

Q4 2018 Earnings Presentation

Strong Q4 results | Initiating FY2019 guidance | February 11, 2019

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 and goals, our momentum with mid-market and enterprise customers, our channel partners, our ability to successfully and timely integrate and realize the benefits of strategic acquisitions, growth of the market for our services, and our future financial and operating results, including our GAAP and non-GAAP guidance.

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 quarter ended September 30, 2018. 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 historical 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. In addition, prior-period information has been adjusted for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

We also provide guidance on forecasted non-GAAP operating margin, non-GAAP tax rates, and non-GAAP EPS. Reconciliations of our forecasted non-GAAP operating margin to the most directly comparable GAAP financial measure is presented in the Appendix at the end of this presentation. We have not reconciled the forecasted non-GAAP tax rates and non-GAAP EPS to their respective forecasted GAAP measure because we do not provide guidance on them. We do not provide guidance on forecasted GAAP EPS because of the inherent uncertainty and complexity involved in forecasting the intercompany remeasurement gain (loss) and provision (benefit) from income taxes, which could be 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. We do not provide guidance on forecasted GAAP tax rates as we do not forecast discrete tax items as they are difficult to predict. The provision (benefit) from income taxes, excluding discrete items, is expected to have an immaterial impact to our GAAP EPS. We utilized a projected long-term tax rate in our computation of the non-GAAP income tax provision. For fiscal 2019, we have determined the projected non-GAAP tax rate to be in the range of 22-24%. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

We also provide other measures such as software subscriptions annualized exit monthly recurring subscriptions (ARR), RingCentral Office® ARR, mid-market and enterprise business ARR, enterprise business ARR and channel partner ARR and bookings.

Q4 2018 Business Highlights

▶ Strong revenue growth

- Total revenue of \$189M, up 34% Y/Y
- Software subscriptions revenue of \$172M, up 32% Y/Y
- Core⁽¹⁾ subscriptions revenue of \$160M, up 38% Y/Y

▶ Mid-market and enterprise business⁽²⁾ momentum

- Closed a record number of seven-figure TCV deals in Q4, including our first eight-figure TCV deal
- Grew ARR 73% Y/Y
- ARR of \$309 million

▶ Enterprise business⁽³⁾ nearly doubles again

- Grew ARR 99% Y/Y
- ARR of \$171M

▶ Channel partners strong growth

- Grew ARR over 80% Y/Y
- ARR of over \$180M

(1) Core Subscriptions is defined as Software Subscriptions Revenue excluding the impact of legacy AT&T

(2) Mid-market and enterprise business is defined as subscribers of 50 seats or greater

(3) Enterprise business is defined as RingCentral Office customers that generate \$100,000 or greater annualized recurring revenue (ARR)

Q4 2018 Financial Highlights at-a-Glance

Revenue	Total Revenue	\$189 million, 34% Y/Y growth
	Software Subscriptions	\$172 million, 32% Y/Y growth
	Core Subscriptions ⁽¹⁾	\$160 million, 38% Y/Y growth
ARR	Total ARR	\$726 million, 33% Y/Y growth
	RingCentral Office ⁽²⁾	\$644 million, 38% Y/Y growth
	Mid-Market & Enterprise ⁽³⁾	\$309 million, 73% Y/Y growth
	Enterprise ⁽⁴⁾	\$171 million, 99% Y/Y growth
	Channel Partners	Over \$180 million, over 80% Y/Y growth

(1) Core Subscriptions Revenue is defined as Software Subscriptions Revenue excluding the impact of legacy AT&T

(2) RingCentral Office includes customer subscriptions from RingCentral Office, RingCentral Contact Center and RingCentral Engage

(3) Mid-market and enterprise business is defined as subscribers of 50 seats or greater

(4) Enterprise business is defined as RingCentral Office customers that generate \$100,000 or greater ARR

