



ELASTIC N.V. (ESTC)

Q2 FY2022

Earnings Conference Call

December 1, 2021



Forward Looking Statements and Non-GAAP Disclaimer

This presentation and the accompanying oral presentation contain forward-looking statements that involve substantial risk and uncertainties, which include, but are not limited to, statements regarding our expected financial results for the fiscal quarter ending January 31, 2022 and the fiscal year ending April 30, 2022, the expected performance or benefits of our offerings, and our assessments of the strength of our solutions and products. These forward-looking statements are subject to the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Our expectations and beliefs in light of currently available information regarding these matters may not materialize. Actual outcomes and results may differ materially from those contemplated by these forward-looking statements due to uncertainties, risks, and changes in circumstances, including but not limited to those related to: our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (which include changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve and maintain future profitability; our ability to continue to deliver and improve our offerings and develop new offerings, including security-related product and Elastic Cloud offerings; customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our Elastic Cloud offerings; our inability to realize value from investments in the business, including R&D investments and strategic transactions; our ability to maintain and expand our user and customer base; the impact of the COVID-19 pandemic on the macroeconomic environment, on our business, operations, hiring and financial results, and on businesses of our customers and partners, including their spending priorities, the effect of lockdowns, restrictions and new regulations; the impact of our licensing model on the use and adoption of our software; the impact of foreign currency exchange rate and interest rate fluctuations on our results; our international expansion strategy; our operating results and cash flows; our beliefs and objectives for future operations; the sufficiency of our capital resources; our ability to successfully execute our go-to-market strategy and expand in our existing markets and into new markets, and our ability to forecast customer retention and expansion; and general market, political, economic and business conditions.

Any additional or unforeseen effect from the COVID-19 pandemic may exacerbate these risks. Additional risks and uncertainties that could cause actual outcomes and results to differ materially are included in our filings with the Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended April 30, 2021 and any subsequent reports filed with the SEC. SEC filings are available on the Investor Relations section of Elastic’s website at ir.elastic.co and the SEC’s website at www.sec.gov. Elastic assumes no obligation to, and does not currently intend to, update any such forward-looking statements, except as required by law.

In addition to GAAP financial information, this presentation and the accompanying oral presentation include certain non-GAAP financial measures. See the Appendix for a reconciliation of all historical non-GAAP financial measures to their nearest GAAP equivalent.

Shay Banon

Founder and CEO



Q2 FY2022 Summary – Strong Results



42%

Total revenue growth
year-over-year



84%

Elastic Cloud revenue
growth year-over-year



17,000+

subscription
customers



830+

customers with ACV
greater than \$100K



Accelerating digital transformation is leading to massive volumes of data



Elastic Search Platform



**IT systems are
becoming more
distributed and
heterogeneous**



Expanding the official Elastic Cloud

Now available in **48** regions across AWS, GCP, and Azure



Microsoft Azure

Google Cloud



Tencent Cloud



Alibaba Cloud

Elastic Cloud Customer

One of the Leading Online Job Sites

**Increasing
sophistication
and scale of
cybersecurity
threats**



Security Integrations

Filter sources by name or type....

Carbon Black.

Configure



Configure



Configure



Configure



Configure

FORTINET.

Configure



Configure



Configure

servicenow.

Configure

Elastic named a Contender in the 2021 Forrester New Wave for XDR

- Customizable detection engineering with Elastic is a core strength for its simplicity
- Is the best fit for companies that need a SIEM with flexibility and customizability



*A gray bubble or open dot indicates a nonparticipating vendor.

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Elastic Security Customer

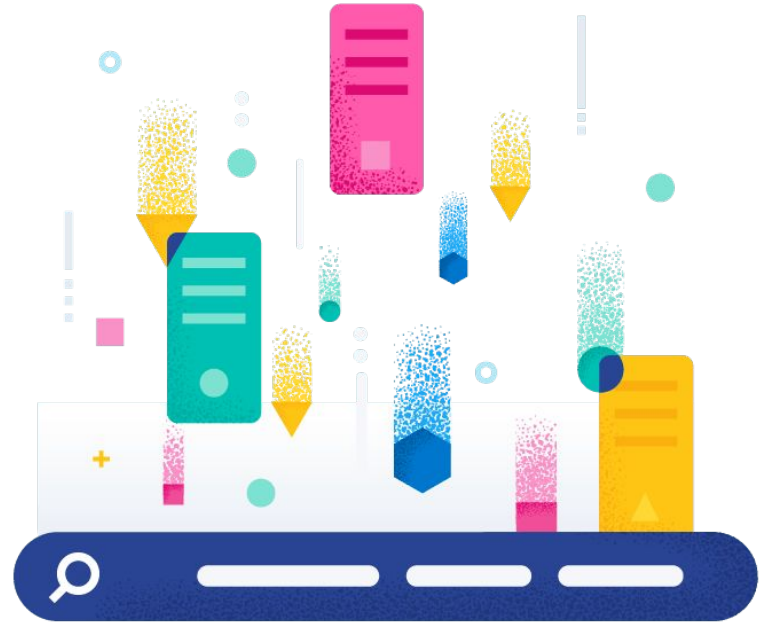
Global Leader in Commercial Electronic Document
Management and Operations



