

Earnings Presentation

Q4 2021

This presentation contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this presentation and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations.

We cannot assure you that the forward-looking statements in this presentation will prove to be accurate.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we file from time to time with the SEC.

This presentation includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties as well as our own estimates of potential market opportunities. All of the market data used involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data, industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our product candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and may fail to accurately reflect market opportunities. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by DigitalOcean Holdings, Inc. may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in our filings with the SEC.



DigitalOcean simplifies cloud computing so developers and businesses can spend more time creating software that changes the world.



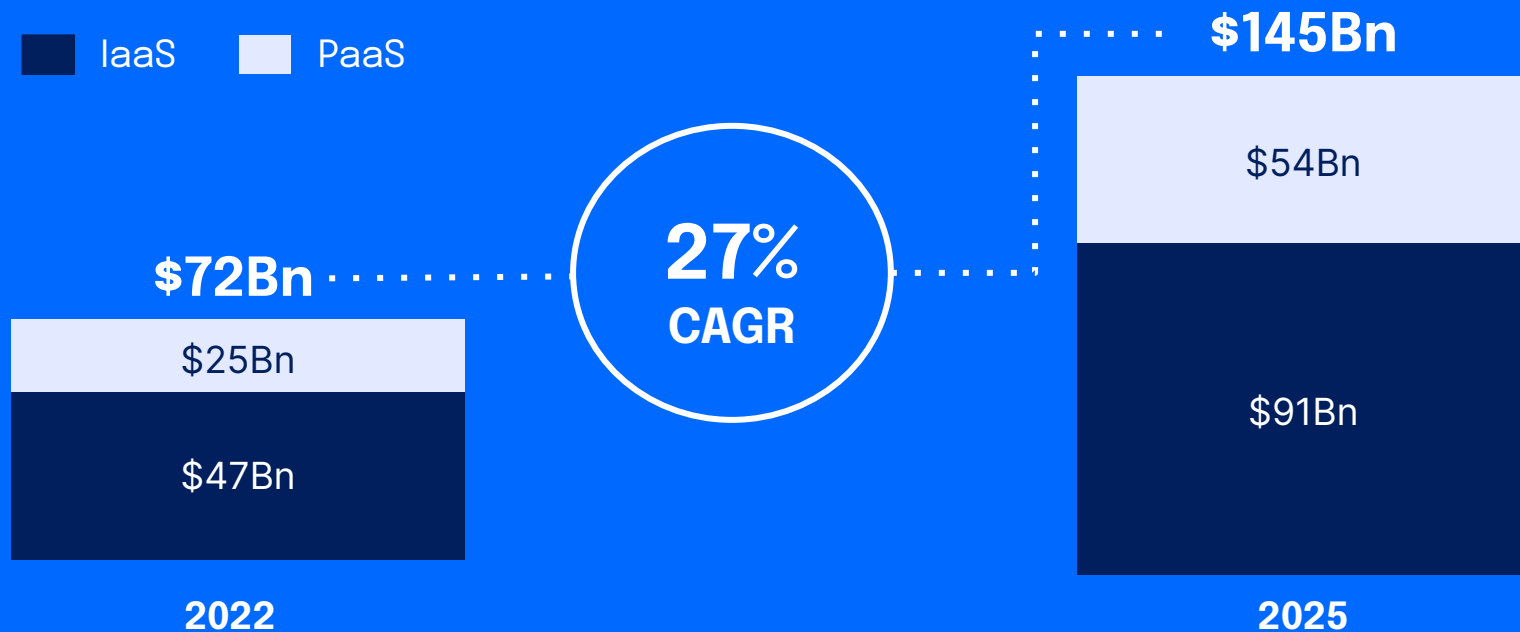
Key Performance Indicators Driving 30%+ Revenue Growth

	Q4'20	Q4'21	Y-o-Y Growth
Strong Revenue Growth	\$88M	\$120M	+37%
Scaling ARR	\$357M	\$490M	+37%
Total Customers	573K	609K	+6%
Customers Spending More Than \$50 per Month	80K	99K	+24%
Customers Spending More than \$50 per Month Percentage of Total Company Revenue	79%	83%	+400 bps
ARPU Increase	\$51.25	\$65.87	+29%
Improving Net Dollar Retention	105%	116%	+1100 bps

Large and Rapidly Growing Market Opportunity

Individuals and Companies
with <500 Employees

■ IaaS ■ PaaS



Sources of Market Growth



43M
Developers
by 2025



100M
SMBs globally



14M
Yearly net
new SMBs

What is the Problem DigitalOcean Solves for SMBs?



