

# Q1 2021 Earnings

Key metrics above the high end of guidance

Raising FY 2021 guidance

# 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.

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, 2020 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 historical certain 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 also 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 and strategic partnerships, 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 and strategic partnerships 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 2021, 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.

# Exceptional Start to 2021

## Standout growth and acceleration for integrated UCaaS and CCaaS solutions

- RingCentral Office<sup>(1)</sup> ARR up 40% Y/Y to \$1.3 billion, an acceleration of 4 points Y/Y
- Total ARR up 37% Y/Y to \$1.4 billion, an acceleration of 4 points Y/Y
- Over 60% of \$1 million-plus TCV wins had contact center, including our largest integrated UCaaS + CCaaS win ever

## Partner contributions gaining momentum

- Direct and Partners Office ARR<sup>(2)</sup> of \$817 million, up 33% Y/Y, an acceleration of 8 points Y/Y
- Avaya: Strong growth in Avaya Cloud Office seats, new accounts, and transaction volume
- Atos: Strong Q1 and exited the quarter with pipeline up roughly 3x sequentially
- AT&T, BT, Telus: Overall strong Y/Y growth and pipeline generation

## Enterprise traction achieves multiple new milestones

- Enterprise ARR<sup>(3)</sup> surpasses \$500 million, up 62% Y/Y, a sequential acceleration of 7 points
- Global 2000 and Fortune 1000 enterprise business now surpasses \$100 million ARR
- Record Q1 number of \$1 million-plus TCV wins, including two deals over \$10 million

1) RingCentral Office includes customer subscriptions from RingCentral Office and RingCentral customer engagement solutions

2) Direct and partners Office ARR is defined in the same manner as we calculate our ARR, except that only customer subscriptions not generated from channel partners are included

3) Enterprise ARR is defined as RingCentral Office customers that generate \$100,000 or greater annualized recurring revenue (ARR)

# Q1 2021 Financial Highlights : strong momentum across all metrics

		\$ Metric	Y/Y Growth
Revenue	Subscriptions Revenue	\$325 million	34%
	Other Revenue <sup>(1)</sup>	\$27 million	11%
	Total Revenue	\$352 million	32%
ARR	Total ARR	\$1,407 million	37%
	RingCentral Office (UCaaS + CCaaS) <sup>(2)</sup>	\$1,322 million	40%
	Direct and Partners <sup>(3)</sup> <i>(defined to include direct, Avaya, Atos, Alcatel-Lucent Enterprise, AT&amp;T, BT, Telus, and other non-channel partners)</i>	\$817 million	33%
	Channel <sup>(4)</sup>	\$505 million	53%
	Mid-Market and Enterprise <sup>(5)</sup>	\$792 million	51%
	Enterprise <sup>(6)</sup>	\$515 million	62%

1) Other Revenue is primarily comprised of product revenue from the sale of pre-configured phones, phone rentals, and professional services

2) RingCentral Office includes customer subscriptions from RingCentral Office and RingCentral customer engagement solutions

3) Direct and partners ARR is defined in the same manner as we calculate our ARR, except that only customer subscriptions not generated from channel partners are included