Q4 2018 Results vs Q4 2018 Guidance

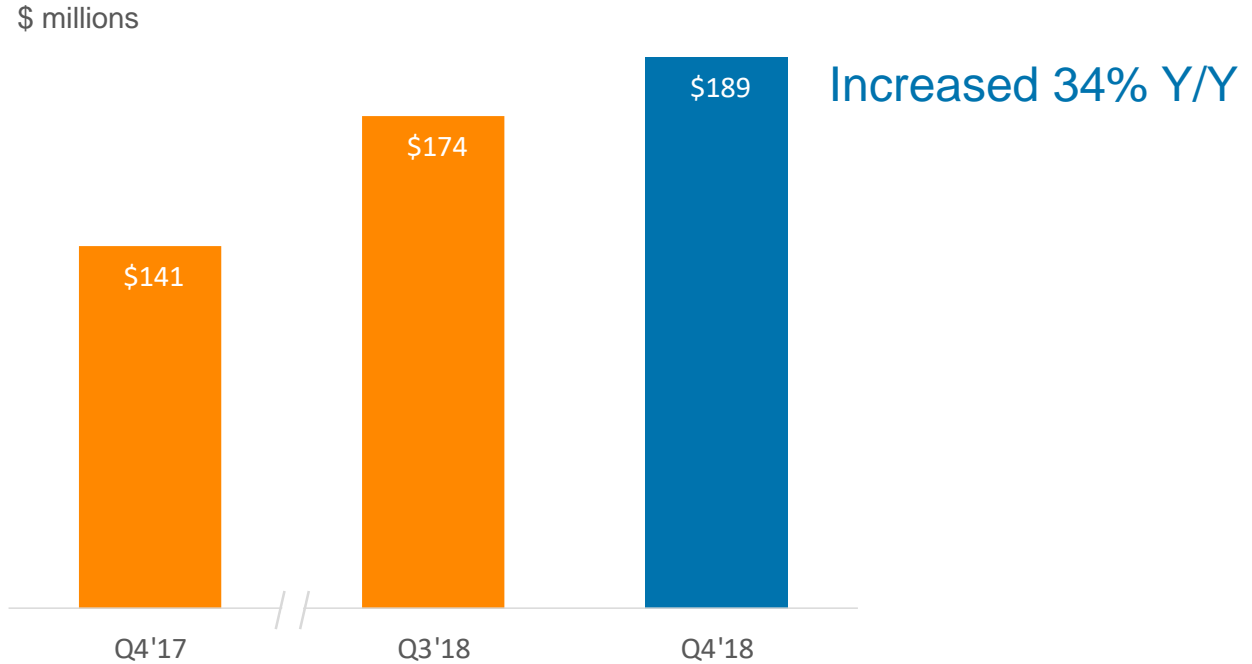
	Q4 Guidance	Q4 Results
Total Revenue	\$179M - \$182M	\$189M
Total Revenue Growth Y/Y	27% - 29%	34%
Subscriptions Revenue	\$165M - \$167M	\$172M
Subscriptions Revenue Growth Y/Y	27% - 28%	32%
Core Subscriptions Revenue Growth Y/Y ⁽¹⁾	33% - 34%	38%
GAAP Operating Margin	(4.1%) – (3.1%)	(1.8%)
Non-GAAP Operating Margin	7.9% - 8.1%	9.2%
Non-GAAP EPS	\$0.17 - \$0.19	\$0.23

(1) Core Subscriptions Revenue Growth is defined as Subscriptions Revenue Growth excluding the impact of legacy AT&T

