



Q2 2016 EARNINGS CALL

August 3, 2016



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, goals and expectations concerning our market position, the size and growth of the markets in which we compete, our channel partners and carrier relationships, and our future financial and operating results.

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 filings with the Securities and Exchange Commission, including our Form 10-Q for the year ended March 31, 2016. 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 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. They are also available in our earnings release dated August 3, 2016.

We also provide guidance on non-GAAP EPS and non-GAAP operating margin. We have not reconciled such non-GAAP measures to their respective GAAP measures because we do not provide guidance on these respective GAAP measures. We do not provide guidance on these respective GAAP measures because of the inherent uncertainty and complexity involved in forecasting share-based compensation expense and the intercompany remeasurement gain (loss), which are two significant reconciling items between the non-GAAP and respective GAAP measures. Share-based compensation expense is impacted by the Company's future hiring and retention needs, as well as the future fair market value of the Company's common stock, all of which are difficult or not possible to predict and subject to constant change. The intercompany remeasurement gain (loss) is impacted by the movement in various exchange rates relative to the USD, which is difficult to predict and subject to constant change. The actual amount of share-based compensation expense and intercompany remeasurement gain (loss) in the fiscal third and fourth quarters of 2016 may have a significant impact on the Company's GAAP net income (loss) per diluted share and GAAP operating margin. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

Q2 2016 Business Highlights

- Target \$1 billion revenue in 4 – 5 years
- Significant Customer Wins
 - 1,700+ users at Santa Clara Unified School District
 - 1,000+ users at Box
- Up-Market Traction
 - 100% increase from Q1 2016 in Global Office deployments
 - Multiple new 7 figure contract value wins
- Partners Showing Continuous Success
 - 6 new master resellers added
 - 750+ user win at Cardinal Financial referred thru Google relationship
- Expanded Enterprise Go-To-Market Team
 - Added CMO, VP Enterprise Sales, VP Customer Success, Head of Professional Services

Q2 2016 Financial Highlights

- RingCentral Office® annualized recurring software subscriptions (ARR)
 - Up 42% year-over-year to \$291.9 million
- Total Software Subscription revenue
 - Up 34% year-over-year to \$86.1 million
- Software Subscription Non-GAAP gross margin
 - 80% up 5 points year-over-year
- Continued profitability improvement
 - Non-GAAP operating margin up 7 points year-over-year to 1.9%
- Second Consecutive Quarter of Positive Free Cash Flow*
 - Generated \$5 million of Free Cash Flow

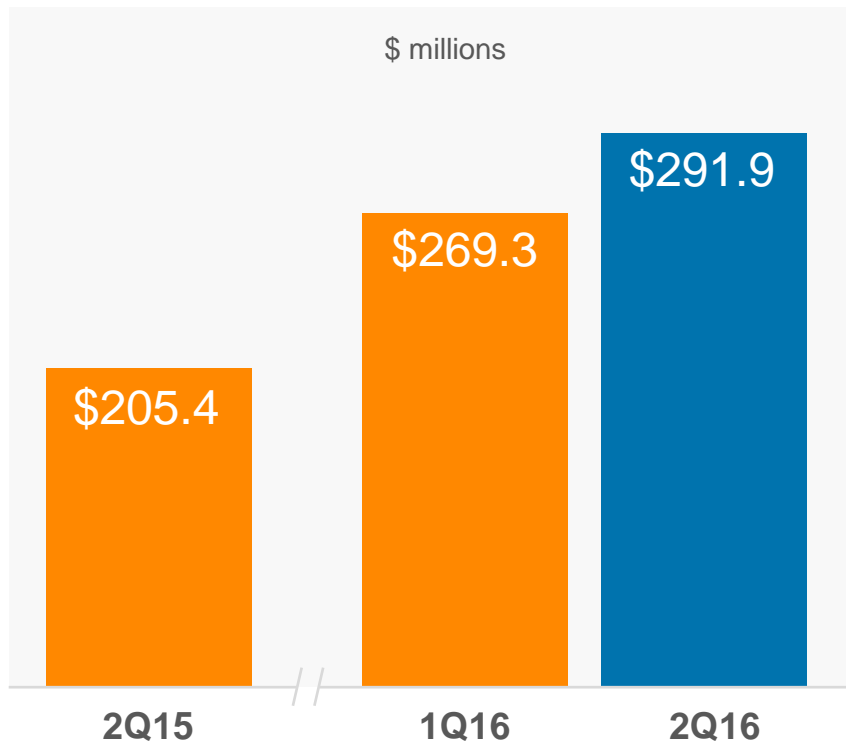
* Free cash flow = Operating Cash Flow less Capital Expenditures

