RingCentral

Q3 2016 EARNINGS CALL

October 25, 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 June 30, 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.

We also provide guidance on forecasted non-GAAP EPS and non-GAAP operating margin. We have not reconciled the forecasted non-GAAP EPS to its respective forecasted GAAP measure 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), which is a significant reconciling item between the non-GAAP and respective GAAP measure. 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 intercompany remeasurement gain (loss) in the fiscal fourth quarter of 2016 may have a significant impact on the Company’s GAAP net income (loss) per diluted share. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

Q3 2016 Business Highlights

- Significant Enterprise Customer Wins
  - 5,000 users at a multi-billion dollar restaurant chain, with total contract value over $3 million
  - 1,700 RC Office users + 100 Contact Center users at a private healthcare institution
  - Enterprise pipeline continues to expand and has nearly tripled since the beginning of the year

- Global Office Traction
  - Increased the number of Global Office customers by 50% quarter-over-quarter to nearly 400
  - Won 500 users at Sugar CRM, unifying 8 offices around the globe
  - Added 11 new countries to global offering

- Partners Showing Continuous Success
  - Channel partners had a record quarter in new bookings
  - Activated nearly 400 new sub agents and signed a key master agent in the US, Intelisys
  - Receiving referral deals from Google and continued expanding Google Partner Network to include 3 strategic UK resellers

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Q3 2016 Financial Highlights

- Annualized exit recurring software subscriptions (ARR)
  - RingCentral Office® up 39% year-over-year to $316.8 million
  - Total up 31% year-over-year to $389.5 million
- Revenue Growth
  - Software Subscription up 31% year-over-year to $91.9 million
  - Total up 30% year-over-year to $96.8 million
- Up-market (50+ users) continues to show signs of momentum
  - ARR doubled year-over-year
  - ~40% of RC Office bookings, up from ~25% a year ago
- Indirect channel strategy gaining traction
  - Strongest bookings 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 RC Office business from existing customers

Q3 2016 Financial Highlights (continued)

- Software subscription gross margin
  - GAAP: 79.1% up 340 basis points year-over-year
  - Non-GAAP: 80.1% up 360 basis points year-over-year

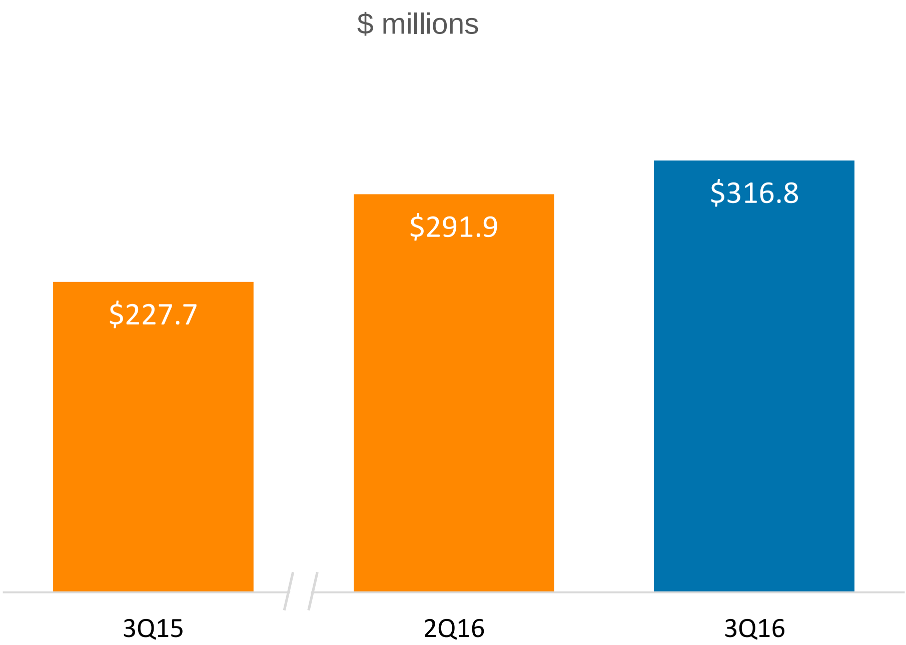
- Continued profitability improvement
  - GAAP operating margin up 30 basis points year-over-year to (7.3%)
  - Non-GAAP operating margin up 160 basis points year-over-year to 2.3%

