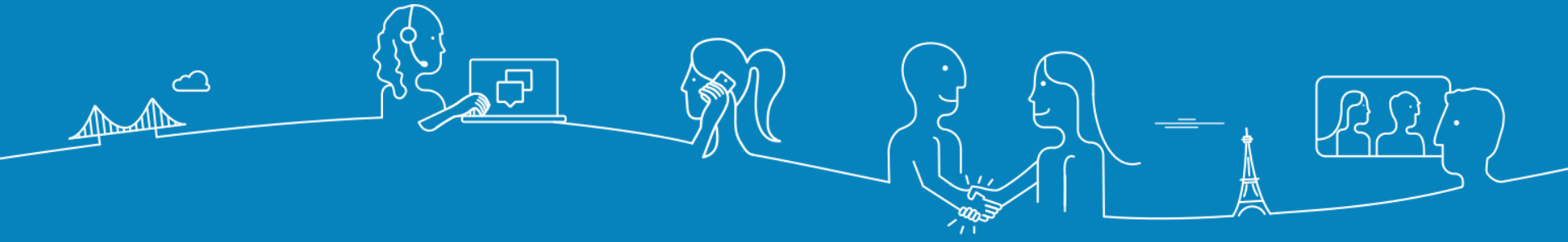


# Q2 2018 Earnings Presentation

Strong Q2 results | Raising FY18 guidance | August 6, 2018



**RingCentral**<sup>®</sup>

# 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, 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 March 31, 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 restated 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 core subscription revenue growth, non-GAAP operating margin, and non-GAAP EPS. Reconciliations of our forecasted non-GAAP operating margin and core subscription revenue growth to the most directly comparable GAAP financial measures are presented in the Appendix at the end of this presentation. 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 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. 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.

# Q2 2018 Business Highlights

- **Strong revenue growth**
  - Total revenue of \$161M, up 34% Y/Y, up from 30% in Q2 of the previous year
  - Software subscriptions revenue of \$146M, up 32% Y/Y, and up from 29% in Q2 of the previous year
  - Core<sup>(1)</sup> subscriptions revenue of \$134M, up 37% Y/Y, and up from 32% in Q2 of the previous year
- **Mid-market and enterprise business<sup>(2)</sup> momentum**
  - Grew 80% year over year and contributed over 50% of new Office business
  - ARR of \$237 million
- **Enterprise business<sup>(3)</sup> ARR more than doubles**
  - Grew >110% Y/Y
  - ARR of \$122M
- **Channel partners continue rapid expansion**
  - Grew >100% Y/Y
  - ARR of \$139M

(1) Core Subscriptions is defined as Software Subscriptions Revenue excluding the impact of 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 who generate \$100,000 or greater annualized recurring revenue (ARR)

# Q2 2018 Financial Highlights at-a-Glance

Revenue	Total Revenue	\$161 million, 34% Y/Y growth
	Software Subscriptions	\$146 million, 32% Y/Y growth
	Core Subscriptions <sup>(1)</sup>	\$134 million, 37% Y/Y growth
ARR	Total ARR	\$630 million, 32% Y/Y growth
	RingCentral Office	\$548 million, 37% Y/Y growth
	Mid-Market & Enterprise <sup>(2)</sup>	\$237 million, 80% Y/Y growth
	Enterprise <sup>(3)</sup>	\$122 million, >110% Y/Y growth
	Channel Partners	\$139 million, >100% Y/Y growth