Q2 2016 Financial Highlights (continued)

- Strongest up-market quarter (50+ users)
 - ARR up 100% year-over-year for nine consecutive quarters
 - ~40% of Office bookings, up from ~20% a year ago
- Indirect channel (Channel Partners and Carriers) strategy gaining traction
 - Strongest quarter for Channel Partners
 - ~25% of software subscription revenue, up from ~20% a year ago
- Land and expand providing a great base for growth
 - ~40% of new Office business from existing customers

Q2 2016 RingCentral Office ARR

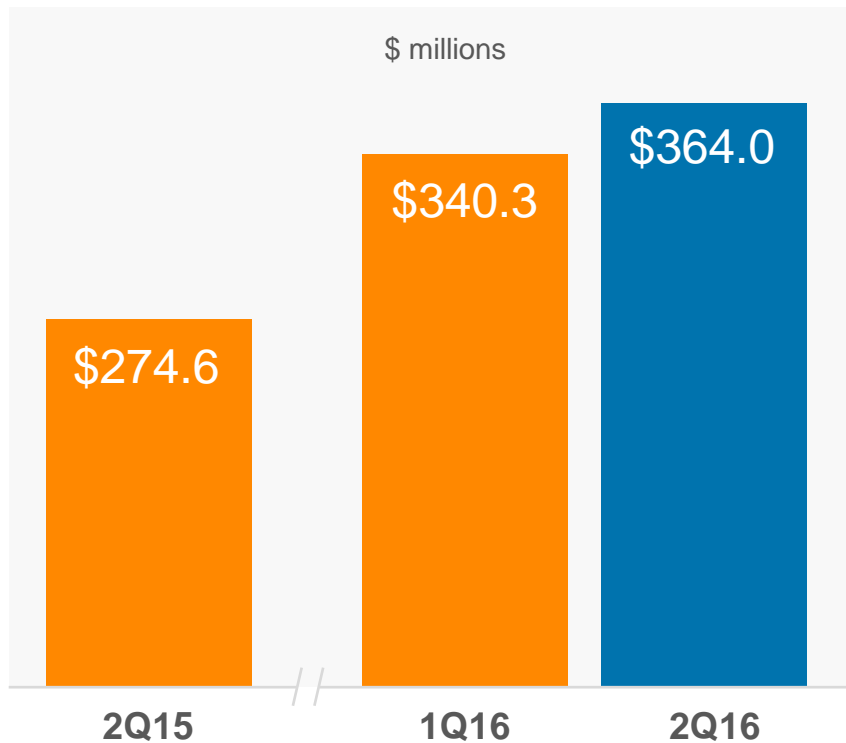
RC Office ARR Grew 42% Y/Y



- Office ARR
 - \$292 million
 - Up 42% Y/Y
- Net Monthly Subscription Dollar Retention
 - Over 100%

