



Investor Presentation

September 6, 2023

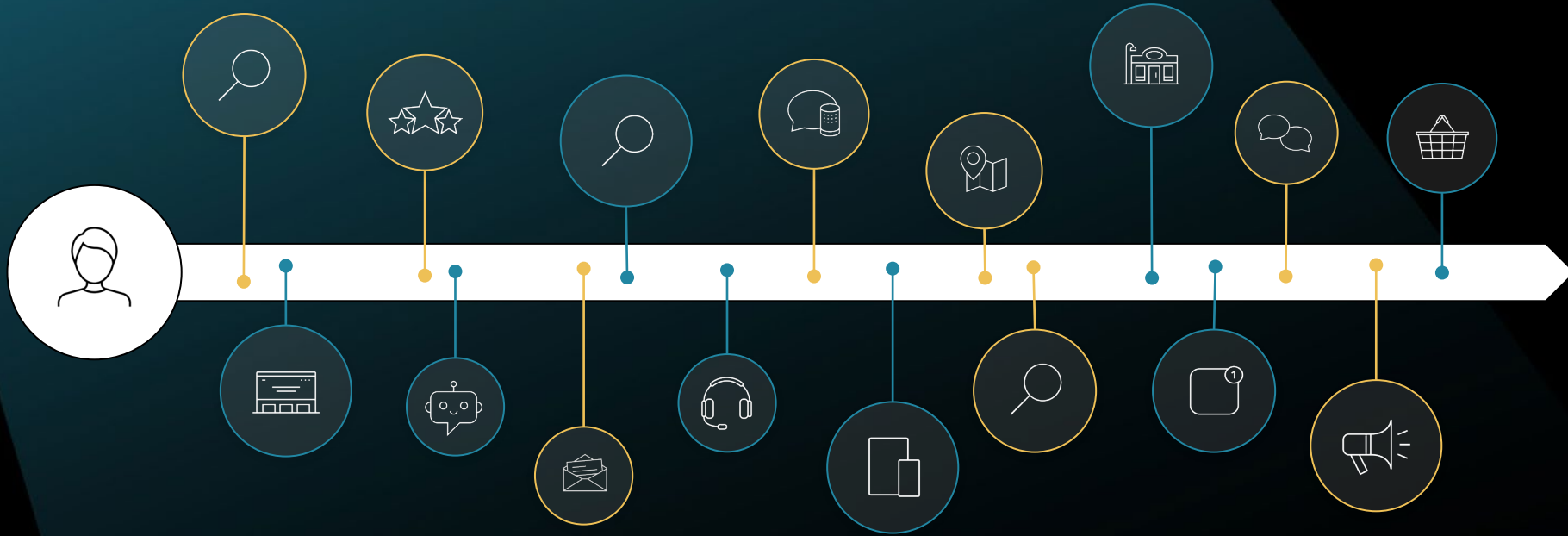
Safe Harbor Statement

Statements in this presentation that are not statements of historical facts are forward-looking statements and should be evaluated as such. Forward-looking statements include, but are not limited to, statements regarding our expected financial and operating results in future periods and statements regarding our expectations regarding the growth of our company, our market opportunity, product roadmap, including artificial intelligence, sales efficiency efforts and our industry. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "intend," "potential," "might," "would," "continue," or the negative of these terms or other comparable terminology.

We have based the forward-looking statements contained in this presentation primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, strategy, short-and long-term business operations, prospects, business strategy and financial needs. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including, but not limited to, those previously disclosed in the sections titled "Special Note Regarding Forward Looking Statements" and "Risk Factors" in our most recent Quarterly Report on Form 10-Q and Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this presentation. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events.

The forward-looking statements made in this presentation relate only to events as of the date on which such statements are made. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our SEC filings and public communications. We undertake no obligation to update any forward-looking statements after the date hereof or to conform such statements to actual results or revised expectations, except as required by law.

Digital Experiences Are Complex



The customer journey occurs across **Company-Owned** and **Third Party** experiences

The Consumer Web Sets the Bar for Digital Experiences

amazon.com[®]

Google



Uber



NETFLIX



∞ Meta



OpenAI

Great Search

| Fast Page Speed

| Rich Content

| Seamless multi-channel

| AI



Legacy Architectures Cannot Deliver Consumer-Grade Digital Experiences

LEGACY ARCHITECTURE

Monolithic

Proprietary

Limited to first-party
(web, mobile)

Not optimized for AI

Single-channel CMS

Bad search

Slow page speed

Manual content creation

Built for websites

NEW ARCHITECTURE

Composable

Open source

Multichannel support
(web, mobile, third-party, etc.)