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

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

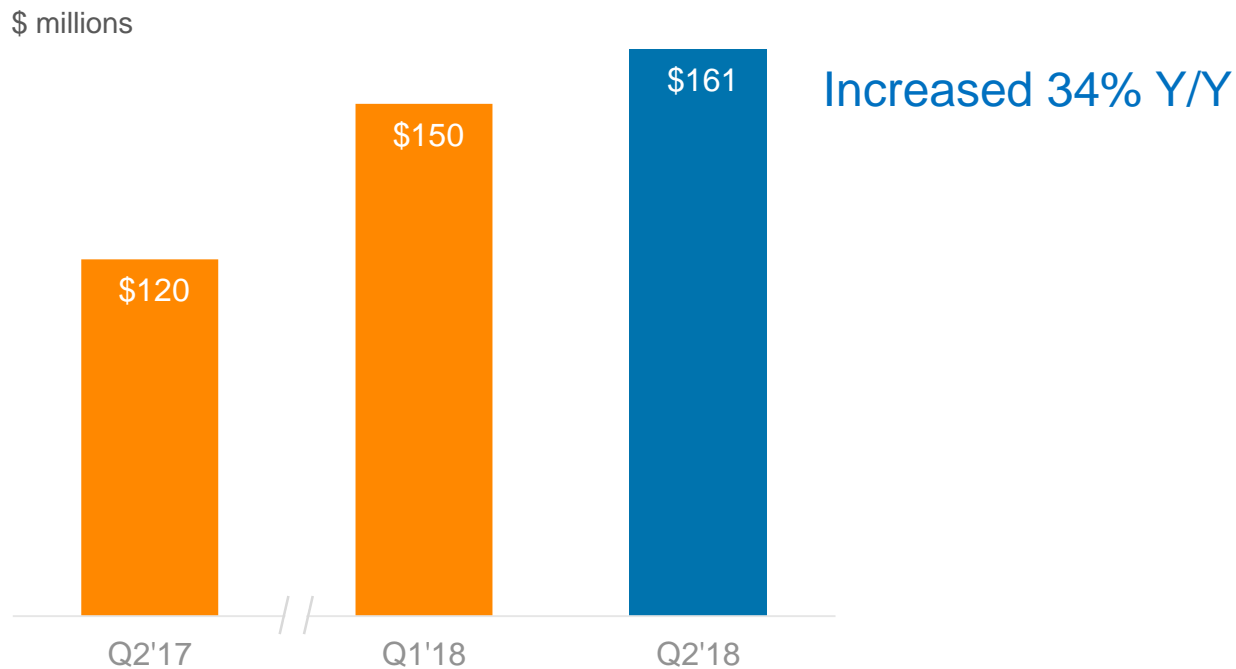
(3) Enterprise business is defined as RingCentral Office customers who generate \$100,000 or greater annualized recurring revenue (ARR)

# Q2 2018 Guidance and Results

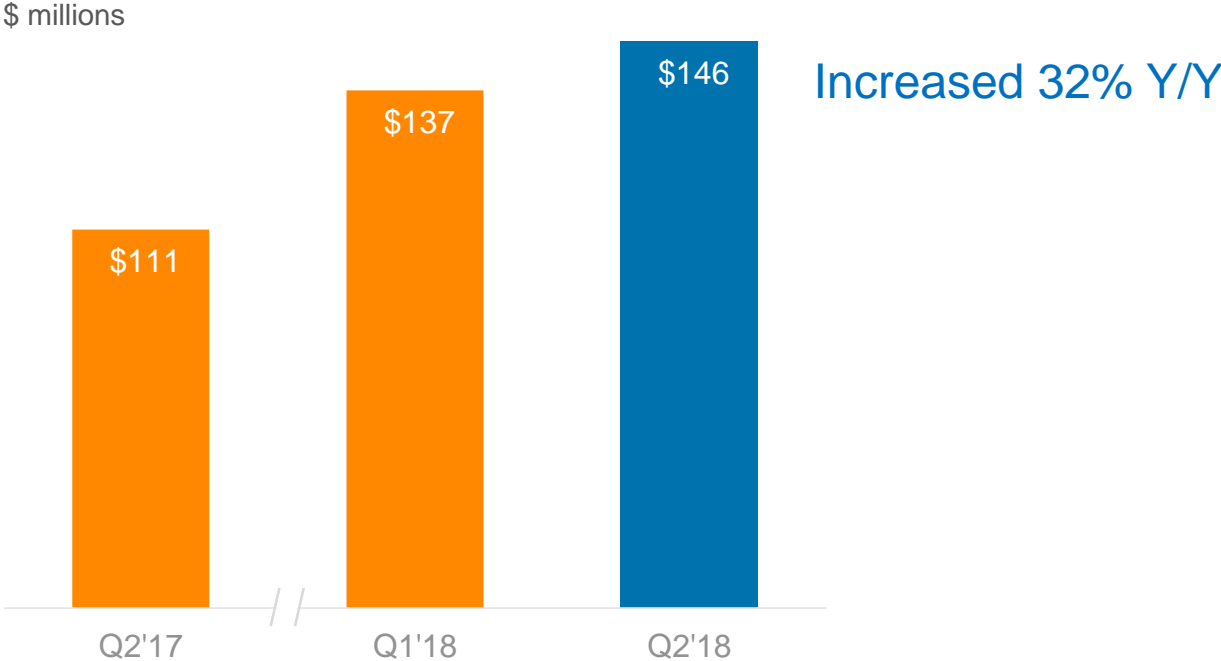
	Q2 Guidance	Q2 Results
Subscriptions Revenue	\$142.5M - \$143.5M	\$146M
Subscriptions Revenue Growth Y/Y	28% - 29%	32%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	34% - 35%	37%
Total Revenue	\$154.5M - \$156.5M	\$161M
Total Revenue Growth Y/Y	29% - 31%	34%
GAAP Operating Margin	(5.3%) – (4.3%)	(2.9%)
Non-GAAP Operating Margin	7.5% - 8.0%	8.8%
Non-GAAP EPS	\$0.14 - \$0.16	\$0.19

