RingCentral

Q1 2022 Earnings Presentation

May 9, 2022



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Safe Harbor and Non-GAAP Measures

This presentation includes forward-looking statements within the meaning of the federal securities laws. These statements relate to, among other things, our business strategy and goals, growth of the market for our services, our future financial and operating results, including our GAAP and non-GAAP guidance, the assumptions underlying our guidance, and the effects of the COVID-19 pandemic and Russia's ongoing invasion of Ukraine.

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 Form 10-K for the year ended December 31, 2021 and in our other filings with the Securities and Exchange Commission from time to time. All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the previous statements. We undertake no obligation to update any forward-looking statements that may be made to reflect events or circumstances that occur, or that we become aware of, after the date of this presentation.

In this presentation, we provide certain historical non-GAAP financial measures, which are reconciled to their directly comparable GAAP financial measures. These reconciliations are presented in the Appendix at the end of this presentation.

We provide guidance on forecasted non-GAAP operating margin, non-GAAP tax rates, and non-GAAP EPS. Reconciliations of our forecasted non-GAAP operating margin to the most directly comparable GAAP financial measure is presented in the Reconciliation slides at the end of this presentation. We have not reconciled the forecasted non-GAAP EPS to its respective forecasted GAAP measures because we do not provide guidance on it. We do not provide guidance on forecasted GAAP EPS because of the inherent uncertainty and complexity involved in forecasting the intercompany remeasurement gain (loss), gain (loss) associated with investments, gain (loss) on debt early conversions, and provision (benefit) from income taxes, which could be significant reconciling items between the non-GAAP and respective GAAP measure. The intercompany remeasurement gain (loss) is affected by the movement in various exchange rates relative to the USD, which is difficult to predict and subject to constant change. We do not provide guidance on gain (loss) associated with investments as it is based on future share prices, which are difficult to predict and subject to inherent uncertainties. We do not provide guidance on gain (loss) on debt early conversions as it is based on future conversion requests, future share prices, and interest rates, which are difficult to predict and are subject to inherent uncertainties. We do not provide guidance on forecasted GAAP tax rates as we do not forecast discrete tax items as they are difficult to predict. The provision (benefit) from income taxes, excluding discrete items, is expected to have an immaterial impact to our GAAP EPS. We utilized a projected long-term tax rate in our computation of the non-GAAP income tax provision. For fiscal 2022, we have determined the projected non-GAAP tax rate to be 22.5%. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

We also provide other measures such as software subscriptions annualized exit monthly recurring subscriptions (ARR), RingCentral Office® ARR, mid-market and enterprise ARR, enterprise ARR, channel partner ARR, direct and partners Office ARR, and bookings.

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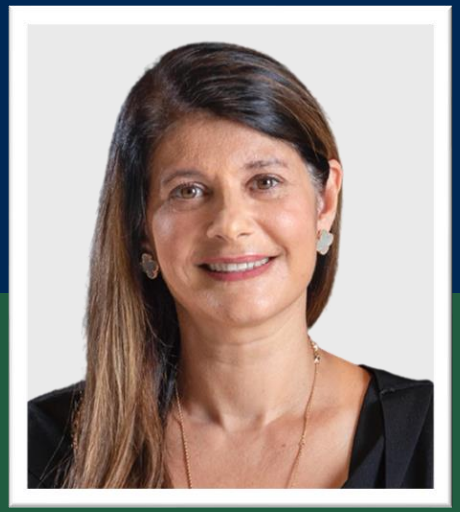
Vlad Shmunis

Chief Executive Officer, Founder,
and Chairman of the Board





Executive Announcements



Sonalee Parekh
Chief Financial Officer



Mo Katibeh
President & Chief Operating Officer

Strong Start to the Year

Total ARR

$1.9B
Up 35% Y/Y

Total Revenue

$468M
Up 33% Y/Y

Subscriptions Revenue

$440M
Up 35% Y/Y

Mid-Market and Enterprise ARR[1]

$1.2B
Up 46% Y/Y

Operating Margin[2]

10.4%
Up 120 bps Y/Y

Free Cash Flow Margin[3]

8.2%
Up 170 bps Y/Y

1) Mid-Market and Enterprise ARR is defined as RingCentral Office customers that generate $25,000 or greater annualized recurring revenue (ARR). RingCentral Office includes customer subscriptions from RingCentral Office and RingCentral customer engagement solutions
2) Non-GAAP Operating Margin
3) Non-GAAP Free Cash Flow Margin

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“TIP” on Why We Win

Trust	Reliability, Security, Data Privacy
Innovation	Best in Class UCaaS Platform
Partnerships	Global Network with Industry Leaders



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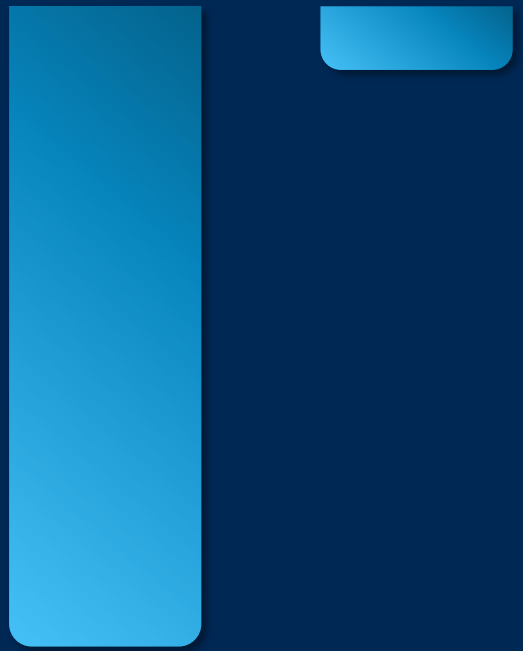
Commitment to Trust