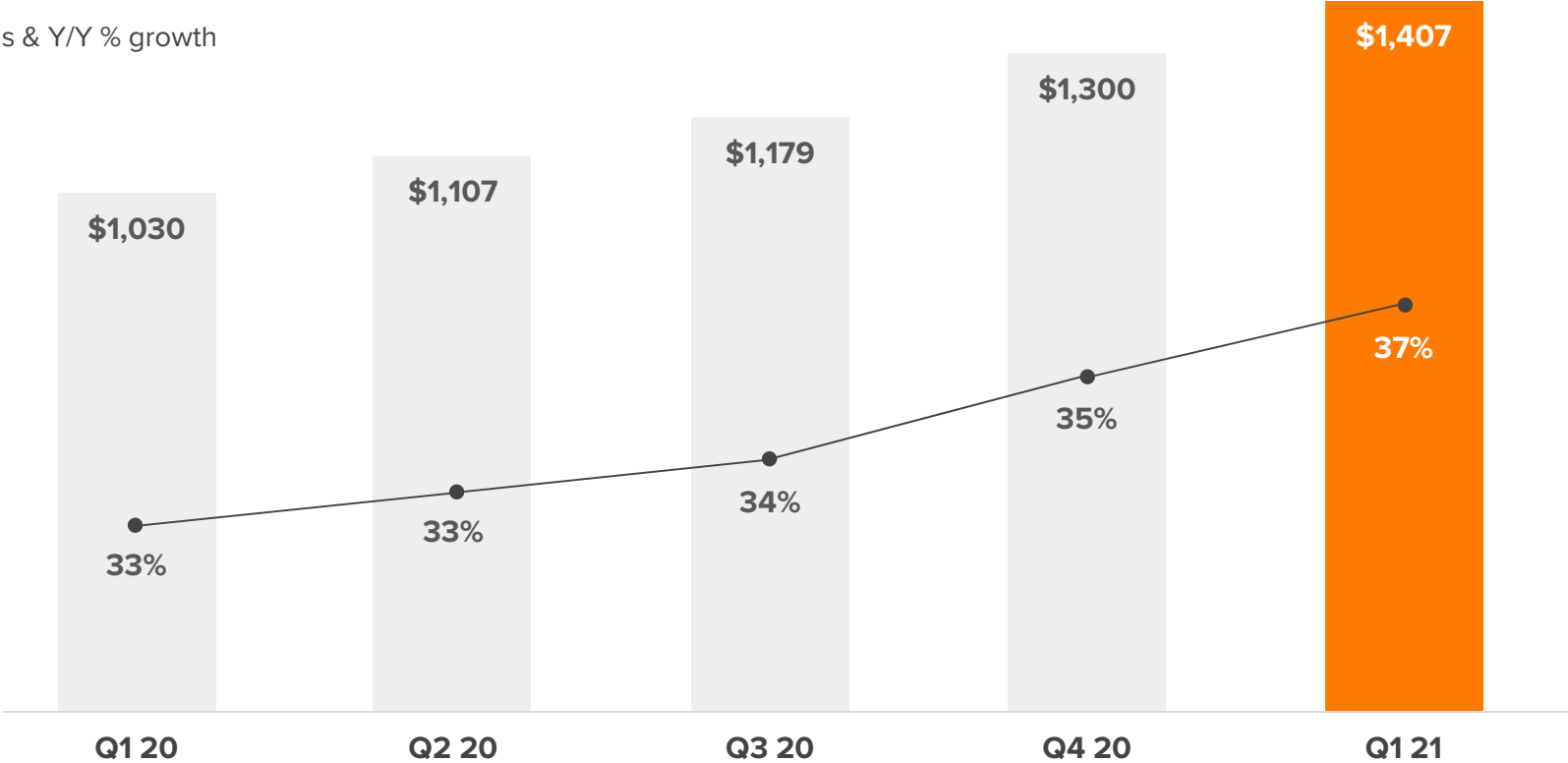
4) Channel ARR is defined in the same manner as we calculate our ARR, except that only customer subscriptions generated from channel partners are included

5) Mid-market and Enterprise ARR is defined as RingCentral Office customers that generate \$25,000 or greater ARR

6) Enterprise ARR is defined as RingCentral Office customers that generate \$100,000 or greater ARR