AI Foundation

Headless CMS

Great search

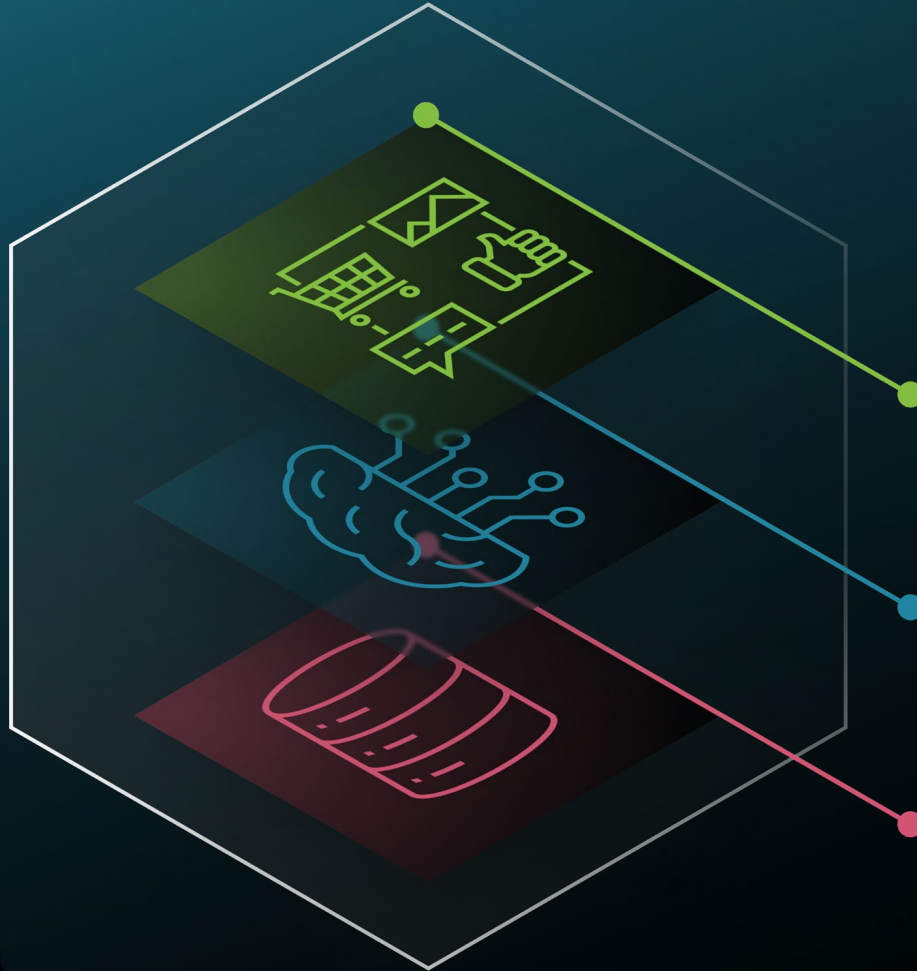
Super fast page speed

AI content creation

Built for a conversational future



Yext is the Ultimate Digital Experience Architecture



Multi-Channel Experience Layer

Fine tune and deliver multi-channel experiences

Artificial Intelligence Layer

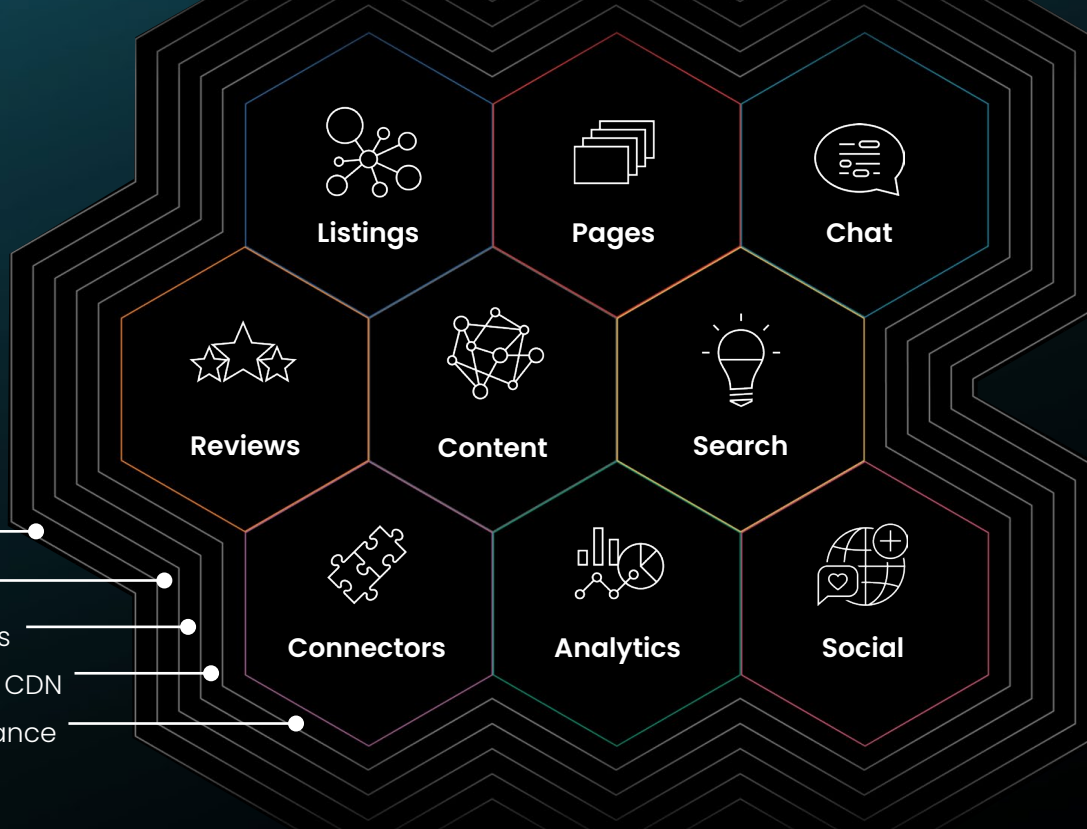
Manage the customer journey, recognize user patterns, and generate content to fit the channel and customer

Data Layer

Collects, manages, and stores all the knowledge and content about your company

The Yext Platform

A set of API-first, composable products delivering consumer-grade experiences on a foundation of AI