100x Better Reliability vs Three Nines

	99.9%	99.99%	RingCentral 99.999%
Annual downtime allowed	8.8 hours	52.6 minutes	**5.3 minutes**



15 straight quarters of 99.999% performance

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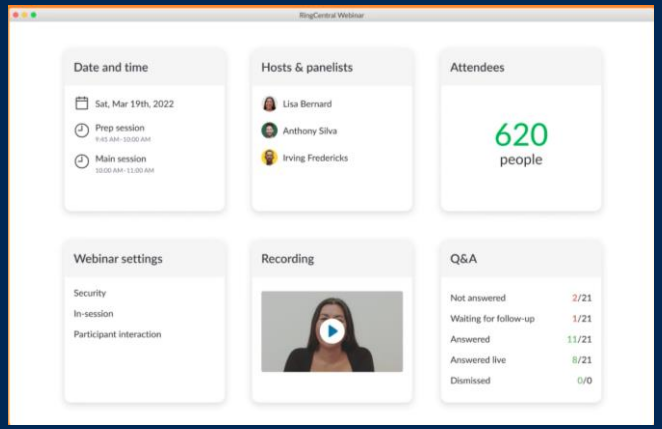
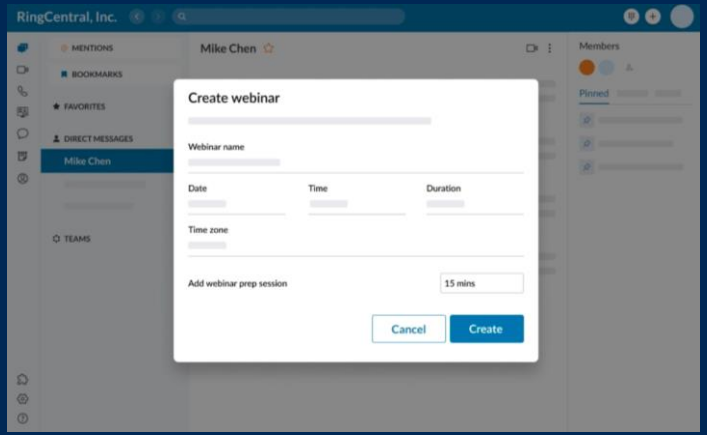
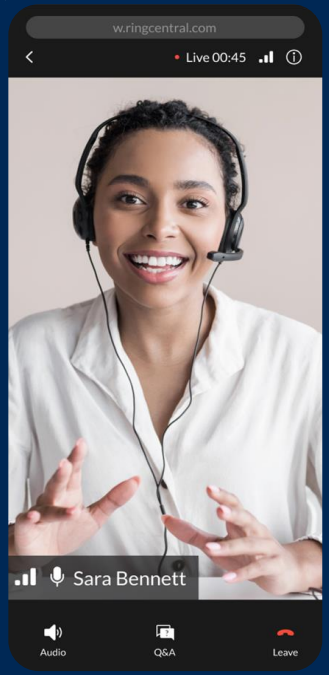
Driving Innovation with Webinar





(Attendees can easily join on mobile browsers too!)



RingCentral Webinar

Delivering a stress-free webinar experience that's as simple to host and join as a video meeting.

Run engaging webinars with integrations, analytics, and customization to connect at scale - built right into the RingCentral app.

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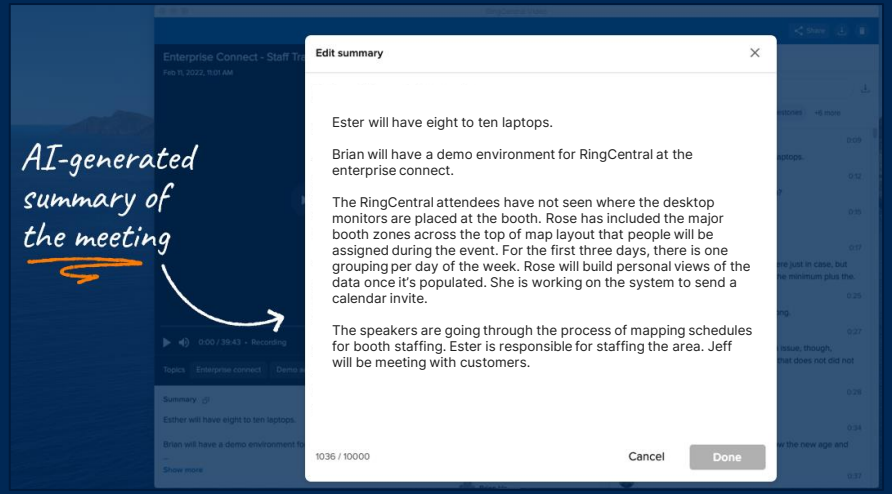
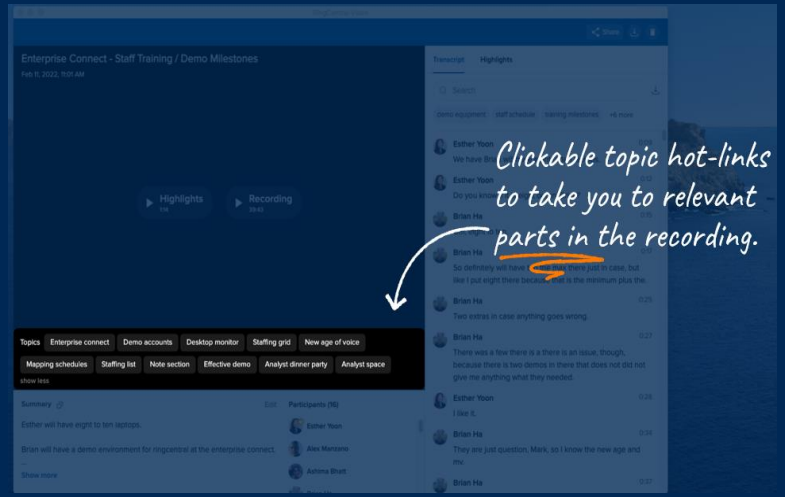
Driving Innovation through AI

Advanced Meeting Insights





First-to-market AI innovation

Rather than having to sit through the entire recording, get AI-generated cliff notes and highlights as part of your meeting recording to instantly catch up in just a few minutes.