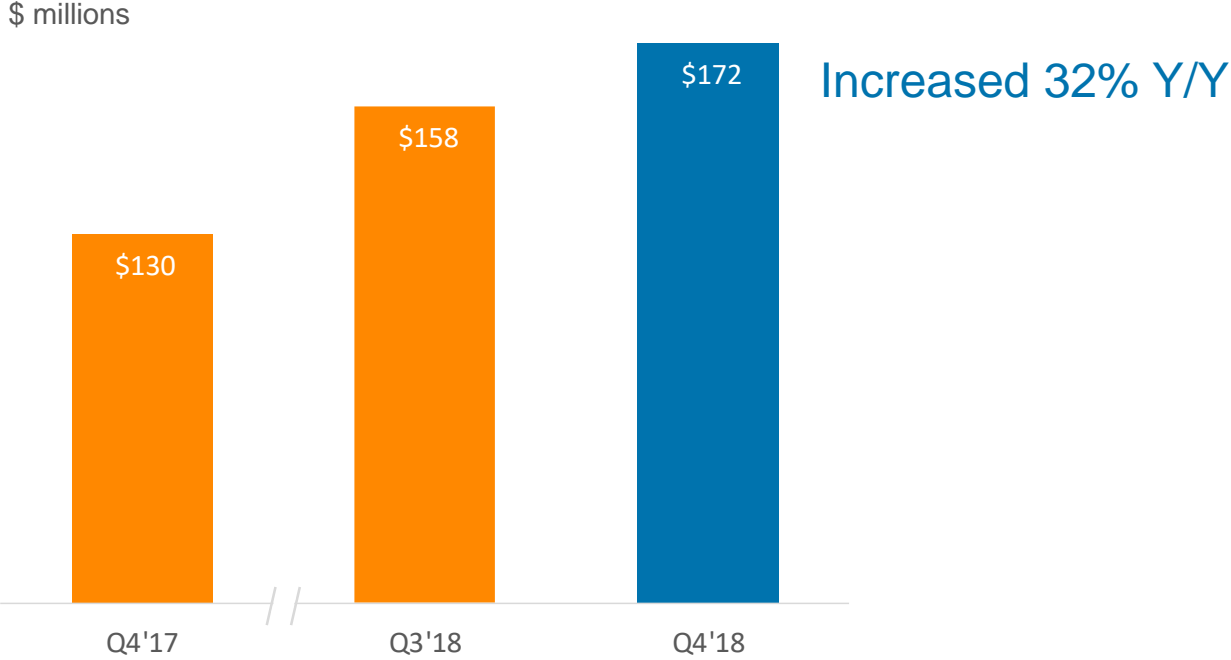
Annual Results Summary

	FY2017	FY2018	Y/Y
Total Revenue	\$504M	\$674M	34%
Subscriptions Revenue	\$465M	\$613M	32%
GAAP Operating Margin	(1.1%)	(2.4%)	(1.3) pts
Non-GAAP Operating Margin	7.5%	8.7%	1.2 pts
Non-GAAP EPS	\$0.47	\$0.77	65%