Complex systems: Enterprise-focused vendors have complicated implementation processes which limit onboarding for startups and SMBs.



Onerous pricing: Existing providers have intricate and unpredictable pricing models that lack transparency.



Lack of support: Traditional public cloud vendors target large enterprise customers and smaller buyers often do not get the necessary level of support they require.



Uncurated set of offerings: Hyperscalers have built their platforms to serve global enterprises with large dev teams. Ancillary products and services create challenges.

DigitalOcean's Offerings are Highly Differentiated



Simplicity

Infrastructure and Platform Technologies that can be spun up quickly, intuitively, and independently



Support

Live, personal support to all customers regardless of their spend or scale



Community

Free knowledge base with tens of thousands of pieces of content, including Q&A and tutorials to help developers and entrepreneurs



Open Source

Enabling faster, lower cost innovation without locking users into a proprietary stack

DigitalOcean Offers a Cloud Platform Purpose Built for Developers and SMBs



Droplets: Simple and scalable virtual machines

Key components underpinning cloud such as Volumes, Load Balancers, Spaces, and Firewalls

Essential elements to help developers and growing SMBs scale such as Managed Kubernetes, Managed Databases, Marketplace, App Platform, and Serverless

Global Infrastructure Supports 609k Customers in 185 Countries



Notes: % based on FY'21 revenue



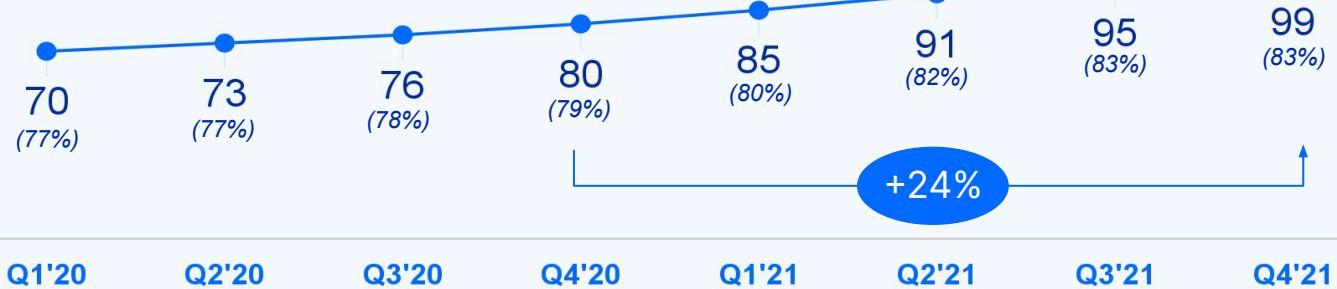
609K Total Customers with 99K Customers Paying More Than \$50 per Month

Total Customers (K)



Customers paying more than \$50/month (K)

