



ELASTIC N.V. (ESTC)

Q4 and FY2020

Earnings Conference Call

June 3, 2020

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, our expected financial results for the fiscal quarter ending July 31, 2020 and the fiscal year ending April 30, 2021, our expectations regarding the impact of the COVID-19 pandemic, our customer base, potential market and growth opportunities, and our go-to-market strategy. These forward-looking statements are subject to the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “would,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. 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: the impact of COVID-19 on our business, operations, hiring and financial results, and on businesses of our customers and partners, including the effect of governmental lockdowns, restrictions and new regulations; 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 successfully develop new offerings, including security-related product offerings and SaaS offerings; customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our SaaS offerings; our ability to maintain and expand our user and customer base; 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 general market, political, economic and business conditions (including developments and volatility arising from the COVID-19 pandemic).

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 the quarterly report on Form 10-Q for the quarter ended January 31, 2020 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.



Search. Observe. Protect.



Shay Banon
Founder and CEO

Continued Strong Execution During COVID-19

- Adapted quickly to manage for safety, cost efficiency, operations, and overall business continuity
 - Distributed-by-design enabled a frictionless transition to virtual
 - Executed well on our direct sales motion in a virtual environment
 - Maintained a rapid pace of innovation
 - Pivoted in-person training to existing online format
 - Shifted all Elastic{ON} events to be virtual and free

Q4 FY2020 Summary – Strong Results

- Revenue grew 53% year-over-year
- Over 11,300 subscription customers
- Over 610 customers with ACV greater than \$100K
- Net Expansion Rate continued to be greater than 130%

Recent Product Releases

Continuing Rapid Pace of Innovation

Solutions and Elastic Stack

- 7.7 released
- Enterprise search improvements with Elastic Workplace Search becoming generally available
- Observability improvements with service maps for Elastic APM
- Security improvements with embedded case management
- Integrated alerting features across Elastic Stack, plus asynchronous search features for long-running queries

SaaS: Elastic Cloud

- Elasticsearch Service public API made generally available
- Announced FedRAMP “In Process” status, previewed AWS GovCloud availability
- New Elastic Cloud GCP regions in South Carolina, Finland, Taiwan, the Netherlands, São Paulo, and Singapore; new Elastic Cloud Azure regions in London
- Elastic Cloud subscriptions available on Google Cloud Marketplace

Orchestration: ECE and ECK

- ECE 2.5 released, including a dedicated coordinating layer, support for snapshot lifecycle management, and one-click migration to index lifecycle management
- ECK 1.1 released, including support for remote clusters, enabling cross-cluster search and replication, and out-of-the-box Elastic APM instrumentation of the ECK operator

