

Q1 2019 Earnings Presentation

Q1 Revenue and EPS above guidance | Raising FY2019 guidance

May 6, 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, 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-K for the year ended December 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.

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 measures 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. 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.

Q1 2019 Business Highlights

- ▶ **Largest seat count win**
 - 45,000 seat international retail win
 - Met unique custom workflow requirements to improve employee efficiency and customer service
- ▶ **Zoom partnership extension**
 - Multi-year extension of partnership
 - Best-in-class integrated solution with RingCentral's cloud PBX, team messaging, and Zoom's video communications platform
- ▶ **Enterprise business⁽¹⁾ momentum**
 - ARR of \$200M
 - Grew ARR 95% Y/Y
- ▶ **Channel partners strong growth**
 - ARR of \$203M
 - Grew ARR 75% Y/Y

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

Q1 2019 Financial Highlights at-a-Glance

Revenue	Total Revenue	\$201 million, 34% Y/Y growth
	Software Subscriptions	\$183 million, 33% Y/Y growth
ARR	Total ARR	\$777 million, 32% Y/Y growth
	RingCentral Office ⁽¹⁾	\$694 million, 36% Y/Y growth
	Mid-Market & Enterprise ⁽²⁾	\$346 million, 70% Y/Y growth
	Enterprise ⁽³⁾	\$200 million, 95% Y/Y growth
	Channel Partners	\$203 million, 75% Y/Y growth

(1) RingCentral Office includes customer subscriptions from RingCentral Office and RingCentral Contact Center solutions customers

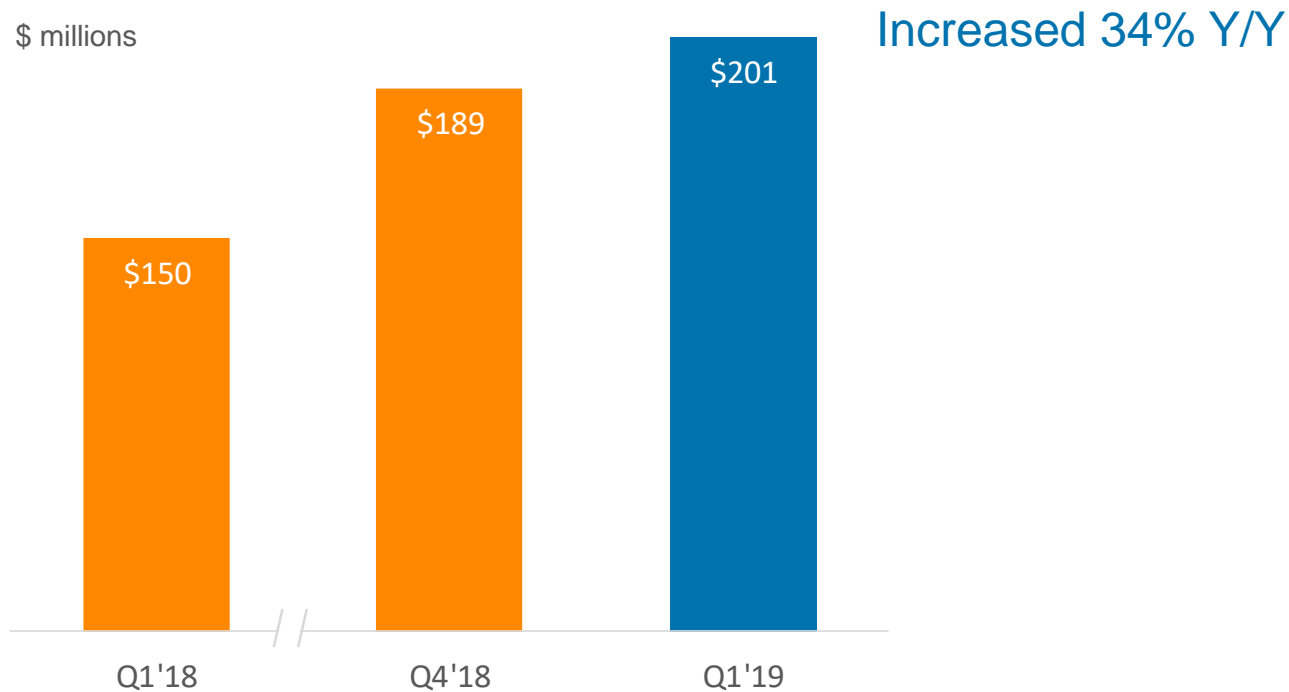
(2) Mid-market and enterprise business is defined as RingCentral Office customers that generate \$25,000 or greater ARR