Q2 2016 Total Software Subscriptions ARR

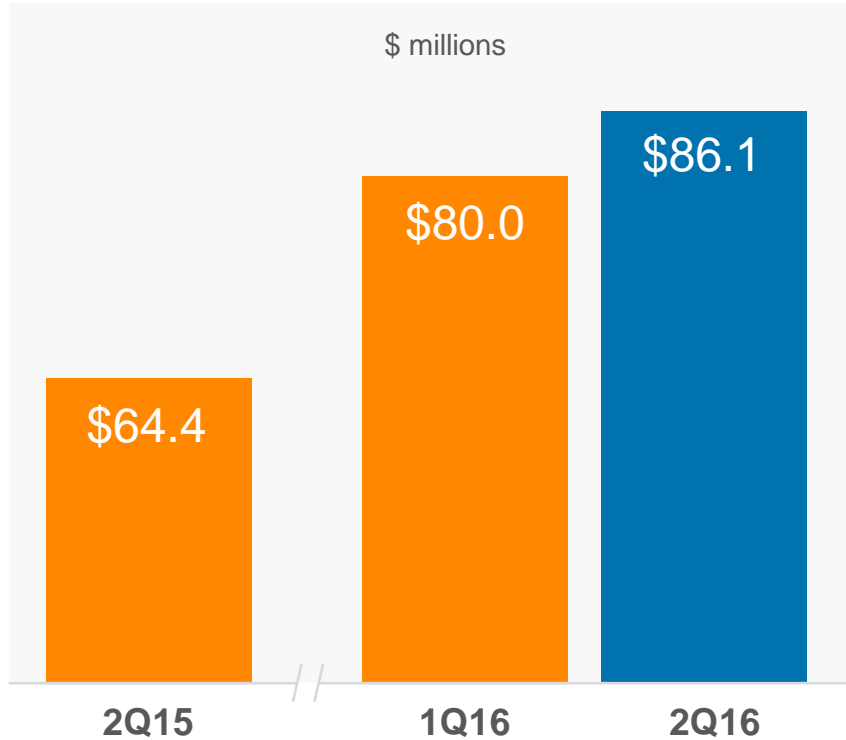
Total ARR Grew 33% Y/Y



- Total Software Subscriptions ARR
 - \$364 million
 - Up 33% Y/Y
- Net Monthly Subscription Dollar Retention
 - Over 99%