Elastic Security Customer

Major U.S. Public Research University

Continuing convergence and adoption of a unified platform





+

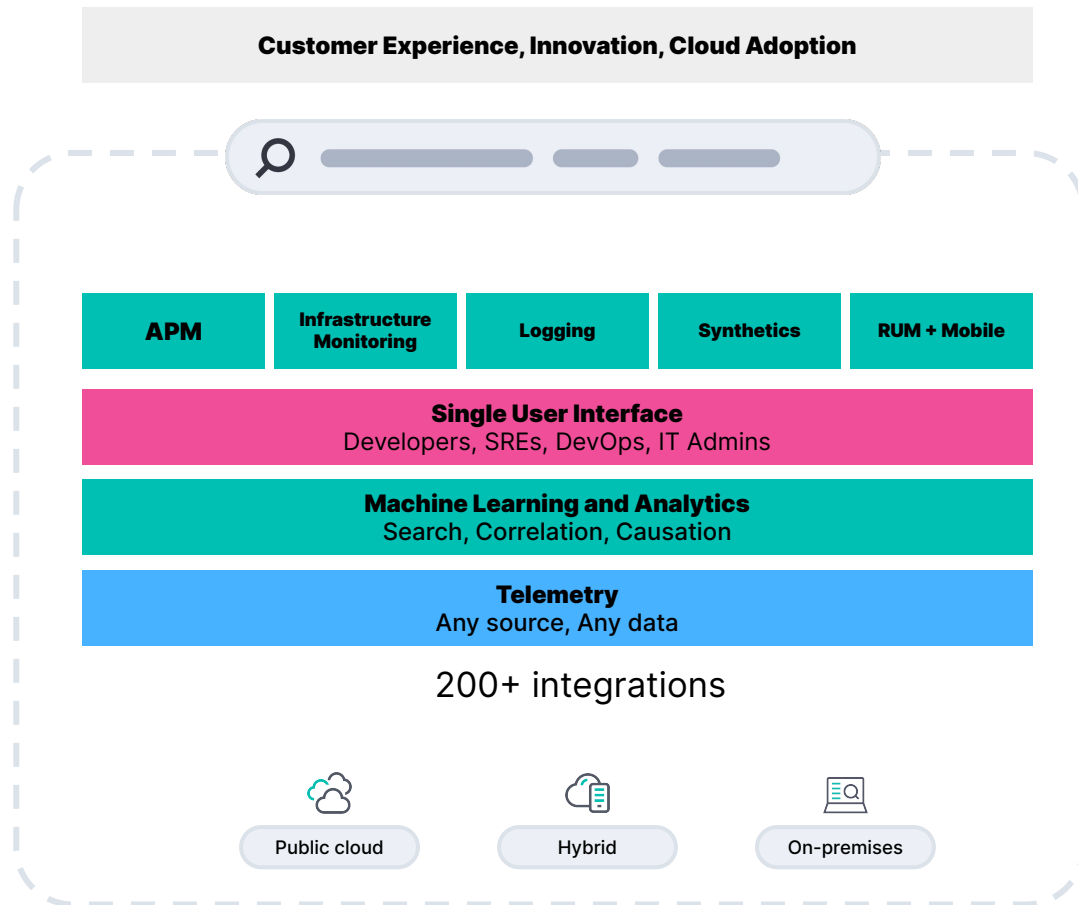


Elastic Observability Customer

One of the World's Largest Internet Domain Registration
and Web Hosting Companies



Elastic Observability



Elastic Observability Customer

Leading Telehealth Platform Provider

**User experience
can be a
competitive
differentiator for
enterprises**





Elastic Enterprise Search Customer

One of the Largest Diversified Financial Services
Institutions in the U.S.



Elastic Enterprise Search Customer

One of the World's Largest Home Improvement
Specialty Retailers

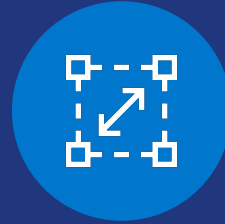
Investing for Growth



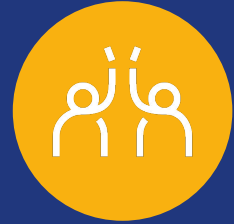
Differentiated
Solutions



Expanding global
sales coverage



Elastic Cloud



Partnerships



SOLVE.