Free & Open Distribution Model + Commercial Business Model

Free & Open Distribution Model

Rapid product adoption

Strong user community

Sole committer of code

Single code base



Commercial Business Model

Strong proprietary innovation & differentiation

Paid features

Unified pricing model

Self-managed and SaaS subscriptions

3 solutions



Elastic Enterprise Search



Elastic Observability



Elastic Security

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

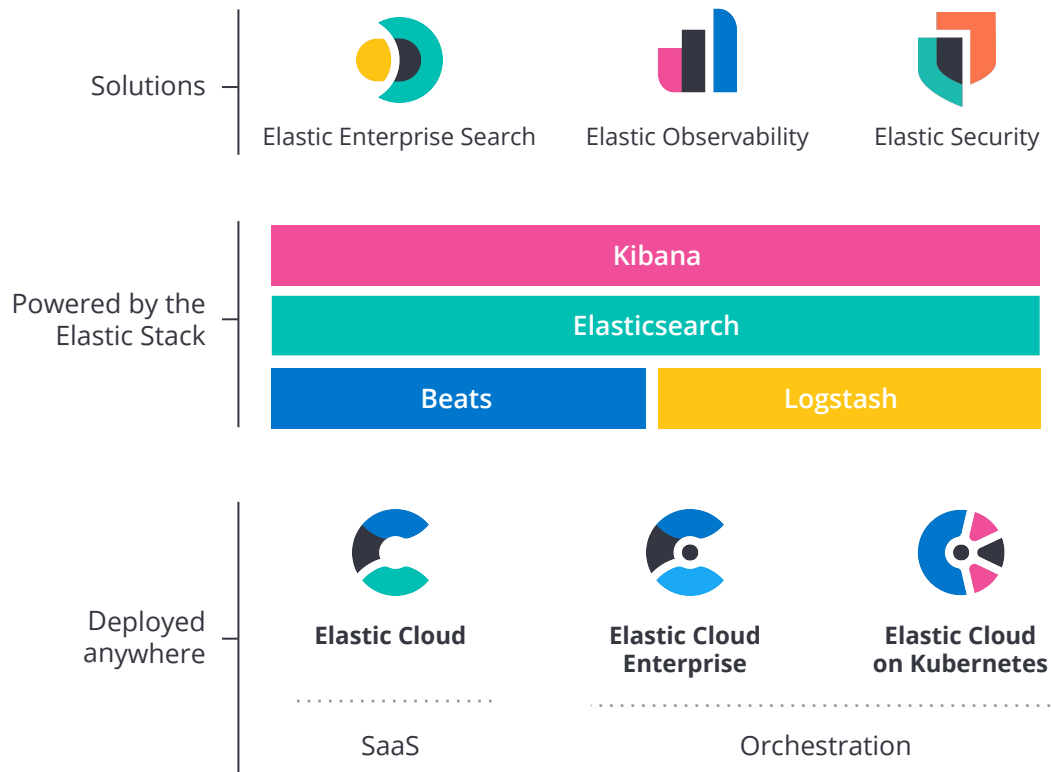


Elastic Security

 **SIEM**
No seat/ingest-based pricing

 **Endpoint Security**
No endpoint-based pricing

Elastic Technology





Elastic Enterprise Search

Workplace Search

App Search