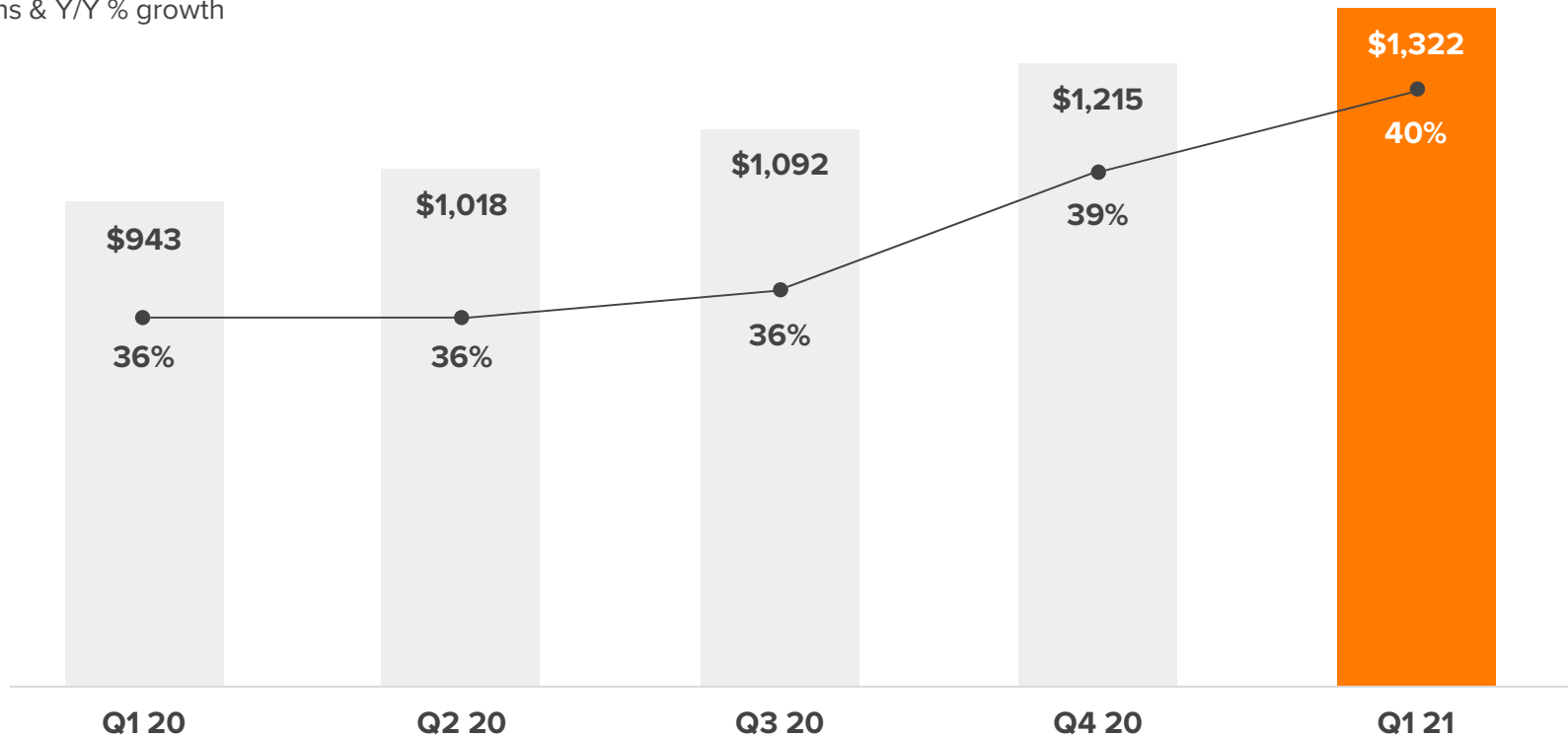
# Total Subscriptions ARR : 4 points of acceleration Y/Y