(%) - share of total company revenue



Customer Case Study - Scaling with DigitalOcean

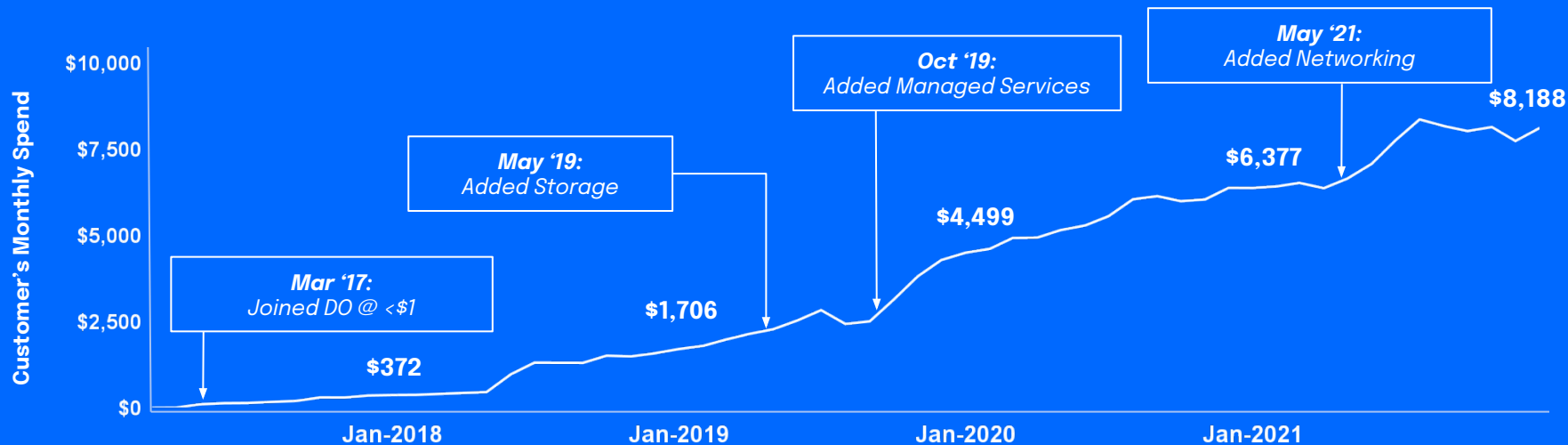
Customer Overview

Provides online marketing services to help customers with search engine optimization, performance marketing and product development insights.

DigitalOcean Product Usage

Began with droplets (cloud-based virtual machines).

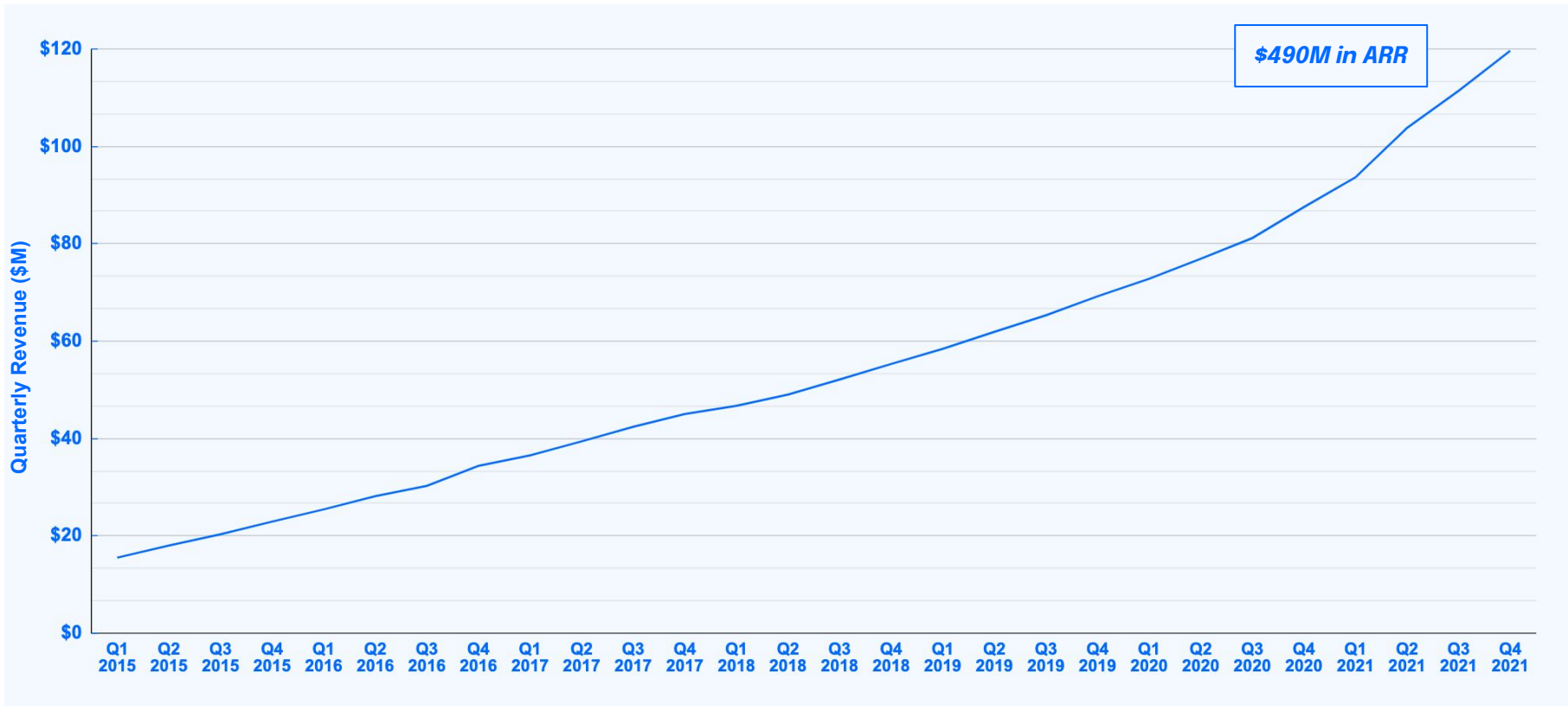
Product multi-attach increased spend as they added storage, managed services and networking while scaling droplet usage.