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

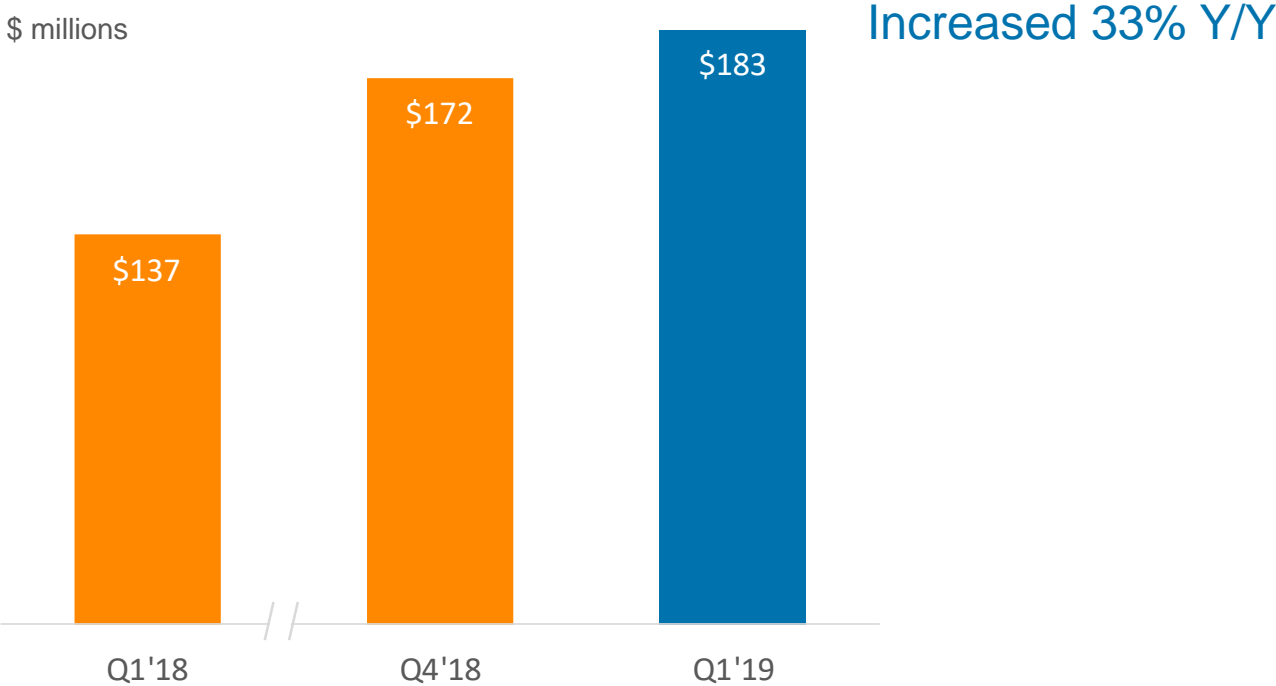
Q1 2019 Results vs Q1 2019 Guidance

	Q1 Guidance	Q1 Results
Total Revenue	\$191.5M - \$194.5M	\$201M
Total Revenue Growth Y/Y	27% - 29%	34%
Subscriptions Revenue	\$175.5M - \$177.5M	\$183M
Subscriptions Revenue Growth Y/Y	28% - 30%	33%
GAAP Operating Margin	(4.0%) – (3.0%)	(3.7%)
Non-GAAP Operating Margin	8.0% - 8.1%	8.1%
Non-GAAP EPS	\$0.14 - \$0.16	\$0.17