\$ millions & Y/Y % growth



## RingCentral Office ARR (UCaaS + CCaaS) : 4 points of acceleration Y/Y

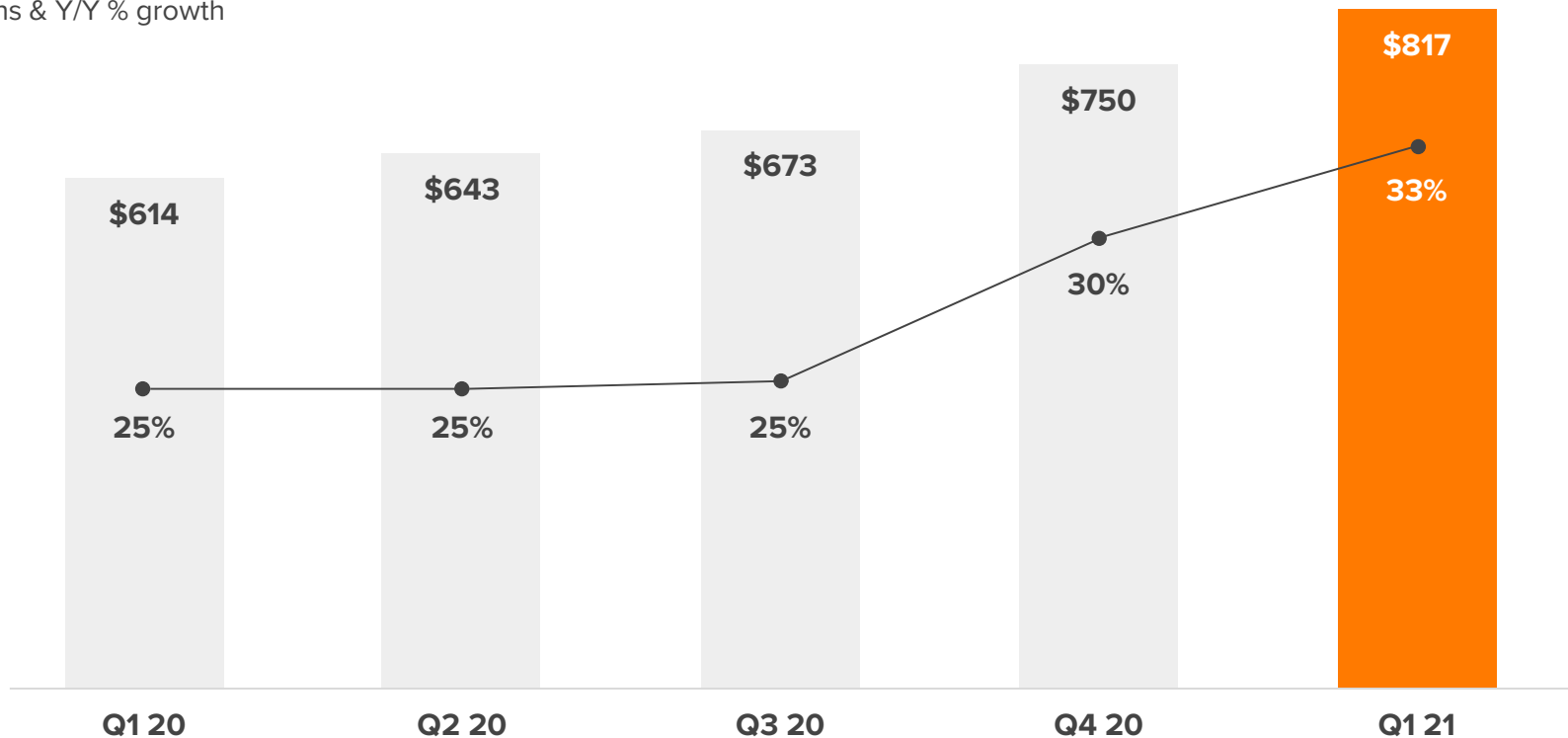
\$ millions & Y/Y % growth



# Direct and Partners Office ARR : 8 points of acceleration Y/Y

Defined to include direct, Avaya, Atos, Alcatel-Lucent Enterprise, AT&T, BT, Telus, and other non-channel partners