PLATFORM FEATURES

AI & Knowledge Graph

App Directory

Users, Roles & Permissions

Global Serving Regions & CDN

Cloud Security & Compliance

CERTIFIED



Build on Yext

Choose any combination of products and iterate as your needs change



Commerce



Listings



Pages



Chat



CDP



CRM



Reviews



Content



Search



Personalization



Marketing
Automation



Connectors



Analytics



Social

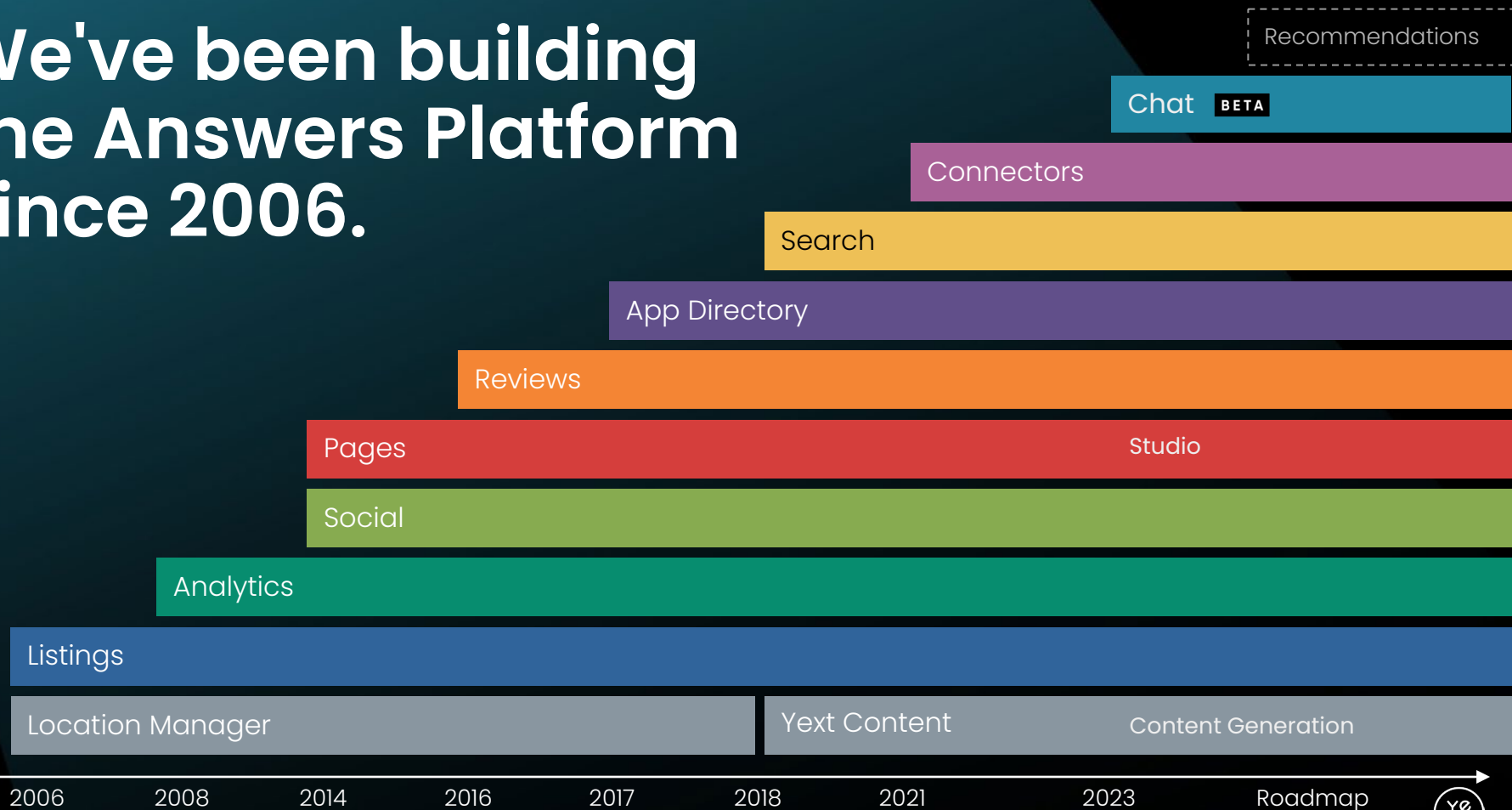


Business
Intelligence

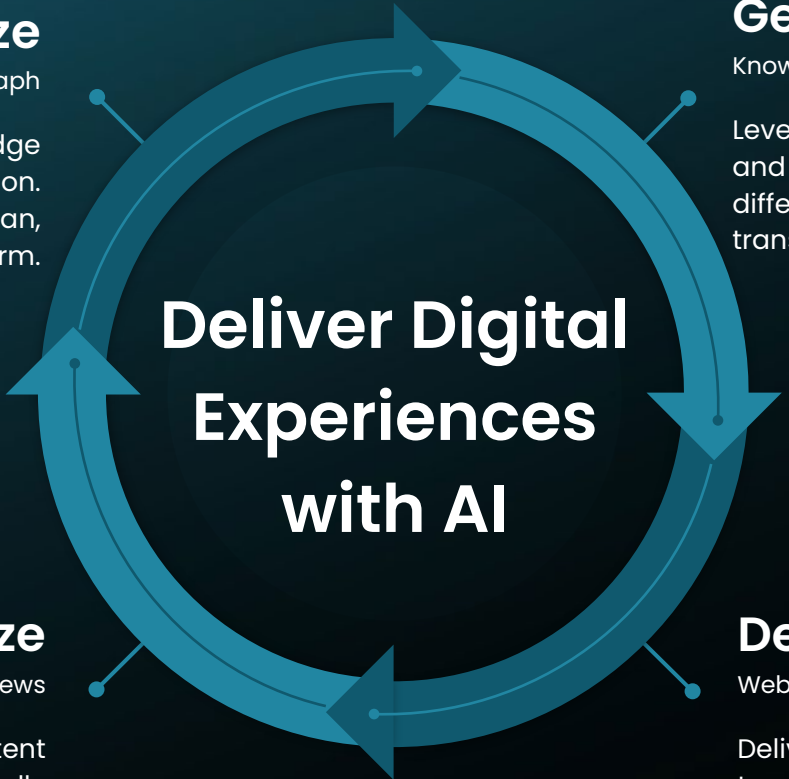
CERTIFIED



We've been building the Answers Platform since 2006.



Deliver Digital Experiences with AI



Organize

Connectors, Knowledge Graph

Collect content, data and knowledge from across your organization. Leverage AI to automatically clean, extract, transform.

Generate

Knowledge Graph

Leverage AI to automatically generate and transform content on the fly for different channels. Summarize, translate, transform

Deliver

Web, Pages, Search, Listings, Chat, APIs

Deliver experiences across all user touchpoints. Leverage AI to deliver state the art experiences at scale with Recommendations, Chat and Search.

