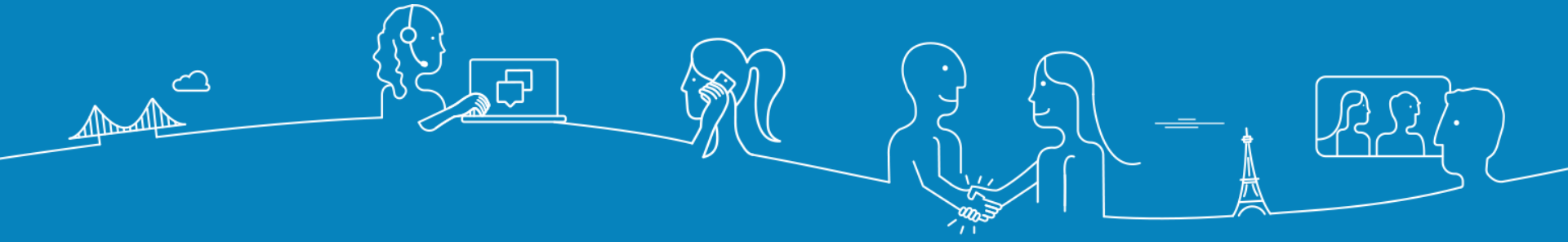


# Q3 2018 Earnings Presentation

Strong Q3 results | Raising FY18 guidance | November 5, 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, 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 June 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 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.

# Q3 2018 Business Highlights

## ▶ Strong revenue growth

- Core<sup>(1)</sup> subscriptions revenue of \$147M, up 38% Y/Y, compared to 34% in Q3 of the previous year
- Software subscriptions revenue of \$158M, up 32% Y/Y, compared to 30% in Q3 of the previous year
- Total revenue of \$174M, up 33% Y/Y, compared to 34% in Q3 of the previous year

## ▶ Compelling Mid-market and enterprise business<sup>(2)</sup> performance

- Grew ARR 75% Y/Y
- ARR of \$270 million
- Contributed over 60% of new Office business compared to over 50% in Q3 of the previous year

## ▶ Enterprise business<sup>(3)</sup> more than doubles again

- Grew ARR over 100% Y/Y
- ARR of \$146M

## ▶ Channel partners momentum continued

- Grew ARR over 90% Y/Y
- ARR of \$161M

(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)

# 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.*

*Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.*

*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*



# RingCentral Acquires Dimelo

## ▶ Company

- Digital Customer Engagement Platform
- Based in Paris, France

## ▶ Technology Platform

- Extensive Digital channels: Messaging, Social Media, In-App Messaging, Live Chat, Email, Community Forums
- Platform automatically recognizes 72 languages across all channels
- AI-based routing and machine-learning for smart responses
- Single platform to manage all digital channel interactions, with a single agent interface

## ▶ Customers

- Enterprise customers include: Allianz, AXA, BNP Paribas, Engie, Orange, and Telenor
- Vertical market segments include: Telecom, Financial Services, Insurance, and Retail

# Delivering on the Vision of Collaborative Communications



# Q3 2018 Guidance and Results

	Q3 Guidance	Q3 Results
Subscriptions Revenue	\$152M - \$154M	\$158M
Subscriptions Revenue Growth Y/Y	27% - 28%	32%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	33% - 34%	38%
Total Revenue	\$165M - \$168M	\$174M
Total Revenue Growth Y/Y	27% - 29%	33%
Non-GAAP Operating Margin	8.0% - 8.2%	8.2%
Non-GAAP EPS	\$0.15 - \$0.17	\$0.19
GAAP Operating Margin	(4.5%) – (3.5%)	(4%)

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

# Q3 2018 Financial Highlights at-a-Glance

Revenue	Core Subscriptions <sup>(1)</sup>	\$147 million, 38% Y/Y growth
	Software Subscriptions	\$158 million, 32% Y/Y growth
	Total Revenue	\$174 million, 33% Y/Y growth
ARR	Total ARR	\$674 million, 31% Y/Y growth
	RingCentral Office	\$592 million, 36% Y/Y growth
	Mid-Market & Enterprise <sup>(2)</sup>	\$270 million, 75% Y/Y growth
	Enterprise <sup>(3)</sup>	\$146 million, >100% Y/Y growth
	Channel Partners	\$161 million, >90% Y/Y growth