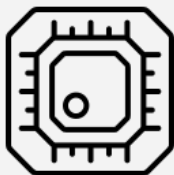
Site Search



Ecommerce



Financial Services



Technology

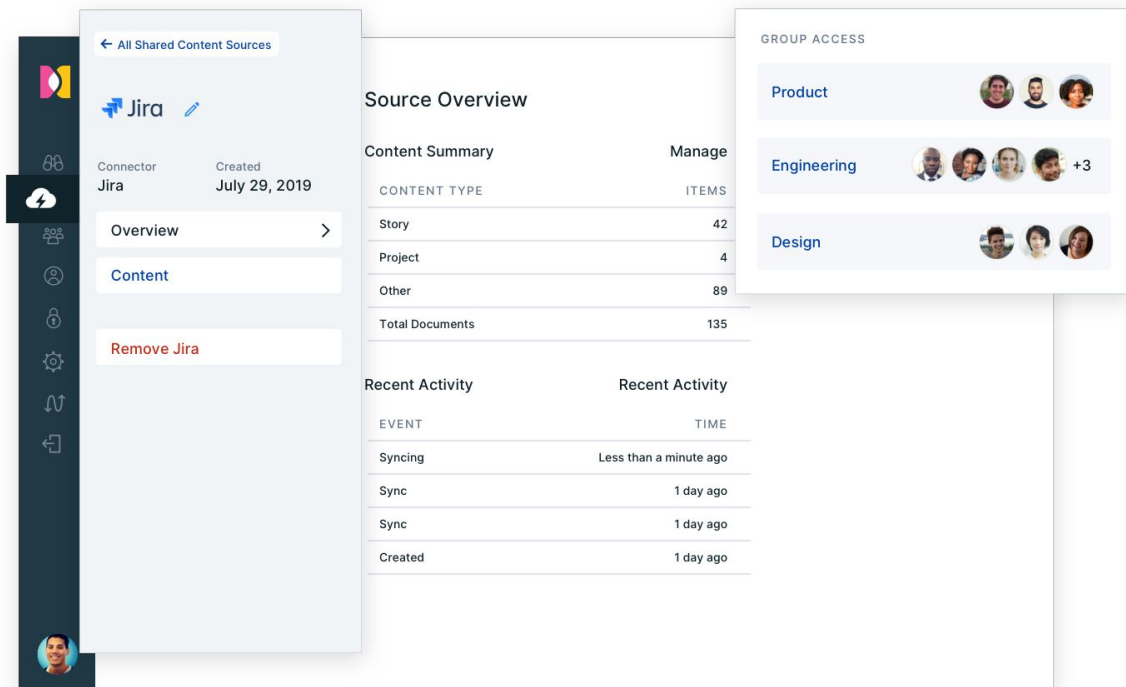


Public Sector

ENTERPRISE SEARCH

Search everything, anywhere

Easily implement powerful, modern search experiences across your website, app, or digital workplace. Search it all, simply.





Elastic Observability

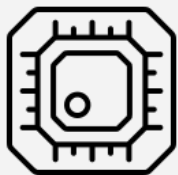
Logs

Metrics

APM

Uptime

EllieMae®



Fortune 50
Technology Company

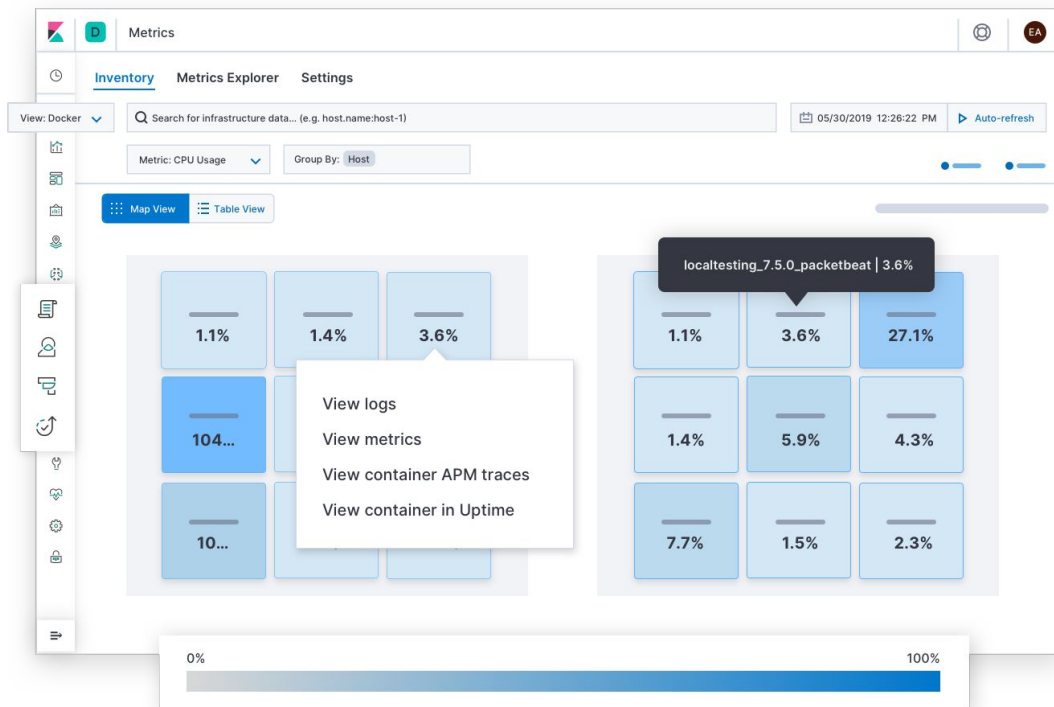


Fortune 50
Retail Company

OBSERVABILITY

Unified visibility across your entire ecosystem

Bring your logs, metrics, and traces together into a single stack so you can monitor, detect, and react to events with speed.