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Differentiated GTM Partner Network of Industry Leaders

Strategic Partners

Global Service Providers



11 Partners are ordered chronologically

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Megatrends

1. Hybrid Work
2. Mobility
3. MSFT Teams
4. Integrated Message, Video, Phone + Contact Center

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Confident about the Future

Strong Performance
35 Straight Quarters

Seasoned Management Team
Driving next stage of growth

Large Market Opportunities
Key Differentiators
- Innovation
- GTM Strength

Relentless Focus
- Durable Revenue Growth
- Sustainable Profitability
- Strong Cash Flows

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Mo Katibeh

President & Chief Operating Officer



Megatrends Drive Growth



Hybrid Work

Suffolk County, New York



Mobility

SCM Insurance Services



MSFT Teams

Large dental organization and healthcare staffing company



Integrated Message, Video, Phone + Contact Center

Fortune 500 Logistics Company

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Go-To-Market Update

Pipeline
- ~+50% Q/Q
- Record increase from channel

Strategic Partnerships
- Rapid Mitel ramp
- Avaya up ~30% Q/Q

International
- ~10% of revenues
- Wholesale Program

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Vaibhav Agarwal

Interim Chief Financial Officer



Q1 2022 Highlights

Subscriptions Revenue

$440M

Up 35% Y/Y

Operating Margin[1]

10.4%

Up 120 bps Y/Y

Free Cash Flow Margin[2]

8.2%

Up 170bps Y/Y

1) Non-GAAP Operating Margin
2) Non-GAAP Free Cash Flow Margin

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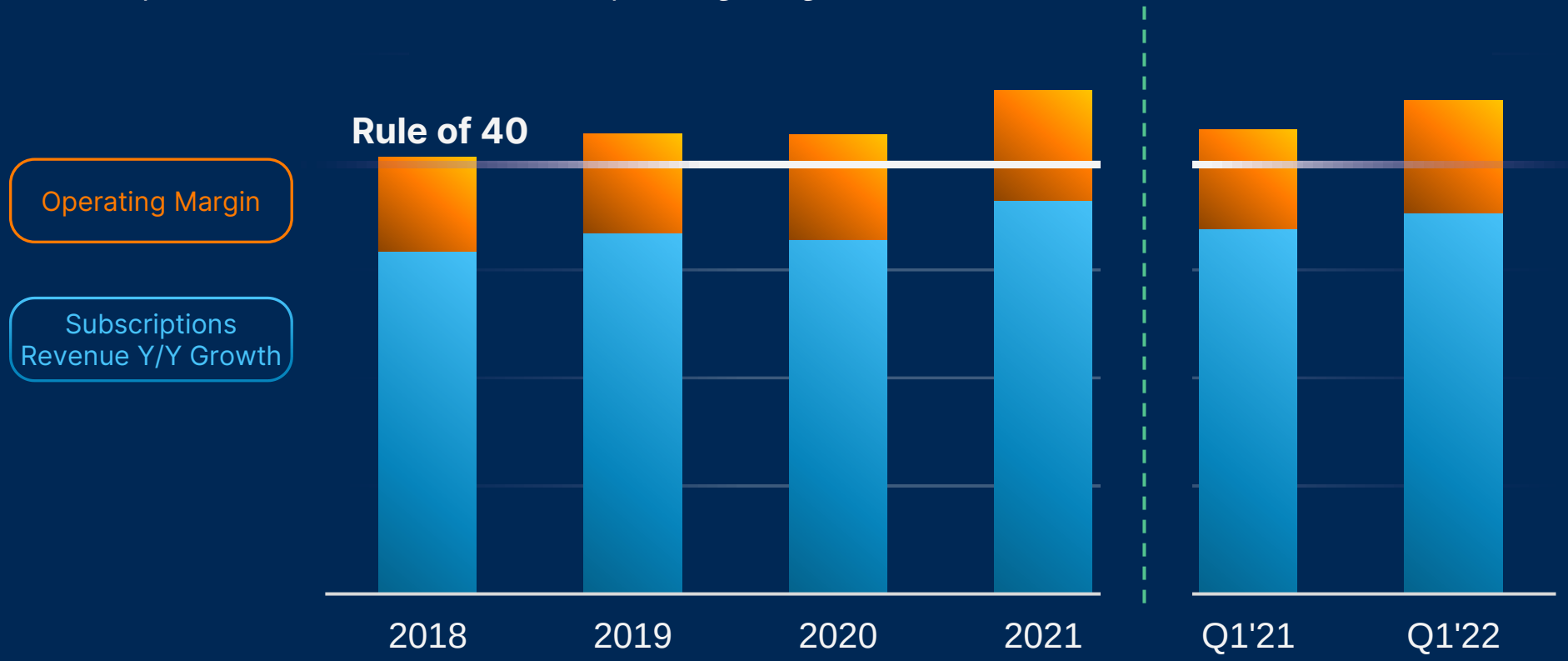
Operating Above Rule of 40

