

# Q3 2020 Investor Presentation

---

Five9 (NASDAQ: FIVN)



The Intelligent Cloud Contact Center

# Safe Harbor

This presentation is proprietary and is intended solely for the information of the persons to whom it is presented. Disclosure of this presentation, its contents, extracts or abstracts to third parties is not authorized without the express written permission of Five9, Inc. (the “Company”), and it may not be retained, reproduced or distributed, in whole or in part, by any means (including electronic) without the prior written consent of Five9, Inc.

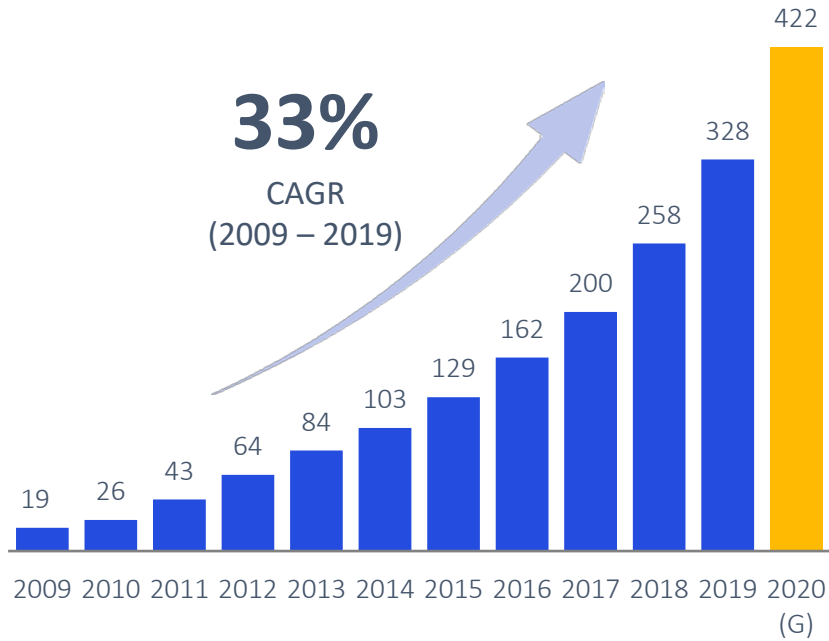
This presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning events, trends, expectations and beliefs that may affect our industry or the Company, including potential growth drivers, projections and guidance concerning our future results of operations including our long-term model, our market opportunity and our long-term growth prospects. The Company has based these forward-looking statements on its current expectations and projections about future events and financial and operating trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Our actual results may be materially different from what we discuss here, and you should not unduly rely on such forward-looking statements. Please refer to our most recent Form 10-K and 10-Q under the caption "Risk Factors" and elsewhere in such reports, for detailed information about factors that could cause our results to differ from those set forth in such forward-looking statements, including risks related to the ongoing COVID-19 pandemic. Past performance is not necessarily indicative of future results. We undertake no obligation to update any such forward-looking information.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP and may differ from non-GAAP measures used by other companies in our industry. The Company considers these non-GAAP financial measures to be important because they provide useful measures of the operating performance of the Company, exclusive of unusual events, as well as factors that do not directly affect what we consider to be our core operating performance. The non-GAAP financial measures should not be considered a substitute for financial information presented in accordance with GAAP. Please see the reconciliation of non-GAAP financial measures to the most directly comparable GAAP measure set forth in the Appendix to this presentation.

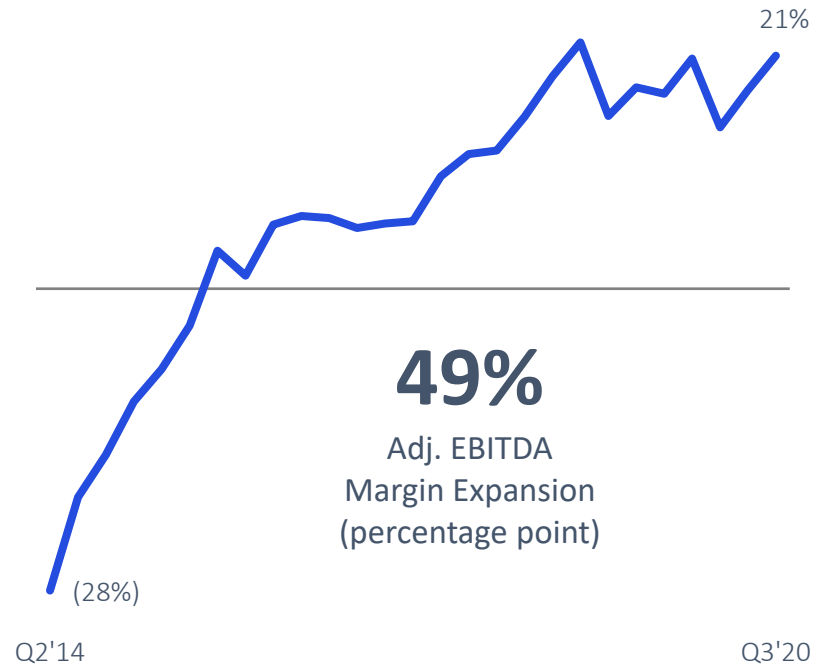
This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical data and accordingly, we cannot guarantee their accuracy or completeness.

# Leader in Cloud Software for Contact Centers

Annual Revenue (\$M)



Adj. EBITDA Margin Since IPO



**100%**

Cloud

**82%**

Enterprise  
(LTM)

**35%**

Enterprise Subscription  
YoY Growth (LTM)

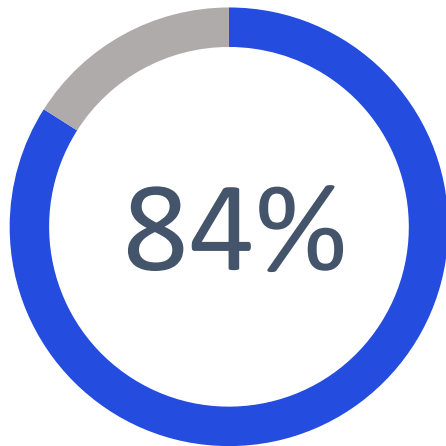
**59**

\$1M+ ARR Enterprise  
Customers (Q4'19 Ann.)

Note: 2020 (G) represents the midpoint of revenue guidance disclosed on 10/29/20. Reader shall not construe presentation of this information after 10/29/20 as an update or reaffirmation of such guidance. LTM metrics as of 9/30/20. \$1M+ ARR based on Q4'19 annualized. Historical results prior to 2018 based on ASC 605

# The Problem:

## Consumers Dislike Customer Service

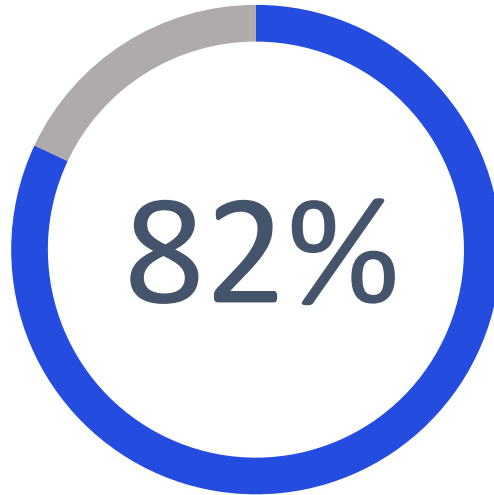


Of end customers say being treated like a person, not a number, is very important to winning their business

- Difficulty speaking to an agent
- Depersonalized and disconnected experiences
- Labyrinthian IVR trees
- Long wait times

# Customer Service Must Transform

(one of the most important parts of Digital Transformation)

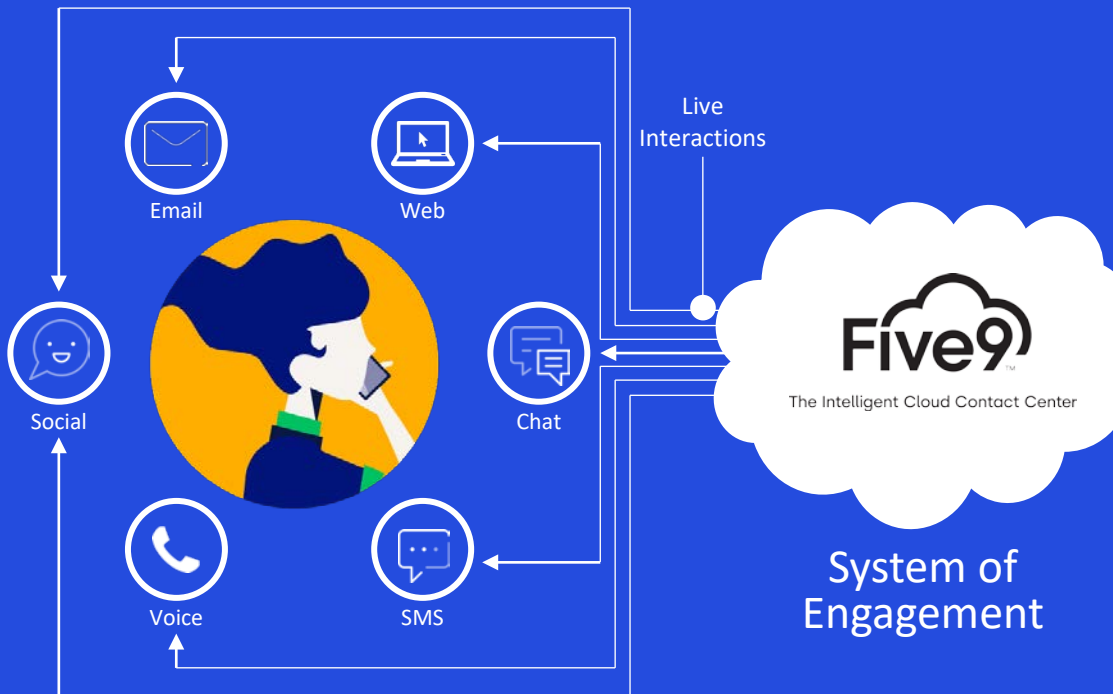


Of service decision makers say their company's customer service must transform to stay competitive