Total Revenue

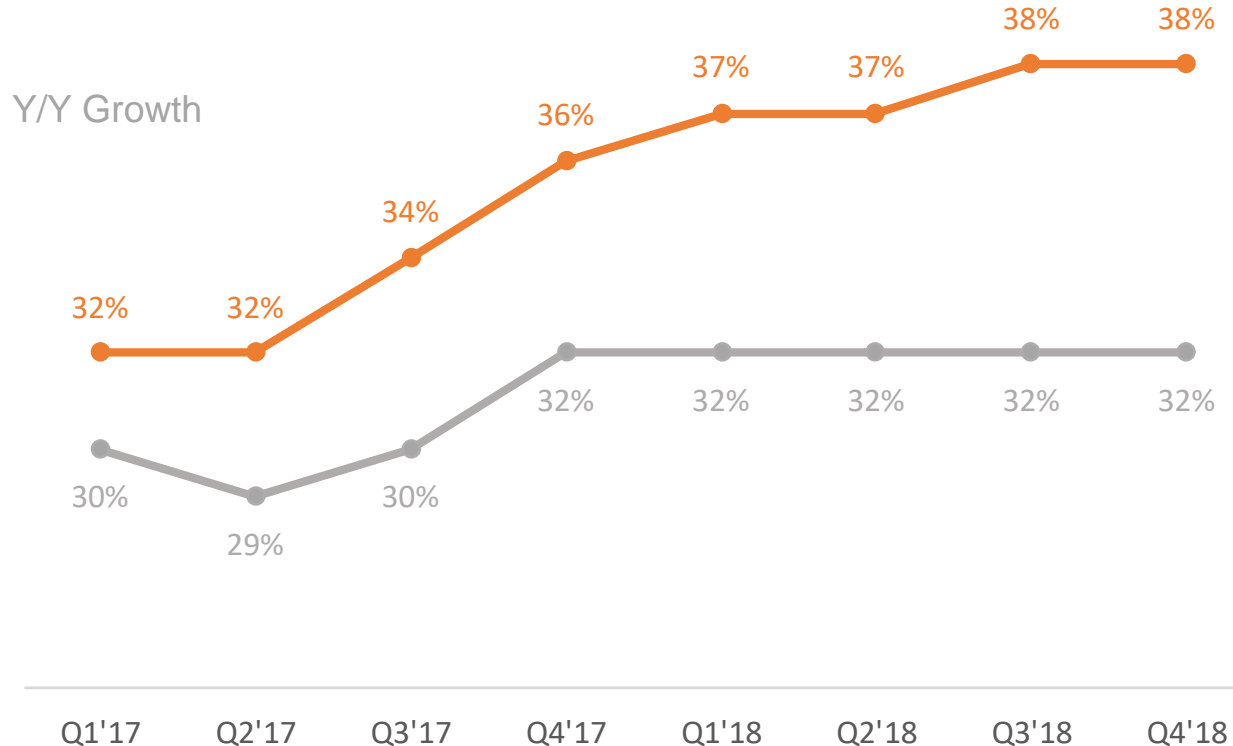


Software Subscriptions Revenue



Core Subscriptions Revenue⁽¹⁾ Growth

Grew 38% Y/Y, up from 36% in Q4 of the previous year

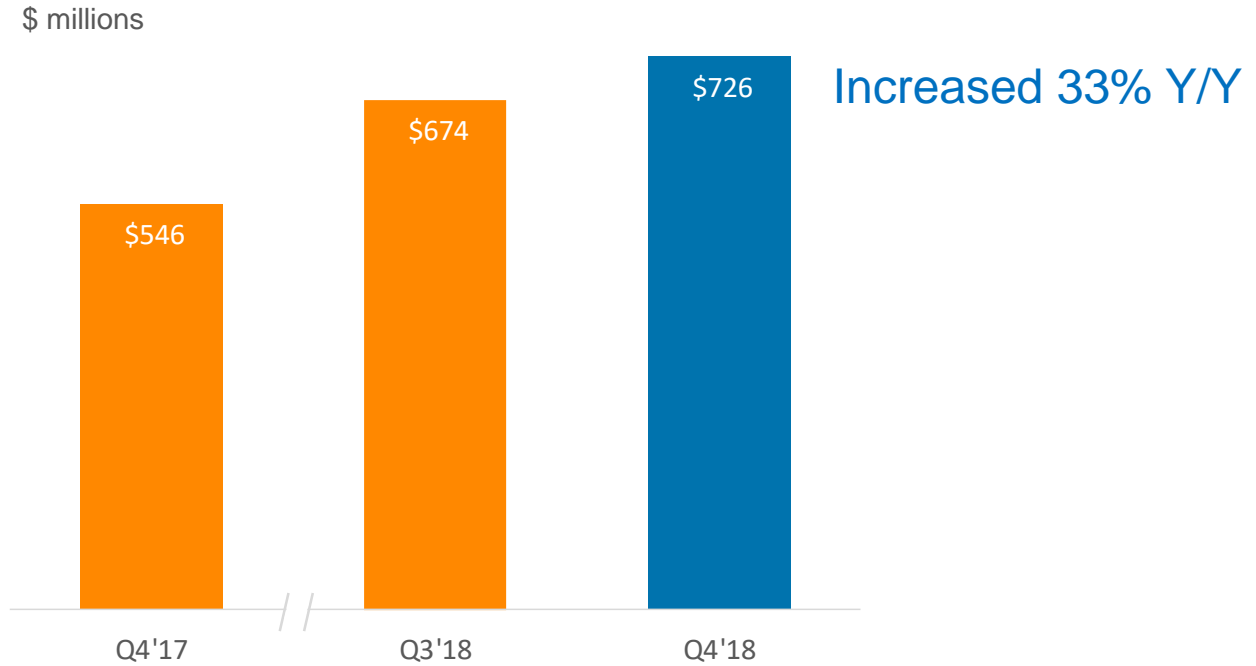