Financials



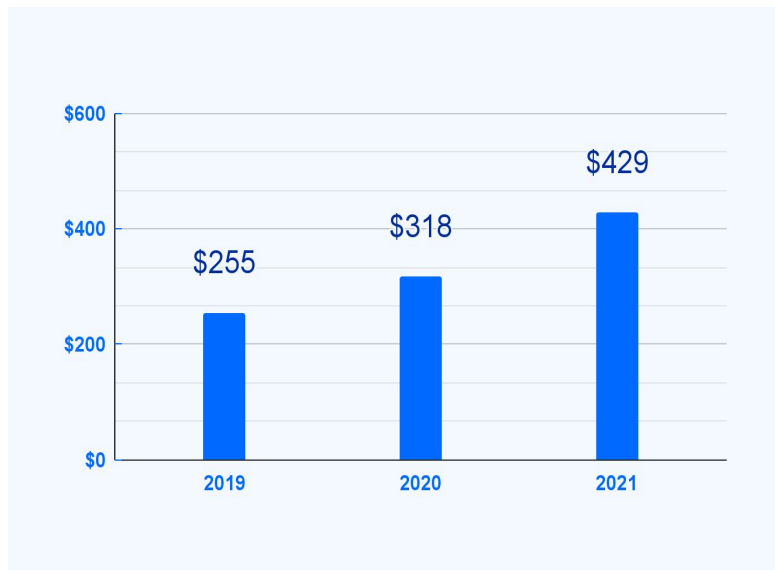
Consistent Performance with Recent Acceleration (ARR)