\$ millions & Y/Y % growth



# Q1 2021 Guidance vs Results : Key metrics above high end of guidance

	Q1 Guidance	Q1 Results
Subscriptions Revenue	\$311.5M - \$313.5M	\$325M
Subscriptions Revenue Growth Y/Y	28% - 29%	34%
Other Revenue <sup>(1)</sup>	\$25.5M - \$26.5M	\$27M
Other Revenue Growth Y/Y <sup>(1)</sup>	5% - 9%	11%
Total Revenue	\$337M - \$340M	\$352M
Total Revenue Growth Y/Y	26% - 27%	32%
GAAP Operating Margin	(15.1%) – (13.8%)	(11.9%)
Non-GAAP Operating Margin	8.6% - 8.8%	9.2%
Non-GAAP EPS	\$0.24 - \$0.25	\$0.27

1) Other Revenue is primarily comprised of product revenue from the sale of pre-configured phones, phone rentals, and professional services. Other Revenue guidance is implied based on Total Revenue guidance less Subscriptions Revenue guidance



# A Leader in the 2020 Gartner Magic Quadrant for Unified Communications as a Service, Worldwide.

## 6 years in a row

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# Guidance : FY 2021 and Q2 2021

# Raising FY 2021 guidance

	Prior	New
Subscriptions Revenue	\$1.365B - \$1.375B	\$1.388B - \$1.396B
Subscriptions Revenue Growth Y/Y	26% - 27%	28% - 29%
Implied Other Revenue <sup>(1)</sup>	\$110M - \$115M	\$112M - \$114M
Implied Other Revenue Growth Y/Y <sup>(1)</sup>	13% - 18%	15% - 17%
Total Revenue	\$1.475B - \$1.490B	\$1.500B - \$1.510B
Total Revenue Growth Y/Y	25% - 26%	27% - 28%
GAAP Operating Margin	(21.7%) – (20.4%)	(21.3%) – (20.1%)
Non-GAAP Operating Margin	10.0% - 10.1%	10.0% - 10.1%
Non-GAAP Tax Rate	22.5%	22.5%
Non-GAAP EPS	\$1.20 - \$1.24	\$1.24 - \$1.27

1) Other Revenue is primarily comprised of product revenue from the sale of pre-configured phones, phone rentals, and professional services. Other Revenue guidance is implied based on Total Revenue guidance less Subscriptions Revenue guidance

## Q2 2021 guidance

	Q2 2021
Subscriptions Revenue	\$332M - \$334M
Subscriptions Revenue Growth Y/Y	29% - 30%
Implied Other Revenue <sup>(1)</sup>	\$24.5M - \$25.5M
Implied Other Revenue Growth Y/Y <sup>(1)</sup>	17% - 22%
Total Revenue	\$356.5M - \$359.5M
Total Revenue Growth Y/Y	28% - 29%
GAAP Operating Margin	(23.2%) – (21.6%)
Non-GAAP Operating Margin	9.3%
Non-GAAP Tax Rate	22.5%
Non-GAAP EPS	\$0.27 - \$0.28

<sup>1)</sup> Other Revenue is primarily comprised of product revenue from the sale of pre-configured phones, phone rentals, and professional services. Other Revenue guidance is implied based on Total Revenue guidance less Subscriptions Revenue guidance