Q2 2016 Software Subscriptions Revenue

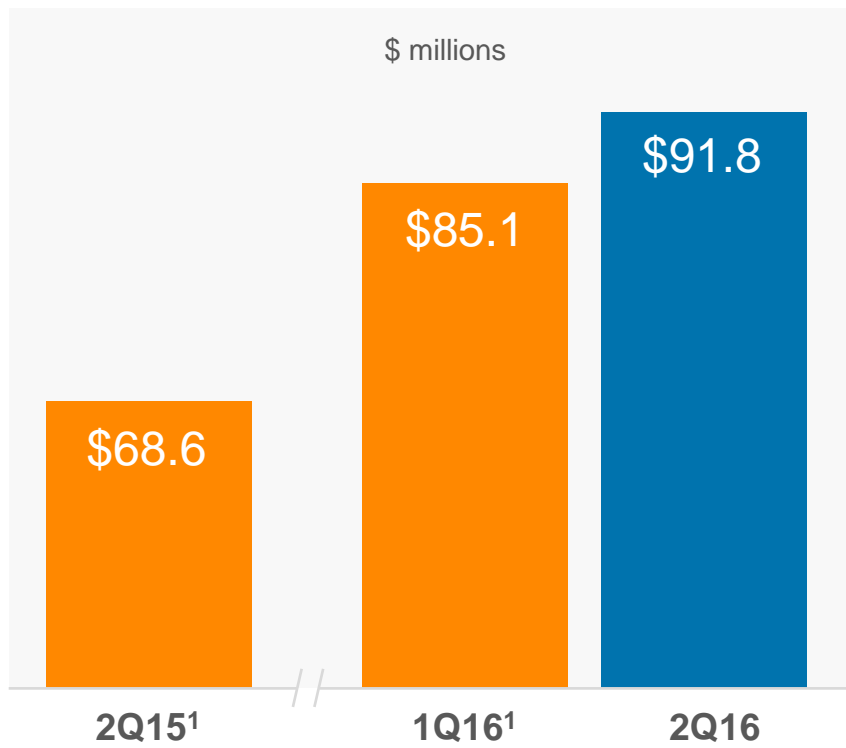
Subscriptions Revenue Grew 34% Y/Y



- Software Subscriptions Revenue
 - \$86.1 million
 - Up 34% Y/Y

Q2 2016 Total Revenue

Total Revenue Grew 34% Y/Y



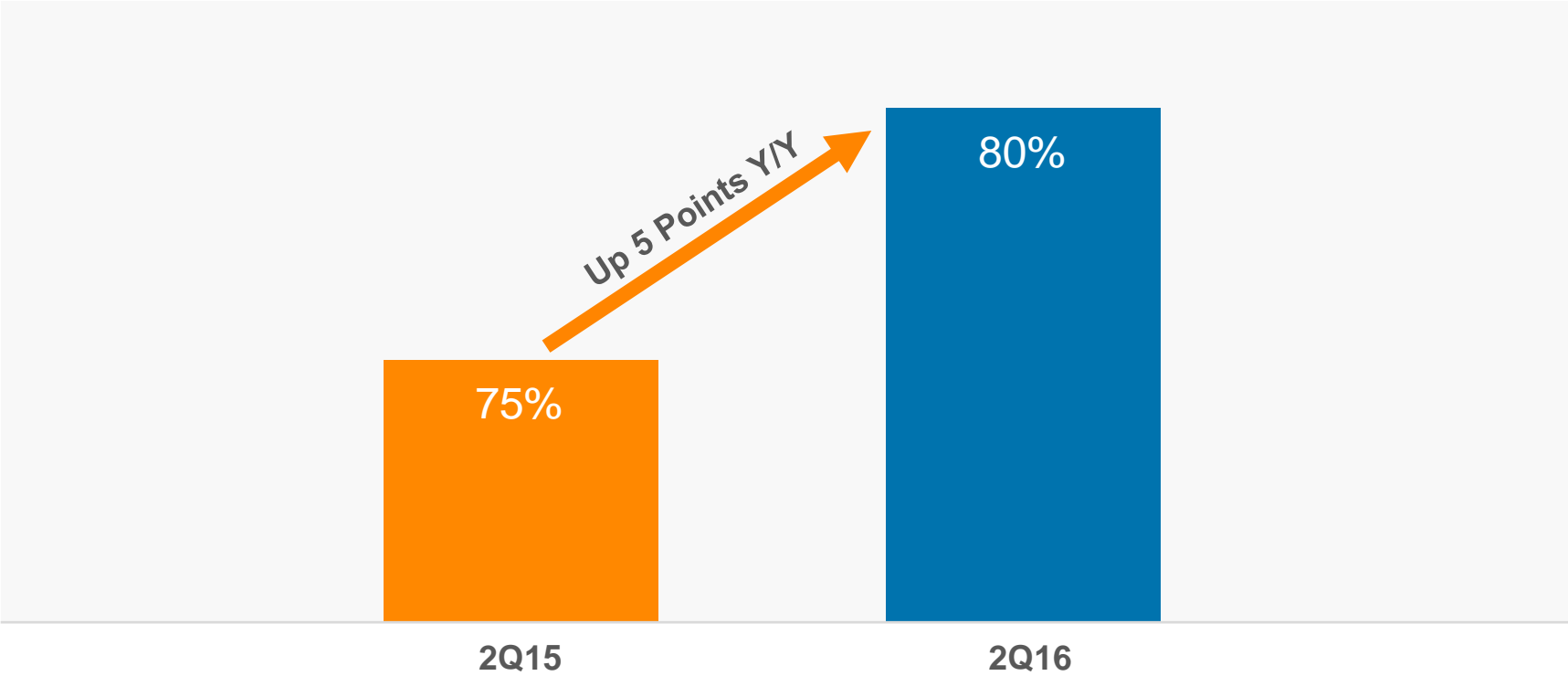
- Total Revenue

- \$91.8 million
- Up 34% Y/Y¹

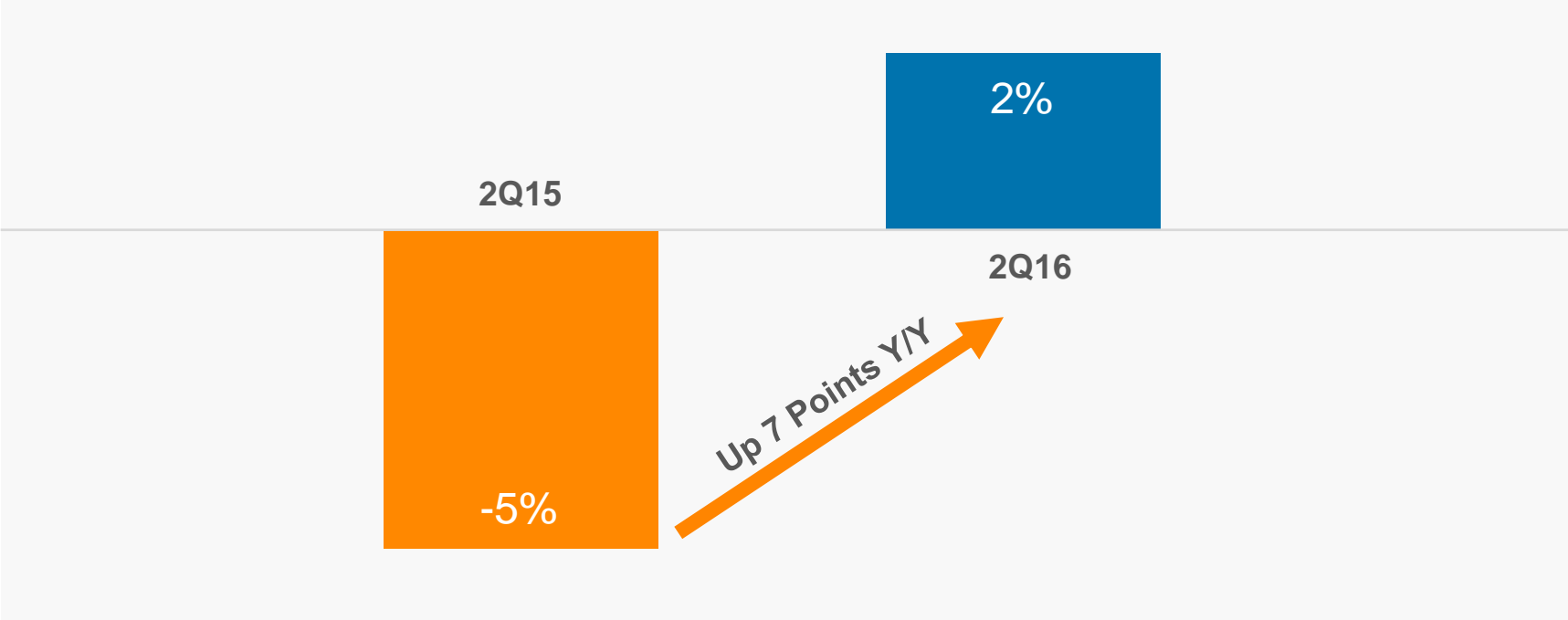
1. Other Revenues adjusted to reflect the transition of direct phone sales to the agency model

In 1Q16 RingCentral transitioned direct phone sales to an agency model, in which RingCentral receives a commission for phone sales instead of separately recognizing the full sale price and cost of the product. RingCentral is providing supplemental information on a pro forma basis to provide a clear comparison of the Company's results with prior periods as-if the Company had transitioned phone sales to the new agency model on January 1, 2015. Carrier phone sales will remain under the direct phone sale model.