Subscriptions Revenue Y/Y Growth + Operating Margin



Note: Rule of 40 defined as subscriptions revenue Y/Y growth + Non-GAAP operating margin

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Key Growth Drivers

Enterprise ARR

$790M

Up 53% Y/Y

Contact Center

>10%

of Total ARR

Partnerships

~500K

Seats across strategic partners

Note: Partnerships include Avaya, Atos, and Alcatel-Lucent Enterprise

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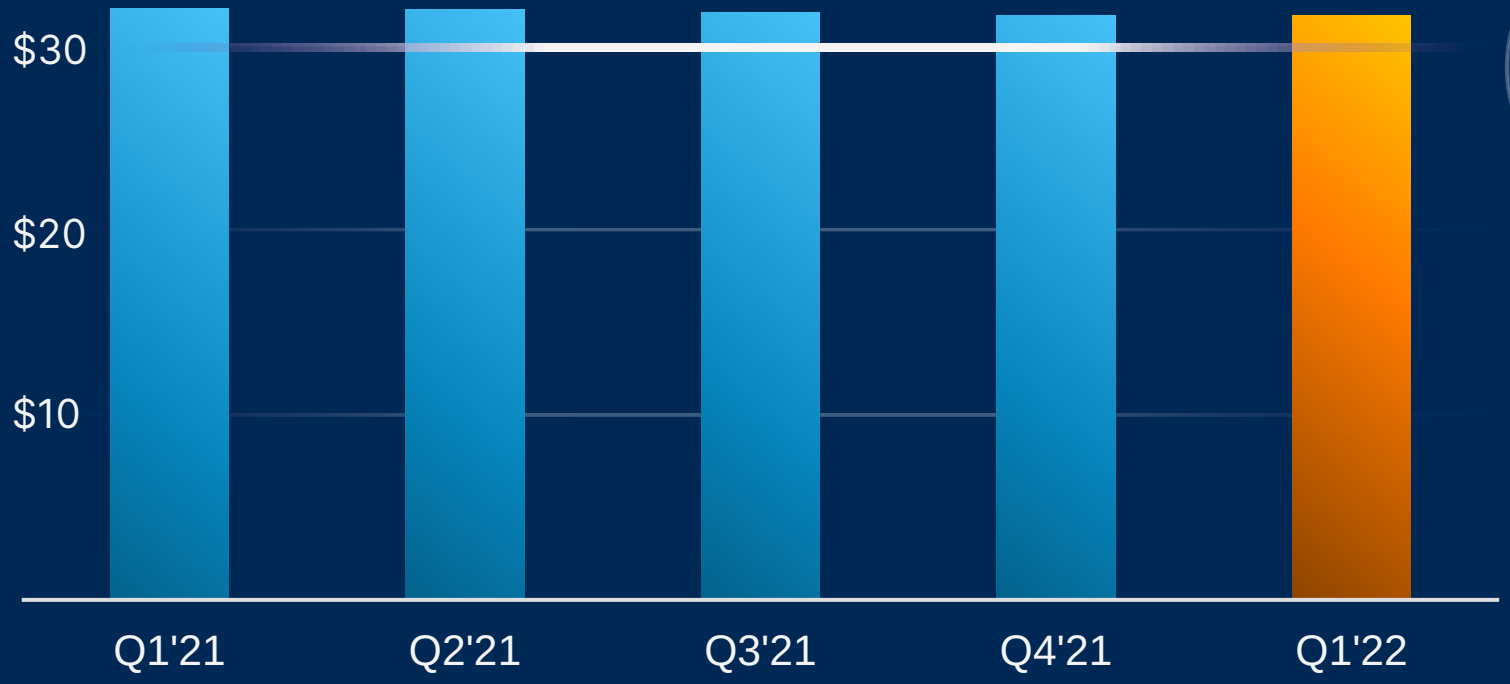
Overall Average Revenue per User (ARPU)