# Five9 Enables Companies to Engage Better

- 1 Serve customers in the channel(s) they prefer**
- 2 Unify customer information into a single view**
- 3 Modern engagement platform**

## Customer



# 1

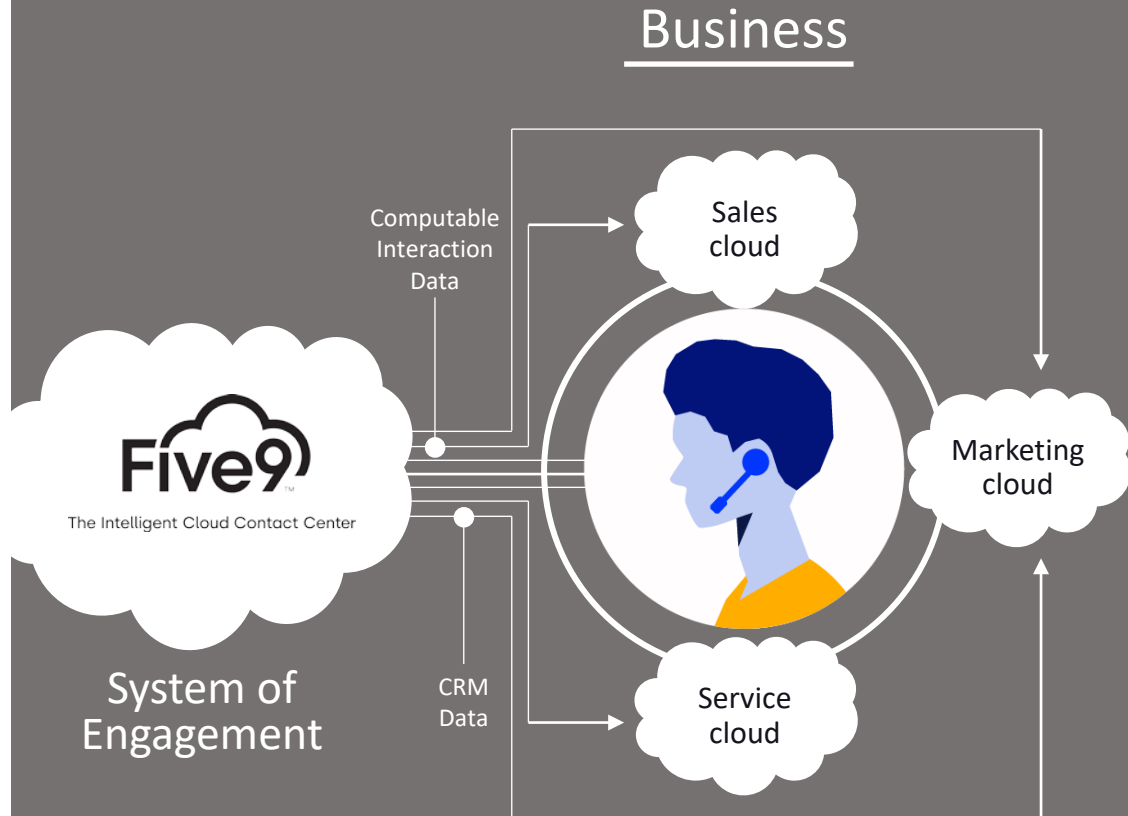
Serve customers  
in the channel(s)  
they prefer

- Fully blended, omnichannel platform
- Any channel, voice or digital
- Any interaction, live or live-ish
- Anytime and anywhere

# 2

## Unify customer information into a single view

- Hand-in-glove CRM integration
- Enrich CRM insights with Five9's computable interaction data
- Personalize service across the customer journey

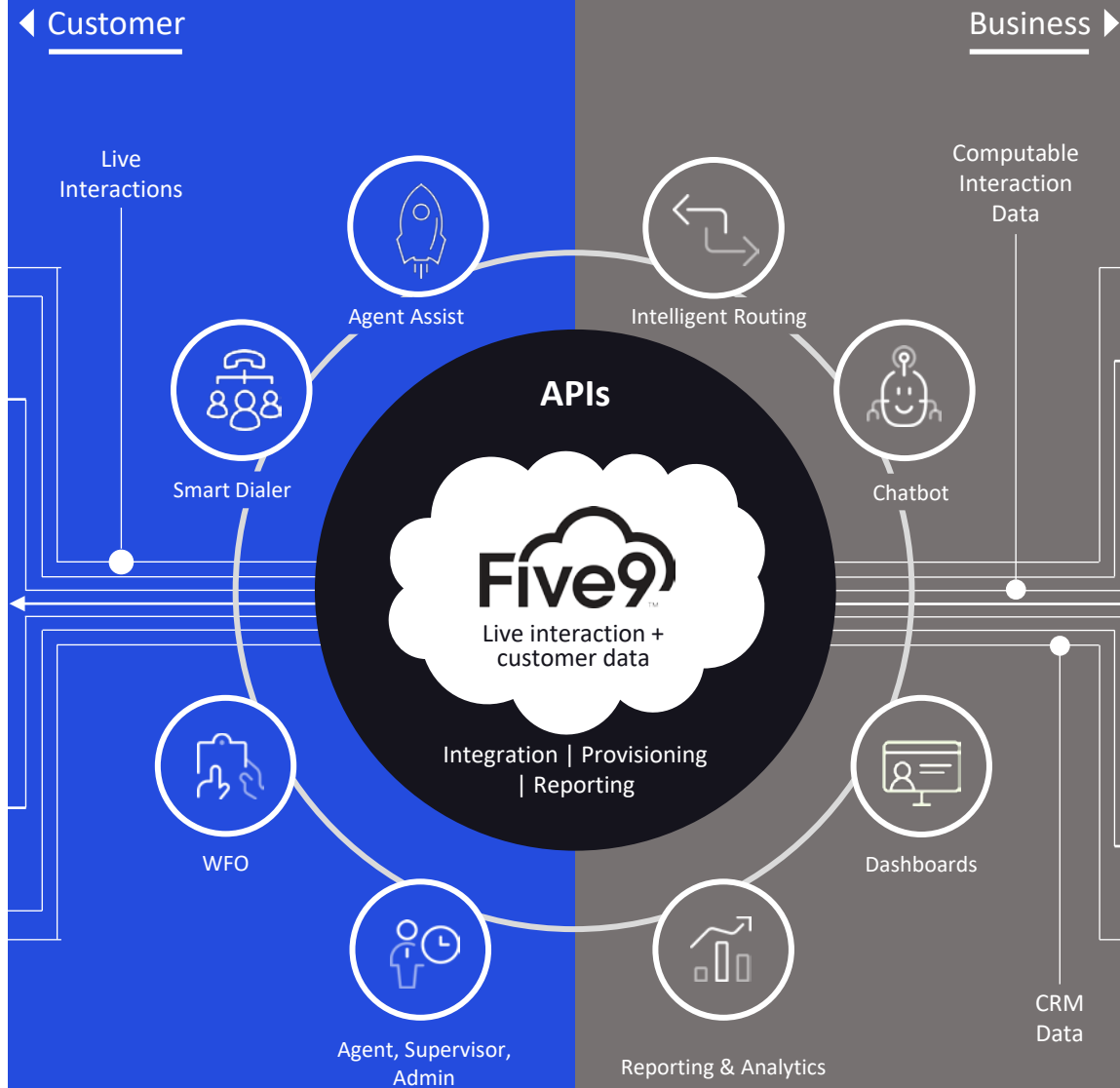




# 3

## Modern engagement platform

- Intelligently route customers to agents that best address needs
- Provide best-in-class tools to agents, supervisors and admins
- Turn interaction data into actionable insights