Elastic Security

Endpoint SIEM



BNP PARIBAS

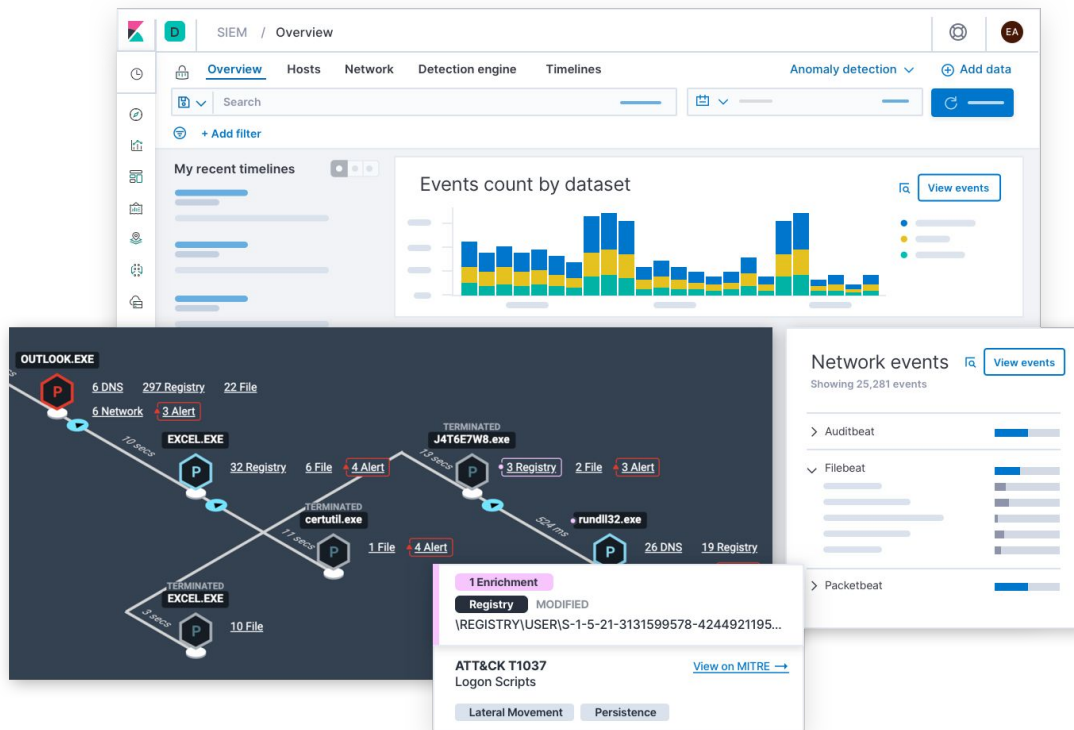
OverDrive[®]

SECURITY



Prevent, collect, detect, respond

Elastic Security integrates endpoint security and SIEM to give you prevention, collection, detection, and response capabilities for unified protection across your infrastructure.



Expanding the Official Elasticsearch Service

New Azure Regions (London, Ireland); New AWS Regions (GovCloud - US East, Ohio)
New Google Cloud Regions (Singapore, São Paulo, South Carolina, Netherlands, Taiwan, Finland)