- Third consecutive quarter of positive free cash flow*
  - Generated $4 million of Free Cash Flow

* Free cash flow = Operating Cash Flow less Capital Expenditures

Q3 2016 RingCentral Office ARR

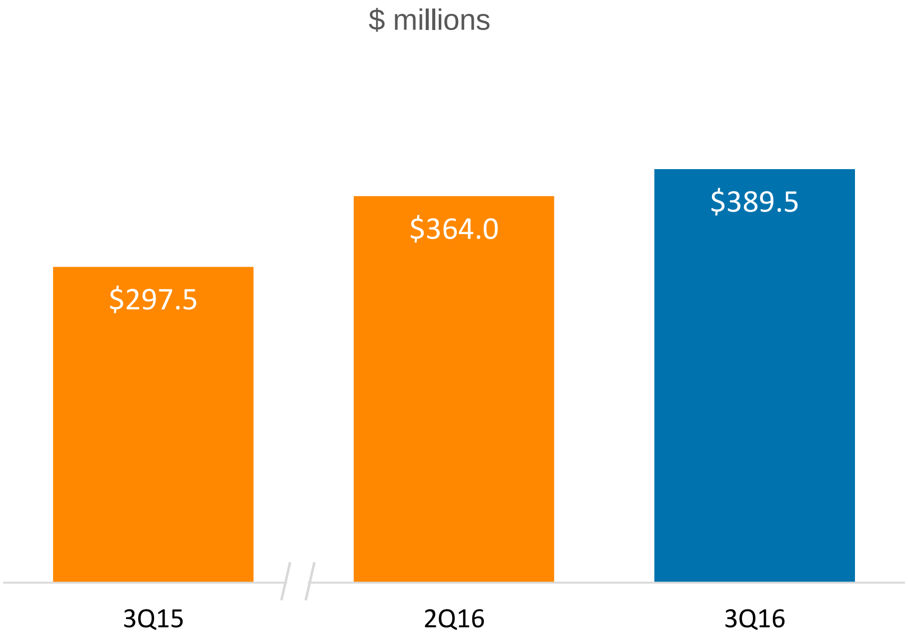
RC Office ARR Grew 39% Y/Y



- Office ARR
  - $317 million
  - Up 39% Y/Y
- Net Monthly Subscription Dollar Retention
  - Over 100%