# Reconciliation : GAAP to Non-GAAP

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

	Three Months Ended March 31,	
	2021	2020
<b>Revenues</b>		
Subscriptions	\$ 325,223	\$ 243,104
Other	27,133	24,408
Total revenues	352,356	267,512
<b>Cost of revenues reconciliation</b>		
GAAP Subscriptions cost of revenues	73,247	52,433
Share-based compensation	(3,978)	(2,076)
Amortization of acquisition intangibles	(10,618)	(7,701)
Acquisition related matters	—	—
Non-GAAP Subscriptions cost of revenues	58,651	42,656
GAAP Other cost of revenues	23,734	21,011
Share-based compensation	(1,656)	(650)
Non-GAAP Other cost of revenues	22,078	20,361
<b>Gross profit and gross margin reconciliation</b>		
Non-GAAP Subscriptions	82.0 %	82.5 %
Non-GAAP Other	18.6 %	16.6 %
Non-GAAP Gross profit	77.1 %	76.4 %
<b>Operating expenses reconciliation</b>		
GAAP Research and development	62,676	40,910
Share-based compensation	(14,649)	(7,467)
Acquisition related matters	—	—
Non-GAAP Research and development	48,027	33,443
As a % of total revenues non-GAAP	13.6 %	12.5 %
GAAP Sales and marketing	179,249	131,312
Share-based compensation	(24,767)	(11,291)
Amortization of acquisition intangibles	(970)	(931)
Acquisition related matters	—	4
Non-GAAP Sales and marketing	153,512	119,094
As a % of total revenues non-GAAP	43.6 %	44.5 %
GAAP General and administrative	55,461	47,336
Share-based compensation	(17,443)	(15,105)
Acquisition related matters	(438)	(1,863)
Non-GAAP General and administrative	37,580	30,368
As a % of total revenues non-GAAP	10.7 %	11.4 %
<b>Income (loss) from operations reconciliation</b>		
GAAP loss from operations	(42,011)	(25,490)
Share-based compensation	62,493	36,589
Amortization of acquisition intangibles	11,588	8,632
Acquisition related matters	438	1,859
Non-GAAP Income from operations	32,508	21,590
Non-GAAP Operating margin	9.2 %	8.1 %

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

	Three Months Ended March 31,	
	2021	2020
<b>Net income (loss) reconciliation</b>		
GAAP net loss	\$ (186)	\$ (60,721)
Share-based compensation	62,493	36,589
Amortization of acquisition intangibles	11,588	8,632
Acquisition related matters	438	1,859
Amortization of debt discount and issuance costs	16,200	7,452
Loss (gain) associated with investments and strategic partnerships	(59,597)	20,148
Loss on early extinguishment of debt	658	7,250
Intercompany remeasurement loss	735	898
Income tax expense effects	(6,933)	(4,809)
Non-GAAP net income	<u>\$ 25,396</u>	<u>\$ 17,298</u>
<b>Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income (loss) per common share:</b>		
Weighted average number of shares used in computing basic net (loss) income per share	90,634	87,339
Effect of dilutive securities	2,349	4,927
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	<u>92,983</u>	<u>92,266</u>
<b>Diluted net income (loss) per share</b>		
GAAP net loss per share	\$ —	\$ (0.70)
Non-GAAP net income per share	<u>\$ 0.27</u>	<u>\$ 0.19</u>

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

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Net cash provided by operating activities	\$ 36,955	\$ 13,069
Repayment of convertible senior notes attributable to debt discount	4,712	13,894
Non-GAAP net cash provided by operating activities	41,667	26,963
Purchases of property and equipment	(8,721)	(6,861)
Capitalized internal-use software	(9,757)	(7,389)
Non-GAAP free cash flow	<u>\$ 23,189</u>	<u>\$ 12,713</u>



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

	Q2 2021		FY 2021	
	Low Range	High Range	Low Range	High Range
GAAP revenues	356.5	359.5	1,500.0	1,510.0
GAAP loss from operations	(82.8)	(77.6)	(319.4)	(303.9)
GAAP operating margin	(23.2 %)	(21.6 %)	(21.3 %)	(20.1 %)
Share-based compensation	104.0	99.0	420.0	410.0
Amortization of acquisition intangibles	12.0	12.0	49.0	46.0
Acquisition related matters	—	—	0.4	0.4
Non-GAAP income from operations	33.2	33.4	150.0	152.5
Non-GAAP operating margin	9.3 %	9.3 %	10.0 %	10.1 %

# Thank You