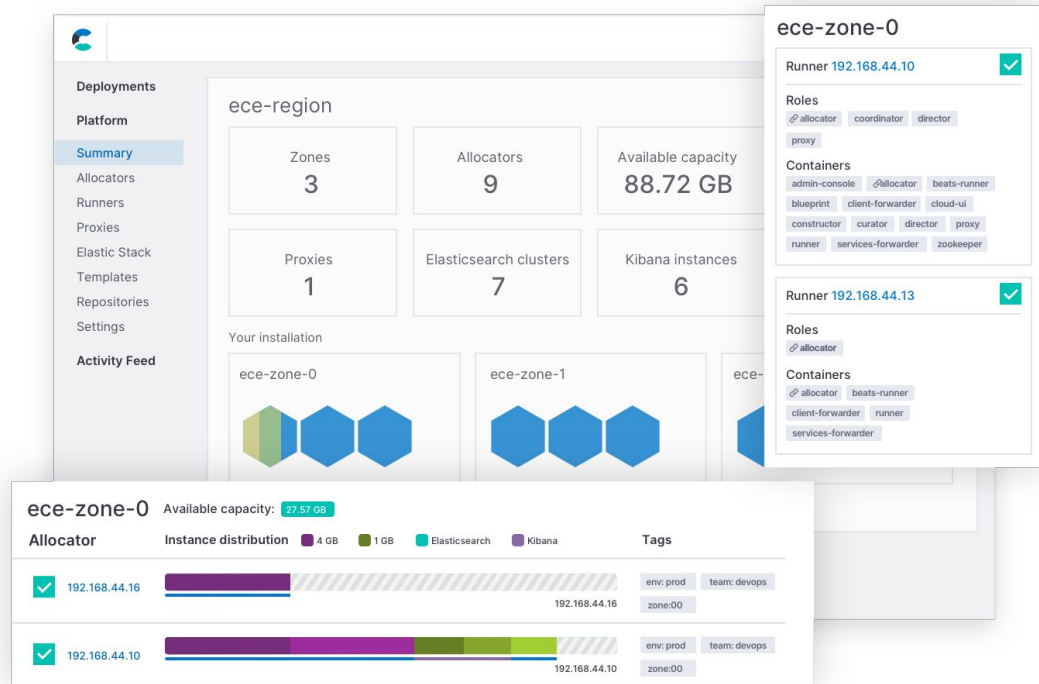
Google Cloud Platform





Centrally manage your Elastic deployments

Provision, manage, and monitor Elastic products and solutions, at any scale, on any infrastructure, while managing everything from a single console.



collector bank

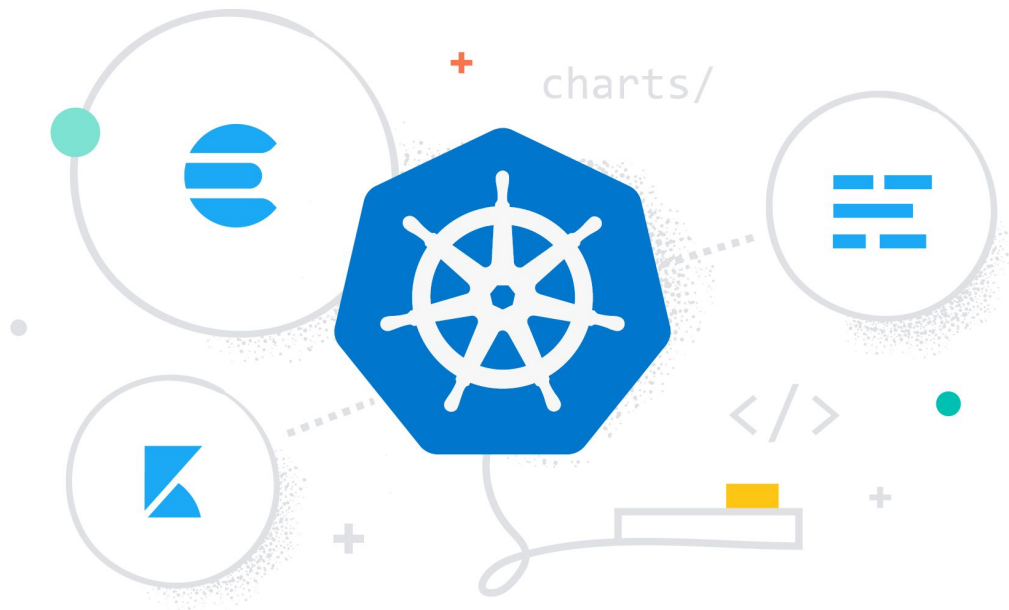
OBSERVABILITY

Elastic Cloud Enterprise
(ECE)



Official Operator, and more

Simplify setup, upgrades, snapshots, scaling, high availability, security, and more when running Elastic products and solutions on Kubernetes.