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

# Total Revenue



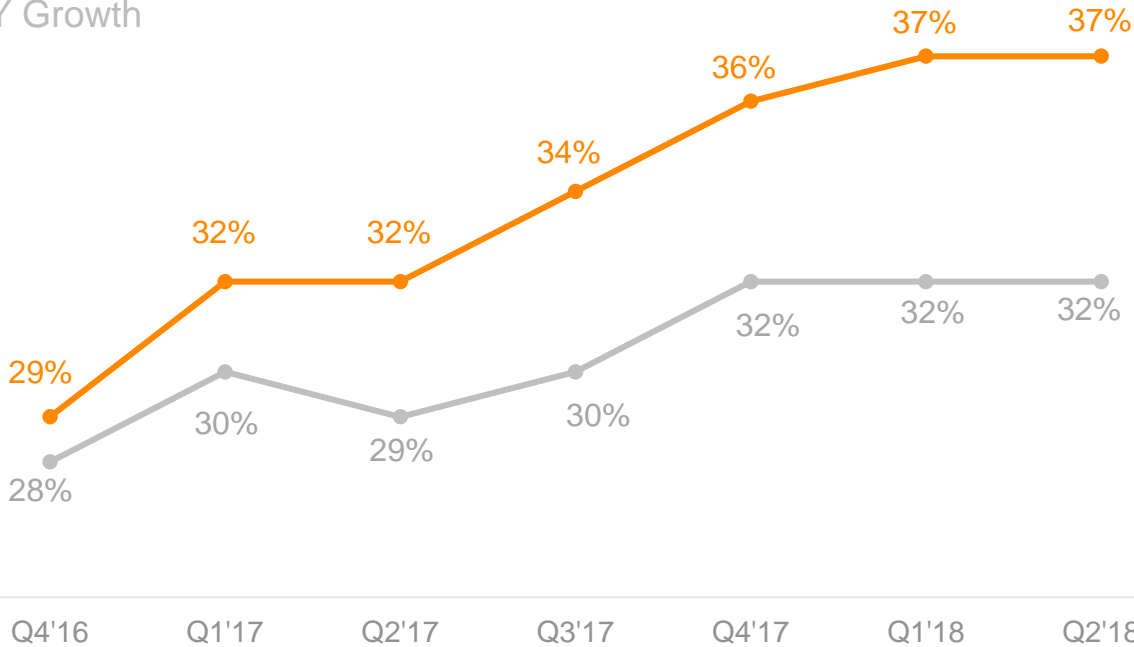
# Software Subscriptions Revenue



# Core Subscriptions Revenue Growth

Grew 37% Y/Y, up from 32% in Q2 of the previous year

Y/Y Growth

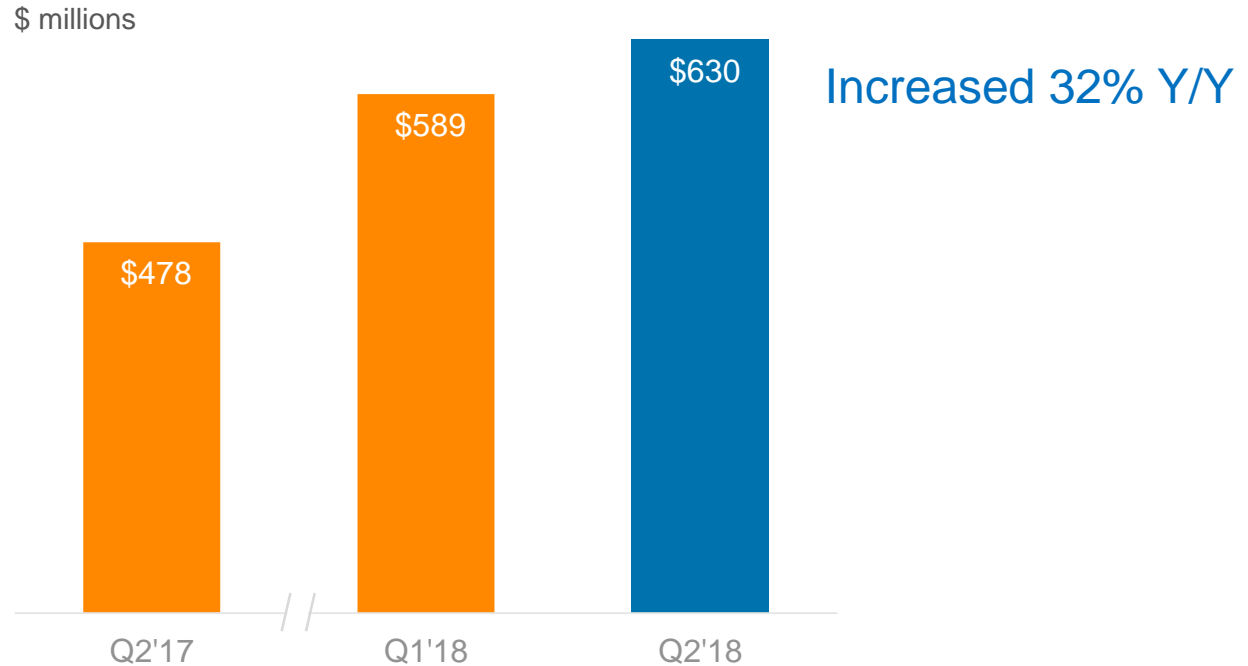


Core (ex-AT&T)  
Subscriptions

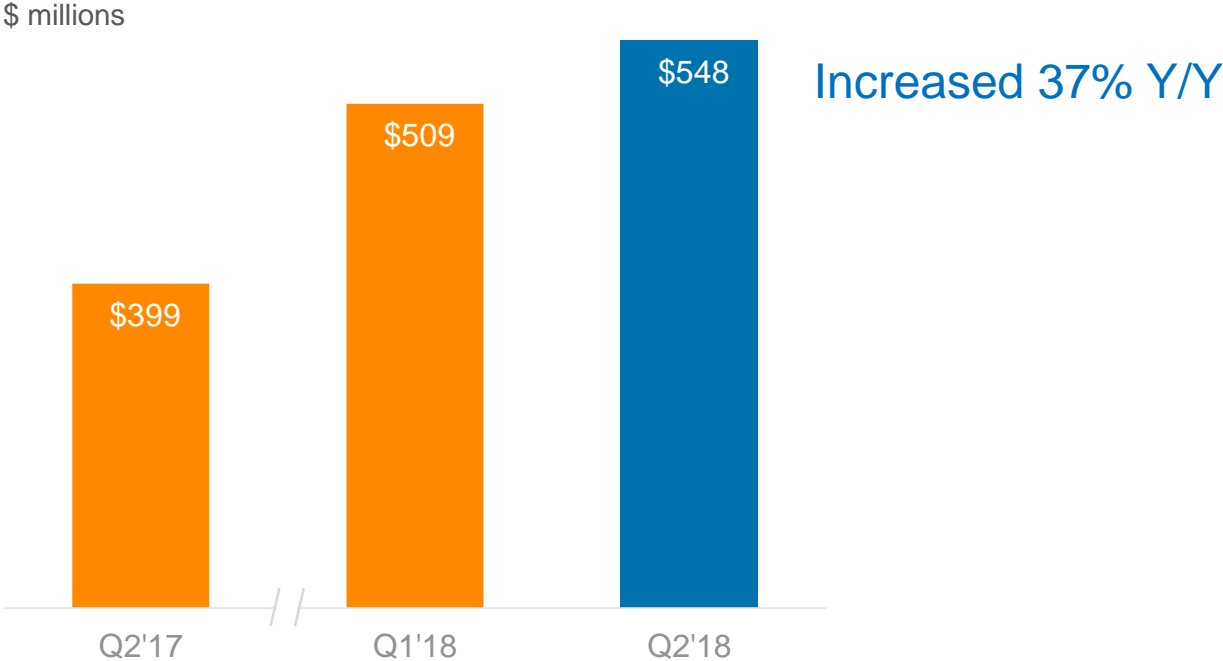
Software  
Subscriptions



# Total Software Subscriptions ARR



# RingCentral Office ARR



# Q3 2018 and FY2018 Guidance

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# Raising FY 2018 Guidance

	Prior	Updated
Subscriptions Revenue	\$588M - \$594M	\$595M - \$600M
Subscriptions Revenue Growth Y/Y	26% - 28%	28% - 29%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	32% - 34%	34% - 35%
Total Revenue	\$638M - \$647M	\$649M - \$656M
Total Revenue Growth Y/Y	27% - 28%	29% - 30%
GAAP Operating Margin	(4.0%) – (3.4%)	(3.5%) – (2.9%)
Non-GAAP Operating Margin	8.1% - 8.3%	8.2% - 8.4%
Non-GAAP EPS	\$0.61 - \$0.65	\$0.66 - \$0.70

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

# Q3 2018 Guidance

	Q3 2018
Subscriptions Revenue	\$152M - \$154M
Subscriptions Revenue Growth Y/Y	27% - 28%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	33% - 34%
Total Revenue	\$165M - \$168M
Total Revenue Growth Y/Y	27% - 29%