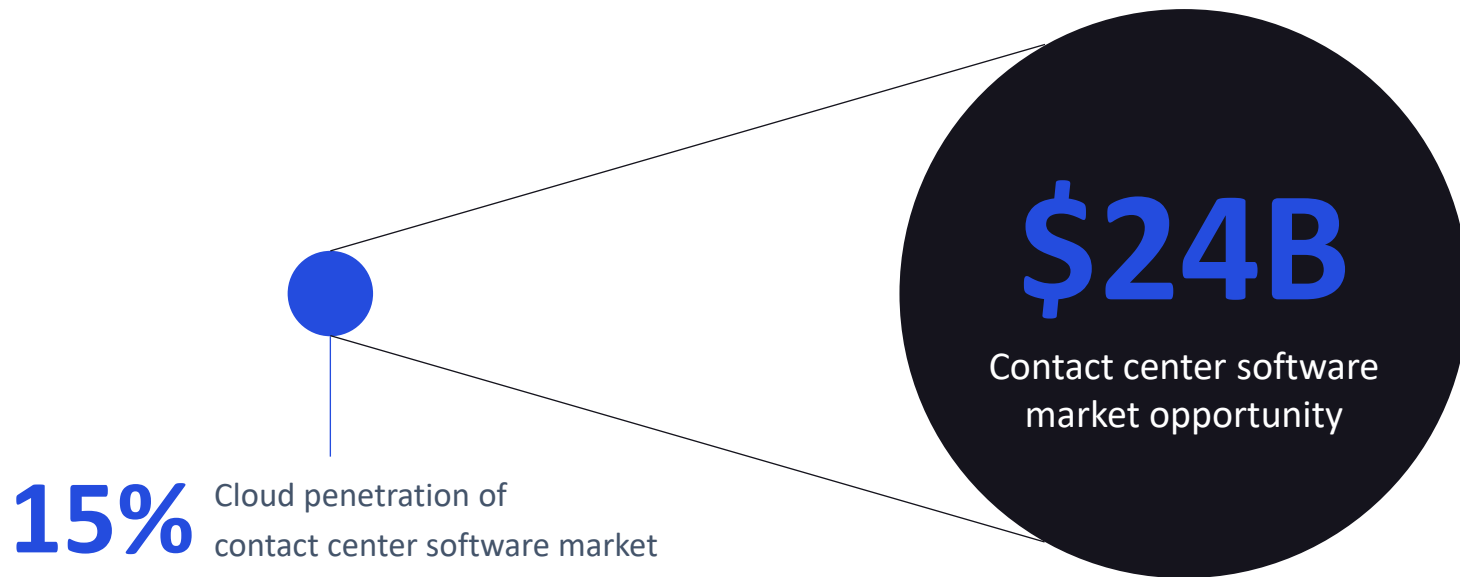


# The Market is Strong

Legacy to cloud

Digital  
transformation

# Large and Underpenetrated Market Opportunity



Current addressable market opportunity

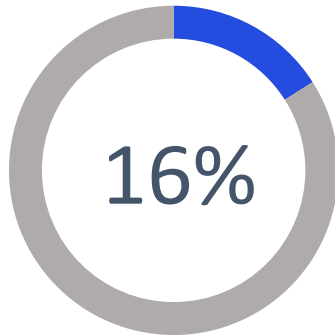
Source: Company estimates; Gartner estimates, Oct 2018; MZA estimates, Oct 2018  
Note: 15% penetration represents estimated penetration in North America

© 2019 Five9, Inc. All rights Reserved. Proprietary and Confidential to Five9 Inc.

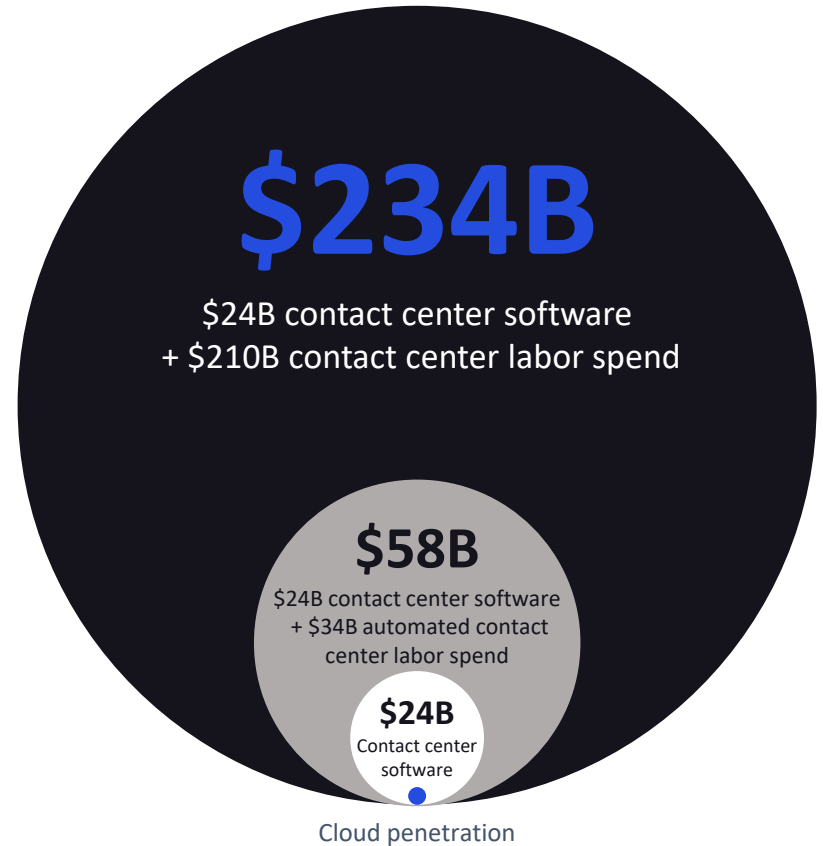
The Intelligent Cloud Contact Center



# Longer-Term Expansion into the Market for Contact Center Labor Spend



Percentage of customer service representatives that will be displaced due to automation by 2030  
– McKinsey



Long-term addressable market opportunity

# Why Enterprise Customers Choose Five9

- **Full Feature Set:** ACD, IVR, dialer, inbound, outbound, blending, omni-channel, WFO, reporting, APIs...
- **Superior User Experience / Customer Experience**
- **Innovation:** Customer journey, analytics, mobile...
- **Deepest CRM Integrations:** Salesforce, Oracle, Zendesk, Microsoft, ServiceNow...



## End-to-End Solution



## Five9 TRUST Platform

- **Reliable:** 99.99% uptime
- **Secure Architecture:** Security zones, IPS / IDS, Next-Gen Firewalls
- **Compliant:** PCI DSS, HIPAA, CPNI, GDPR, CCPA
- **Scalable:** 6B+ call minutes annually
- **End-to-End Network Connectivity:** Tier 1 carrier redundancy, MPLS Agent Connect, high QOS

- **Our People:** Recruit and retain top talent with a customer-first attitude
- **Chemistry:** “Whatever it takes mentality,” teamwork and communication
- **KPIs:** Cross-functional metrics focused on customer success



## Customer-First Culture



## Implementation & Support

- **High-Touch / On-Site Implementation**
  - Detailed Discovery
  - Design & Testing
  - Training & Optimization
- **Premium Support:** Ongoing dedicated TAM

# Five9 is a Leader in Cloud Contact Center Software



**Five9 Named a Leader** for the 5<sup>th</sup> Year in a Row in Gartner Magic Quadrant Contact Center as a Service

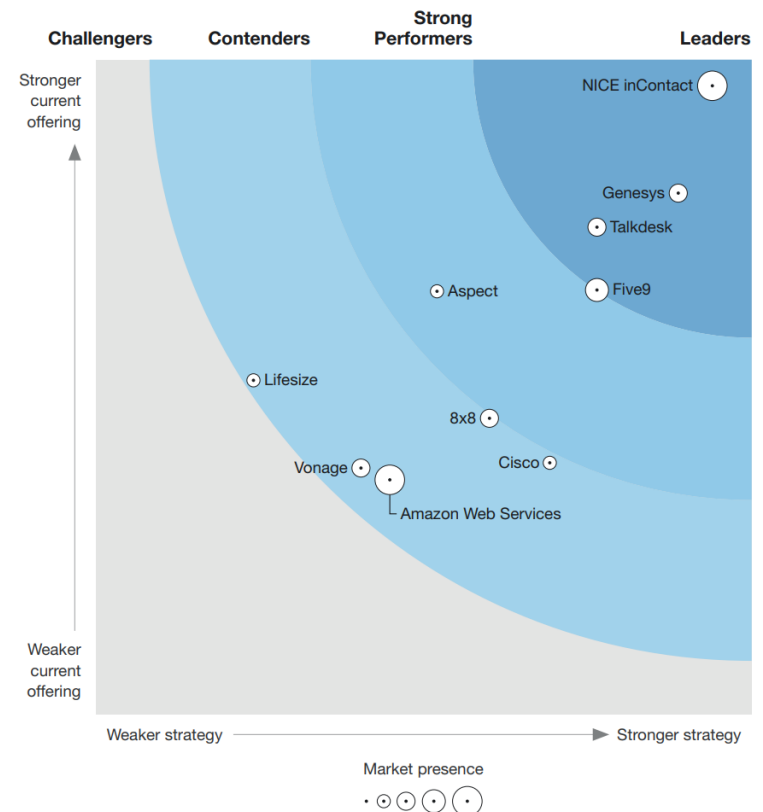


**Five9 Named a Leader** for the 2<sup>nd</sup> Year in a Row in The Forrester Wave™: Contact-Center-As-A-Service (CCaaS) Providers

Figure 1. Magic Quadrant for Contact Center as a Service, North America



Source: Gartner (October 2019)



Source: Magic Quadrant for Contact Center as a Service, North America, Gartner, Oct 2019; The Forrester Wave™: Contact-Center-As-A-Service (CCaaS) Providers, Q3 2020, Forrester, Aug 2020

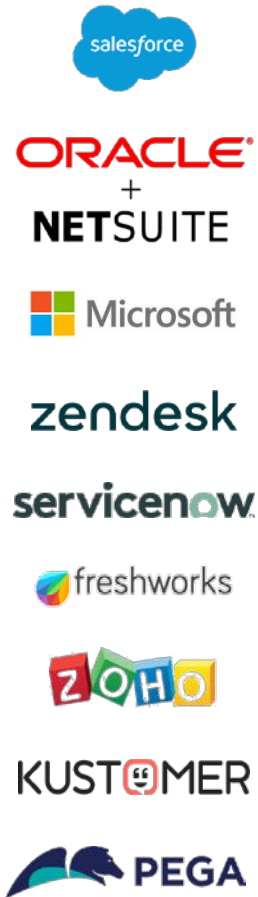
© 2019 Five9, Inc. All rights Reserved. Proprietary and Confidential to Five9 Inc.