Optimize

Analytics, Reviews

Use analytics to optimize your content over time. Leverage AI to automatically cluster and find content gaps and quickly write responses.

Trusted by thousands of businesses for over 15 years

Food & Hospitality



Telecommunications



Retail & CPG/DTC



Public Sector



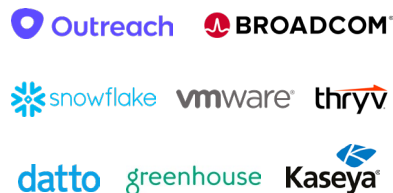
Healthcare



Financial Services



High Tech



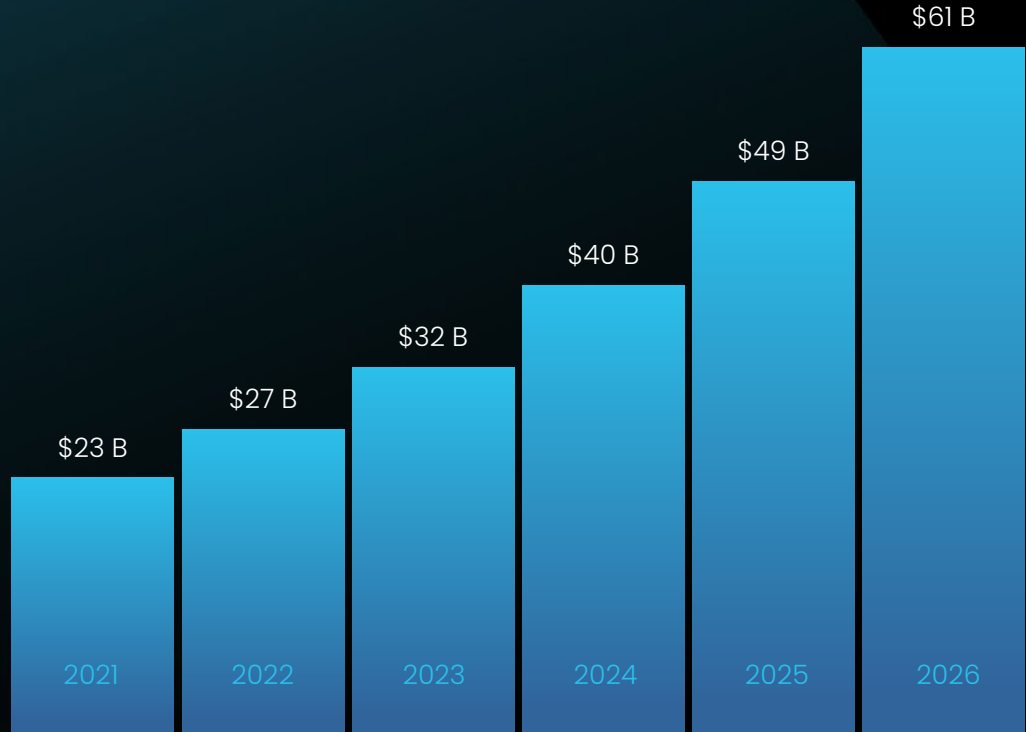
Alliances



Sizeable and expanding market opportunity

22%

5-year CAGR
total addressable market



Source: IDC Semiannual Software Tracker – 2022 H1 Forecast. TAM consists of Intelligent Knowledge Discovery and portions of Persuasive Content Management, Customer Service, Digital Commerce, and AI Software Services