GAAP Operating Margin	(4.5%) – (3.5%)
Non-GAAP Operating Margin	8.0% - 8.2%
Non-GAAP EPS	\$0.15 - \$0.17

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

# Reconciliation GAAP to non-GAAP

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

	Three Months Ended		Six Months ended	
	June 30,		June 30,	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
<b>Revenues</b>				
Software subscriptions	\$ 145,959	\$ 110,896	\$ 282,919	\$ 215,026
Other	14,873	9,023	28,256	17,127
Total revenues	<u>160,832</u>	<u>119,919</u>	<u>311,175</u>	<u>232,153</u>
<b>Cost of revenues reconciliation</b>				
GAAP Software subscriptions cost of revenues	26,716	21,795	51,242	42,058
Stock-based compensation	(1,136)	(997)	(2,012)	(1,722)
Amortization of acquisition intangibles	(150)	(150)	(301)	(301)
Non-GAAP Software subscriptions cost of revenues	<u>25,430</u>	<u>20,648</u>	<u>48,929</u>	<u>40,035</u>
GAAP Other cost of revenues	11,350	7,766	22,498	14,809
Stock-based compensation	(165)	(41)	(299)	(73)
Non-GAAP Other cost of revenues	<u>11,185</u>	<u>7,725</u>	<u>22,199</u>	<u>14,736</u>
<b>Gross profit and gross margin reconciliation</b>				
Non-GAAP Subscriptions	82.6%	81.4%	82.7%	81.4%
Non-GAAP Other	24.8%	14.4%	21.4%	14.0%
Non-GAAP Gross profit	77.2%	76.3%	77.1%	76.4%
<b>Operating expenses reconciliation</b>				