Core (ex-legacy AT&T) Subscriptions

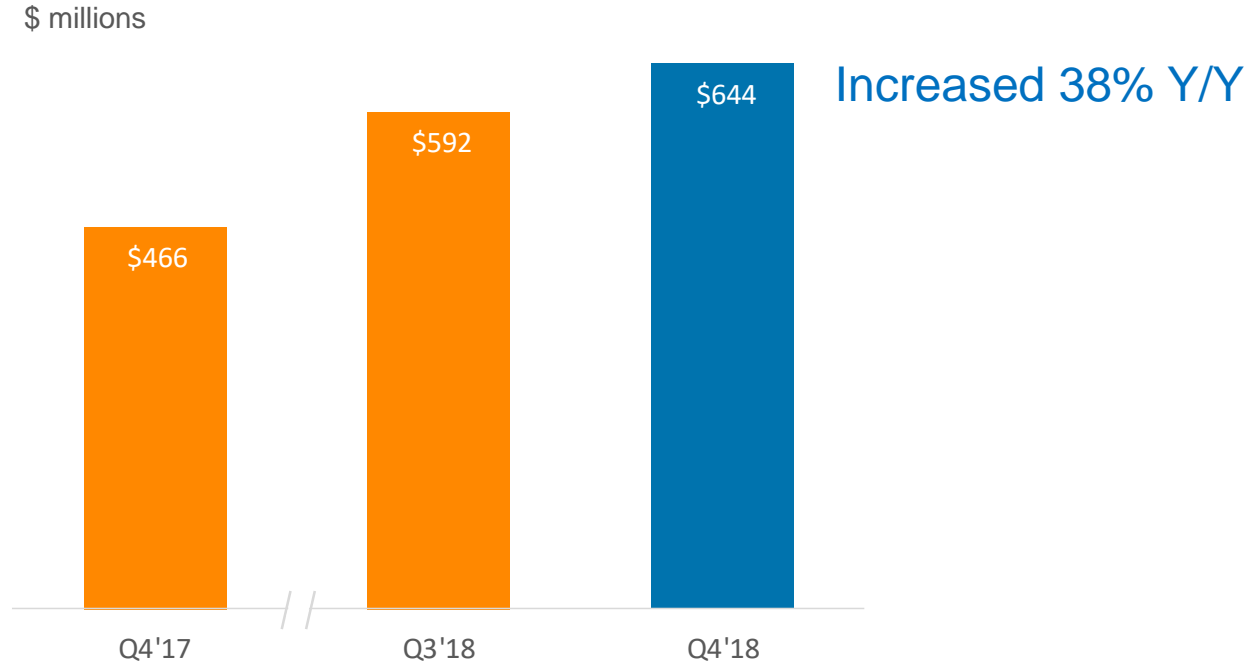
Software Subscriptions

(1) Core Subscriptions Revenue Growth is defined as Subscriptions Revenue Growth excluding the impact of legacy AT&T