Q3 2016 Total Software Subscriptions ARR

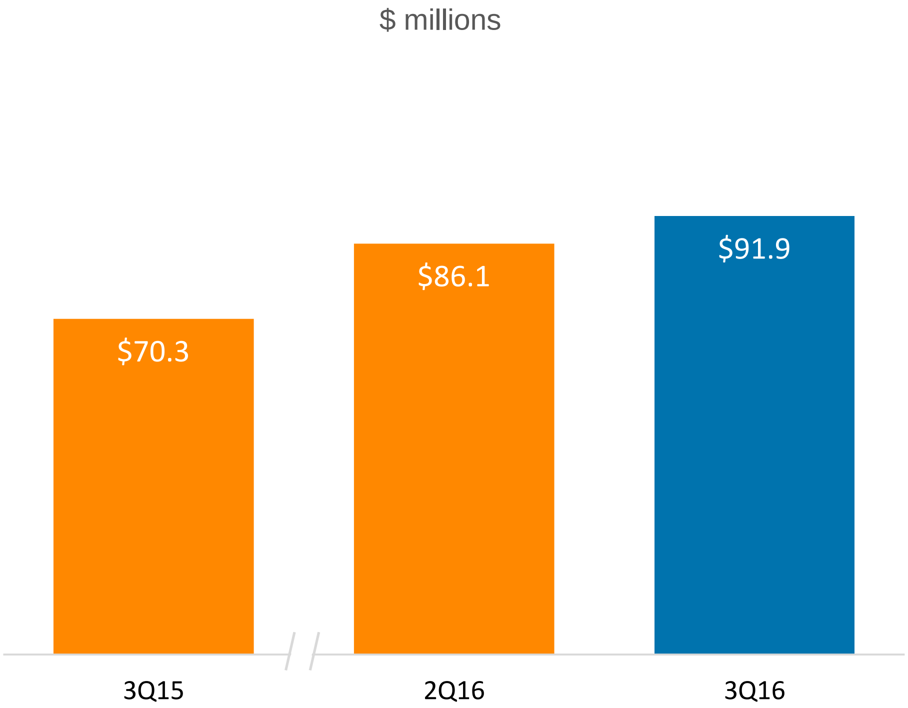
Total ARR Grew 31% Y/Y



- Total Software Subscriptions ARR
  - $390 million
  - Up 31% Y/Y
- Net Monthly Subscription Dollar Retention
  - Over 99%