The Intelligent Cloud Contact Center



# Vibrant Partner Ecosystem

## CRM



## Systems Integrator



## Technology / WFO / UC



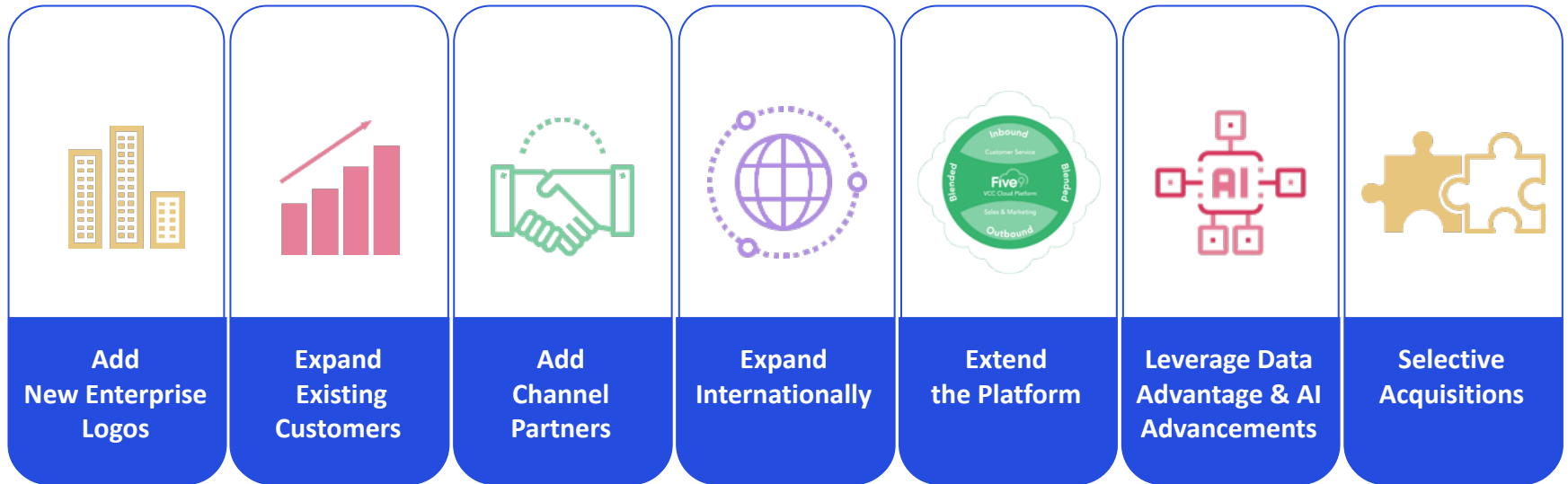
## ISV



## Master Agents / Resellers



# Multiple Vectors for Long-Term Growth





# Leadership Team



**Rowan  
Trollope**  
CEO



**Dan  
Burkland**  
President



**Barry  
Zwarenstein**  
CFO



**Kimberly  
Lytikainen**  
General Counsel and  
Chief Compliance Officer



**Jonathan  
Rosenberg**  
CTO and Head of AI



**David  
Pickering**  
EVP, Engineering



**Scott  
Welch**  
EVP, Cloud Operations



**Anand  
Chandrasekaran**  
EVP, Product  
Management



**James  
Doran**  
EVP, Strategy &  
Operations

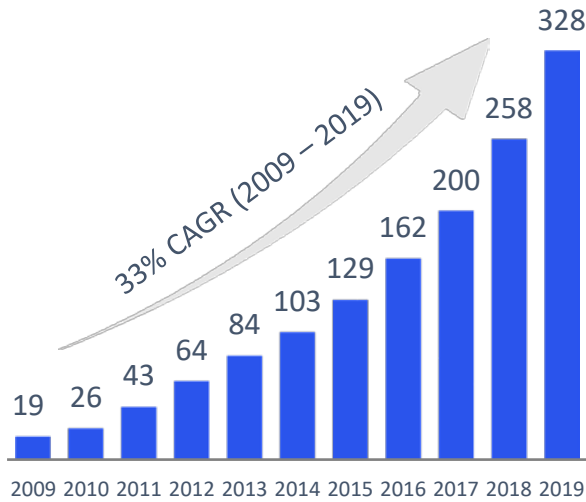


**Tricia  
Yankovich**  
SVP, People

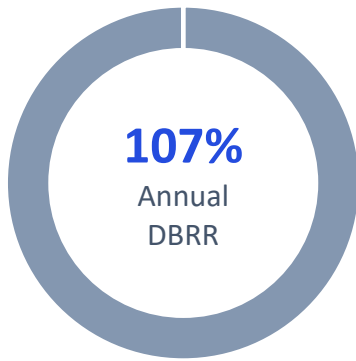
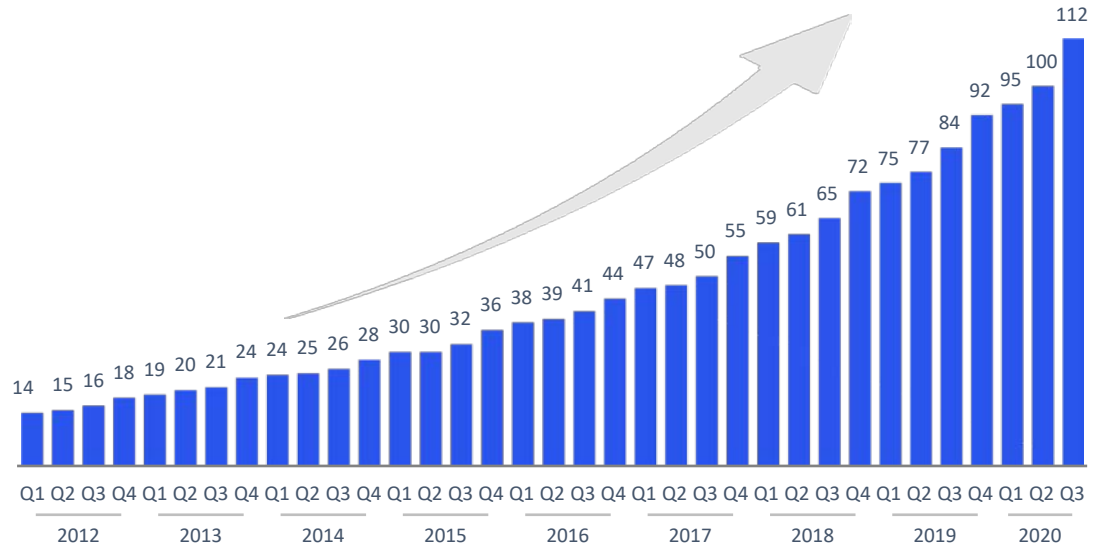