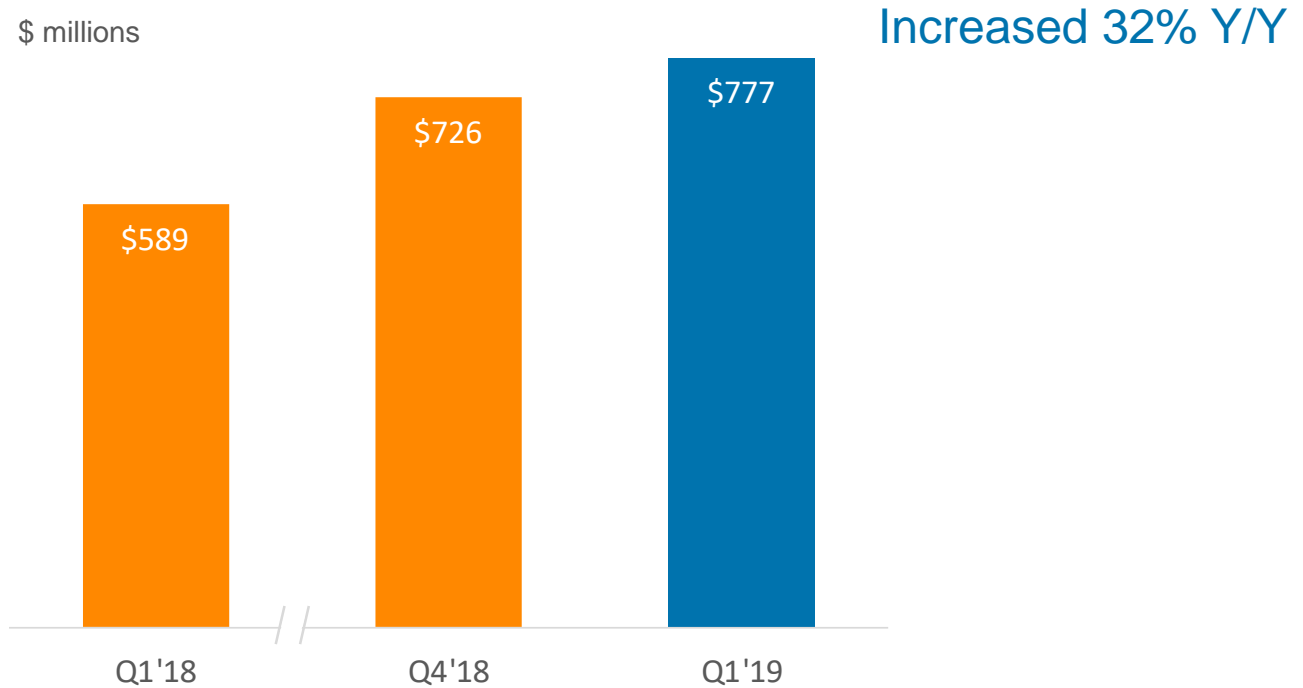
Total Revenue



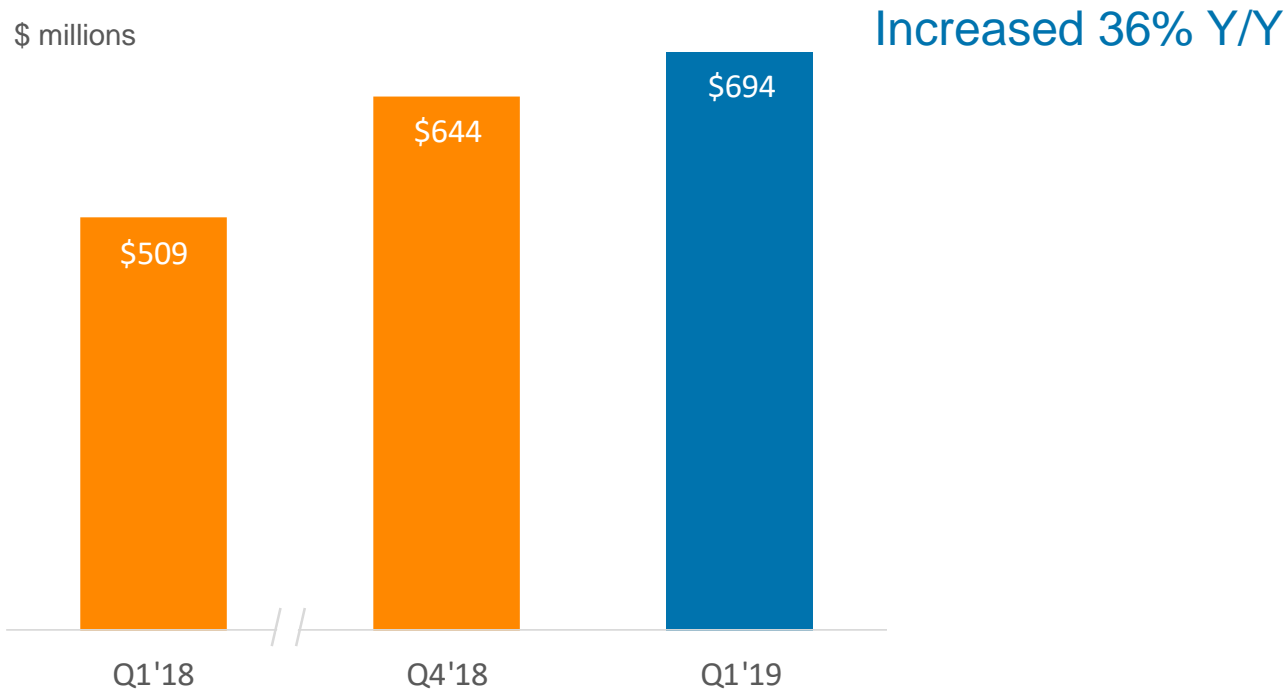
Software Subscriptions Revenue



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.

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



Q2 2019 and FY2019 Guidance

RingCentral[®]

Q2 2019 Guidance

	Q2 2019
Total Revenue	\$203.5M - \$205.5M
Total Revenue Growth Y/Y	27% - 28%
Subscriptions Revenue	\$185.5M - \$187.5M
Subscriptions Revenue Growth Y/Y	27% - 28%
GAAP Operating Margin	(6.6%) – (5.8%)
Non-GAAP Operating Margin	8.3% - 8.5%
Non-GAAP Tax Rate	22.5%
Non-GAAP EPS	\$0.15 - \$0.17

Raising FY 2019 Guidance

	Prior	New
Total Revenue	\$847M - \$859M	\$862M - \$866M
Total Revenue Growth Y/Y	26% - 28%	28% - 29%
Subscriptions Revenue	\$775M - \$785M	\$786M - \$790M
Subscriptions Revenue Growth Y/Y	26% - 28%	28% - 29%
GAAP Operating Margin	(4.3%) – (3.2%)	(4.4%) – (3.7%)
Non-GAAP Operating Margin	9.0% - 9.3%	9.0% - 9.3%
Non-GAAP Tax Rate	22% - 24%	22.5%
Non-GAAP EPS	\$0.69 - \$0.73	\$0.71 - \$0.75

Metrics Appendix

RingCentral[®]

Mid-Market & Enterprise ARR Historical Trends

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
New metric (\$25K ARR or greater)	\$203M	\$233M	\$265M	\$302M
Previous metric (50 seats or greater)	\$205M	\$237M	\$270M	\$309M