Q3 2016 Software Subscriptions Revenue

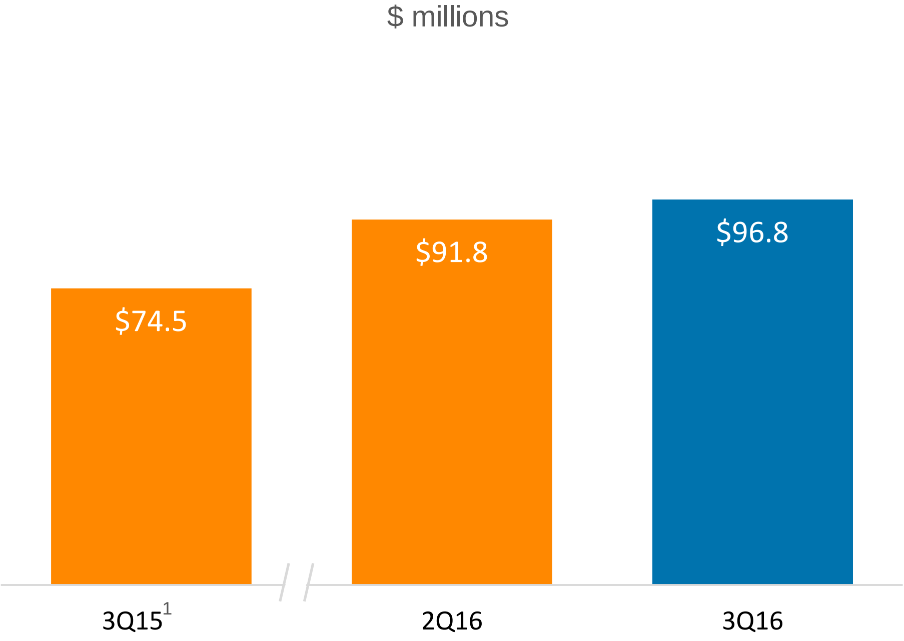
Subscriptions Revenue Grew 31% Y/Y



- Software Subscriptions Revenue
  - $91.9 million
  - Up 31% Y/Y

Q3 2016 Total Revenue

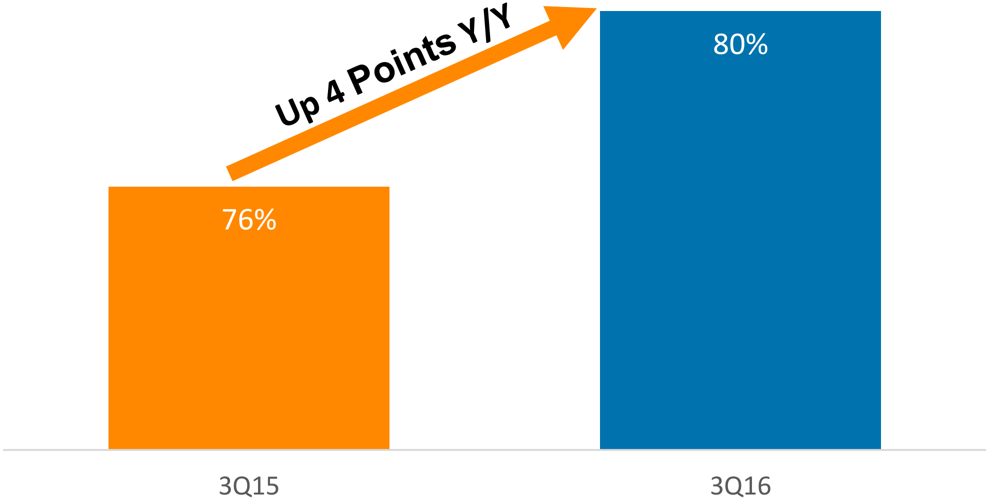
Total Revenue Grew 30% Y/Y



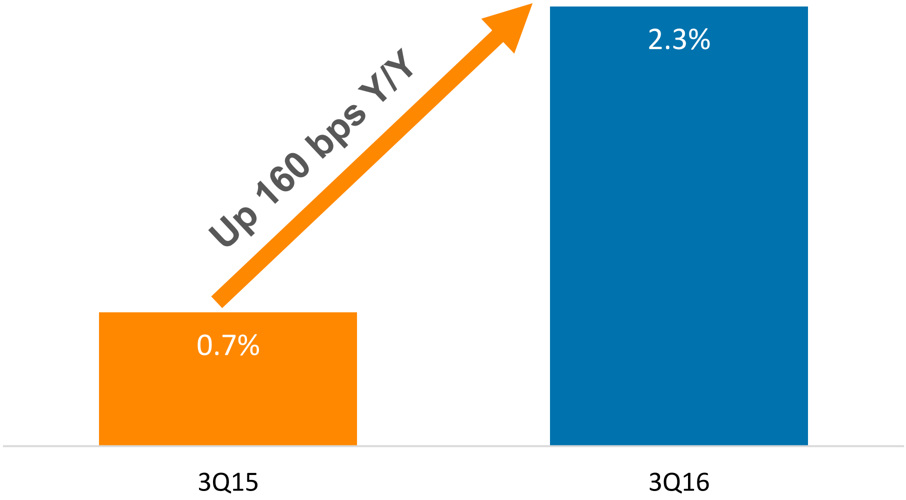
- Total Revenue
  - $96.8 million
  - Up 30% Y/Y[1]

1. Other Revenue 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. A reconciliation is available in the appendix of this deck.

Q3 2016 Non-GAAP Subscription Gross Margin



Q3 2016 Non-GAAP Operating Margin



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Q3 2016 Financial Highlights at-a-Glance

Revenue	Software Subscription	Grew 31% year-over-year to $91.9 million
	Total Revenue	Grew 30%[1] year-over-year to $96.8 million
ARR	RingCentral Office	Grew 39% year-over-year to $316.8 million
	Total ARR	Grew 31% year-over-year to $389.5 million
Non-GAAP Gross Margin	Software Subscription	Increased 360 bps year-over-year to 80.1%
	Total Gross Margin	Increased 300 bps[1] year-over-year to 76.8%
Upmarket	50+ users ARR	Doubled year-over-year
	Bookings under contract	~75% of net new Office bookings under annual or multi-year contract
Retention	Net Retention	Office net monthly subscription dollar retention was over 100%; overall over 99%.
Indirect	VARs and Carriers	Indirect channel was ~25% of revenue, up from ~20% a year ago

1. Other Revenue and Cost of Revenue 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. A reconciliation is available in the appendix of this deck.

Q4 2016 and FY2016 Guidance

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Q4 2016 and FY2016 Guidance

Raising FY2016 Outlook

$ in millions except for EPS	Q4 2016	Previous FY2016*	Revised FY2016
Software Revenue	$97.5M - $98.5M	NA	$355.5M - $356.5M
Software Revenue Growth Y/Y	27% - 29%	NA	31%
Total Revenue	$102M - $104M	$370M - $375M	$376M - $378M
Total Revenue Growth Y/Y**	26% - 29%	29%-31%	31% - 32%
Non-GAAP Operating Margin	1.5% - 2.5%	1.5% - 2.0%	1.8% - 2.1%
Non-GAAP EPS	$0.01 - $0.03	$0.04 - $0.08	$0.07 - $0.09

* Previous 2016 guidance provided August 3, 2016

** On a comparative business model basis adjusting prior periods to the agency model; a reconciliation is available in the appendix of this deck

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Appendix- Reconciliation of GAAP to Non-GAAP Financial Measures