LET THE SEARCH BEGIN.

Shelley Leibowitz

Elastic Board of Directors





Best companies for women 2021



Janesh Moorjani

Chief Financial Officer



Revenue Highlights

<i>\$ millions</i>	Q2 FY22	Q2 FY22 Y/Y	Y/Y CC
Total Revenue	\$206.0	42%	41%
Total Subscription Revenue	\$190.3	42%	41%
Elastic Cloud Revenue	\$69.0	84%	84%
Subscription % of Total Revenue	92%		
Professional Services Revenue	\$15.7	47%	46%

CC = Constant Currency

Strong Billings and Customer Metrics

<i>\$ millions</i>	Q2 FY22	Y/Y	Y/Y CC	TTM Y/Y
Calculated Billings ⁽¹⁾	\$231.2	30%	29%	34%

Q2 FY22 CUSTOMER METRICS	
Total Subscription Customers	> 17,000
Subscription Customers with ACV > \$100,000	>830
Net Expansion Rate	Slightly below 130%

⁽¹⁾ Calculated Billings represents total revenue plus the sequential increase in deferred revenue as presented on the statement of cash flows, less the increase in unbilled accounts receivable. See appendix for reconciliation to GAAP.

Non-GAAP Income Statement Highlights

<i>\$ millions, except per share amounts</i>	Q2 FY22	% OF REVENUE
Total Revenue	\$206.0	100%
Gross Profit/Margin	\$158.1	77%
Research & Development Expense	\$48.5	24%
Sales & Marketing Expense	\$83.5	41%
General & Administrative Expense	\$24.8	12%
Operating Income/Margin	\$1.4	1%
Earnings Per Share	-\$0.09	

See appendix for reconciliation to GAAP

Select Financial Measures

<i>\$ millions, except employees</i>	Q2 FY22
Free Cash Flow	\$(12.2)
Cash & Cash Equivalents	\$876.1
Total Deferred Revenue	\$390.3
Remaining Performance Obligations	\$831.6
Employees	2,626

Q3 and Full Year FY2022 Guidance

	Q3 FY22	FY22
Total Revenue	\$207M - \$209M	\$826M - \$832M
Non-GAAP Operating Margin	-6.0% to -5.0%	-3.0% to -2.0%
Non-GAAP Net Loss Per Share	\$0.24 to \$0.20	\$0.61 to \$0.51
Weighted Average Shares Outstanding (Basic & Diluted)	92.5M - 93.5M	92M - 93M

A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of, many of these costs and expenses that may be incurred in the future.

Releases: Continued rapid pace of innovation

Strategic Cloud Enhancements, Optimized Search Experiences for Users and Simplified Data Ingestion, Enhanced Limitless XDR Protections, and Unified Observability

Elastic Cloud

- Improved data resiliency and reduced network latency
- Expanded native integration with Google Cloud Dataflow
- Joined the AWS ISV Workload Migration Program as a certified Partner
- Added support for Amazon ARM-based EC2 instances
- Launched three new AWS regions: Middle East, Europe South, and Africa

Elastic Enterprise Search

- Announced the general availability of the Elastic App Search web crawler to optimize search experiences and simplify data ingest
- Enhanced customization in Elastic Workplace Search enabling customers to unify internal search experiences, meet infrastructure demands, and deliver relevant real-time results

Elastic Observability

- Introduced the general availability of correlations in Elastic APM to help customers accelerate root cause analysis and reduce mean time to resolution
- Expanded unified observability with APM troubleshooting views across logs, third-party dependencies, and backend services
- Completed the acquisition of Optimyze, a continuous profiling platform

Elastic Security

- Enhanced XDR capabilities including malicious behavior protection and advanced threat protection
- Launched integrations with Carbon Black, CrowdStrike, Cloudflare, HashiCorp, and Palo Alto Networks
- Completed the acquisitions of build.security, and Cmd
- Recognized by Forrester Research in The Forrester New Wave™: Extended Detection and Response (XDR) Providers, Q4 2021

Resource-based pricing



Elastic Enterprise Search



Site Search

No query-based pricing



App Search

No docs-based pricing



Workplace Search

No user-based pricing



Elastic Observability



APM

No agent-based pricing



Logs

No ingest-based pricing



Metrics

No host-based pricing



Elastic Security



SIEM

No seat/ingest-based pricing



Endpoint Security

No endpoint-based pricing

GAAP to Non-GAAP Reconciliations

Gross Profit and Gross Margin

\$ in millions	Q2 FY22
GAAP gross profit	\$152.1
(+) Stock based compensation	3.4
(+) Amortization of acquired intangibles	2.5
(+) Employer payroll taxes on employee stock transactions	0.2
Non-GAAP gross profit	\$158.1
GAAP subscription gross margin %	77.8 %
(+) Stock based compensation	1.1 %
(+) Amortization of acquired intangibles	1.3 %
(+) Employer payroll taxes on employee stock transactions	0.0 %
Non-GAAP subscription gross margin %	80.2 %
GAAP professional services gross margin %	26.0 %
(+) Stock based compensation	8.2 %
(+) Employer payroll taxes on employee stock transactions	0.7 %
Non-GAAP professional services gross margin %	34.9 %
GAAP gross margin %	73.8 %
(+) Stock based compensation	1.6 %
(+) Amortization of acquired intangibles	1.2 %
(+) Employer payroll taxes on employee stock transactions	0.1 %
Non-GAAP gross margin %	76.8 %