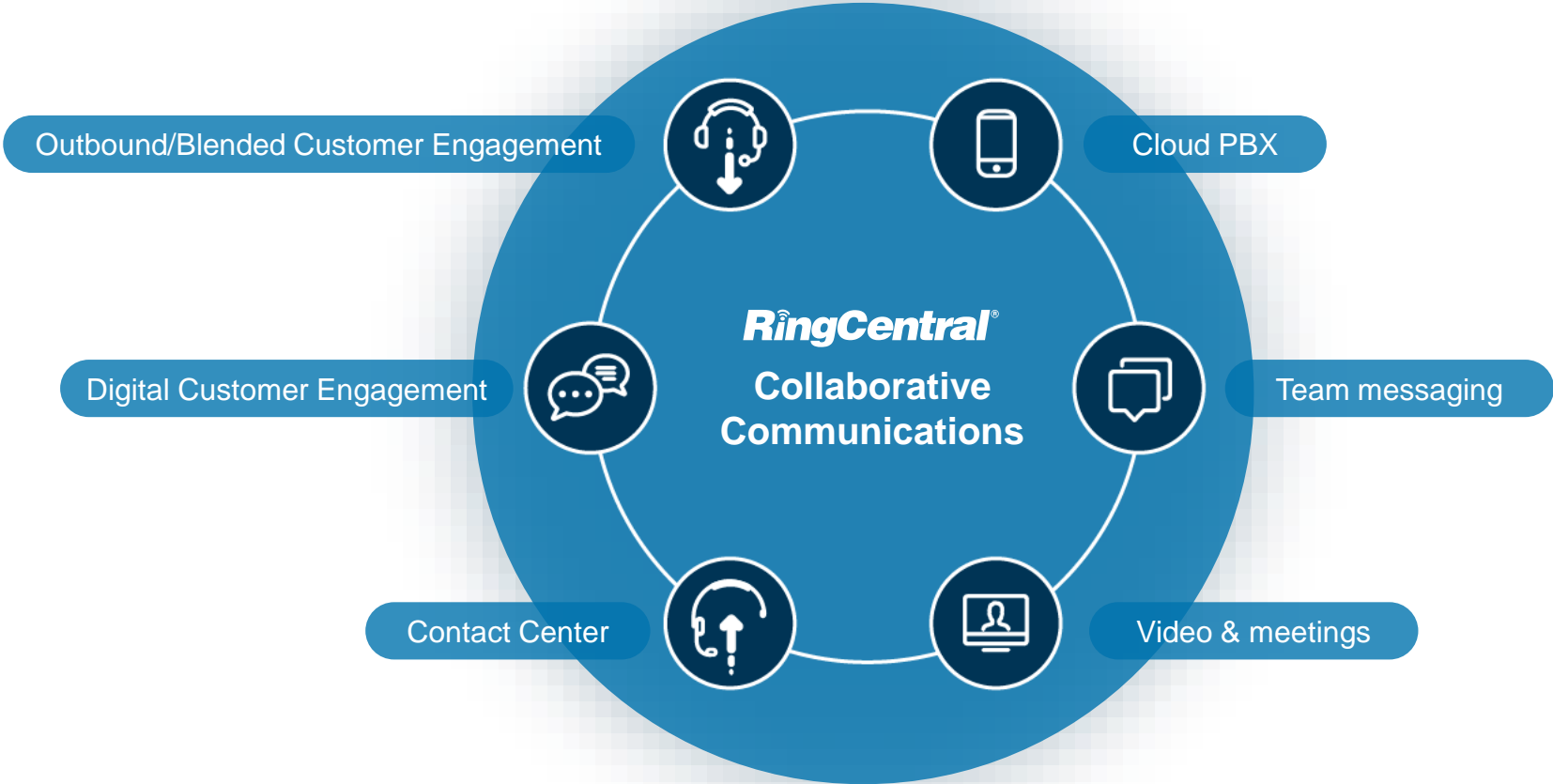
Total Software Subscriptions ARR



RingCentral Office ARR



Delivering on the Vision of Collaborative Communications



A Leader in the 2018 Gartner Magic Quadrant for Unified Communications as a Service, Worldwide

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from RingCentral.