# Strong, Consistent Revenue Growth

## Annual Revenue (\$M)



## Quarterly Revenue (\$M)



**High Retention**



**High Visibility**

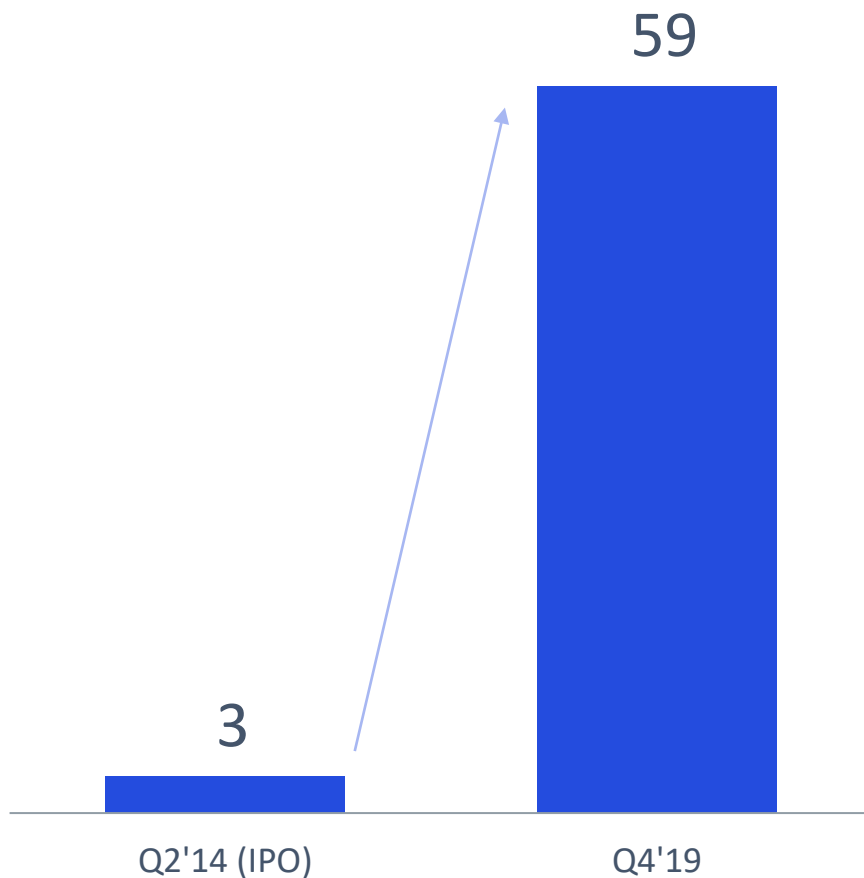


**No Concentration**

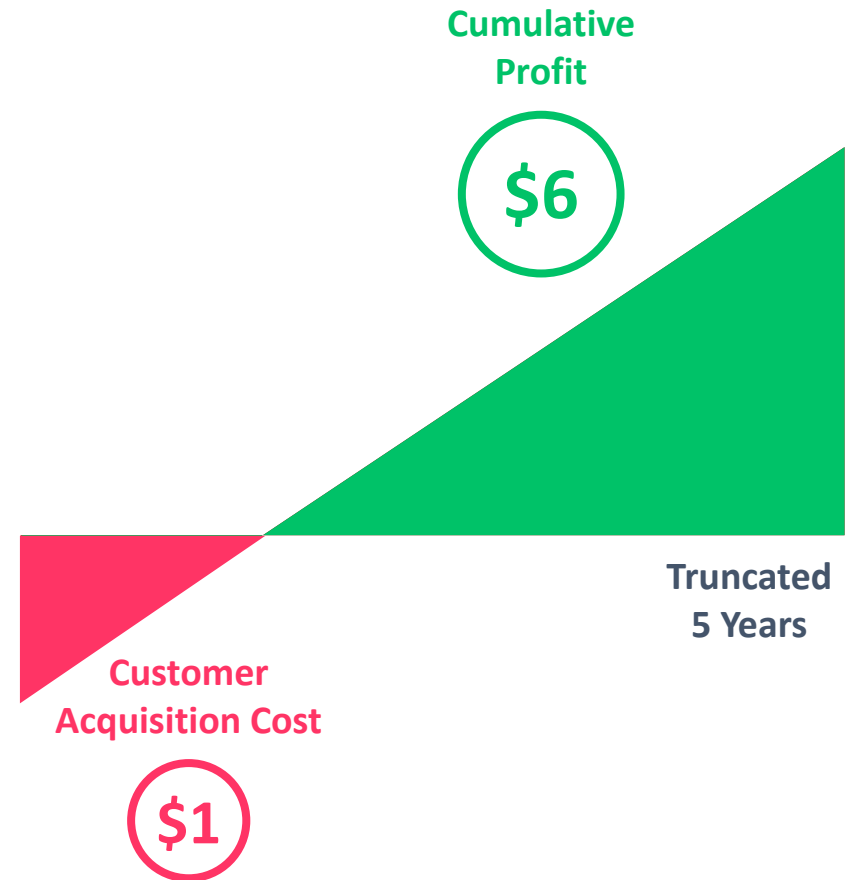
Note: Annual DBRR based on last 12 months as of 9/30/20. Recurring revenue and client concentration as of Q3'20. Historical results prior to 2018 based on ASC 605

# Enterprise Driving Strong Growth and Profitability

## Enterprise Customers \$1M+ ARR (Q4'19 Ann.)

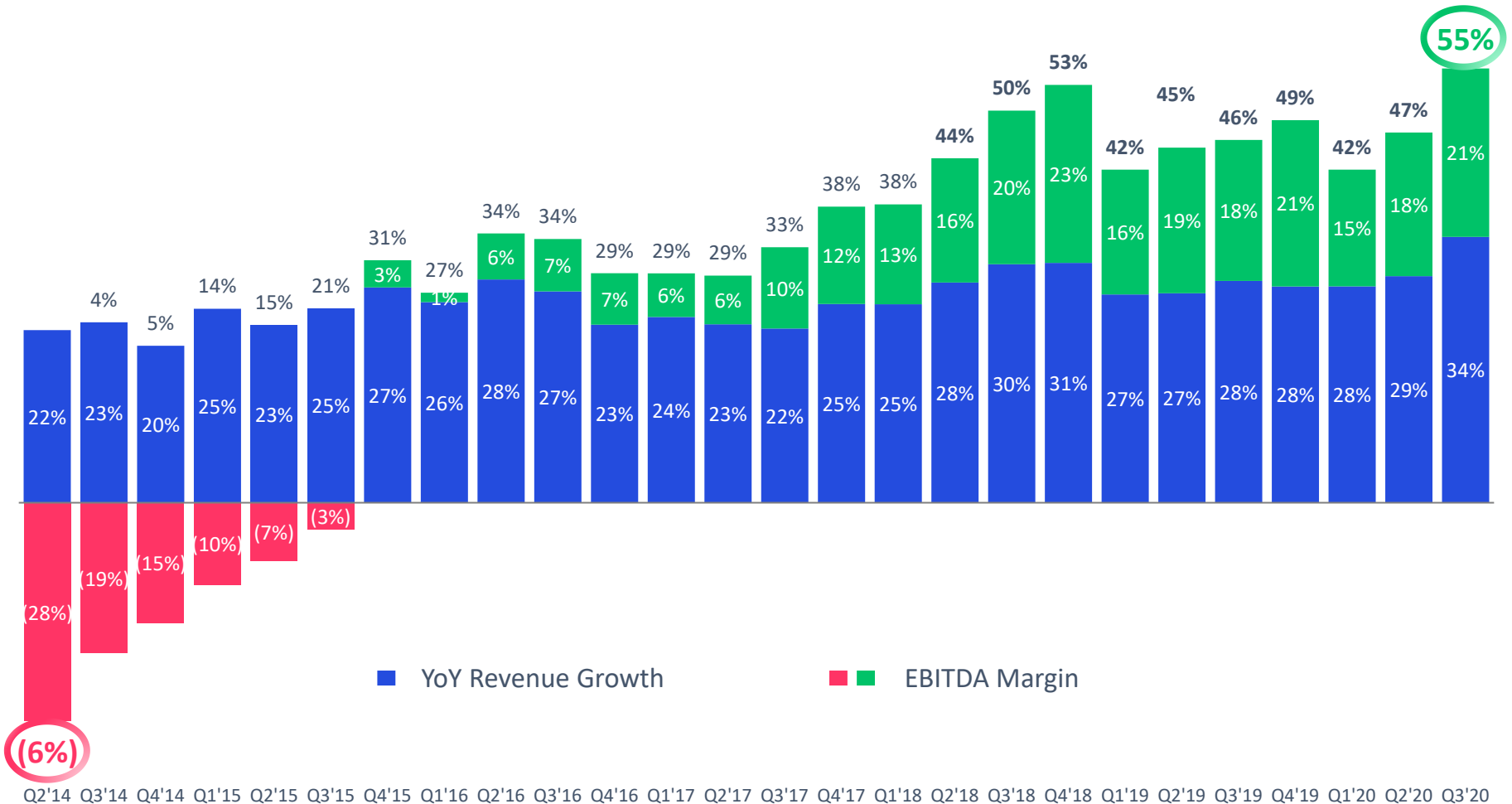


## Strong Unit Economics



Note: Unit economics calculated as estimated cumulative profit from Enterprise customers over a 5-year period divided by direct costs attributable to customer acquisition. \$1M+ ARR based on Q4'19 annualized

# Exceeding “Rule of 40” Despite Increased Investments



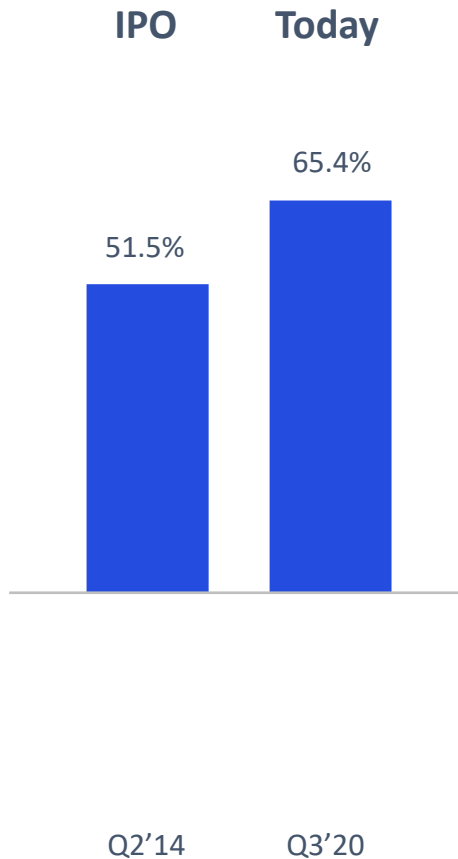
Note: Historical results prior to 2018 based on ASC 605

# Margin Expansion and Operating Leverage

Non-GAAP

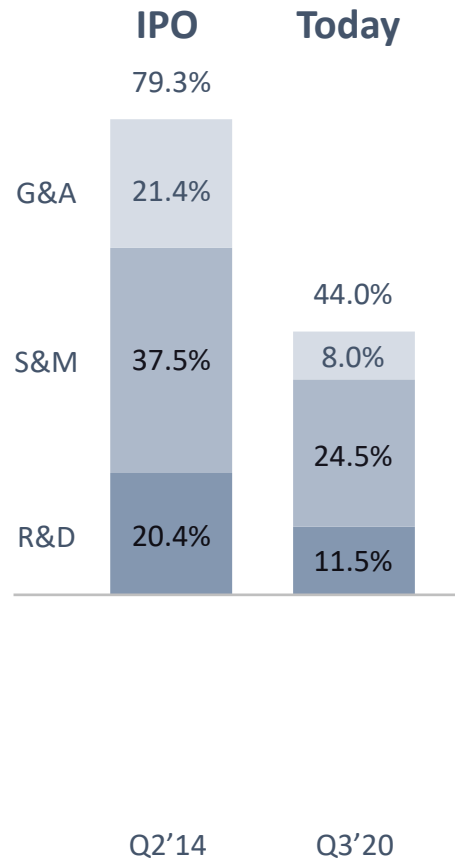
## Adj. Gross Margin

13.9% expansion



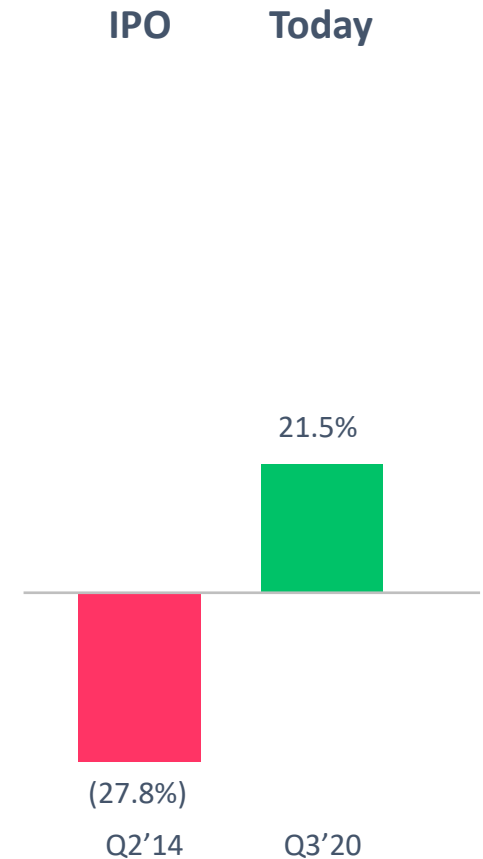
## Non-GAAP Opex (% of revenue)