Financial Overview

Q2 FY24

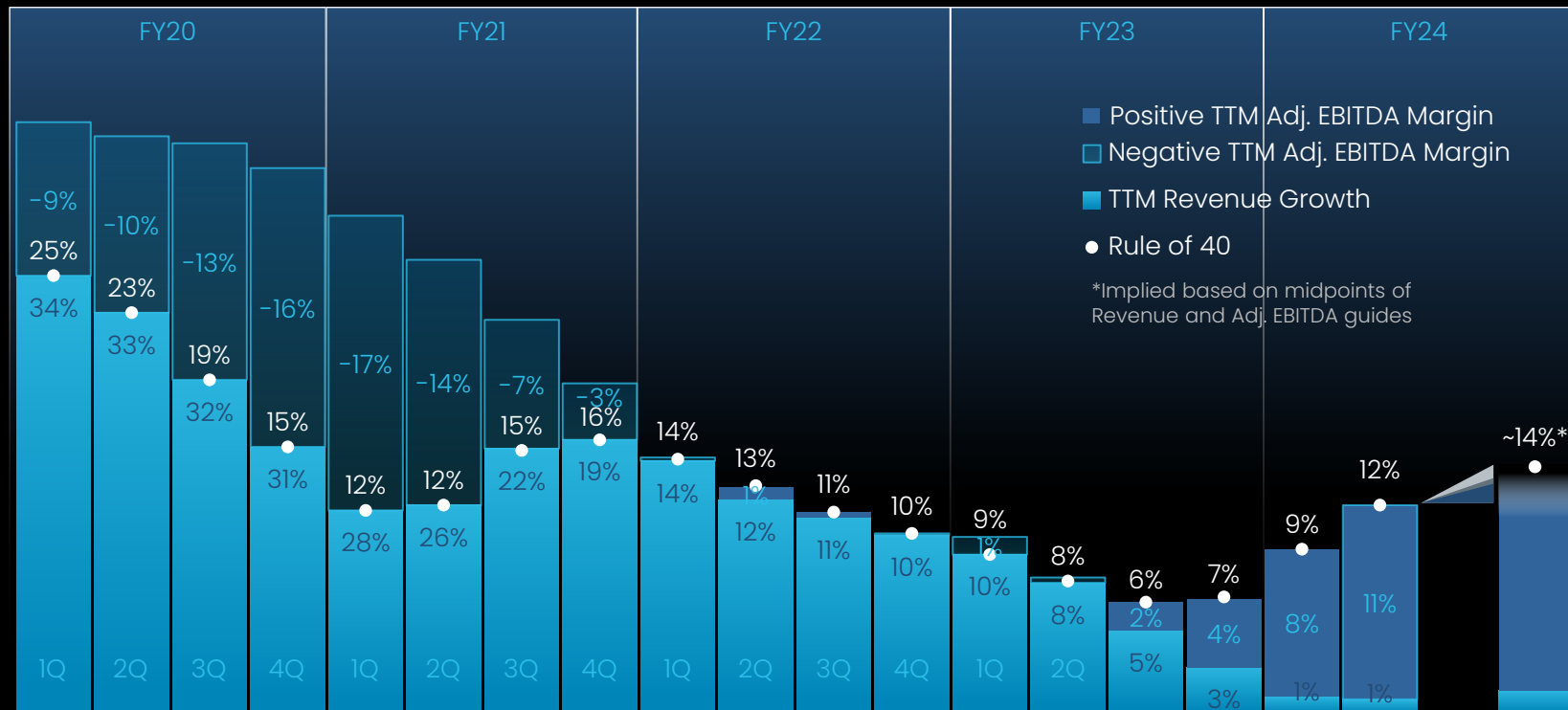
Q2 FY24 Performance

Top Line		Efficiency		Profitability		
				Q2FY23	Q2FY24	
\$102.6 M Revenue	1% Growth Y/Y constant currency	78.9%	Gross margin (non-GAAP)	\$(3.9) M	\$8.1 M	Net Income (Loss) (non-GAAP)
\$398 M ARR	2% Growth Y/Y constant currency	72%	Operating Expense as a % of revenue (non-GAAP)	\$(0.03)	\$0.07	Earnings (loss) per share (non-GAAP)
		42%	S&M as a % of revenue (non-GAAP)	\$0.9 M	\$11.8 M	Adj. EBITDA
Direct		Reseller		Cash		
\$327 M ARR	4% Growth Y/Y constant currency	\$71 M ARR	7% Decline Y/Y constant currency	\$19.7 M	Cash Flow from Operations (YTD)	
98%	Dollar-based net retention (ARR)	92%	Dollar-based net retention (ARR)	\$201 M	Ending cash	

Adj. EBITDA and constant currency are non-GAAP measures. ARR and Dollar-based net retention rates are operating metrics. See Appendix for further information, including definitions and/or reconciliations of GAAP to non-GAAP measures.



Progress towards Rule of 40



Adjusted EBITDA margin is a non-GAAP metric. See Appendix for definition and/or reconciliation of GAAP to non-GAAP measures.



Q3 & FY24 Guidance

	Projected Q3 FY24*	Projected FY24*
Revenue (\$ millions)	\$101.5 to \$102.5	\$405.0 to \$407.0
Adjusted EBITDA (\$ millions)	\$11.5 to \$12.5	\$50.0 to \$52.0
Non-GAAP net income per share	\$0.06 to \$0.07	\$0.29 to \$0.30
Weighted-average basic shares outstanding (millions)	125.1	124.8

*as of September 6, 2023

Adjusted EBITDA is a non-GAAP measure. We have not reconciled our forward-looking Adjusted EBITDA (loss) to its most directly comparable GAAP financial measure of net income (loss). Information on which this reconciliation would be based on is not available without unreasonable efforts due to the uncertainty and inherent difficulty of predicting within a reasonable range, the timing, occurrence and financial impact of when such items may be recognized



Appendix



Balance Sheet

Assets

Current assets:

Cash and cash equivalents
Accounts receivable, net of allowances of \$1,026 and \$868, respectively
Prepaid expenses and other current assets
Costs to obtain revenue contracts, current
Total current assets
Property and equipment, net
Operating lease right-of-use assets
Costs to obtain revenue contracts, non-current
Goodwill
Intangible assets, net
Other long term assets
Total assets

July 31, 2023		January 31, 2023	
\$	200,527	\$	190,214
	54,521		109,727
	16,307		15,629
	<u>29,206</u>		<u>31,023</u>
	300,561		346,593
	54,274		62,071
	79,897		85,463
	16,679		21,037
	4,535		4,477
	181		193
	<u>3,225</u>		<u>3,927</u>
\$	<u>459,352</u>	\$	<u>523,761</u>

In thousands; unaudited



Balance Sheet

Liabilities and stockholders' equity

Current liabilities:

Accounts payable, accrued expenses and other current liabilities

Unearned revenue, current

Operating lease liabilities, current

Total current liabilities

Operating lease liabilities, non-current

Other long term liabilities

Total liabilities

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.001 par value per share; 50,000,000 shares authorized at July 31, 2023 and January 31, 2023; zero shares issued and outstanding at July 31, 2023 and January 31, 2023

Common stock, \$0.001 par value per share; 500,000,000 shares authorized at July 31, 2023 and January 31, 2023; 146,229,520 and 142,684,128 shares issued at July 31, 2023 and January 31, 2023, respectively; 124,653,845 and 122,334,515 shares outstanding at July 31, 2023 and January 31, 2023, respectively

Additional paid-in capital

Accumulated other comprehensive loss

Accumulated deficit

Treasury stock, at cost

Total stockholders' equity

Total liabilities and stockholders' equity

	July 31, 2023	January 31, 2023
	\$	\$
	35,031	49,017
	169,505	223,706
	17,464	18,155
	222,000	290,878
	94,476	100,534
	3,855	4,326
	320,331	395,738
	—	—
	146	142
	923,094	897,368
	(3,475)	(3,617)
	(680,391)	(676,542)
	(100,353)	(89,328)
	139,021	128,023
	\$ 459,352	\$ 523,761