Move to **dollar-based** from seat-based **ARR metric** to provide **better transparency**, reflecting expanding portfolio

New Lease Standard Adoption

RingCentral[®]

New Lease Accounting Standard (effective 1/1/2019)

▶ What changes

- Operating leases for facilities and datacenters reported on the balance sheet

▶ What doesn't change

- Income statement, operating cash flow, or free cash flow

▶ Impact

- New balance sheet line items added for operating lease assets and operating lease liabilities

New Lease Accounting Standard Illustrative Example

Current Standard	Beg of Year	End of Year		
		1	2	3
Lease Expense	\$0	\$100	\$100	\$100
Right-of-use Assets	n/a	n/a	n/a	n/a
Operating Lease Liabilities	n/a	n/a	n/a	n/a

New Standard (842)	Beg of Year	End of Year		
		1	2	3
Lease Expense	\$0	\$100	\$100	\$100
Right-of-use Assets	\$272	\$186	\$95	\$0
Operating Lease Liabilities	\$272	\$186	\$95	\$0

* - For illustrative purposes only. Payments and discount rate will vary by lease.

▶ Example*:

- Three-year operating lease with \$100 payments at year end, discount rate of 5%

▶ What doesn't change?

- Income statement or cash flows

▶ What changes?

- Operating leases reported on the balance sheet versus prior off-balance sheet treatment

▶ What are the impacts to RingCentral?