Fortune 50
Energy Company

OBSERVABILITY

Elastic Cloud on
Kubernetes (ECK)



Janesh Moorjani
CFO

Revenue Highlights

<i>\$ millions</i>	Q4 FY20	Y/Y	Y/Y CC	FY20	Y/Y	Y/Y CC
Total Revenue	\$123.6	53%	57%	\$427.6	57%	60%
Total Subscription Revenue	\$113.9	55%	58%	\$392.2	58%	61%
SaaS Revenue	\$29.0	110%	120%	\$92.3	101%	109%
Subscription % of Total Revenue	92%			92%		
Professional Services Revenue	\$9.7	39%	42%	\$35.5	52%	54%

Strong Billings and Customer Metrics

\$ <i>millions</i>	Q4 FY20	Q4 FY20 Y/Y	Q4 FY20 Y/Y CC	TTM Y/Y
Calculated Billings ¹	\$175.1	52%	55%	49%

Q4 FY20 CUSTOMER METRICS	
Total Subscription Customers	>11,300
Subscription Customers with ACV > \$100,000	>610
Subscription Customers with ACV > \$1,000,000	>50
Net Expansion Rate	>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>	Q4 FY20	% OF REVENUE	FY20	% OF REVENUE
Total Revenue	\$123.6	100%	\$427.6	100%
Gross Profit/Margin	\$93.7	76%	\$319.4	75%
Research & Development Expense	\$38.8	31%	\$139.5	33%
Sales & Marketing Expense	\$50.5	41%	\$192.6	45%
General & Administrative Expense	\$17.2	14%	\$62.7	15%
Operating Income/Margin	-\$12.7	-10%	-\$75.6	-18%
Net loss per share	-\$0.12		-\$0.93	

Select Financial Measures

<i>\$ millions, except employees</i>	Q4 FY20
Free Cash Flow	-\$6.8
Cash & Cash Equivalents	\$297.1
Total Deferred Revenue	\$259.7
Remaining Performance Obligations	\$535.6
Employees	1,936

	FY20
Free Cash Flow Margin	-8%

Q1 and Full Year FY2021 Guidance

	Q1 FY21	FY21
Total Revenue	\$119M - \$122M	\$530M - \$540M
Non-GAAP Operating Margin	-12% to -11%	-15% to -13%
Non-GAAP Net loss per share	\$0.19 to \$0.17	\$0.98 to \$0.85
Weighted average shares outstanding (basic & diluted)	83M - 84M	85M - 87M

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.

Appendix

Remaining Performance Obligations (RPO)

Historical Trend

<i>\$ millions</i>	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Remaining Performance Obligations (RPO)	\$228.5	\$268.5	\$304.2	\$352.5	\$362.8	\$410.0	\$426.0	\$535.6

GAAP to Non-GAAP Reconciliations

Gross Profit and Gross Margin

\$ in millions	Q4 FY20
GAAP gross profit	\$89.4
(+) Stock based compensation	2.2
(+) Amortization of acquired intangibles	2.1
(+) Employer payroll taxes on employee stock transactions	0.1
Non-GAAP gross profit	\$93.7
GAAP subscription gross margin %	78.6%
(+) Stock based compensation	1.1%
(+) Amortization of acquired intangibles	1.9%
(+) Employer payroll taxes on employee stock transactions	0.0%
Non-GAAP subscription gross margin %	81.6%
GAAP professional services gross margin %	(2.3%)
(+) Stock based compensation	9.3%
(+) Employer payroll taxes on employee stock transactions	0.4%
Non-GAAP professional services gross margin %	7.4%
GAAP gross margin %	72.3%
(+) Stock based compensation	1.8%
(+) Amortization of acquired intangibles	1.7%
(+) Employer payroll taxes on employee stock transactions	0.1%
Non-GAAP gross margin %	75.8%