In thousands, except share and per share data; unaudited



Income Statement

	Three months ended July 31,		Six months ended July 31,	
	2023	2022	2023	2022
Revenue	\$ 102,598	\$ 100,869	\$ 202,051	\$ 199,671
Cost of revenue	22,393	27,082	43,743	51,810
Gross profit	80,205	73,787	158,308	147,861
Operating expenses:				
Sales and marketing	47,591	54,105	91,587	114,884
Research and development	18,890	18,819	35,643	36,121
General and administrative	17,955	20,384	36,541	41,879
Total operating expenses	84,436	93,308	163,771	192,884
Loss from operations	(4,231)	(19,521)	(5,463)	(45,023)
Interest income	1,840	185	3,374	210
Interest expense	(88)	(129)	(161)	(272)
Other (expense) income, net	(297)	138	(617)	267
Loss from operations before income taxes	(2,776)	(19,327)	(2,867)	(44,818)
(Provision for) benefit from income taxes	(661)	(664)	(982)	(1,012)
Net loss	\$ (3,437)	\$ (19,991)	\$ (3,849)	\$ (45,830)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.03)	\$ (0.16)	\$ (0.03)	\$ (0.36)
Weighted-average number of shares used in computing net loss per share attributable to common stockholders, basic and diluted	124,358,526	124,234,226	123,821,653	127,631,877
Other comprehensive (loss) income:				
Foreign currency translation adjustment	\$ (196)	\$ (2,007)	\$ 154	\$ (5,421)
Unrealized loss on marketable securities, net	(8)	—	(12)	—
Total comprehensive loss	\$ (3,641)	\$ (21,998)	\$ (3,707)	\$ (51,251)

In thousands, except share and per share data; unaudited



Cash Flow Statement

Operating activities:

Six months ended July 31,			
2023		2022	
Net loss	\$ (3,849)	\$ (45,830)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	9,089	8,702	
Bad debt expense	602	491	
Stock-based compensation expense	22,577	34,168	
Amortization of operating lease right-of-use assets	4,611	4,547	
Other, net	184	975	
Changes in operating assets and liabilities:			
Accounts receivable	54,943	45,808	
Prepaid expenses and other current assets	(538)	(4,716)	
Costs to obtain revenue contracts	6,554	7,583	
Other long term assets	726	956	
Accounts payable, accrued expenses and other current liabilities	(14,158)	242	
Unearned revenue	(55,324)	(54,154)	
Operating lease liabilities	(5,848)	(5,991)	
Other long term liabilities	141	(86)	
Net cash provided by (used in) operating activities	19,710	(7,305)	

In thousands; unaudited



Cash Flow Statement

Investing activities:

Capital expenditures

Net cash used in investing activities

Financing activities:

Proceeds from exercise of stock options

Repurchase of common stock

Payments for taxes related to net share settlement of stock-based compensation awards

Payments of deferred financing costs

Proceeds, net from employee stock purchase plan withholdings

Net cash used in financing activities

Effect of exchange rate changes on cash and cash equivalents

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Six months ended July 31,	
2023	2022
\$ (1,567)	\$ (3,875)
(1,567)	(3,875)
8,610	525
(10,996)	(58,722)
(7,750)	—
(301)	(283)
2,176	1,912
(8,261)	(56,568)
431	(5,556)
10,313	(73,304)
190,214	261,210
\$ 200,527	\$ 187,906

In thousands; unaudited



Supplemental Information

Annual Recurring Revenue

Direct Customers

Third-Party Reseller Customers

Total Annual Recurring Revenue

July 31,		Variance	
2023	2022	Dollars	Percent
\$ 327,212	\$ 312,129	\$ 15,083	5%
70,502	74,857	(4,355)	(6)%
<u>\$ 397,714</u>	<u>\$ 386,986</u>	<u>\$ 10,728</u>	3%

Annual Recurring Revenue Trend

Direct Customers

Third-Party Reseller Customers

Total Annual Recurring Revenue

Jul. 31, 2023	Apr. 30, 2023	Jan. 31, 2023	Oct. 31, 2022	Jul. 31, 2022
\$ 327,212	\$ 326,058	\$ 327,017	\$ 317,280	\$ 312,129
70,502	72,232	73,343	72,258	74,857
<u>\$ 397,714</u>	<u>\$ 398,290</u>	<u>\$ 400,360</u>	<u>\$ 389,538</u>	<u>\$ 386,986</u>

Dollar-Based Net Retention Rate

Direct Customers

Third-Party Reseller Customers

Total Customers

Jul. 31, 2023	Apr. 30, 2023	Jan. 31, 2023	Oct. 31, 2022	Jul. 31, 2022
98%	97%	97%	96%	98%
92%	92%	92%	89%	90%
97%	96%	96%	94%	96%

In thousands; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

GAAP net loss to Adjusted EBITDA (loss):

	Three months ended July 31,		Six months ended July 31,	
	2023	2022	2023	2022
GAAP net loss	\$ (3,437)	\$ (19,991)	\$ (3,849)	\$ (45,830)
Interest (income) expense	(1,752)	(56)	(3,213)	62
Provision for income taxes	661	664	982	1,012
Depreciation and amortization	4,420	4,315	9,089	8,702
Other expense (income)	297	(138)	617	(267)
Stock-based compensation expense	11,565	16,082	22,577	34,168
Adjusted EBITDA (loss)	<u>\$ 11,754</u>	<u>\$ 876</u>	<u>\$ 26,203</u>	<u>\$ (2,153)</u>

In thousands; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

Three months ended July 31, 2023

<u>Costs and expenses</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
Cost of revenue	\$ 22,393	\$ (768)	\$ 21,625
Sales and marketing	\$ 47,591	\$ (4,067)	\$ 43,524
Research and development	\$ 18,890	\$ (2,768)	\$ 16,122
General and administrative	\$ 17,955	\$ (3,962)	\$ 13,993

Three months ended July 31, 2022

<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
\$ 27,082	\$ (1,341)	\$ 25,741
\$ 54,105	\$ (6,149)	\$ 47,956
\$ 18,819	\$ (4,202)	\$ 14,617
\$ 20,384	\$ (4,390)	\$ 15,994

Three months ended July 31, 2023

<u>Costs and expenses as a percentage of revenue</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
Cost of revenue	22%	(1)%	21%
Sales and marketing	46%	(4)%	42%
Research and development	18%	(2)%	16%
General and administrative	18%	(4)%	14%