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Software subscriptions	$ 91,853	$ 70,321	$ 257,898	$ 194,713
Other	4,986	6,459	17,323	18,076
Total revenues	96,839	76,780	275,221	212,789
Cost of revenues reconciliation				
GAAP Software subscriptions cost of revenues	19,211	17,084	54,107	49,503
Stock-based compensation	(824)	(535)	(2,239)	(1,468)
Amortization of acquisition intangibles	(151)	-	(453)	-
Non-GAAP Software subscriptions cost of revenues	18,236	16,549	51,415	48,035
GAAP Other cost of revenues	4,244	5,249	13,452	14,906
Stock-based compensation	(35)	-	(86)	-
Non-GAAP Other cost of revenues	4,209	5,249	13,366	14,906
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	80.1%	76.5%	80.1%	75.3%
Non-GAAP Other	15.6%	18.7%	22.8%	17.5%
Non-GAAP Gross profit	76.8%	71.6%	76.5%	70.4%
Operating expenses reconciliation				
GAAP Research and development	16,490	13,475	48,097	37,612
Stock-based compensation	(1,996)	(1,351)	(5,491)	(3,745)
Amortization of acquisition intangibles	-	(256)	-	(328)
Acquisition related matters	(619)	(331)	(1,102)	(331)
Non-GAAP Research and development	13,875	11,537	41,504	33,208
As a % of total revenues non-GAAP	14.3%	15.0%	15.1%	15.6%
GAAP Sales and marketing	50,306	34,878	137,796	101,473
Stock-based compensation	(3,023)	(1,797)	(7,790)	(5,333)
Amortization of acquisition intangibles	(105)	-	(315)	-
Non-GAAP Sales and marketing	47,178	33,081	129,691	96,140
As a % of total revenues non-GAAP	48.7%	43.1%	47.1%	45.2%
GAAP General and administrative	13,649	11,922	41,114	34,231
Stock-based compensation	(2,511)	(2,069)	(6,997)	(5,244)
Acquisition related matters	-	(2)	(59)	(749)
Non-GAAP General and administrative	11,138	9,851	34,058	28,238
As a % of total revenues non-GAAP	11.5%	12.8%	12.4%	13.3%
Income (loss) from operations reconciliation				
GAAP loss from operations	(7,061)	(5,828)	(19,345)	(24,936)
Stock-based compensation	8,389	5,752	22,603	15,790
Amortization of acquisition intangibles	256	256	768	328
Acquisition related matters	619	333	1,161	1,080
Non-GAAP Income (loss) from operations	$ 2,203	$ 513	$ 5,187	$ (7,738)
Non-GAAP Operating margin	2.3%	0.7%	1.9%	-3.6%

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

	2016	2015	2016	2015
Net Income (loss) reconciliation				
GAAP Net loss	$ (7,979)	$ (6,336)	$ (22,363)	$ (25,158)
Stock-based compensation	8,389	5,752	22,603	15,790
Amortization of acquisition intangibles	256	256	768	328
Acquisition related matters	619	333	1,161	1,080
Intercompany remeasurement loss (gain)	745	257	2,341	332
Tax benefit from release of valuation allowance	-	-	-	(1,411)
Non-GAAP Net income (loss)	$ 2,030	$ 262	$ 4,510	$ (9,039)
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	73,285	70,580	72,669	69,614
Effect of dilutive securities (stock options and restricted stock awards)	3,838	3,353	3,355	-
Non-GAAP weighted average shares used in computing non-GAAP net income per share	77,123	73,933	76,024	69,614
GAAP Net loss per share	$ (0.11)	$ (0.09)	$ (0.31)	$ (0.36)
Non-GAAP Net income (loss) per share	$ 0.03	$ 0.00	$ 0.06	$ (0.13)

RINGCENTRAL, INC.
PRO FORMA STATEMENT OF GROSS MARGIN UNDER AGENCY MODEL[1]
(Unaudited, in thousands)