Q2 2016 Non-GAAP Subscription Gross Margin



Q2 2016 Non-GAAP Operating Margin



Q2 2016 Financial Highlights at-a-Glance

Revenue	Software Subscription	Grew 34% year-over-year to \$86.1 million
	Total Revenues	Grew 34% ¹ year-over-year to \$91.8 million
ARR	RingCentral Office	Grew 42% year-over-year to \$291.9 million
	Total ARR	Grew 33% year-over-year to \$364.0 million
Gross Margin	Software Subscription	Increased 490 bps year-over-year to 80.0%
	Total Gross Margin	Increased 430 bps ¹ year-over-year to 76.7%
Upmarket	50+ users ARR	Grew by over 100% year-over-year for 9th consecutive quarter
	Deferred Revenue	Grew by 36% year-over-year to \$42 million
Retention	Net Retention	Office net monthly subscription dollar retention was over 100%; overall over 99%
Channels	Indirect	Indirect channel was ~25% of revenue, up from ~20% a year ago

1. Other Revenues and Cost of Revenues adjusted to reflect the transition of direct phone sales to the agency model.

In 1Q16 RingCentral transitioned direct phone sales to an agency model, in which RingCentral receives a commission for phone sales instead of separately recognizing the full sale price and cost of the product. RingCentral is providing supplemental information on a pro forma basis to provide a clear comparison of the Company's results with prior periods as-if the Company had transitioned phone sales to the new agency model on January 1, 2015. Carrier phone sales will remain under the direct phone sale model.

Q3 2016 and FY2016 Guidance

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Q3 2016 and FY2016 Guidance

Raising FY2016 Outlook

\$ in millions except for EPS	Q3 2016	Previous FY2016*	Revised FY2016
Total Revenue	\$95.0M - \$97.0M	\$359M - \$367M	\$370M - \$375M
Total Revenue Growth Y/Y**	28% - 30%	26%-29%	29% - 31%
Non-GAAP Operating Margin	1.0% - 2.0%	1.0% - 2.0%	1.5% - 2.0%
Non-GAAP EPS	\$0.00 - \$0.02	\$0.03 - \$0.07	\$0.04 - \$0.08

* Previous 2016 guidance provided April 27, 2016

** On comparative business model basis

FY2015 & Q1 2016

Results Reflecting Current Business Model

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Prior Period Results Adjusted to Reflect Current Business Model

(Reflects change to keep carriers' phone sales in non-agency model)

REVENUES

(\$ Millions)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	Q/Q	Y/Y
Software Subscription Revenues	\$60.0	\$64.4	\$70.3	\$76.5	\$80.0	\$86.1	8%	34%
Previously Provided Pro Forma ¹ Other Revenues	\$2.7	\$3.5	\$3.3	\$3.3	\$4.0	-		
+ Carrier Phone Revenues	\$0.4	\$0.7	\$0.9	\$1.0	\$1.2	-		
Total Other Revenues	\$3.1	\$4.2	\$4.2	\$4.3	\$5.1	\$5.8	13%	39%
Total Revenues	\$63.1	\$68.6	\$74.5	\$80.8	\$85.1	\$91.8	8%	34%

1. In 1Q16 RingCentral transitioned direct phone sales to an agency model, in which RingCentral receives a commission for phone sales instead of separately recognizing the full sale price and cost of the product. In order to provide transparency to investors at that time, RingCentral issued pro forma information to provide a clear comparison of the Company's results with prior periods. The pro forma results were as-if the Company had fully transitioned phone sales to the new agency model for the first quarter of 2016 and for all periods in 2015.