35.4% improvement



## Adj. EBITDA Margin

49.3% expansion



Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. Q2'14 metrics based on ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

# Long-Term Operating Model

Non-GAAP

<b>% of Revenue</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Q3'20</b>	<b>Long-Term Model</b>
Adj. Gross Margin	53%	59%	62%	63%	64%	64%	65%	Subscription / PS margin expansion and increasing subscription mix 70%+
S&M	35%	31%	31%	31%	25%	26%	25%	Continue to invest in GTM in line with revenue growth 26% – 30%
R&D	19%	16%	13%	12%	11%	11%	11%	Current acceleration offset by long-term leverage 8% – 10%
G&A	21%	16%	13%	11%	10%	9%	8%	Economies of scale 5% – 7%
Adj. EBITDA	(22%)	(4%)	5%	9%	18%	19%	21%	27%+

Based on ASC 605

Based on ASC 606

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions. 2014-2017 metrics based on ASC 605. See appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

# Balance Sheet

\$ in Millions	Quarter Ended	
	September 30, 2020	June 30, 2020
Cash, cash equivalents and marketable investments	\$780.9	\$768.0 <sup>1</sup>
Working capital	765.3	675.5
Total assets	1,013.3	993.3
Total finance leases	1.3	2.1
Total debt	646.6	642.2
Total stockholders' equity	\$262.4	\$254.4

<sup>1</sup> Includes long-term investments of \$82.1M

# Investment Highlights



Largest 100% Cloud Contact Center Provider	~\$450M Revenue Run Rate (Q3'20)
Disrupting Large Market	\$24B current addressable market
Strong Revenue Growth	35% Growth in LTM Enterprise Subscription Revenue
Marching to Long-Term 27%+ Adjusted EBITDA	Powerful Business Model / Excellent Unit Economics
Comprehensive Solution	Enables Digital Transformation
Vibrant Partner Ecosystem	>60% of Enterprise Deal Flow Influenced by Channels
Proven Leadership Team	Recognized as a leader in Gartner MQ and Forrester Wave





# Appendix

# GAAP to Adjusted Gross Profit Reconciliation

## Q2'14 – Q3'20

	Quarter Ended																										
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	
GAAP gross profit	11,216	12,365	13,734	15,496	16,004	17,475	20,398	21,405	22,122	23,192	28,437	27,043	27,454	29,584	33,040	34,203	36,306	39,125	43,996	43,687	46,188	49,297	54,323	55,051	57,339	65,582	
<i>% GAAP gross margin</i>	45.4%	47.8%	48.6%	51.2%	52.9%	54.1%	56.6%	56.3%	56.9%	56.6%	64.3%	57.5%	57.5%	59.1%	59.6%	58.1%	59.4%	59.9%	60.8%	58.6%	59.6%	58.8%	58.9%	57.9%	57.5%	58.5%	
Depreciation & amortization	1,373	1,272	1,291	1,439	1,558	1,470	1,483	1,680	1,616	1,668	1,608	1,576	1,716	1,397	1,611	1,794	1,864	2,021	2,129	2,366	2,504	2,602	3,384	3,940	5,120	5,171	
Stock-based compensation	121	158	176	188	218	233	227	265	329	357	424	434	575	599	594	678	853	860	942	1,229	1,658	1,702	1,745	1,989	2,499	2,603	
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	(3,114)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Out of period adj. for accrued federal fees	—	—	235	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	618	—	
Adjusted gross profit	12,710	13,795	15,436	17,123	17,780	19,178	22,108	23,350	24,067	25,217	27,355	29,053	29,745	31,580	35,245	36,675	39,023	42,006	47,067	47,282	50,350	53,601	59,452	60,980	65,576	73,356	
<i>% adjusted gross margin</i>	51.5%	53.3%	54.6%	56.6%	58.7%	59.4%	61.4%	61.4%	61.9%	61.5%	61.9%	61.8%	62.3%	63.1%	63.6%	62.3%	63.8%	64.3%	65.1%	63.4%	65.0%	64.0%	64.4%	64.1%	65.7%	65.4%	

Note: Historical results prior to 2018 based on ASC 605

# GAAP to Adjusted Gross Profit Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP gross profit	48,441	69,373	95,156	117,121	153,630	193,495
<i>% GAAP gross margin</i>	47.0%	53.8%	58.7%	58.5%	59.6%	59.0%
Depreciation & amortization	5,138	5,950	6,573	6,300	7,808	10,856
Stock-based compensation	542	866	1,375	2,202	3,333	6,334
Reversal of accrued federal fees	—	—	(3,114)	—	—	—
Out of period adj. for accrued federal fees	235	—	—	—	—	—
Adjusted gross profit	54,356	76,189	99,990	125,623	164,771	210,685
<i>% adjusted gross margin</i>	52.7%	59.1%	61.7%	62.7%	63.9%	64.2%

Note: Historical results prior to 2018 based on ASC 605

# GAAP Net Inc. (Loss) to Adj. EBITDA Reconciliation

## Q2'14 – Q3'20

	Quarter Ended																									
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
GAAP net income (loss)	(8,659)	(11,435)	(9,372)	(8,903)	(7,369)	(6,048)	(3,518)	(4,911)	(3,468)	(3,890)	409	(5,255)	(4,007)	924	(631)	(607)	(2,042)	(1,305)	3,733	(1,924)	(1,860)	(1,604)	836	(7,437)	(16,052)	(11,431)
Non-GAAP adjustments:																										
Depreciation and amortization	1,699	1,567	1,605	1,775	1,910	1,840	1,863	2,103	2,060	2,140	2,086	2,095	2,270	1,881	2,068	2,320	2,449	2,667	2,838	3,192	3,361	3,497	4,324	4,970	6,243	6,537
Stock-based compensation	1,723	1,877	1,957	2,235	1,830	1,945	1,720	1,994	2,414	2,519	2,716	3,129	3,854	3,720	4,640	5,325	6,797	8,869	7,493	8,686	10,436	11,075	11,868	13,794	16,791	17,286
Interest expense	1,092	1,116	1,175	1,139	1,155	1,235	1,198	1,199	1,197	961	869	882	888	865	836	810	2,378	3,595	3,462	3,396	3,406	3,486	3,506	3,484	5,734	9,649
Interest income and other	28	(95)	(146)	(2)	49	(119)	(28)	45	33	(12)	(54)	(118)	(90)	(118)	(164)	(398)	(206)	(1,352)	(1,359)	(1,745)	(1,490)	(1,460)	(1,384)	(1,072)	4,965	(349)
Provision for (benefit from) income taxes	12	13	33	18	(20)	50	13	28	42	(2)	(14)	49	50	43	126	45	64	41	150	(49)	29	50	74	69	(2,876)	346
Extinguishment of debt	—	—	—	—	—	—	—	—	—	1,026	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	(3,114)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	1,700	—	—	—	—	—	—	—	—	—	420	—	—	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	135	—	—	—	—	241	258	93	292	64	—	—	—	—	—
Acquisition-related transaction costs and one-time integration costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	338	329	1,637	2,030
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,817	—
Change in fair value of convertible preferred and common stock warrant liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of contingent sales tax liability (G&A)	(2,766)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,133)	—	—	—	—	—	—	—	—	—	—	—	—
Accrued FCC charge (G&A)	—	2,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for accrued federal fees (COR)	—	—	235	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for sales tax liability (G&A)	—	—	183	575	190	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBITDA	(6,871)	(4,957)	(4,330)	(3,163)	(2,255)	(1,097)	1,248	458	2,278	2,742	2,898	2,617	2,965	5,182	6,875	7,495	9,681	12,773	16,410	11,848	14,366	15,044	19,562	14,137	18,259	24,068
% adjusted EBITDA margin	(27.8%)	(19.2%)	(15.3%)	(10.4%)	(7.4%)	(3.4%)	3.5%	1.2%	5.9%	6.7%	6.6%	5.6%	6.2%	10.3%	12.4%	12.7%	15.8%	19.6%	22.7%	15.9%	18.6%	18.0%	21.2%	14.9%	18.3%	21.5%

Note: Historical results prior to 2018 based on ASC 605

# GAAP Net Loss to Adjusted EBITDA Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP net income (loss)	(\$37,786)	(\$25,838)	(\$11,860)	(\$8,969)	(\$221)	(\$4,552)
Non-GAAP adjustments:						
Depreciation and amortization	6,463	7,388	8,390	8,314	10,274	14,374
Stock-based compensation	6,753	7,730	9,643	15,343	28,484	42,065
Interest expense	4,161	4,727	4,226	3,471	10,245	13,794
Interest income and other	(245)	(100)	13	(490)	(3,315)	(6,079)
Provision for (benefit from) income taxes	85	61	54	268	300	104
Extinguishment of debt	—	—	1,026	—	—	—
Reversal of accrued federal fees	—	—	(3,114)	—	—	—
Legal settlement	—	—	—	1,700	—	420
Legal and indemnification fees related to settlement	—	—	—	135	592	356
Acquisition related transaction costs	—	—	—	—	—	338
Change in fair value of convertible preferred and common stock warrant liabilities	(1,745)	—	—	—	—	—
Reversal of contingent sales tax liability (G&A)	(2,766)	—	—	—	—	—
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	(2,133)	—	—
Accrued FCC charge (G&A)	2,000	—	—	—	—	—
Out of period adj. for accrued federal fees (COR)	235	—	—	—	—	—
Out of period adj. for sales tax liability (G&A)	183	765	—	—	—	—
Adjusted EBITDA	(\$22,662)	(\$5,267)	\$8,378	\$17,639	\$46,359	\$60,820
<i>% adjusted EBITDA margin</i>	<i>(22.0%)</i>	<i>(4.1%)</i>	<i>5.2%</i>	<i>8.8%</i>	<i>18.0%</i>	<i>18.5%</i>

