RingCentral placement based on FY17 data

RingCentral Competitive Advantage



THE POWER OF CONNECTION

We empower employees
to be more productive and ultimately
more responsive to their customers.

RingCentral®

THANK YOU



Reconciliation of GAAP to non-GAAP

	Year ended December 31,				
	2013 *As Adjusted	2014 *As Adjusted	2015 *As Adjusted	2016 *As Adjusted	2017 *As Adjusted
Revenues					
Software subscriptions	$ 145,995	$ 200,102	$ 271,288	$ 356,562	$ 465,254
Other	14,510	19,789	24,983	23,874	38,363
Total revenues	160,505	219,891	296,271	380,436	503,617
Cost of revenues reconciliation					
GAAP Software subscriptions cost of revenues	47,230	58,673	66,354	73,470	89,193
Stock-based compensation	(539)	(1,294)	(2,054)	(3,048)	(3,552)
Amortization of acquisition intangibles	-	-	-	(603)	(602)
Non-GAAP Software subscriptions cost of revenues	46,691	57,379	64,300	69,819	85,039
GAAP Other cost of revenues	14,289	18,100	20,917	18,741	32,078
Stock-based compensation	-	-	-	(117)	(183)
Non-GAAP Other cost of revenues	14,289	18,100	20,917	18,624	31,895
GAAP Subscriptions gross margin	68%	71%	76%	79%	81%
Non-GAAP Subscriptions gross margin	68%	71%	76%	80%	82%
Income (loss) from operations reconciliation					
GAAP loss from operations	(36,845)	(38,215)	(22,619)	(12,868)	(5,338)
Stock-based compensation	7,540	15,516	22,088	30,840	42,060
Amortization of acquisition intangibles	-	-	585	1,023	782
Acquisition related matters	-	-	1,362	1,470	443
Legal related matters	3,097	-	-	-	-
Non-GAAP Income from operations	(26,208)	(22,699)	1,416	20,465	37,947
Non-GAAP Operating margin	-16.3%	-10.3%	0.5%	5.4%	7.5%

Note: Prior-period information has been restated for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

Reconciliation of Core Software Subscription Revenue

	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Core subscription revenue reconciliation								
Software subscriptions	86.1	92.0	98.4	104.1	110.9	119.9	130.3	137.0
AT&T software subscriptions revenues	(11.7)	(12.3)	(13.0)	(12.9)	(12.9)	(13.5)	(14.2)	(12.3)
Core subscription revenue	74.4	79.7	85.4	91.2	98.0	106.4	116.1	124.7

Note: Prior-period information has been restated for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

Reconciliation of S&M Spend Growth

	Three months Ended								
	March 31, 2016 *As Adjusted	June 30, 2016 *As Adjusted	September 30, 2016 *As Adjusted	December 31, 2016 *As Adjusted	March 31, 2017 *As Adjusted	June 30, 2017 *As Adjusted	September 30, 2017 *As Adjusted	December 31, 2017 *As Adjusted	March 31, 2018 *As Adjusted
Revenues									
Software subscriptions	$ 145,995	$ 200,102	$ 271,288	$ 356,562	$ 145,995	$ 200,102	$ 271,288	$ 356,562	$ 145,995
Other	14,510	19,789	24,983	23,874	14,510	19,789	24,983	23,874	14,510
Total revenues	160,505	219,891	296,271	380,436	160,505	219,891	296,271	380,436	160,505
GAAP Sales and marketing	39,053	42,654	47,631	50,786	54,265	56,360	61,605	67,992	71,920
Stock-based compensation	(2,190)	(2,578)	(3,023)	(3,111)	(3,525)	(3,926)	(4,105)	(4,459)	(5,041)
Amortization of acquisition intangibles	(105)	(105)	(105)	(105)	(104)	(75)	-	-	(916)
Non-GAAP Sales and marketing	36,758	39,971	44,503	47,570	50,636	52,359	57,500	63,533	65,963
Sales and marketing growth	30%	29%	44%	39%	38%	31%	29%	34%	30%

Note: Prior-period information has been restated for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

Reconciliation of Recurring Margin

	Year ended December 31,				
	2013 *As Adjusted	2014 *As Adjusted	2015 *As Adjusted	2016 *As Adjusted	2017 *As Adjusted
Revenues					
Software subscriptions	$ 145,995	$ 200,102	$ 271,288	$ 356,562	$ 465,254
Cost of revenues reconciliation					
GAAP Software subscriptions cost of revenues	47,230	58,673	66,354	73,470	89,193
Stock-based compensation	(539)	(1,294)	(2,054)	(3,048)	(3,552)
Amortization of acquisition intangibles	-	-	-	(603)	(602)
Non-GAAP Software subscriptions cost of revenues	46,691	57,379	64,300	69,819	85,039
GAAP Subscriptions gross margin	68%	71%	76%	79%	81%
Non-GAAP Subscriptions gross margin	68%	71%	76%	80%	82%
Operating expenses reconciliation					
GAAP Research and development	33,399	44,582	52,924	65,514	75,148
Stock-based compensation	(1,495)	(3,343)	(5,387)	(7,296)	(9,550)
Amortization of acquisition intangibles	-	-	(480)	-	-
Acquisition related matters	-	-	(575)	(1,411)	(443)
Non-GAAP Research and development	31,904	41,239	46,482	56,807	65,155
As a % of total revenues non-GAAP	19.9%	18.8%	15.7%	14.9%	12.9%
GAAP General and administrative	34,284	38,910	47,114	55,454	72,313
Stock-based compensation	(4,193)	(5,619)	(7,447)	(9,477)	(12,760)
Acquisition related matters	-	-	(787)	(59)	-
Legal related matters	(3,097)	-	-	-	-
Non-GAAP General and administrative	26,994	33,291	38,880	45,918	59,553
As a % of total revenues non-GAAP	16.8%	15.1%	13.1%	12.1%	11.8%
Income (loss) from operations reconciliation					
GAAP loss from operations	(36,845)	(38,215)	(22,619)	(12,868)	(5,338)
Stock-based compensation	7,540	15,516	22,088	30,840	42,060
Amortization of acquisition intangibles	-	-	585	1,023	782
Acquisition related matters	-	-	1,362	1,470	443
Legal related matters	3,097	-	-	-	-
Non-GAAP Income from operations	(26,208)	(22,699)	1,416	20,465	37,947
Non-GAAP Operating margin	-16%	-10%	0%	5%	8%
Cost to serve	72%	66%	55%	48%	45%
Recurring margin	28%	34%	45%	52%	55%

Note: Prior-period information has been restated for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.
Cost to serve is calculated as non-GAAP Subscription COGS + R&D + G&A divided by Subscription Revenue

Reconciliation of Cost to Book

	2015 *As Reported	2016 *As Reported	2017 *As Reported
GAAP Sales and marketing	131,581	180,125	240,223
Stock-based compensation	(7,200)	(10,902)	(16,015)
Amortization of acquisition intangibles	(105)	(420)	(180)
Non-GAAP Sales and marketing	124,276	168,803	224,028
S&M Exclusions Subtotal	9,990	13,616	15,912
Non-GAAP Sales and marketing excluding, carrier spend and partner commissions	114,286	155,187	208,116

Note: Cost to Book is measured as Sales & Marketing spend divided by New Bookings excluding monetization of the base, carrier spend and partner commissions as if under ASC 605