Remains Stable >$30

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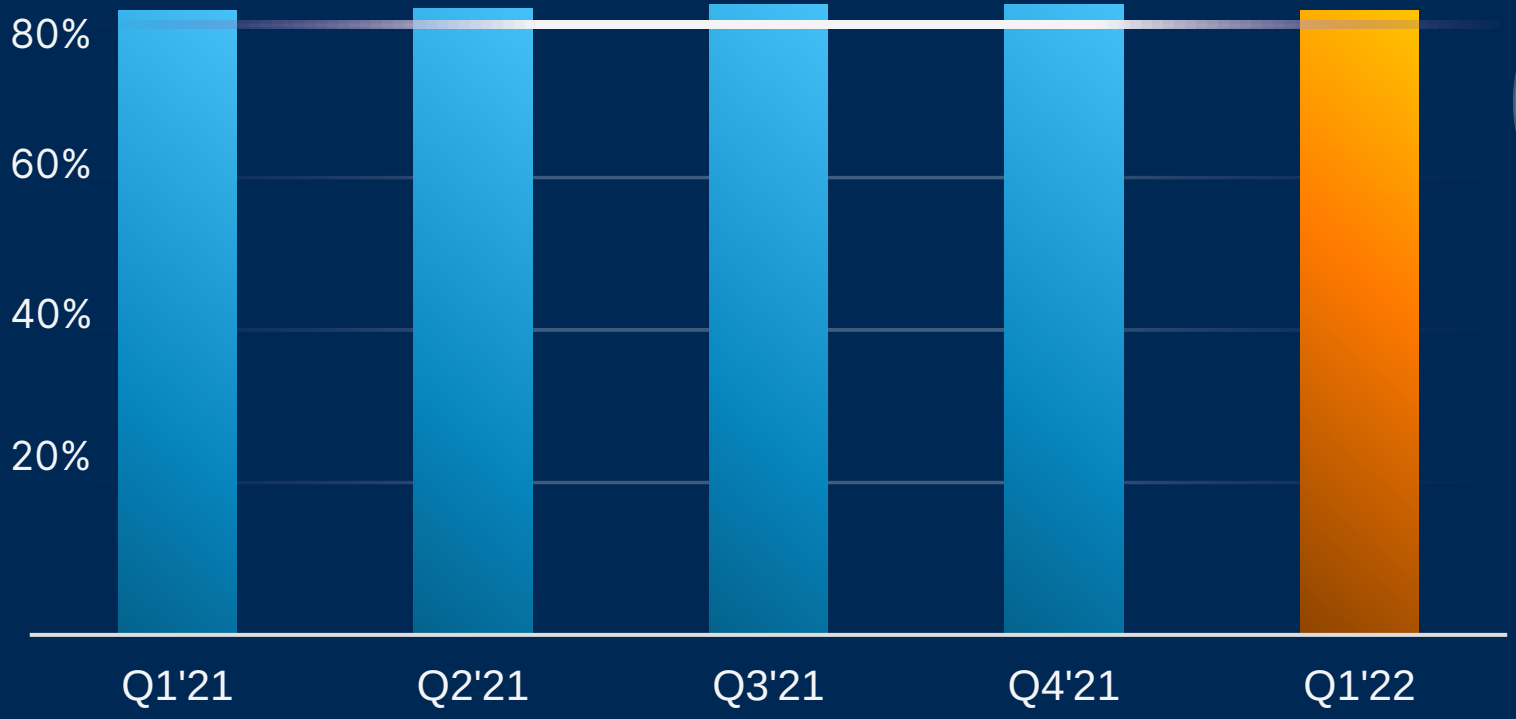
Subscription Gross Margin



Remains Stable ~82%

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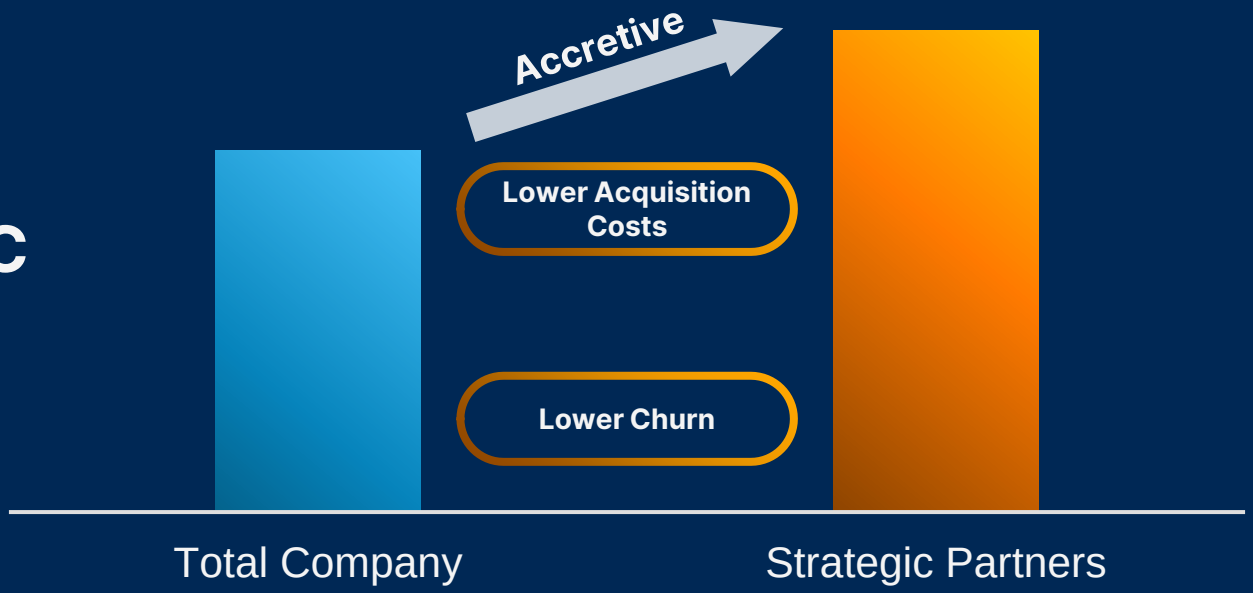
Attractive Unit Economics from Strategic Partners

LTV/CAC



Note: For Illustrative purposes only
Life Time Value is measured as cumulative gross profit dollar over the life of the customer adjusted for churn
Customer Acquisition Costs is measured as Non-GAAP sales and marketing spend.