Note: Historical results prior to 2018 based on ASC 605

# GAAP to Non-GAAP COR and OpEx Reconciliation

## Q2'14 – Q3'20

	Quarter Ended																									
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
GAAP COR	13,469	13,504	14,540	14,778	14,270	14,812	15,635	16,610	16,764	17,790	15,770	19,971	20,273	20,497	22,363	24,702	24,814	26,179	28,339	30,851	31,248	34,472	37,940	40,037	42,453	46,561
% of revenue	54.6%	52.2%	51.4%	48.8%	47.1%	45.9%	43.4%	43.7%	43.1%	43.4%	35.7%	42.5%	42.5%	40.9%	40.4%	41.9%	40.6%	40.1%	39.2%	41.4%	40.4%	41.2%	41.1%	42.1%	42.5%	41.5%
Depreciation & amortization	(1,373)	(1,272)	(1,291)	(1,439)	(1,558)	(1,470)	(1,483)	(1,680)	(1,616)	(1,668)	(1,608)	(1,576)	(1,716)	(1,397)	(1,611)	(1,794)	(1,864)	(2,021)	(2,129)	(2,366)	(2,504)	(2,602)	(3,384)	(3,940)	(5,120)	(5,171)
Stock-based compensation	(121)	(158)	(176)	(188)	(218)	(233)	(227)	(265)	(329)	(357)	(424)	(434)	(575)	(599)	(594)	(678)	(853)	(860)	(942)	(1,229)	(1,658)	(1,702)	(1,745)	(1,989)	(2,499)	(2,603)
Reversal of accrued federal fees	—	—	—	—	—	—	—	—	—	—	3,114	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Out of period adj. for accrued federal fees	—	—	(235)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(618)	—
Non-GAAP COR	11,975	12,074	12,838	13,151	12,494	13,109	13,925	14,665	14,819	15,765	16,852	17,961	17,982	18,501	20,158	22,230	22,097	23,298	25,268	27,256	27,086	30,168	32,811	34,108	34,216	38,787
% of revenue	48.5%	46.7%	45.4%	43.4%	41.3%	40.6%	38.6%	38.6%	38.1%	38.5%	38.1%	38.2%	37.7%	36.9%	36.4%	37.7%	36.2%	35.7%	34.9%	36.6%	35.0%	36.0%	35.6%	35.9%	34.3%	34.6%
GAAP R&D	5,554	5,503	5,828	6,038	5,568	5,473	5,580	5,802	5,799	6,041	6,236	6,847	6,836	6,689	6,748	7,772	8,367	9,582	8,451	10,546	10,811	11,665	12,168	15,189	17,208	17,674
% of revenue	22.5%	21.3%	20.6%	19.9%	18.4%	17.0%	15.5%	15.3%	14.9%	14.7%	14.1%	14.6%	14.3%	13.4%	12.2%	13.2%	13.7%	14.7%	11.7%	14.1%	14.0%	13.9%	13.2%	16.0%	17.2%	15.8%
Depreciation & amortization	(50)	(58)	(75)	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)	(170)	(194)	(233)	(278)	(331)	(440)	(450)	(450)	(461)	(465)	(497)	(512)
Stock-based compensation	(471)	(583)	(527)	(574)	(340)	(475)	(401)	(435)	(528)	(547)	(549)	(637)	(801)	(797)	(807)	(877)	(1,064)	(2,352)	(1,010)	(1,470)	(1,907)	(2,022)	(2,259)	(2,806)	(3,684)	(3,876)
Acquisition-related transaction costs and one-time integration costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(248)	(439)
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(365)	—
Non-GAAP R&D	5,033	4,862	5,226	5,377	5,126	4,872	5,039	5,219	5,110	5,290	5,463	6,004	5,798	5,710	5,771	6,701	7,070	6,952	7,110	8,636	8,454	9,193	9,448	11,918	12,414	12,847
% of revenue	20.4%	18.8%	18.5%	17.8%	16.9%	15.1%	14.0%	13.7%	13.1%	12.9%	12.4%	12.8%	12.1%	11.4%	10.4%	11.4%	11.6%	10.6%	9.8%	11.6%	10.9%	11.0%	10.2%	12.5%	12.4%	11.5%
GAAP S&M	9,674	9,296	9,453	9,931	10,594	10,797	10,720	12,706	12,637	12,925	14,480	15,778	16,932	16,502	17,358	17,478	17,912	17,818	18,793	21,701	23,250	25,014	25,627	30,160	32,231	32,969
% of revenue	39.2%	35.9%	33.4%	32.8%	35.0%	33.4%	29.8%	33.4%	32.5%	31.5%	32.8%	33.6%	35.5%	33.0%	31.3%	29.7%	29.3%	27.3%	26.0%	29.1%	30.0%	29.9%	27.8%	31.7%	32.3%	29.4%
Depreciation & amortization	(48)	(50)	(50)	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)	(30)	(29)	(30)	(30)	(6)	(1)	(1)	(2)	(2)	(2)	(2)	(1)
Stock-based compensation	(368)	(361)	(455)	(524)	(458)	(448)	(370)	(434)	(544)	(626)	(759)	(928)	(1,224)	(1,084)	(1,128)	(1,362)	(1,585)	(1,613)	(1,747)	(2,249)	(2,749)	(3,017)	(3,353)	(4,106)	(5,265)	(5,427)
Acquisition-related transaction costs and one-time integration costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(169)	(28)
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(596)	—
Non-GAAP S&M	9,258	8,885	8,948	9,358	10,085	10,297	10,296	12,219	12,039	12,243	13,663	14,820	15,678	15,388	16,200	16,087	16,297	16,175	17,040	19,451	20,500	21,995	22,272	26,052	26,199	27,513
% of revenue	37.5%	34.3%	31.6%	30.9%	33.3%	31.9%	28.6%	32.1%	31.0%	29.9%	30.9%	31.5%	32.8%	30.7%	29.2%	27.3%	26.7%	24.8%	23.6%	26.1%	26.5%	26.3%	24.1%	27.4%	26.3%	24.5%

Note: Historical results prior to 2018 based on ASC 605

# GAAP to Non-GAAP COR and OpEx Reconciliation (cont'd)

## Q2'14 – Q3'20

	Quarter Ended																										
	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	
GAAP G&A	3,515	7,967	6,763	7,275	6,027	6,087	6,433	6,536	5,882	6,143	6,511	8,860	6,845	4,679	8,767	9,103	9,833	10,746	10,766	11,762	12,042	12,146	13,496	14,658	16,129	16,724	
% of revenue	14.2%	30.8%	23.9%	24.0%	19.9%	18.9%	17.9%	17.2%	15.1%	15.0%	14.7%	18.8%	14.3%	9.3%	15.8%	15.5%	16.1%	16.5%	14.9%	15.8%	15.6%	14.5%	14.6%	15.4%	16.2%	14.9%	
Depreciation & amortization	(228)	(187)	(189)	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)	(257)	(303)	(322)	(338)	(372)	(385)	(406)	(443)	(477)	(563)	(624)	(853)	
Stock-based compensation	(763)	(775)	(799)	(949)	(814)	(789)	(722)	(860)	(1,013)	(989)	(984)	(1,130)	(1,254)	(1,240)	(2,111)	(2,408)	(3,295)	(4,044)	(3,794)	(3,738)	(4,122)	(4,334)	(4,511)	(4,893)	(5,343)	(5,380)	
Legal settlement	—	—	—	—	—	—	—	—	—	—	—	(1,700)	—	—	—	—	—	—	—	—	(420)	—	—	—	—	—	
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	—	—	—	(135)	—	—	—	—	(241)	(258)	(93)	(292)	(64)	—	—	—	—	—	
Acquisition-related transaction costs and one-time integration costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(338)	(329)	(1,220)	(1,563)	
COVID-19 relief bonus for employees	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(238)	—
Reversal of contingent sales tax liability	2,766	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Reversal of interest & penalties on accrued federal fees	—	—	—	—	—	—	—	—	—	—	—	—	—	2,133	—	—	—	—	—	—	—	—	—	—	—	—	
Accrued FCC charge	—	(2,000)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Out of period adj. for sales tax liability	—	—	(183)	(575)	(190)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Non-GAAP G&A	5,290	5,005	5,592	5,551	4,824	5,106	5,525	5,454	4,640	4,942	5,331	5,612	5,304	5,300	6,399	6,392	5,975	6,106	6,507	7,347	7,030	7,369	8,170	8,873	8,704	8,928	
% of revenue	21.4%	19.3%	19.8%	18.3%	15.9%	15.8%	15.3%	14.3%	11.9%	12.1%	12.1%	11.9%	11.1%	10.6%	11.5%	10.9%	9.8%	9.4%	9.0%	9.9%	9.1%	8.8%	8.9%	9.3%	8.7%	8.0%	