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

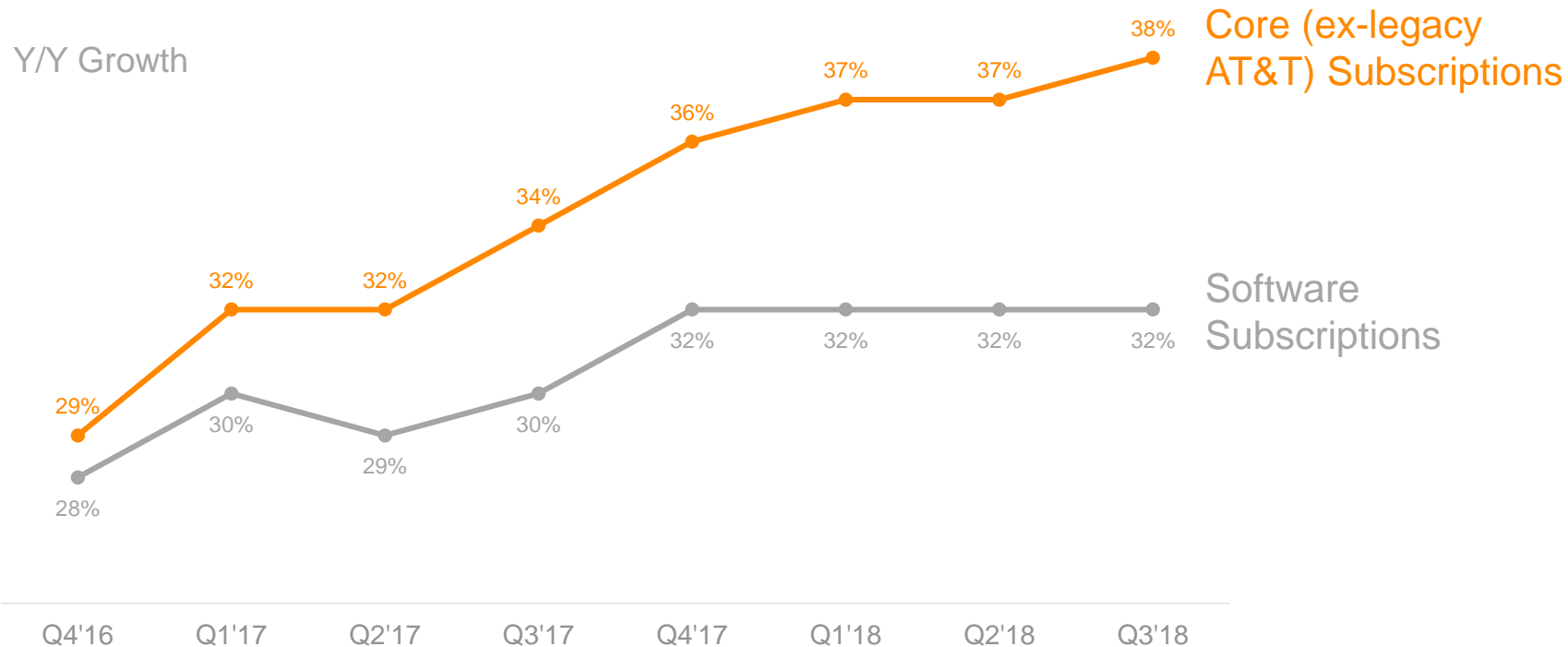
(2) Mid-market and enterprise business is defined as subscribers of 50 seats or greater