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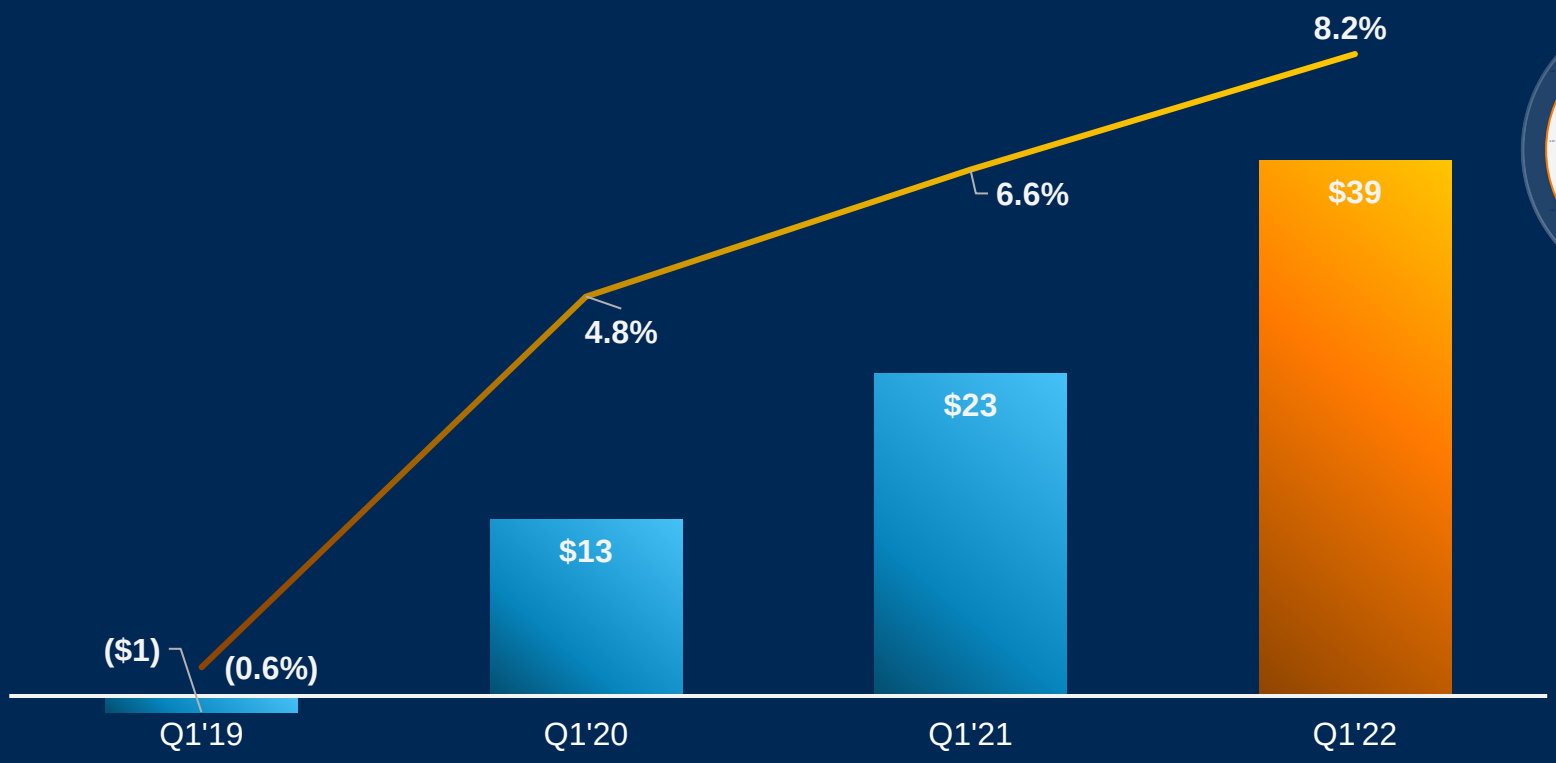
Improved Cash Flow Generation

Free Cash Flow ($ in millions)



Strong Start to 2022

Free cash flow is defined as cash flow from operations, less cash paid for capital expenditures, strategic partnerships and repayment of debt.

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FY 2022 Guidance Summary

	FY22 Prior	FY22 Current
Subscriptions Revenue Growth Y/Y	26%-28%	27%-28%
Total Revenue Growth Y/Y	25%-26%	25%-26%
Non-GAAP Operating Margin	10.6%	11.5%
Non-GAAP EPS	$1.69 - $1.72	$1.83 - $1.87

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Appendix



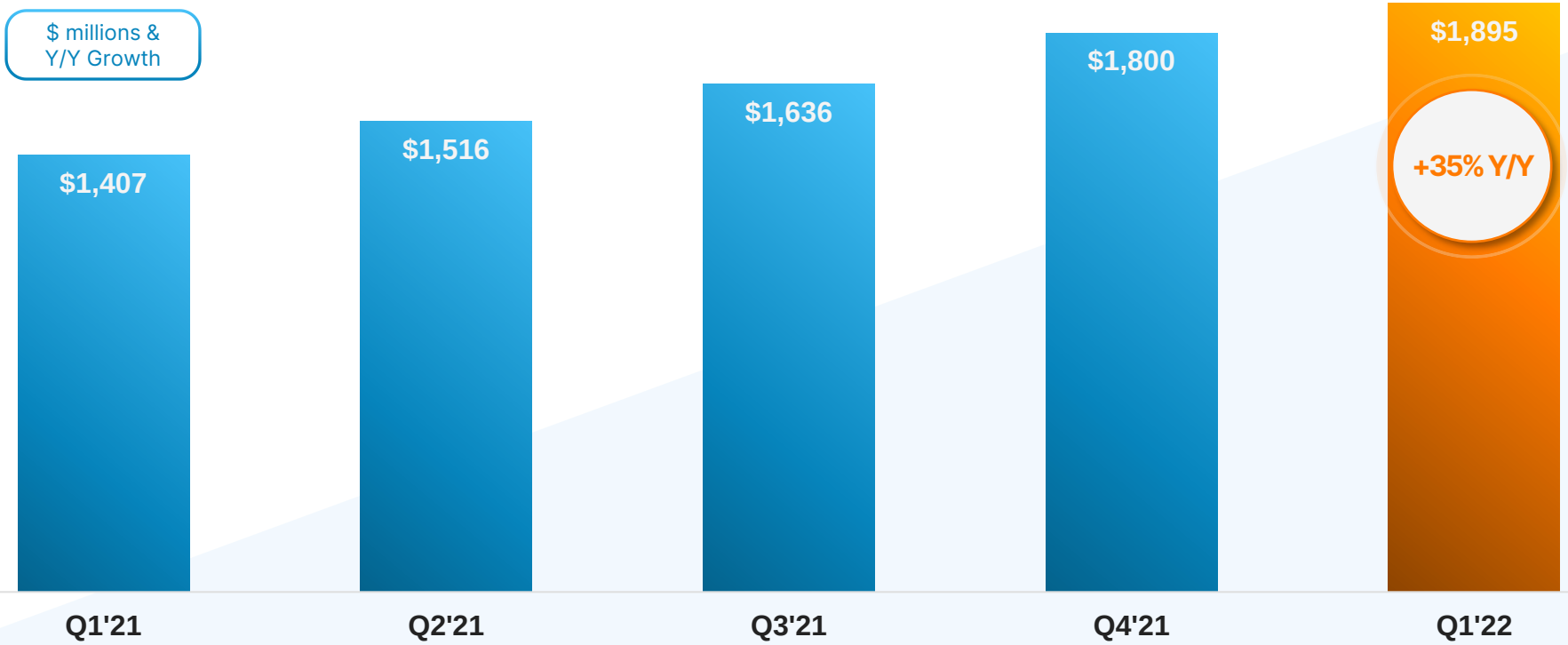
Q1 2022 Financial Highlights:

Strong Momentum Across All Metrics

		$ Metric	Y/Y Growth
Revenue	Subscriptions Revenue	$440 million	35%
	Other Revenue	$28 million	2%
	Total Revenue	$468 million	33%
ARR	Total	$1,895 million	35%
	RingCentral Office (UCaaS + CCaaS)[1]	$1,814 million	37%
	Customer ARR by Size		
	Mid-Market and Enterprise[2]	$1,157 million	46%
	Enterprise[3]	$790 million	53%

1) RingCentral Office includes customer subscriptions from RingCentral Office and RingCentral customer engagement solutions
2) Mid-market and Enterprise ARR is defined as RingCentral Office customers that generate $25,000 or greater ARR
3) Enterprise ARR is defined as RingCentral Office customers that generate $100,000 or greater ARR

Total ARR



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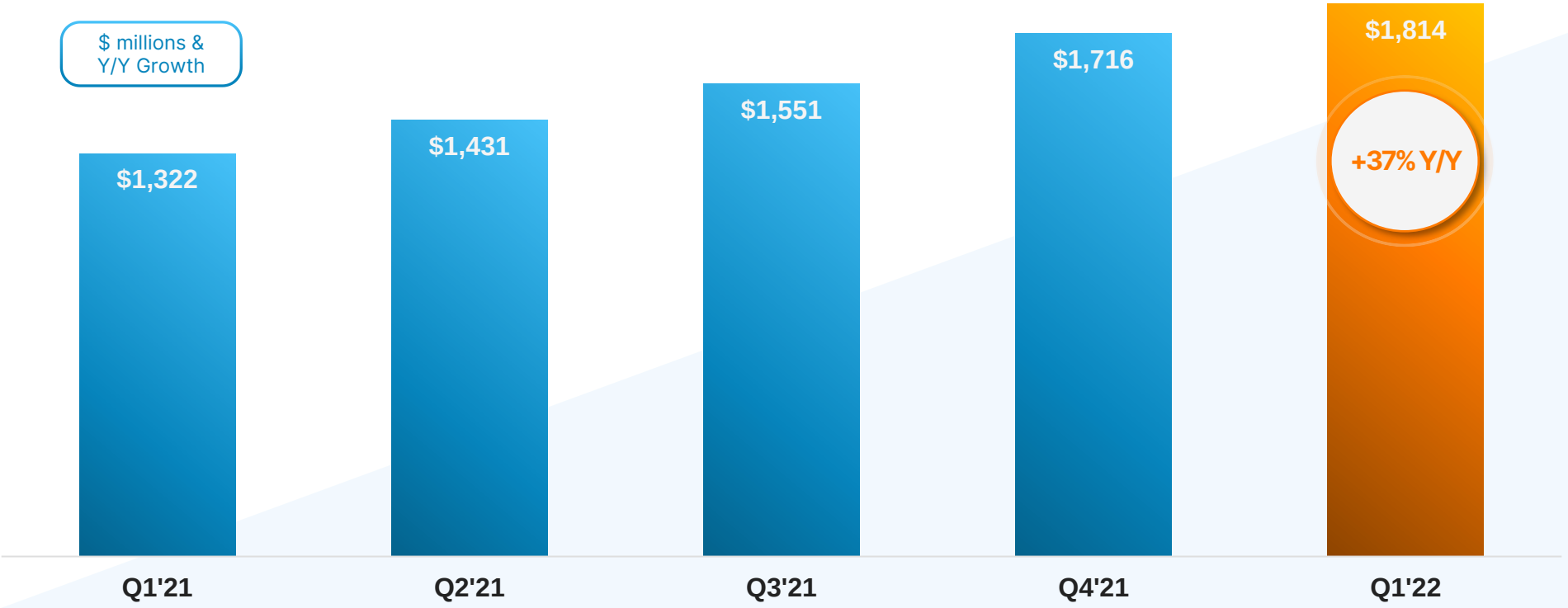
RingCentral Office ARR



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Q1 2022 Results vs Guidance:

Key Metrics Above Guidance

	Q1 Guidance	Q1 Results
Subscriptions Revenue	$426M - $429M	$440M
Subscriptions Revenue Growth Y/Y	31% - 32%	35%
Total Revenue	$455M - $459M	$468M
Total Revenue Growth Y/Y	29% - 30%	33%
GAAP Operating Margin	(25.1%) – (23.7%)	(22.1%)
Non-GAAP Operating Margin	9.2%	10.4%
Non-GAAP EPS	$0.34	$0.39