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Source: Gartner, Inc., Magic Quadrant for Unified Communications as a Service, Worldwide, Daniel O'Connell, Megan Fernandez, Rafael Benitez, Bjarne Munch, Christopher Trueman, Mihai Nguyen, October 10, 2018



Q1 2019 and FY2019 Guidance

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Q1 2019 and FY2019 Guidance

	Q1 2019	FY2019
Total Revenue	\$191.5M - \$194.5M	\$847M - \$859M
Total Revenue Growth Y/Y	27% - 29%	26% - 28%
Subscriptions Revenue	\$175.5M - \$177.5M	\$775M - \$785M
Subscriptions Revenue Growth Y/Y	28% - 30%	26% - 28%
GAAP Operating Margin	(4.0%) – (3.0%)	(4.3%) – (3.2%)
Non-GAAP Operating Margin	8.0% - 8.1%	9.0% - 9.3%
Non-GAAP Tax Rate	22% - 24%	22% - 24%
Non-GAAP EPS	\$0.14 - \$0.16	\$0.69 - \$0.73

Reconciliation GAAP to non-GAAP

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RINGCENTRAL, INC.
RECONCILIATION OF OPERATING INCOME (LOSS)
GAAP MEASURES TO NON-GAAP MEASURES

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
Revenues				
Software subscriptions	\$ 171,901	\$ 130,312	\$ 612,888	\$ 465,254
Other	16,723	10,873	60,736	38,363
Total revenues	<u>188,624</u>	<u>141,185</u>	<u>673,624</u>	<u>503,617</u>
Cost of revenues reconciliation				
GAAP Software subscriptions cost of revenues	30,254	24,223	109,454	89,193
Stock-based compensation	(1,162)	(849)	(4,343)	(3,552)
Amortization of acquisition intangibles	(277)	(150)	(729)	(602)
Acquisition related matters	(29)	—	(29)	—
Non-GAAP Software subscriptions cost of revenues	<u>28,786</u>	<u>23,224</u>	<u>104,353</u>	<u>85,039</u>
GAAP Other cost of revenues	13,861	9,397	47,675	32,078
Stock-based compensation	(194)	(65)	(639)	(183)
Non-GAAP Other cost of revenues	<u>13,667</u>	<u>9,332</u>	<u>47,036</u>	<u>31,895</u>
Gross profit and gross margin reconciliation				
Non-GAAP Subscriptions	83.3%	82.2%	83.0%	81.7%
Non-GAAP Other	18.3%	14.2%	22.6%	16.9%
Non-GAAP Gross profit	77.5%	76.9%	77.5%	76.8%
Operating expenses reconciliation				
GAAP Research and development	27,230	20,362	101,042	75,148
Stock-based compensation	(3,906)	(2,751)	(14,975)	(9,550)
Acquisition related matters	(9)	—	(9)	(443)
Non-GAAP Research and development	<u>23,315</u>	<u>17,611</u>	<u>86,058</u>	<u>65,155</u>
As a % of total revenues non-GAAP	12.4%	12.5%	12.8%	12.9%
GAAP Sales and marketing	91,894	67,992	329,116	240,223
Stock-based compensation	(7,645)	(4,459)	(27,324)	(16,015)
Amortization of acquisition intangibles	(726)	—	(3,617)	(180)
Acquisition related matters	(146)	—	(146)	—
Non-GAAP Sales and marketing	<u>83,377</u>	<u>63,533</u>	<u>298,029</u>	<u>224,028</u>
As a % of total revenues non-GAAP	44.2%	45.0%	44.2%	44.5%
GAAP General and administrative	28,789	19,428	102,773	72,313
Stock-based compensation	(5,802)	(3,432)	(20,807)	(12,760)
Acquisition related matters	(794)	—	(2,536)	—
Non-GAAP General and administrative	<u>22,193</u>	<u>15,996</u>	<u>79,430</u>	<u>59,553</u>
As a % of total revenues non-GAAP	11.8%	11.3%	11.8%	11.8%
Income (loss) from operations reconciliation				
GAAP loss from operations	(3,404)	(217)	(16,436)	(5,338)
Stock-based compensation	18,709	11,556	68,088	42,060
Amortization of acquisition intangibles	1,003	150	4,346	782
Acquisition related matters	978	—	2,720	443
Non-GAAP Income from operations	<u>17,286</u>	<u>11,489</u>	<u>58,718</u>	<u>37,947</u>
Non-GAAP Operating margin	9.2%	8.1%	8.7%	7.5%