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

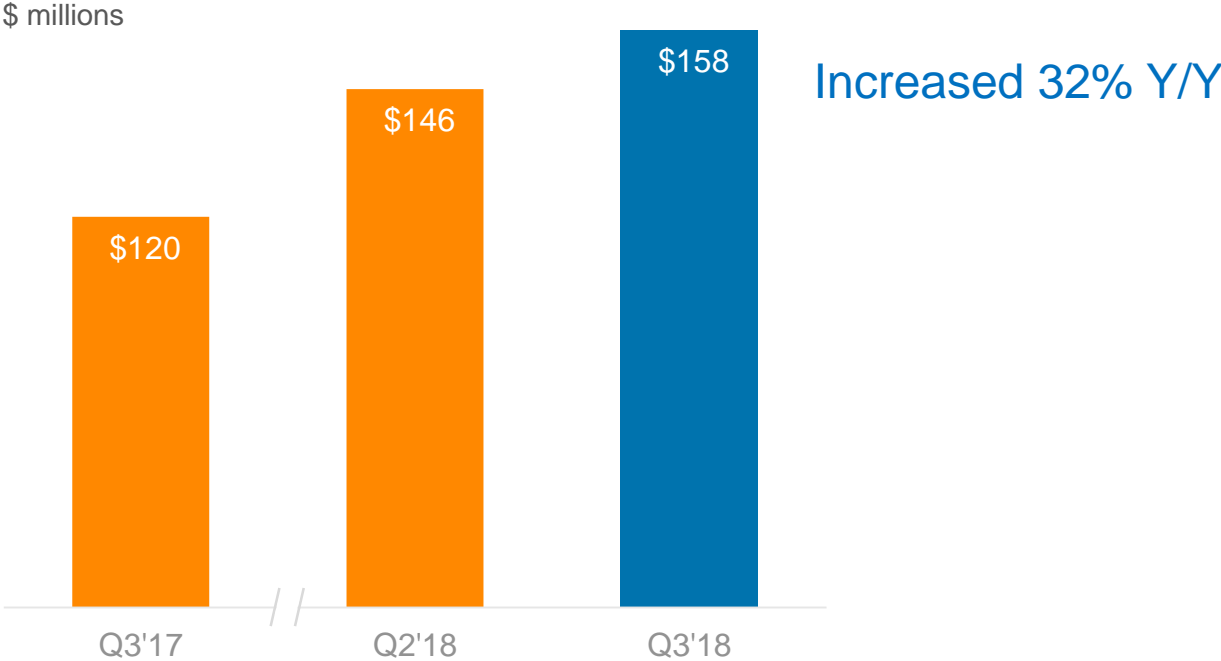


# Core Subscriptions Revenue Growth

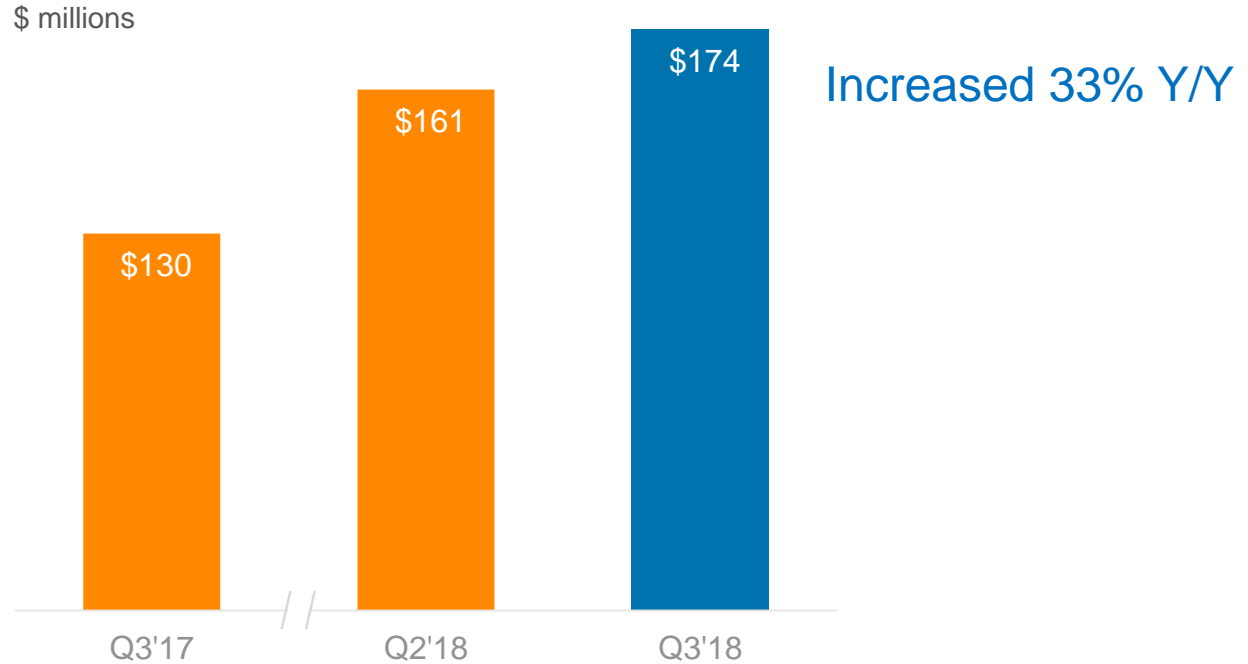
Grew 38% Y/Y, up from 34% in Q3 of the previous year