Prior Period Results Adjusted to Reflect Current Business Model

(Reflects change to keep carriers' phone sales in non-agency model)

COST OF REVENUES

(\$ Millions)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	Q/Q	Y/Y
Software Subscription Cost of Revenues	\$15.5	\$16.0	\$16.5	\$16.3	\$15.9	\$17.2	8%	8%
Previously Provided Pro Forma ¹ Other Cost of Revenues	\$2.0	\$2.3	\$2.1	\$2.4	\$2.4	-		
+ Carrier Phone Costs	\$0.4	\$0.7	\$0.9	\$1.0	\$1.2	-		
Total Other Cost of Revenues	\$2.4	\$2.9	\$3.0	\$3.4	\$3.6	\$4.2	17%	42%
Total Cost of Revenues	\$17.9	\$19.0	\$19.5	\$19.7	\$19.5	\$21.4	10%	13%

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Appendix- Reconciliation of GAAP to Non-GAAP Financial Measures

TABLE 4
RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	2015	2016	June 30,
	2016		2016	2015
Revenues				
Software subscriptions	\$ 86,067	\$ 64,441	\$ 166,045	\$ 124,392
Other	5,777	6,250	12,337	11,617
Total revenues	<u>91,844</u>	<u>70,691</u>	<u>178,382</u>	<u>136,009</u>
Cost of revenues reconciliation				
GAAP Software subscriptions cost of revenues	18,173	16,505	34,896	32,419
Stock-based compensation	(781)	(476)	(1,415)	(933)
Amortization of acquisition intangibles	(151)	-	(301)	-
Non-GAAP Software subscriptions cost of revenues	<u>17,241</u>	<u>16,029</u>	<u>33,180</u>	<u>31,486</u>
GAAP Other cost of revenues	4,191	5,024	9,208	9,657
Stock-based compensation	(32)	-	(51)	-
Non-GAAP Other cost of revenues	<u>4,159</u>	<u>5,024</u>	<u>9,157</u>	<u>9,657</u>
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	80.0%	75.1%	80.0%	74.7%
Non-GAAP Other	28.0%	19.6%	25.8%	16.9%
Non-GAAP Gross profit	76.7%	70.2%	76.3%	69.7%
Operating expenses reconciliation				
GAAP Research and development	16,681	12,297	31,607	24,137
Stock-based compensation	(1,857)	(1,281)	(3,494)	(2,394)
Amortization of acquisition intangibles	-	(73)	-	(73)
Acquisition related matters	(242)	-	(483)	-
Non-GAAP Research and development	<u>14,582</u>	<u>10,943</u>	<u>27,630</u>	<u>21,670</u>
As a % of total revenues non-GAAP	15.9%	15.5%	15.5%	15.9%
GAAP Sales and marketing	45,662	34,626	87,490	66,595
Stock-based compensation	(2,578)	(1,692)	(4,767)	(3,536)
Amortization of acquisition intangibles	(105)	-	(210)	-
Non-GAAP Sales and marketing	<u>42,979</u>	<u>32,934</u>	<u>82,513</u>	<u>63,059</u>
As a % of total revenues non-GAAP	46.8%	46.6%	46.3%	46.4%
GAAP General and administrative	13,441	11,778	27,465	22,309
Stock-based compensation	(2,231)	(1,842)	(4,487)	(3,175)
Acquisition related matters	(47)	(747)	(59)	(747)
Non-GAAP General and administrative	<u>11,163</u>	<u>9,189</u>	<u>22,919</u>	<u>18,387</u>
As a % of total revenues non-GAAP	12.2%	13.0%	12.8%	13.5%
Income (loss) from operations reconciliation				
GAAP loss from operations	(6,304)	(9,539)	(12,284)	(19,108)
Stock-based compensation	7,479	5,291	14,214	10,038
Amortization of acquisition intangibles	256	73	511	73
Acquisition related matters	289	747	542	747
Non-GAAP income (loss) from operations	<u>1,720</u>	<u>(3,428)</u>	<u>2,983</u>	<u>(8,250)</u>
Non-GAAP Operating margin	1.9%	-4.8%	1.7%	-6.1%