* Prior-period information has been adjusted for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017 <u>*As Adjusted</u>	2018	2017 <u>*As Adjusted</u>
Net Income (loss) reconciliation				
GAAP net loss	\$ (5,678)	\$ (121)	\$ (26,203)	\$ (4,204)
Stock-based compensation	18,709	11,556	68,088	42,060
Amortization of acquisition intangibles	1,003	150	4,346	782
Acquisition related matters	978	—	2,720	443
Amortization of debt discount and issuance costs	4,915	—	15,918	—
Intercompany remeasurement loss (gain)	309	50	1,183	(820)
Income tax expense effects **	—	—	—	—
Non-GAAP net income	<u>\$ 20,236</u>	<u>\$ 11,635</u>	<u>\$ 66,052</u>	<u>\$ 38,261</u>
Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net (loss) income per common share:				
Weighted average number of shares used in computing basic net (loss) income per share	80,638	77,665	79,500	76,281
Effect of dilutive securities	5,694	6,356	6,341	5,925
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	<u>86,332</u>	<u>84,021</u>	<u>85,841</u>	<u>82,206</u>
Diluted net income (loss) per share				
GAAP Net loss per share	<u>\$ (0.07)</u>	<u>\$ (0.00)</u>	<u>\$ (0.33)</u>	<u>\$ (0.06)</u>
Non-GAAP Net income per share	<u>\$ 0.23</u>	<u>\$ 0.14</u>	<u>\$ 0.77</u>	<u>\$ 0.47</u>

* Prior-period information has been adjusted for the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on January 1, 2018.

** The non-GAAP adjustments do not have an impact on our income tax provision due to our continued history of non-GAAP losses and full valuation allowance.

RINGCENTRAL, INC.
 RECONCILIATION OF CORE SOFTWARE SUBSCRIPTION REVENUE
 GAAP MEASURES TO NON-GAAP MEASURES
 (Unaudited, in millions)

	Three Months Ended							
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Core subscription revenue reconciliation								
Software subscriptions	\$ 104.1	\$ 110.9	\$ 119.9	\$ 130.3	\$ 137.0	\$ 146.0	\$ 158.1	\$ 171.9
AT&T software subscriptions revenues	(12.9)	(12.9)	(13.5)	(14.2)	(12.3)	(11.8)	(11.5)	(11.6)
Core subscription revenue	<u>\$ 91.2</u>	<u>\$ 98.0</u>	<u>\$ 106.4</u>	<u>\$ 116.1</u>	<u>\$ 124.7</u>	<u>\$ 134.2</u>	<u>\$ 146.6</u>	<u>\$ 160.3</u>

RINGCENTRAL, INC.
RECONCILIATION OF FORECASTED OPERATING MARGIN
GAAP MEASURES TO NON-GAAP MEASURES
(Unaudited, in millions)

	Q1 2019		FY 2019	
	<u>Low Range</u>	<u>High Range</u>	<u>Low Range</u>	<u>High Range</u>
GAAP revenues	191.5	194.5	847.0	859.0
GAAP loss from operations	(7.7)	(5.7)	(36.8)	(27.1)
GAAP operating margin	(4.0%)	(3.0%)	(4.3%)	(3.2%)
Stock-based compensation	20.5	19.5	103.0	99.0
Amortization of acquisition intangibles	2.5	2.0	10.0	8.0
Non-GAAP income from operations	15.3	15.8	76.2	79.9
Non-GAAP operating margin	8.0%	8.1%	9.0%	9.3%

THANK YOU

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