Note: Historical results prior to 2018 based on ASC 605

# GAAP to Non-GAAP COR and OpEx Reconciliation

2014 – 2019

	Year Ended					
	2014	2015	2016	2017	2018	2019
GAAP COR	\$54,661	\$59,495	\$66,934	\$83,104	\$104,034	\$134,511
<i>% of revenue</i>	53.0%	46.2%	41.3%	41.5%	40.4%	41.0%
Depreciation & amortization	(5,138)	(5,950)	(6,573)	(6,300)	(7,808)	(10,856)
Stock-based compensation	(542)	(866)	(1,375)	(2,202)	(3,333)	(6,334)
Reversal of accrued federal fees	—	—	3,114	—	—	—
Out of period adj. for accrued federal fees	(235)	—	—	—	—	—
Non-GAAP COR	\$48,746	\$52,679	\$62,100	\$74,602	\$92,893	\$117,321
<i>% of revenue</i>	47.3%	40.9%	38.3%	37.3%	36.1%	35.8%
GAAP R&D	\$22,110	\$22,659	\$23,878	\$27,120	\$34,172	\$45,190
<i>% of revenue</i>	21.4%	17.6%	14.7%	13.5%	13.3%	13.8%
Depreciation & amortization	(229)	(455)	(737)	(795)	(1,036)	(1,801)
Stock-based compensation	(1,931)	(1,790)	(2,059)	(3,042)	(5,303)	(7,658)
Non-GAAP R&D	\$19,950	\$20,414	\$21,082	\$23,283	\$27,833	\$35,731
<i>% of revenue</i>	19.3%	15.8%	13.0%	11.6%	10.8%	10.9%
GAAP S&M	\$37,445	\$42,042	\$52,748	\$66,570	\$72,001	\$95,592
<i>% of revenue</i>	36.3%	32.6%	32.5%	33.2%	27.9%	29.1%
Depreciation & amortization	(196)	(206)	(221)	(120)	(95)	(6)
Stock-based compensation	(1,510)	(1,800)	(2,363)	(4,364)	(6,307)	(11,368)
Non-GAAP S&M	\$35,739	\$40,036	\$50,164	\$62,086	\$65,599	\$84,218
<i>% of revenue</i>	34.7%	31.1%	30.9%	31.0%	25.5%	25.7%
GAAP G&A	\$24,416	\$25,822	\$25,072	\$29,151	\$40,448	\$49,446
<i>% of revenue</i>	23.7%	20.0%	15.5%	14.6%	15.7%	15.1%
Depreciation & amortization	(900)	(777)	(859)	(1,099)	(1,335)	(1,711)
Stock-based compensation	(2,770)	(3,274)	(3,846)	(5,735)	(13,541)	(16,705)
Legal settlement	—	—	—	(1,700)	—	(420)
Legal and indemnification fees related to settlement	—	—	—	(135)	(592)	(356)
Acquisition related transaction costs	—	—	—	—	—	(338)
Reversal of contingent sales tax liability	2,766	—	—	—	—	—
Reversal of interest & penalties on accrued federal fees	—	—	—	2,133	—	—
Accrued FCC charge	(2,000)	—	—	—	—	—
Out of period adj. for sales tax liability	(183)	(765)	—	—	—	—
Non-GAAP G&A	\$21,329	\$21,006	\$20,367	\$22,615	\$24,980	\$29,916
<i>% of revenue</i>	20.7%	16.3%	12.6%	11.3%	9.7%	9.1%

Note: Historical results prior to 2018 based on ASC 605



# GAAP Operating Income (Loss) to Non-GAAP Operating Income Reconciliation

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Income (loss) from operations	\$ (1,785)	\$ 472	\$ (14,970)	\$ 235
Non-GAAP adjustments:				
Stock-based compensation	17,286	11,075	47,871	30,197
Intangibles amortization	1,738	88	4,566	264
Legal settlement	—	—	—	420
Legal and indemnification fees related to settlement	—	—	—	356
Acquisition-related transaction costs and one-time integration costs	2,030	—	3,996	—
COVID-19 relief bonus for employees	—	—	1,817	—
Non-GAAP operating income	<u>\$ 19,269</u>	<u>\$ 11,635</u>	<u>\$ 43,280</u>	<u>\$ 31,472</u>

# GAAP to Non-GAAP Net Income (Loss) Reconciliation

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
GAAP net loss	\$ (11,431)	\$ (1,604)	\$ (34,920)	\$ (5,388)
Non-GAAP adjustments:				
Stock-based compensation	17,286	11,075	47,871	30,197
Intangibles amortization	1,738	88	4,566	264
Amortization of discount and issuance costs on convertible senior notes	8,633	3,250	17,204	9,484
Legal settlement	—	—	—	420
Legal and indemnification fees related to settlement	—	—	—	356
Acquisition-related transaction costs and one-time integration costs	2,030	—	3,996	—
COVID-19 relief bonus for employees	—	—	1,817	—
Loss on early extinguishment of debt	283	—	6,077	—
Gain on sale of convertible note held for investment	—	—	—	(217)
Tax benefit of valuation allowance associated with an acquisition	—	—	(2,910)	—
Non-GAAP net income	<u>\$ 18,539</u>	<u>\$ 12,809</u>	<u>\$ 43,701</u>	<u>\$ 35,116</u>
GAAP net loss per share:				
Basic and diluted	<u>\$ (0.17)</u>	<u>\$ (0.03)</u>	<u>\$ (0.55)</u>	<u>\$ (0.09)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.28</u>	<u>\$ 0.21</u>	<u>\$ 0.69</u>	<u>\$ 0.58</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.20</u>	<u>\$ 0.65</u>	<u>\$ 0.56</u>
Shares used in computing GAAP net loss per share:				
Basic and diluted	<u>65,460</u>	<u>60,781</u>	<u>63,490</u>	<u>60,074</u>
Shares used in computing non-GAAP net income per share:				
Basic	<u>65,460</u>	<u>60,781</u>	<u>63,490</u>	<u>60,074</u>
Diluted	<u>69,605</u>	<u>63,438</u>	<u>67,214</u>	<u>63,042</u>

# Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization

	Three Months Ended					
	September 30, 2020			September 30, 2019		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 2,603	\$ 3,433	\$ 1,738	\$ 1,702	\$ 2,514	\$ 88
Research and development	3,876	512	—	2,022	450	—
Sales and marketing	5,427	1	—	3,017	2	—
General and administrative	5,380	853	—	4,334	443	—
Total	<u>\$ 17,286</u>	<u>\$ 4,799</u>	<u>\$ 1,738</u>	<u>\$ 11,075</u>	<u>\$ 3,409</u>	<u>\$ 88</u>

	Nine Months Ended					
	September 30, 2020			September 30, 2019		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 7,091	\$ 9,665	\$ 4,566	\$ 4,589	\$ 7,208	\$ 264
Research and development	10,368	1,476	—	5,399	1,340	—
Sales and marketing	14,798	3	—	8,015	4	—
General and administrative	15,614	2,040	—	12,194	1,234	—
Total	<u>\$ 47,871</u>	<u>\$ 13,184</u>	<u>\$ 4,566</u>	<u>\$ 30,197</u>	<u>\$ 9,786</u>	<u>\$ 264</u>

# GAAP to Non-GAAP Net Income (Loss) Reconciliation

## Guidance

	Three Months Ending December 31, 2020		Year Ending December 31, 2020	
	Low	High	Low	High
GAAP net loss	\$ (14,484)	\$ (13,484)	\$ (49,404)	\$ (48,404)
Non-GAAP adjustments:				
Stock-based compensation	17,988	17,988	65,859	65,859
Intangibles amortization	1,666	1,666	6,232	6,232
Amortization of discount and issuance costs on convertible senior notes	8,570	8,570	25,774	25,774
Loss on early extinguishment of debt	—	—	6,077	6,077
Acquisition-related transaction costs and one-time integration costs	2,260	2,260	6,256	6,256
COVID-19 relief bonus for employees	—	—	1,817	1,817
Tax benefit of valuation allowance associated with an acquisition	—	—	(2,910)	(2,910)
Income tax expense effects <sup>(1)</sup>	—	—	—	—
Non-GAAP net income	\$ 16,000	\$ 17,000	\$ 59,701	\$ 60,701
GAAP net loss per share, basic and diluted	\$ (0.21)	\$ (0.20)	\$ (0.76)	\$ (0.75)
Non-GAAP net income per share:				
Basic	\$ 0.24	\$ 0.25	\$ 0.92	\$ 0.94
Diluted	\$ 0.22	\$ 0.24	\$ 0.87	\$ 0.88
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	67,800	67,800	64,600	64,600
Diluted	72,200	72,200	68,600	68,600

Note: Represents guidance disclosed on 10/29/20. Reader shall not construe presentation of this information after 10/29/20 as an update or reaffirmation of such guidance

<sup>(1)</sup> Non-GAAP adjustments do not have an impact on our income tax provision due to past non-GAAP losses

# Capital Expenditure and Free Cash Flow

\$ in Thousands	Q1'19	Q2'19	Q3'19	Q4'19	12 mo ended 12/31/19	Q1'20	Q2'20	Q3'20
<b>Net cash provided by operating activities</b> <i>(Refer to cash flows from operating activities in cash flow statement)</i>	\$11,190	\$6,788	\$17,677	\$15,566	\$51,221	\$10,394	\$14,759	\$22,835
<b>Capital expenditure</b>								
Purchases of property and equipment <i>(Refer to cash flows from investing activities in cash flow statement)</i>	3,985	4,241	4,550	6,452	19,228	6,045	8,846	5,522
Equipment obtained under capital lease <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	0	0	0	0	0	0	0	0
Equipment purchased and unpaid at period-end								
Beginning balance	1,583	1,875	1,602	862		2,890	2,280	2,838
Ending balance <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	1,875	1,602	862	2,890	2,890	2,280	2,838	3,721
Change in equipment purchased and unpaid during period	292	(273)	(740)	2,028	1,307	(610)	558	882
<b>Total capital expenditure</b>	<b>\$4,277</b>	<b>\$3,968</b>	<b>\$3,810</b>	<b>\$8,480</b>	<b>\$20,535</b>	<b>\$5,435</b>	<b>\$9,404</b>	<b>\$6,404</b>
<b>Free cash flow</b>								
<i>(operating cash flow less capex paid in cash)</i>	\$7,205	\$2,547	\$13,127	\$9,114	\$31,993	\$4,349	\$5,913	\$17,313