TABLE 5
RINGCENTRAL, INC.
RECONCILIATION OF NET INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net Income (loss) reconciliation				
GAAP Net loss	(7,771)	(8,211)	(14,384)	(18,822)
Stock-based compensation	7,479	5,291	14,214	10,038
Amortization of acquisition intangibles	256	73	511	73
Acquisition related matters	289	747	542	747
Intercompany remeasurement loss (gain)	1,258	(489)	1,596	75
Tax benefit from release of valuation allowance	-	(1,411)	-	(1,411)
Non-GAAP Net income (loss)	<u>\$ 1,511</u>	<u>\$ (4,000)</u>	<u>\$ 2,479</u>	<u>\$ (9,300)</u>
Basic and diluted net income (loss) per share				
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 net loss per share	72,649	69,487	72,380	69,124
Effect of dilutive securities (stock options and restricted stock awards)	3,148	-	3,128	-
Non-GAAP weighted average shares used in computing non-GAAP net income per share	<u>75,797</u>	<u>69,487</u>	<u>75,508</u>	<u>69,124</u>
GAAP Net loss per share	<u>\$ (0.11)</u>	<u>\$ (0.12)</u>	<u>\$ (0.20)</u>	<u>\$ (0.27)</u>
Non-GAAP Net income (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.06)</u>	<u>\$ 0.03</u>	<u>\$ (0.13)</u>

TABLE 6
RINGCENTRAL, INC.
PRO FORMA STATEMENT OF GROSS MARGIN UNDER AGENCY MODEL
(Unaudited, in thousands)

	2015				2016		2Q16	
	1Q	2Q	3Q	4Q	1Q	2Q	Q/Q	Y/Y
GAAP Software subscription revenue	\$59,951	\$64,441	\$70,321	\$76,532	\$79,978	\$86,067	8%	34%
GAAP Other revenue	\$ 5,367	\$ 6,250	\$ 6,459	\$ 6,907	\$ 6,560	\$ 5,777		
Revised Agency Model adjustment	(2,222)	(2,101)	(2,278)	(2,597)	(1,436)	—		
Pro forma other revenue	\$ 3,145	\$ 4,149	\$ 4,181	\$ 4,310	\$ 5,124	\$ 5,777	13%	39%
Total pro forma revenue	\$63,096	\$68,590	\$74,502	\$80,842	\$85,102	\$91,844	8%	34%
GAAP Software subscription cost of revenue	\$15,914	\$16,505	\$17,084	\$16,851	\$16,723	\$18,173		
Stock-based compensation	(457)	(476)	(535)	(586)	(634)	(781)		
Amortization of acquisition intangibles	—	—	—	—	(151)	(151)		
Non-GAAP Software subscriptions cost of revenue	\$15,457	\$16,029	\$16,549	\$16,265	\$15,938	\$17,241		
GAAP Other cost of revenue	\$ 4,633	\$ 5,024	\$ 5,249	\$ 6,011	\$ 5,017	\$ 4,191		
Stock-based compensation	—	—	—	—	(19)	(32)		
Non-GAAP Other cost of revenue	\$ 4,633	\$ 5,024	\$ 5,249	\$ 6,011	\$ 4,998	\$ 4,159		
Revised Agency Model adjustment	(2,222)	(2,101)	(2,278)	(2,597)	(1,436)	—		
Pro forma other cost of revenue	\$ 2,411	\$ 2,923	\$ 2,971	\$ 3,414	\$ 3,562	\$ 4,159		
Total pro forma cost of revenue	\$17,868	\$18,952	\$19,520	\$19,679	\$19,500	\$21,400	10%	13%
Pro forma software subscriptions revenue gross profit	\$44,494	\$48,412	\$53,772	\$60,267	\$64,040	\$68,826	7%	42%
Pro forma other revenue gross profit	734	1,226	1,210	896	1,562	1,618	4%	32%
Total pro forma gross profit	\$45,228	\$49,638	\$54,982	\$61,163	\$65,602	\$70,444	7%	42%
Pro forma software subscriptions revenue gross margin	74%	75%	76%	79%	80%	80%		
Pro forma other revenue gross margin	23%	30%	29%	21%	30%	28%		
Total pro forma gross margin	72%	72%	74%	76%	77%	77%		

THANK YOU

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