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FY 2022 Guidance

	Prior	New
Subscriptions Revenue	$1.870B - $1.890B	$1.882B - $1.898B
Subscriptions Revenue Growth Y/Y	26% - 28%	27% - 28%
Total Revenue	$1.990B - $2.015B	$1.990B - $2.015B
Total Revenue Growth Y/Y	25% - 26%	25% - 26%
GAAP Operating Margin	(21.7%) - (20.3%).	(20.1%) - (19.0%)
Non-GAAP Operating Margin	10.6%	11.5%
Non-GAAP Tax Rate	22.5%	22.5%
Non-GAAP EPS	$1.69 - $1.72	$1.83 - $1.87

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Q2 2022 Guidance

	Q2 2022
Subscriptions Revenue	$449M - $452M
Subscriptions Revenue Growth Y/Y	28% - 29%
Total Revenue	$475.5M - $479.0M
Total Revenue Growth Y/Y	25% - 26%
GAAP Operating Margin	(22.4%) – (21.1%)
Non-GAAP Operating Margin	10.4%
Non-GAAP Tax Rate	22.5%
Non-GAAP EPS	$0.40 - $0.41

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2022	**2021**
Revenues		
Subscriptions	$ 439,927	$ 325,223
Other	27,729	27,133
Total revenues	467,656	352,356
Cost of revenues reconciliation		
GAAP Subscriptions cost of revenues	129,689	73,247
Share-based compensation	(7,196)	(3,978)
Amortization of acquisition intangibles	(43,101)	(10,618)
Non-GAAP Subscriptions cost of revenues	79,392	58,651
GAAP Other cost of revenues	25,785	23,734
Share-based compensation	(2,408)	(1,656)
Amortization of acquisition intangibles	(12)	—
Non-GAAP Other cost of revenues	23,365	22,078
Gross profit and gross margin reconciliation		
Non-GAAP Subscriptions	82.0 %	82.0 %
Non-GAAP Other	15.7 %	18.6 %
Non-GAAP Gross profit	78.0 %	77.1 %
Operating expenses reconciliation		
GAAP Research and development	90,274	62,676
Share-based compensation	(24,398)	(14,649)
Acquisition related and other matters	(3,801)	—
Non-GAAP Research and development	62,075	48,027
As a % of total revenues non-GAAP	13.3 %	13.6 %
GAAP Sales and marketing	254,455	179,249
Share-based compensation	(41,913)	(24,767)
Amortization of acquisition intangibles	(937)	(970)
Acquisition related and other matters	(200)	—
Non-GAAP Sales and marketing	211,405	153,512
As a % of total revenues non-GAAP	45.2 %	43.6 %
GAAP General and administrative	70,995	55,461
Share-based compensation	(26,431)	(17,443)
Acquisition related and other matters	(1,799)	(438)
Non-GAAP General and administrative	42,765	37,580
As a % of total revenues non-GAAP	9.1 %	10.7 %
Income (loss) from operations reconciliation		
GAAP loss from operations	(103,542)	(42,011)
Share-based compensation	102,346	62,493
Amortization of acquisition intangibles	44,050	11,588
Acquisition related and other matters	5,800	438
Non-GAAP Income from operations	48,654	32,508
Non-GAAP Operating margin	10.4 %	9.2 %

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RECONCILIATION OF NET INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(In thousands, except per share data) (Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Net income (loss) reconciliation		
GAAP net loss	$ (150,972)	$ (186)
Share-based compensation	102,346	62,493
Amortization of acquisition intangibles	44,050	11,588
Acquisition related and other matters	5,800	438
Amortization of debt discount and issuance costs	1,116	16,200
Loss (gain) associated with investments	45,476	(59,597)
Loss (gain) on early extinguishment of debt	—	658
Intercompany remeasurement loss	28	735
Income tax expense effects	(10,300)	(6,933)
Non-GAAP net (loss) income	$ 37,544	$ 25,396
Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income (loss) per common share:		
Weighted average number of shares used in computing basic net loss per share	94,574	90,634
Effect of dilutive securities	1,071	2,349
Non-GAAP weighted average shares used in computing non-GAAP diluted net (loss) income per share	95,645	92,983
Diluted net income (loss) per share		
GAAP net loss per share	$ (1.60)	$ —
Non-GAAP net (loss) income per share	$ 0.39	$ 0.27

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

	Three Months Ended March 31,	
	2022	**2021**
Net cash provided by operating activities	$ 58,995	$ 36,955
Repayment of convertible senior notes attributable to debt discount	—	4,712
Non-GAAP net cash provided by operating activities	58,995	41,667
Purchases of property and equipment	(6,852)	(8,721)
Capitalized internal-use software	(13,591)	(9,757)
Non-GAAP free cash flow	$ 38,552	$ 23,189

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

	Q2 2022		FY 2022	
	Low Range	High Range	Low Range	High Range
GAAP revenues	475.5	479.5	1,990.0	2,015.0
GAAP loss from operations	(106.5)	(101.1)	(400.0)	(382.1)
GAAP operating margin	(22.4%)	(21.1%)	(20.1%)	(19.0%)
Share-based compensation	112.0	107.0	450.0	435.0
Amortization of acquisition intangibles	44.0	44.0	173.0	173.0
Acquisition related and other matters	—	—	5.8	5.8
Non-GAAP income from operations	49.5	49.9	228.9	231.7
Non-GAAP operating margin	10.4 %	10.4 %	11.5 %	11.5 %

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