Three months ended July 31, 2022

<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
27%	(1)%	26%
54%	(6)%	48%
18%	(4)%	14%
20%	(4)%	16%

In thousands; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

	Six months ended July 31, 2023			Six months ended July 31, 2022		
<u>Costs and expenses</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
Cost of revenue	\$ 43,743	\$ (1,412)	\$ 42,331	\$ 51,810	\$ (2,723)	\$ 49,087
Sales and marketing	\$ 91,587	\$ (7,886)	\$ 83,701	\$ 114,884	\$ (12,525)	\$ 102,359
Research and development	\$ 35,643	\$ (5,563)	\$ 30,080	\$ 36,121	\$ (8,722)	\$ 27,399
General and administrative	\$ 36,541	\$ (7,716)	\$ 28,825	\$ 41,879	\$ (10,198)	\$ 31,681

	Six months ended July 31, 2023			Six months ended July 31, 2022		
<u>Costs and expenses as a percentage of revenue</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>	<u>GAAP</u>	<u>Stock-Based Compensation Expense</u>	<u>Non-GAAP</u>
Cost of revenue	22%	(1)%	21%	26%	(1)%	25%
Sales and marketing	45%	(4)%	41%	58%	(7)%	51%
Research and development	18%	(3)%	15%	18%	(4)%	14%
General and administrative	18%	(4)%	14%	21%	(5)%	16%

In thousands; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

Gross profit

GAAP gross profit
Plus: Stock-based compensation expense
Non-GAAP gross profit

Three months ended July 31,		Six months ended July 31,	
2023	2022	2023	2022
\$ 80,205	\$ 73,787	\$ 158,308	\$ 147,861
768	1,341	1,412	2,723
<u>\$ 80,973</u>	<u>\$ 75,128</u>	<u>\$ 159,720</u>	<u>\$ 150,584</u>

Gross margin

GAAP gross margin
Plus: Stock-based compensation expense
Non-GAAP gross margin

78.2%	73.2%	78.4%	74.1%
0.7%	1.3%	0.6%	1.3%
<u>78.9%</u>	<u>74.5%</u>	<u>79.0%</u>	<u>75.4%</u>

Operating expenses

GAAP operating expenses
Less: Stock-based compensation expense
Non-GAAP operating expenses

\$ 84,436	\$ 93,308	\$ 163,771	\$ 192,884
(10,797)	(14,741)	(21,165)	(31,445)
<u>\$ 73,639</u>	<u>\$ 78,567</u>	<u>\$ 142,606</u>	<u>\$ 161,439</u>

Operating expenses as a percentage of revenue

GAAP operating expenses as a percentage of revenue
Less: Stock-based compensation expense
Non-GAAP operating expenses as a percentage of revenue

82%	92%	81%	97%
(10)%	(14)%	(10)%	(16)%
<u>72%</u>	<u>78%</u>	<u>71%</u>	<u>81%</u>

Income/Loss from operations

GAAP loss from operations
Plus: Stock-based compensation expense
Non-GAAP income (loss) from operations

\$ (4,231)	\$ (19,521)	\$ (5,463)	\$ (45,023)
11,565	16,082	22,577	34,168
<u>\$ 7,334</u>	<u>\$ (3,439)</u>	<u>\$ 17,114</u>	<u>\$ (10,855)</u>

Operating margin (Income/Loss from operations as a percentage of revenue)

GAAP operating margin
Plus: Stock-based compensation expense
Non-GAAP operating margin

(4)%	(19)%	(3)%	(23)%
11%	16%	11%	18%
<u>7%</u>	<u>(3)%</u>	<u>8%</u>	<u>(5)%</u>

In thousands; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

GAAP net loss

Plus: Stock-based compensation expense

Non-GAAP net income (loss)

GAAP net loss per share attributable to common stockholders, basic

Stock-based compensation expense per share

Non-GAAP net income (loss) per share attributable to common stockholders, basic

GAAP net loss per share attributable to common stockholders, diluted

Stock-based compensation expense per share

Non-GAAP net income (loss) per share attributable to common stockholders, diluted

Weighted-average number of shares used in computing GAAP net loss per share attributable to common stockholders, basic and diluted

Weighted-average number of shares used in computing non-GAAP net income (loss) per share attributable to common stockholders

Basic

Diluted

Three months ended July 31,		
	2023	2022
	\$ (3,437)	\$ (19,991)
	11,565	16,082
	\$ 8,128	\$ (3,909)
	\$ (0.03)	\$ (0.16)
	0.10	0.13
	\$ 0.07	\$ (0.03)
	\$ (0.03)	\$ (0.16)
	0.09	0.13
	\$ 0.06	\$ (0.03)
	124,358,526	124,234,226
	124,358,526	124,234,226
	129,055,719	124,234,226

GAAP net loss as a percentage of revenue

Plus: Stock-based compensation expense

Non-GAAP net income (loss) as a percentage of revenue

Three months ended July 31,		
	2023	2022
	(3.3)%	(19.8)%
	11.2%	15.9%
	7.9%	(3.9)%

In thousands, except share and per share data; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

GAAP net loss

Plus: Stock-based compensation expense

Non-GAAP net income (loss)

GAAP net loss per share attributable to common stockholders, basic

Stock-based compensation expense per share

Non-GAAP net income (loss) per share attributable to common stockholders, basic

GAAP net loss per share attributable to common stockholders, diluted

Stock-based compensation expense per share

Non-GAAP net income (loss) per share attributable to common stockholders, diluted

Weighted-average number of shares used in computing GAAP net loss per share attributable to common stockholders, basic and diluted

Weighted-average number of shares used in computing non-GAAP net income (loss) per share attributable to common stockholders

Basic

Diluted

GAAP net loss as a percentage of revenue

Plus: Stock-based compensation expense

Non-GAAP net income (loss) as a percentage of revenue

Six months ended July 31,	
2023	2022
\$ (3,849)	\$ (45,830)
22,577	34,168
\$ 18,728	\$ (11,662)
\$ (0.03)	\$ (0.36)
0.18	0.27
\$ 0.15	\$ (0.09)
\$ (0.03)	\$ (0.36)
0.18	0.27
\$ 0.15	\$ (0.09)
123,821,653	127,631,877
123,821,653	127,631,877
128,194,669	127,631,877

Six months ended July 31,	
2023	2022
(1.9)%	(23.0)%
11.2%	17.2%
9.3%	(5.8)%

In thousands, except share and per share data; unaudited
Note: Numbers rounded for presentation purposes and may not sum.