Sums may not add to totals due to rounding

GAAP to Non-GAAP Reconciliations

Operating Expenses

\$ in millions except percentages	Q4 FY19	Q4 FY20	Q4 FY20 % Revenue
GAAP sales & marketing expenses	\$45.0	\$58.2	47%
(-) Stock based compensation	(3.9)	(5.8)	(4.7%)
(-) Amortization of acquired intangibles	(0.0)	(1.4)	(1.2%)
(-) Acquisition and related expenses	0.0	(0.0)	(0.0%)
(-) Employer payroll taxes on employee stock transactions	(0.7)	(0.4)	(0.3%)
Non-GAAP sales & marketing expenses	\$40.4	\$50.5	41%
Y/Y		25%	
GAAP research & development expenses	\$31.0	\$45.6	37%
(-) Stock based compensation	(4.7)	(6.5)	(5.3%)
(-) Acquisition and related expenses	(0.2)	0.0	0.0%
(-) Employer payroll taxes on employee stock transactions	(0.9)	(0.3)	(0.2%)
Non-GAAP research & development expenses	\$25.2	\$38.8	31%
Y/Y		54%	
GAAP general & administrative expenses	\$13.2	\$20.2	16%
(-) Stock based compensation	(1.7)	(2.7)	(2.2%)
(-) Acquisition and related expenses	0.0	(0.2)	(0.2%)
(-) Employer payroll taxes on employee stock transactions	(0.1)	(0.1)	(0.0%)
Non-GAAP general & administrative expenses	\$11.4	\$17.2	14%
Y/Y		50%	

Sums may not add to totals due to rounding

GAAP to Non-GAAP Reconciliations

Operating Loss, Operating Margin and Net Loss per share

\$ in millions except percentages and per share amounts	Q4 FY19	Q4 FY20	FY20
GAAP operating loss	(\$32.1)	(\$34.6)	(\$171.1)
(+) Stock based compensation	11.9	17.2	60.0
(+) Amortization of acquired intangibles	0.7	3.6	10.1
(+) Acquisition and related expenses	0.2	0.2	18.0
(+) Employer payroll taxes on employee stock transactions	1.8	0.8	7.5
Non-GAAP operating loss	(\$17.5)	(\$12.7)	(\$75.6)
GAAP operating margin %	(39.8%)	(28.0%)	(40.0%)
(+) Stock based compensation	14.8%	13.9%	14.0%
(+) Amortization of acquired intangibles	0.9%	2.9%	2.4%
(+) Acquisition and related expenses	0.2%	0.2%	4.2%
(+) Employer payroll taxes on employee stock transactions	2.3%	0.7%	1.8%
Non-GAAP operating margin %	(21.7%)	(10.3%)	(17.7%)
GAAP net loss per share	(\$0.48)	(\$0.38)	(\$2.12)
(+) Stock based compensation	0.16	0.21	0.76
(+) Amortization of acquired intangibles	0.01	0.04	0.13
(+) Acquisition and related expenses	0.00	0.00	0.23
(+) Employer payroll taxes on employee stock transactions	0.03	0.01	0.10
(-) Tax adjustment	(0.00)	(0.01)	(0.02)
Non-GAAP net loss per share	(\$0.28)	(\$0.12)	(\$0.93)

Sums may not add to totals due to rounding

GAAP to Non-GAAP Reconciliations

Calculated Billings

\$ in millions	Q4 FY19	Q4 FY20
Revenue	\$80.6	\$123.6
Add: Increase in total deferred revenue	34.6	52.0
Less: (Increase) decrease in unbilled accounts receivable	0.2	(0.5)
Calculated billings	\$115.4	\$175.1
Y/Y		52%

Free Cash Flow

\$ in millions	Q4 FY19	Q4 FY20
Net cash used in operating activities	(\$19.8)	(\$5.9)
Less: Purchase of property and equipment	(1.1)	(0.8)
Free cash flow	(\$20.9)	(\$6.8)
Free cash flow margin*	(26%)	(5%)

FY19	FY20
(\$23.9)	(\$30.6)
(3.4)	(5.1)
(\$27.4)	(\$35.6)
(10%)	(8%)

*Free cash flow margin represents free cash flow divided by total revenue

Sums may not add to totals due to rounding



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