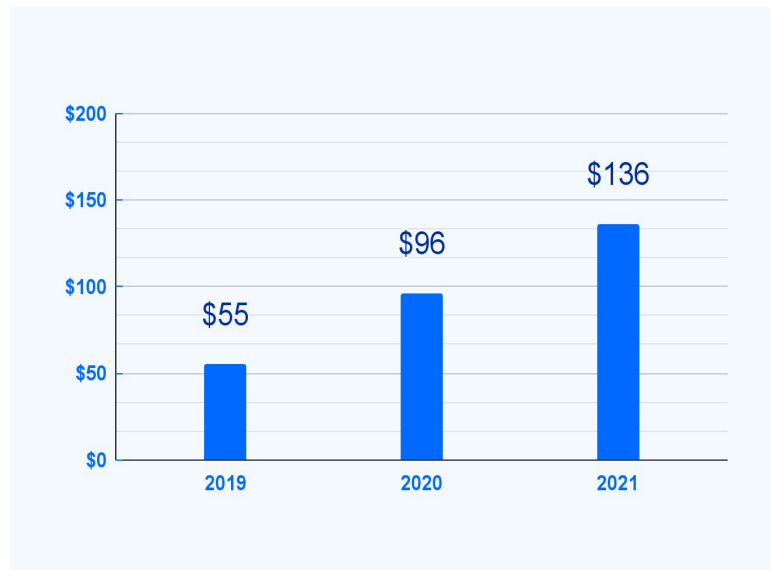


Scale with Profitability

Revenue (M)



Adjusted EBITDA (M)





Strong Top Line Growth

Revenue Growth



ARR Growth





Improving Customer Economics

Net Dollar Retention Rate



Monthly ARPU





Financial Outlook

Metric	Q1 2022	FY 2022
Revenue	\$126.0-\$126.5M	\$564-\$568M
Non-GAAP Operating Margin	12%-13%	13%-15%
Non-GAAP Earnings Per Share	\$0.10-\$0.12	\$0.70-\$0.71
Free Cash Flow as a % of Revenue	NA	8%-10%
Fully Diluted Weighted Average Shares Outstanding	~128M	~128M



Appendix



Financial Highlights and KPIs

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
Revenue (M)	\$72.8	\$76.9	\$81.2	\$87.5	\$93.7	\$103.8	\$111.4	\$119.7
Revenue Growth	25%	24%	24%	26%	29%	35%	37%	37%
ARR (M)	\$299	\$313	\$335	\$357	\$388	\$426	\$455	\$490
ARR Increase (M)	\$14	\$14	\$22	\$22	\$31	\$38	\$29	\$35
Adj. EBITDA (M)	\$18.4	\$23.9	\$26.4	\$27.1	\$30.7	\$31.4	\$36.4	\$37.8
Net Dollar Retention Rate (NDR)	101%	102%	104%	105%	107%	113%	116%	116%
Average Revenue Per Customer (ARPU)	\$44.68	\$46.44	\$48.58	\$51.25	\$53.68	\$58.07	\$61.97	\$65.87
Total Customers	546k	554k	559k	573k	585k	602k	598k	609k
Customers Spending More than \$50/month	69.8k	72.8k	76.5k	80.2k	85.2k	90.7k	94.6k	99.3k
Customers Spending More than \$50/month percentage of total company revenue	77%	77%	78%	79%	80%	82%	83%	83%
Capex as % of Revenue	44%	40%	32%	35%	25%	25%	24%	27%



Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit and Adjusted Gross Margin

(In thousands)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Gross profit	\$ 75,262	\$ 48,936	\$ 257,966	\$ 172,848
Adjustments:				
Depreciation and amortization	\$ 21,832	\$ 18,701	\$ 81,937	\$ 69,547
Stock-based compensation	350	151	1,147	545
Adjusted gross profit	<u>\$ 97,444</u>	<u>\$ 67,788</u>	<u>\$ 341,050</u>	<u>\$ 242,940</u>
Gross margin	63 %	56 %	60 %	54 %
Adjusted gross margin	81 %	77 %	80 %	76 %



Non-GAAP Income from Operations and Non-GAAP Operating Margin

Non-GAAP Income from Operations and Non-GAAP Operating Margin

<i>(In thousands)</i>	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
(Loss) income from operations	\$ (10,139)	\$ 1,638	\$ (11,186)	\$ (15,791)
Adjustments:				
Stock-based compensation	\$ 24,197	\$ 4,591	\$ 61,577	\$ 29,456
Non-GAAP Income from operations	\$ 14,058	\$ 6,229	\$ 50,391	\$ 13,665
Operating margin	(8)%	2 %	(3)%	(5)%
Non-GAAP operating margin	12 %	7 %	12 %	4 %



Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin

<i>(In thousands)</i>	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Net loss attributable to common stockholders	\$ (12,125)	\$ (13,851)	\$ (19,503)	\$ (43,568)
Adjustments:				
Depreciation and amortization	\$ 23,450	\$ 20,371	\$ 88,372	\$ 75,574
Stock-based compensation	24,197	4,591	61,577	29,456
Interest expense	1,069	3,125	3,744	13,610
Income tax expense	924	47	1,302	911
Loss on extinguishment of debt	—	—	3,435	259
Restructuring and severance ⁽¹⁾	—	37	—	4,213
Asset impairment ⁽²⁾	73	—	285	1,222
Revaluation of warrants	—	12,373	(556)	12,825
Acquisition related costs	189	—	469	—
Release of VAT reserve ⁽³⁾	—	—	(3,188)	—
Other ⁽⁴⁾	—	398	315	1,392
Adjusted EBITDA	\$ 37,777	\$ 27,091	\$ 136,252	\$ 95,894
Adjusted EBITDA margin	32 %	31 %	32 %	30 %

(1) Consists primarily of expenses related to changes in our senior leadership, sales and infrastructure teams.

(2) Consists of internal-use software impairment charges related to software that is no longer being used.

(3) Resolution of certain tax matters in certain jurisdictions with relevant authorities.

(4) Consists primarily of third-party consulting costs to enhance our finance function.



Non-GAAP Net Income (loss) and Non-GAAP Diluted Net Income (loss) per Share

Non-GAAP Net Income (Loss) and Non-GAAP Diluted Net Income (Loss) per Share

	Three Months Ended		Year Ended	
	December 31,		December 31,	
<i>(In thousands except per share data)</i>	2021	2020	2021	2020
Net loss attributable to common stockholders	\$ (12,125)	\$ (13,851)	\$ (19,503)	\$ (43,568)
Stock-based compensation	24,197	4,591	61,577	29,456
Amortization of acquired intangibles	351	76	671	304
Acquisition related costs	189	—	469	—
Release of VAT reserve ⁽¹⁾	—	—	(3,188)	—
Income tax effects of non-GAAP adjustments ⁽²⁾	144	(6)	233	6
Non-GAAP Net income (loss) attributable to common stockholders	\$ 12,756	\$ (9,190)	\$ 40,259	\$ (13,802)
Non-GAAP Diluted net income (loss) per share	\$ 0.10	\$ (0.21)	\$ 0.34	\$ (0.33)
Weighted-average shares used to compute Non-GAAP diluted net income (loss) per share ⁽³⁾	125,693	43,025	118,028	41,658

(1) Resolution of certain tax matters in certain jurisdictions with relevant authorities.

(2) The income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which are non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. The tax benefit for amortization is calculated in a similar manner as the tax effects of the non-GAAP adjustments.

(3) Basic weighted-average shares was used to compute both basic and diluted non-GAAP net loss attributable to common stockholders per share for the three months and year ended December 31, 2020.



Free Cash Flow and Free Cash Flow Margin

Free Cash Flow and Free Cash Flow Margin

<i>(In thousands)</i>	Year Ended December 31,	
	2021	2020
Net cash provided by operating activities	\$ 133,114	\$ 58,115
Adjustments:		
Capital expenditures - property and equipment	(97,072)	(98,217)
Capital expenditures - internal-use software development	(6,391)	(12,328)
Purchase of intangible assets	(5,636)	(5,118)
Free Cash Flow	<u>\$ 24,015</u>	<u>\$ (57,548)</u>
As a percentage of revenue:		
Net cash provided by operating activities	31 %	18 %
Free cash flow margin	6 %	(18)%



Stock-Based Compensation

Stock-Based Compensation

<i>(In thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Cost of revenue	\$ 350	\$ 151	\$ 1,147	\$ 545
Research and development	9,521	1,782	23,315	7,765
Sales and marketing	2,850	775	8,471	1,924
General and administrative	11,476	1,883	28,644	19,222
Total	\$ 24,197	\$ 4,591	\$ 61,577	\$ 29,456