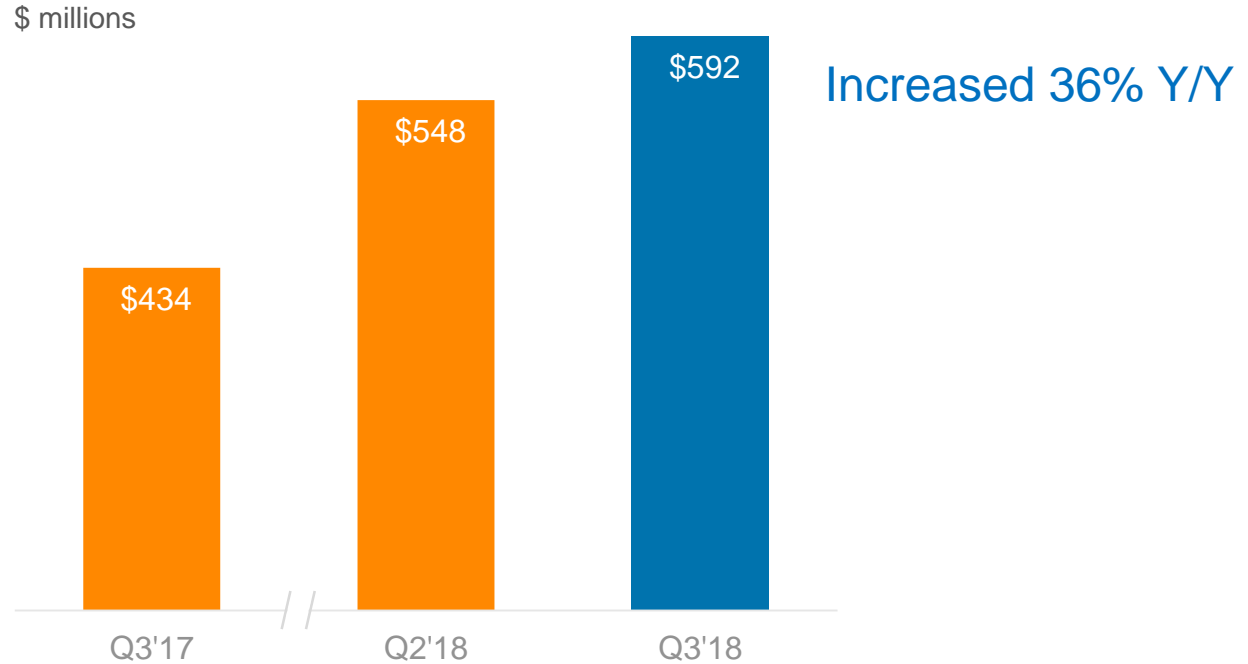
# Software Subscriptions Revenue



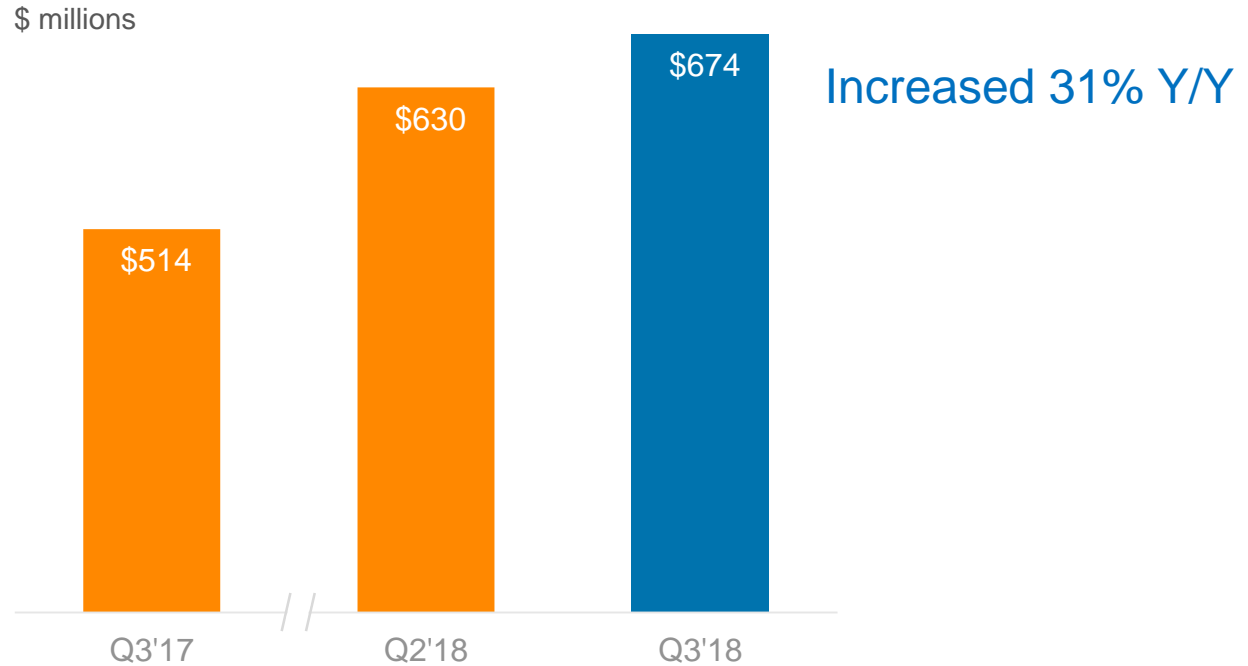
# Total Revenue



# RingCentral Office ARR



# Total Software Subscriptions ARR



# Q4 2018 and FY2018 Guidance

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**RingCentral<sup>®</sup>**

# Q4 2018 Guidance

	Q4 2018
Subscriptions Revenue	\$165M - \$167M
Subscriptions Revenue Growth Y/Y	27% - 28%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	33% - 34%
Total Revenue	\$179M - \$182M
Total Revenue Growth Y/Y	27% - 29%
Non-GAAP Operating Margin	7.9% - 8.1%
Non-GAAP EPS	\$0.17 - \$0.19
GAAP Operating Margin	(4.1%) – (3.1%)

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

# Raising FY 2018 Guidance

	Prior	New
Subscriptions Revenue	\$595M - \$600M	\$606M - \$608M
Subscriptions Revenue Growth Y/Y	28% - 29%	30% - 31%
Core Subscriptions Revenue Growth Y/Y <sup>(1)</sup>	34% - 35%	36%
Total Revenue	\$649M - \$656M	\$664M - \$667M
Total Revenue Growth Y/Y	29% - 30%	32%
Non-GAAP Operating Margin	8.2% - 8.4%	8.4%
Non-GAAP EPS	\$0.66 - \$0.70	\$0.71 - \$0.73
GAAP Operating Margin	(3.5%) – (2.9%)	(3.1%) – (2.8%)

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



# Reconciliation GAAP to non-GAAP

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**RingCentral<sup>®</sup>**

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

	Three Months Ended September 30,		Nine Months ended September 30,	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
<b>Revenues</b>				
Software subscriptions	\$ 158,068	\$ 119,916	\$ 440,987	\$ 334,942
Other	15,757	10,363	44,013	27,490
Total revenues	<u>173,825</u>	<u>130,279</u>	<u>485,000</u>	<u>362,432</u>
<b>Cost of revenues reconciliation</b>				
GAAP Software subscriptions cost of revenues	27,958	22,912	79,200	64,970
Stock-based compensation	(1,169)	(981)	(3,181)	(2,703)
Amortization of acquisition intangibles	(151)	(151)	(452)	(452)