GAAP Research and development	24,814	18,617	47,465	35,704
Stock-based compensation	(3,906)	(2,342)	(7,000)	(4,201)
Acquisition related matters	-	(178)	-	(443)
Non-GAAP Research and development	<u>20,908</u>	<u>16,097</u>	<u>40,465</u>	<u>31,060</u>
As a % of total revenues non-GAAP	13.0%	13.4%	13.0%	13.4%
GAAP Sales and marketing	79,023	56,361	150,943	110,626
Stock-based compensation	(7,189)	(3,926)	(12,230)	(7,451)
Amortization of acquisition intangibles	(1,099)	(76)	(2,015)	(180)
Non-GAAP Sales and marketing	<u>70,735</u>	<u>52,359</u>	<u>136,698</u>	<u>102,995</u>
As a % of total revenues non-GAAP	44.0%	43.7%	43.9%	44.4%
GAAP General and administrative	23,583	18,007	45,032	33,812
Stock-based compensation	(5,201)	(3,321)	(9,323)	(6,115)
Non-GAAP General and administrative	<u>18,382</u>	<u>14,686</u>	<u>35,709</u>	<u>27,697</u>
As a % of total revenues non-GAAP	11.4%	12.2%	11.5%	11.9%
<b>Income (loss) from operations reconciliation</b>				
GAAP loss from operations	(4,654)	(2,627)	(6,005)	(4,856)
Stock-based compensation	17,597	10,627	30,864	19,562
Amortization of acquisition intangibles	1,249	226	2,316	481
Acquisition related matters	-	178	-	443
Non-GAAP Income from operations	<u>14,192</u>	<u>8,404</u>	<u>27,175</u>	<u>15,630</u>
Non-GAAP Operating margin	8.8%	7.0%	8.7%	6.7%