	2015				2016			3Q16	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Q/Q	Y/Y
GAAP Software subscription revenue	$ 59,951	$ 64,441	$ 70,321	$ 76,532	$ 79,978	$ 86,067	$ 91,853	7%	31%
GAAP Other revenue	$ 5,367	$ 6,250	$ 6,459	$ 6,907	$ 6,560	$ 5,777	$ 4,986		
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	$ 4,986	(14%)	19%
Total pro forma revenue	**$ 63,096**	**$ 68,590**	**$ 74,502**	**$ 80,842**	**$ 85,102**	**$ 91,844**	**$ 96,839**	**5%**	**30%**
GAAP Software subscription cost of revenue	$ 15,914	$ 16,505	$ 17,084	$ 16,851	$ 16,723	$ 18,173	$ 19,211		
Stock-based compensation	(457)	(476)	(535)	(586)	(634)	(781)	(824)		
Amortization of acquisition intangibles	—	—	—	—	(151)	(151)	(151)		
Non-GAAP Software subscriptions cost of revenue	$ 15,457	$ 16,029	$ 16,549	$ 16,265	$ 15,938	$ 17,241	$ 18,236		
GAAP Other cost of revenue	$ 4,633	$ 5,024	$ 5,249	$ 6,011	$ 5,017	$ 4,191	$ 4,244		
Stock-based compensation	—	—	—	—	(19)	(32)	(35)		
Non-GAAP Other cost of revenue	$ 4,633	$ 5,024	$ 5,249	$ 6,011	$ 4,998	$ 4,159	$ 4,209		
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	$ 4,209		
Total pro forma cost of revenue	**$ 17,868**	**$ 18,952**	**$ 19,520**	**$ 19,679**	**$ 19,500**	**$ 21,400**	**$ 22,445**	**5%**	**15%**
Pro forma software subscriptions revenue gross profit	$ 44,494	$ 48,412	$ 53,772	$ 60,267	$ 64,040	$ 68,826	$ 73,617	7%	37%
Pro forma other revenue gross profit	734	1,226	1,210	896	1,562	1,618	777	(52%)	(36%)
Total pro forma gross profit	**$ 45,228**	**$ 49,638**	**$ 54,982**	**$ 61,163**	**$ 65,602**	**$ 70,444**	**$ 74,394**	**6%**	**35%**
Pro forma software subscriptions revenue gross margin	74%	75%	76%	79%	80%	80%	80%		
Pro forma other revenue gross margin	23%	30%	29%	21%	30%	28%	16%		
Total pro forma gross margin	**72%**	**72%**	**74%**	**76%**	**77%**	**77%**	**77%**		

[1] In 2Q16, RingCentral provided supplemental information on a pro forma basis to provide a clear comparison of the Company's results with prior periods. The pro forma information reflects results as-if the Company had transitioned to the new agency model for the first quarter of 2016 and for all periods in 2015.

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Free cash flow reconciliation				
Net cash provided by operations	$ 7,755	$ 1,825	$ 22,436	$ 2,208
Cash outflows for capital expenditures	(4,132)	(4,616)	(11,149)	(12,942)
Free cash flow	$ 3,623	$ (2,791)	$ 11,287	$ (10,734)

RINGCENTRAL, INC.

RECONCILIATION OF FORECASTED OPERATING CASH FLOW TO FREE CASH FLOW

(in millions, except per share data)

(unaudited)

	FY2016	
	Low Range	**High Range**
Free cash flow reconciliation		
Net cash provided by operations	$ 27.0	$ 31.5
Cash outflows for capital expenditures	(16.0)	(17.5)
Free cash flow	$ 11.0	$ 14.0

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RINGCENTRAL, INC.
RECONCILIATION OF FORECASTED GAAP OPERATING MARGIN TO
FORECASTED NON-GAAP OPERATING MARGIN
(in millions, except per share data)
(unaudited)

	Q4 2016		FY 2016	
	Low Range	High Range	Low Range	High Range
GAAP revenues	$ 102.0	$ 104.0	$ 376.0	$ 378.0
GAAP loss from operations	(8.1)	(6.5)	(27.4)	(25.8)
GAAP operating margin	-7.9%	-6.3%	-7.3%	-6.8%
Stock-based compensation	9.0	8.6	31.6	31.2
Amortization of acquisition intangibles and acquisition related matters	0.6	0.5	2.5	2.4
Non-GAAP income from operations	$ 1.5	$ 2.6	$ 6.7	$ 7.8
Non-GAAP operating margin	1.5%	2.5%	1.8%	2.1%

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THANK YOU

RingCentral®