- New balance sheet line items added for operating lease right-of-use assets and operating lease liabilities
- Increase in assets and liabilities of approximately \$32 million as of March 31, 2019, recorded in operating lease right-of-use assets, accrued liabilities, and operating lease liabilities lines of the balance sheet

Reconciliation GAAP to non-GAAP

RingCentral[®]

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

	Three Months Ended March 31,	
	2019	2018
Revenues		
Software subscriptions	\$ 182,708	\$ 136,960
Other	18,781	13,383
Total revenues	<u>201,489</u>	<u>150,343</u>
Cost of revenues reconciliation		
GAAP Software subscriptions cost of revenues	35,334	24,526
Stock-based compensation	(1,346)	(876)
Amortization of acquisition intangibles	(1,010)	(151)
Acquisition related matters	(50)	—
Non-GAAP Software subscriptions cost of revenues	<u>32,928</u>	<u>23,499</u>
GAAP Other cost of revenues	15,501	11,148
Stock-based compensation	(295)	(134)
Non-GAAP Other cost of revenues	<u>15,206</u>	<u>11,014</u>
Gross profit and gross margin reconciliation		
Non-GAAP Subscriptions	82.0%	82.8%
Non-GAAP Other	19.0%	17.7%
Non-GAAP Gross profit	76.1%	77.0%
Operating expenses reconciliation		
GAAP Research and development	29,787	22,651
Stock-based compensation	(4,262)	(3,094)
Acquisition related matters	(347)	—
Non-GAAP Research and development	<u>25,178</u>	<u>19,557</u>
As a % of total revenues non-GAAP	12.5%	13.0%
GAAP Sales and marketing	99,551	71,920
Stock-based compensation	(7,608)	(5,041)
Amortization of acquisition intangibles	(922)	(916)
Acquisition related matters	(1,642)	—
Non-GAAP Sales and marketing	<u>89,379</u>	<u>65,963</u>
As a % of total revenues non-GAAP	44.4%	43.9%
GAAP General and administrative	28,779	21,449
Stock-based compensation	(5,887)	(4,122)
Acquisition related matters	(423)	—
Non-GAAP General and administrative	<u>22,469</u>	<u>17,327</u>
As a % of total revenues non-GAAP	11.2%	11.5%
Income (loss) from operations reconciliation		
GAAP loss from operations	(7,463)	(1,351)
Stock-based compensation	19,398	13,267
Amortization of acquisition intangibles	1,932	1,067
Acquisition related matters	2,462	—
Non-GAAP Income from operations	<u>16,329</u>	<u>12,983</u>
Non-GAAP Operating margin	8.1%	8.6%

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

	Three Months Ended	
	March 31,	
	2019	2018
Net (loss) income reconciliation		
GAAP net loss	\$ (6,358)	\$ (2,716)
Stock-based compensation	19,398	13,267
Amortization of acquisition intangibles	1,932	1,067
Acquisition related matters	2,462	—
Amortization of debt discount and issuance costs	4,982	1,370
Intercompany remeasurement loss (gain)	126	274
Tax benefit from release of valuation allowance	(3,245)	—
Income tax expense effects	(4,218)	—
Non-GAAP net income	<u>\$ 15,079</u>	<u>\$ 13,262</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	81,400	78,341
Effect of dilutive securities	5,525	6,629
Non-GAAP weighted average shares used in computing non-GAAP diluted net income per share	<u>86,925</u>	<u>84,970</u>
Diluted net (loss) income per share		
GAAP net loss per share	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>
Non-GAAP net income per share	<u>\$ 0.17</u>	<u>\$ 0.16</u>

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

	Q2 2019		FY 2019	
	Low Range	High Range	Low Range	High Range
GAAP revenues	203.5	205.5	862.0	866.0
GAAP loss from operations	(13.4)	(11.8)	(37.9)	(32.0)
GAAP operating margin	(6.6%)	(5.8%)	(4.4%)	(3.7%)
Stock-based compensation	28.0	27.0	104.0	101.0
Amortization of acquisition intangibles	2.3	2.3	9.0	9.0
Acquisition related matters	-	-	2.5	2.5
Non-GAAP income from operations	16.9	17.5	77.6	80.5
Non-GAAP operating margin	8.3%	8.5%	9.0%	9.3%

THANK YOU

RingCentral[®]