GAAP to Non-GAAP Reconciliations

Operating Expenses

\$ in millions except percentages	Q2 FY21	Q2 FY22	Q2 FY22 % Revenue
GAAP sales & marketing expenses	\$64.5	\$95.0	46.1 %
(-) Stock based compensation	(8.0)	(8.4)	(4.1)%
(-) Amortization of acquired intangibles	(1.4)	(1.4)	(0.7)%
(-) Acquisition-related expenses	0.0	0.0	0.0 %
(-) Employer payroll taxes on employee stock transactions	(0.6)	(1.7)	(0.8)%
Non-GAAP sales & marketing expenses	\$54.5	\$83.5	40.5 %
Y/Y		53.2 %	
GAAP research & development expenses	\$46.7	\$63.8	31.0 %
(-) Stock based compensation	(7.7)	(13.7)	(6.6)%
(-) Acquisition-related expenses	0.0	(1.0)	(0.5)%
(-) Employer payroll taxes on employee stock transactions	(0.5)	(0.7)	(0.3)%
Non-GAAP research & development expenses	\$38.6	\$48.5	23.5 %
Y/Y		25.7 %	
GAAP general & administrative expenses	\$23.7	\$30.6	14.8 %
(-) Stock based compensation	(3.0)	(4.6)	(2.2)%
(-) Acquisition-related expenses	0.0	(1.1)	(0.5)%
(-) Employer payroll taxes on employee stock transactions	(0.5)	(0.1)	(0.0)%
Non-GAAP general & administrative expenses	\$20.2	\$24.8	12.1 %
Y/Y		22.9 %	

GAAP to Non-GAAP Reconciliations

Operating Loss, Operating Margin and Net Loss per share

\$ in millions except percentages and per share amounts	Q2 FY21	Q2 FY22
GAAP operating loss	\$(28.4)	\$(37.2)
(+) Stock based compensation	21.5	30.0
(+) Amortization of acquired intangibles	3.5	3.9
(+) Acquisition-related expenses	0.0	2.0
(+) Employer payroll taxes on employee stock transactions	1.6	2.6
Non-GAAP operating (loss) income	\$(1.7)	\$1.4
GAAP operating margin %	(19.6)%	(18.0)%
(+) Stock based compensation	14.8 %	14.6 %
(+) Amortization of acquired intangibles	2.4 %	1.9 %
(+) Acquisition-related expenses	0.0 %	1.0 %
(+) Employer payroll taxes on employee stock transactions	1.1 %	1.3 %
Non-GAAP operating margin %	(1.2)%	0.7 %
GAAP net loss per share	\$(0.34)	\$(0.51)
(+) Stock based compensation	0.25	0.33
(+) Amortization of acquired intangibles	0.04	0.04
(+) Acquisition-related expenses	0.00	0.02
(+) Employer payroll taxes on employee stock transactions	0.02	0.03
(-) Tax adjustment	(0.00)	(0.00)
Non-GAAP loss per share - Basic	\$(0.03)	\$(0.09)

GAAP to Non-GAAP Reconciliations

Calculated Billings

\$ in millions	Q2 FY21	Q2 FY22
Revenue	\$144.9	\$206.0
Add: Increase in total deferred revenue	32.7	27.2
Less: (Increase) decrease in unbilled accounts receivable	0.2	(2.0)
Calculated billings	\$177.7	\$231.2
Y/Y		30.1 %

Free Cash Flow

\$ in millions	Q2 FY21	Q2 FY22
Net cash used in operating activities	\$(17.3)	\$(10.4)
Less: Purchase of property and equipment	(1.3)	(0.1)
Less: Capitalization of internal-use software	0.0	(1.7)
Free cash flow	\$(18.6)	\$(12.2)
Free cash flow margin*	(12.8)%	(5.9)%

*Free cash flow margin represents free cash flow divided by total revenue
Sums may not add to totals due to rounding

Remaining Performance Obligations (RPO)

Historical Trend

<i>\$ millions</i>	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Remaining Performance Obligations (RPO)	\$643.5	\$705.7	\$796.4	\$776.0	\$831.6