Non-GAAP Software subscriptions cost of revenues	<u>26,638</u>	<u>21,780</u>	<u>75,567</u>	<u>61,815</u>
GAAP Other cost of revenues	11,316	7,872	33,814	22,681
Stock-based compensation	(146)	(45)	(445)	(118)
Non-GAAP Other cost of revenues	<u>11,170</u>	<u>7,827</u>	<u>33,369</u>	<u>22,563</u>
<b>Gross profit and gross margin reconciliation</b>				
Non-GAAP Subscriptions	83.1%	81.8%	82.9%	81.5%
Non-GAAP Other	29.1%	24.5%	24.2%	17.9%
Non-GAAP Gross profit	78.2%	77.3%	77.5%	76.7%
<b>Operating expenses reconciliation</b>				
GAAP Research and development	26,347	19,082	73,812	54,786
Stock-based compensation	(4,069)	(2,598)	(11,069)	(6,799)
Acquisition related matters	—	—	—	(443)
Non-GAAP Research and development	<u>22,278</u>	<u>16,484</u>	<u>62,743</u>	<u>47,544</u>
As a % of total revenues non-GAAP	12.8%	12.7%	12.9%	13.1%
GAAP Sales and marketing	86,279	61,605	237,222	172,231
Stock-based compensation	(7,449)	(4,105)	(19,679)	(11,556)
Amortization of acquisition intangibles	(876)	—	(2,891)	(180)
Non-GAAP Sales and marketing	<u>77,954</u>	<u>57,500</u>	<u>214,652</u>	<u>160,495</u>
As a % of total revenues non-GAAP	44.8%	44.1%	44.3%	44.3%
GAAP General and administrative	28,952	19,073	73,984	52,885
Stock-based compensation	(5,682)	(3,213)	(15,005)	(9,328)
Acquisition related matters	(1,742)	—	(1,742)	—
Non-GAAP General and administrative	<u>21,528</u>	<u>15,860</u>	<u>57,237</u>	<u>43,557</u>
As a % of total revenues non-GAAP	12.4%	12.2%	11.8%	12.0%
<b>Income (loss) from operations reconciliation</b>				
GAAP loss from operations	(7,027)	(265)	(13,032)	(5,121)
Stock-based compensation	18,515	10,942	49,379	30,504
Amortization of acquisition intangibles	1,027	151	3,343	632
Acquisition related matters	1,742	—	1,742	443
Non-GAAP Income from operations	<u>14,257</u>	<u>10,828</u>	<u>41,432</u>	<u>26,458</u>
Non-GAAP Operating margin	8.2%	8.3%	8.5%	7.3%