\* 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  
(Unaudited, in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
<b>Net Income (loss) reconciliation</b>				
GAAP net loss	\$ (8,291)	\$ (2,115)	\$ (11,007)	\$ (4,352)
Stock-based compensation	17,597	10,627	30,864	19,562
Amortization of acquisition intangibles	1,249	226	2,316	481
Acquisition related matters	—	178	—	443
Amortization of debt discount and issuance costs	4,784	—	6,154	—
Intercompany remeasurement loss (gain)	749	(435)	1,023	(478)
Income tax expense **	—	—	—	—
Non-GAAP net income	<u>\$ 16,088</u>	<u>\$ 8,481</u>	<u>\$ 29,350</u>	<u>\$ 15,656</u>
<b>Basic and diluted net income (loss) per share</b>				
<b>Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net income / (loss) per common share:</b>				
Weighted average number of shares used in computing net loss per share	79,089	75,867	78,717	75,278
Effect of dilutive securities	6,579	6,192	6,604	5,579
Non-GAAP weighted average shares used in computing non-GAAP net income per share	<u>85,668</u>	<u>82,059</u>	<u>85,321</u>	<u>80,857</u>
GAAP Net loss per share	<u>\$ (0.10)</u>	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>	<u>\$ (0.06)</u>
Non-GAAP Net income per share	<u>\$ 0.19</u>	<u>\$ 0.10</u>	<u>\$ 0.34</u>	<u>\$ 0.19</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)

	<b>Three Months Ended</b>						
	<b>December 31, 2016</b>	<b>March 31, 2017</b>	<b>June 30, 2017</b>	<b>September 30, 2017</b>	<b>December 31, 2017</b>	<b>March 31, 2018</b>	<b>June 30, 2018</b>
<b>Core subscription revenue reconciliation</b>							
Software subscriptions	98.4	104.1	110.9	119.9	130.3	137.0	146.0
AT&T software subscriptions revenues	<u>(13.0)</u>	<u>(12.9)</u>	<u>(12.9)</u>	<u>(13.5)</u>	<u>(14.2)</u>	<u>(12.3)</u>	<u>(11.8)</u>
Core subscription revenue	<u>85.4</u>	<u>91.2</u>	<u>98.0</u>	<u>106.4</u>	<u>116.1</u>	<u>124.7</u>	<u>134.2</u>

**RINGCENTRAL, INC.**  
**RECONCILIATION OF FORECASTED OPERATING MARGIN**  
**GAAP MEASURES TO NON-GAAP MEASURES**  
(In millions, except per share data)  
(Unaudited)

	Q3 2018		FY 2018	
	Low Range	High Range	Low Range	High Range
GAAP revenues	165.0	168.0	649.0	656.0
GAAP loss from operations	(7.5)	(5.9)	(22.8)	(18.9)
GAAP operating margin	(4.5%)	(3.5%)	(3.5%)	(2.9%)
Stock-based compensation	19.4	18.4	71.0	69.0
Amortization of acquisition intangibles	1.3	1.3	5.0	5.0
Non-GAAP income from operations	\$ 13.2	\$ 13.8	\$ 53.2	\$ 55.1
Non-GAAP operating margin	8.0%	8.2%	8.2%	8.4%

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

	Q3'18		FY'18	
	Low Range	High Range	Low Range	High Range
<b>Core subscription revenue reconciliation</b>				
Software subscriptions	152.0	154.0	595.0	600.0
AT&T software subscriptions revenues	(10.5)	(11.4)	(43.3)	(44.1)
Core subscription revenue	141.5	142.6	551.7	555.9

# THANK YOU

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