\* 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		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
<b>Net Income (loss) reconciliation</b>				
GAAP net (loss) income	\$ (9,518)	\$ 269	\$ (20,525)	\$ (4,083)
Stock-based compensation	18,515	10,942	49,379	30,504
Amortization of acquisition intangibles	1,027	151	3,343	632
Acquisition related matters	1,742	—	1,742	443
Amortization of debt discount and issuance costs	4,849	—	11,003	—
Intercompany remeasurement loss (gain)	(149)	(392)	874	(870)
Income tax expense effects **	—	—	—	—
Non-GAAP net income	<u>\$ 16,466</u>	<u>\$ 10,970</u>	<u>\$ 45,816</u>	<u>\$ 26,626</u>
<b>Reconciliation between GAAP and non-GAAP weighted average shares used in computing basic and diluted net (loss) income per common share:</b>				
Weighted average number of shares used in computing basic net (loss) income per share	79,903	76,915	79,116	75,815
Effect of dilutive securities	—	6,194	—	—
GAAP weighted average shares used in computing GAAP diluted net (loss) income per share	79,903	83,109	79,116	75,815
Effect of dilutive securities	6,463	—	6,557	5,784
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	<u>86,366</u>	<u>83,109</u>	<u>85,673</u>	<u>81,599</u>
<b>Diluted net income (loss) per share</b>				
GAAP Net (loss) income per share	<u>\$ (0.12)</u>	<u>\$ 0.00</u>	<u>\$ (0.26)</u>	<u>\$ (0.05)</u>
Non-GAAP Net income per share	<u>\$ 0.19</u>	<u>\$ 0.13</u>	<u>\$ 0.53</u>	<u>\$ 0.33</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>September 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	\$ 158.1
AT&T software subscriptions revenues	(13.0)	(12.9)	(12.9)	(13.5)	(14.2)	(12.3)	(11.8)	(11.5)
Core subscription revenue	\$ 85.4	\$ 91.2	\$ 98.0	\$ 106.4	\$ 116.1	\$ 124.7	\$ 134.2	\$ 146.6

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

	Q4 2018		FY 2018	
	Low Range	High Range	Low Range	High Range
GAAP revenues	179.0	182.0	664.0	667.0
GAAP loss from operations	(7.4)	(5.7)	(20.4)	(18.7)
GAAP operating margin	(4.1%)	(3.1%)	(3.1%)	(2.8%)
Stock-based compensation	19.8	18.8	69.2	68.2
Amortization of acquisition intangibles and acquisition related matters	1.7	1.6	6.8	6.7
Non-GAAP income from operations	\$ 14.1	\$ 14.7	\$ 55.6	\$ 56.2
Non-GAAP operating margin	7.9%	8.1%	8.4%	8.4%

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

	Q4'18		FY'18	
	Low Range	High Range	Low Range	High Range
<b>Core subscription revenue reconciliation</b>				
Software subscriptions	\$ 165.0	\$ 167.0	\$ 606.0	\$ 608.0
AT&T software subscriptions revenues	(10.5)	(11.4)	(46.0)	(47.0)
Core subscription revenue	\$ 154.5	\$ 155.6	\$ 560.0	\$ 561.0

# THANK YOU

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**RingCentral<sup>®</sup>**