Non-GAAP Reconciliation

Constant Currency Revenue

Revenue (GAAP)

Effects of foreign currency rate fluctuations

Revenue on a constant currency basis (Non-GAAP)

Three months ended July 31,

2023

2022

Growth Rates

\$

102,598

\$

100,869

2%

(367)

\$

102,231

1%

Six months ended July 31,

2023

2022

Growth Rates

\$

202,051

\$

199,671

1%

967

\$

203,018

2%

In thousands; unaudited

Note: Numbers rounded for presentation purposes and may not sum.

Non-GAAP measurements

In addition to disclosing financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), this presentation includes non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (sales and marketing, research and development, general and administrative), non-GAAP operating expenses (sales and marketing, research and development, general and administrative) as a percentage of revenue, non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, and non-GAAP net income (loss) as a percentage of revenue, which are referred to as non-GAAP financial measures.

These non-GAAP financial measures are not calculated in accordance with GAAP as they have been adjusted to exclude the effects of stock-based compensation expenses. Non-GAAP gross margin, non-GAAP operating expenses (sales and marketing, research and development, general and administrative) as a percentage of revenue, non-GAAP operating margin, and non-GAAP net income (loss) as a percentage of revenue are calculated by dividing the applicable non-GAAP financial measure by revenue. Non-GAAP net income (loss) per share is defined as non-GAAP net income (loss) on a per share basis. See the tables labeled "Reconciliation of GAAP to Non-GAAP Financial Measures" for detail on the applicable weighted-average shares outstanding.

We believe these non-GAAP financial measures provide investors and other users of our financial information consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our results of operations. With respect to non-GAAP gross margin, non-GAAP operating expenses (sales and marketing, research and development, general and administrative) as a percentage of revenue, non-GAAP operating margin and non-GAAP net income (loss) as a percentage of revenue, we believe these non-GAAP financial measures are useful in evaluating our profitability relative to the amount of revenue generated, excluding the impact of stock-based compensation expense. We also believe non-GAAP financial measures are useful in evaluating our operating performance compared to that of other companies in our industry, as these metrics eliminate the effects of stock-based compensation, which may vary for reasons unrelated to overall operating performance.

We also discuss Adjusted EBITDA (loss), a non-GAAP financial measure that we believe offers a useful view of overall operations used to assess the performance of core business operations and for planning purposes. We define Adjusted EBITDA (loss) as net income (loss) before (1) interest income (expense), net, (2) provision for income taxes, (3) depreciation and amortization, (4) other income (expense), net, and (5) stock-based compensation expense. The most directly comparable GAAP financial measure to Adjusted EBITDA (loss) is GAAP net income (loss). Users should consider the limitations of using Adjusted EBITDA (loss), including the fact that this measure does not provide a complete measure of our operating performance. Adjusted EBITDA (loss) is not intended to purport to be an alternate to GAAP net income (loss) as a measure of operating performance. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue which we believe is useful in evaluating operations relative to the amount of revenue generated.

In addition, we present non-GAAP constant currency measures of revenue. Constant currency as it relates to revenue provides a framework for assessing Company performance which excludes the effect of foreign currency rate fluctuations. Current period results for entities reporting in currencies other than U.S. Dollars ("USD") are converted into USD at the average monthly exchange rates in effect during the comparative period, as opposed to the average monthly exchange rates in effect during the current period.

We use these non-GAAP financial measures in conjunction with traditional GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, and to evaluate the effectiveness of our business strategies. Our definition may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, nor superior to or in isolation from, measures prepared in accordance with GAAP.

These non-GAAP financial measures may be limited in their usefulness because they do not present the full economic effect of our use of stock-based compensation. We compensate for these limitations by providing investors and other users of our financial information a reconciliation of the non-GAAP financial measure to the most closely related GAAP financial measures. However, we have not reconciled the non-GAAP guidance measures disclosed in the above presentation to their corresponding GAAP measures because certain reconciling items such as stock-based compensation and the corresponding provision for income taxes depend on factors such as the stock price at the time of award of future grants and thus cannot be reasonably predicted. Accordingly, reconciliations to the non-GAAP guidance measures is not available without unreasonable effort. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view non-GAAP net income (loss) and non-GAAP net income (loss) per share in conjunction with GAAP net income (loss) and net income (loss) per share.

We have not reconciled our forward-looking Adjusted EBITDA (loss) to its most directly comparable GAAP financial measure of net income (loss). Information on which this reconciliation would be based on is not available without unreasonable efforts due to the uncertainty and inherent difficulty of predicting within a reasonable range, the timing, occurrence and financial impact of when such items may be recognized. In particular, Adjusted EBITDA (loss) excludes certain items including interest income (expense), net, provision for income taxes, depreciation and amortization, other income (expense), net, and stock-based compensation expense.



Operating metrics

This presentation also includes certain operating metrics that we believe are useful in providing additional information in assessing the overall performance of our business.

Annual recurring revenue, or ARR, for Direct customers is defined as the annualized recurring amount of all contracts in our enterprise, mid-size and small business customer base as of the last day of the reporting period. The recurring amount of a contract is determined based upon the terms of a contract and is calculated by dividing the amount of a contract by the term of the contract and then annualizing such amount. The calculation assumes no subsequent changes to the existing subscription. Contracts include portions of professional services contracts that are recurring in nature.

ARR for Third-party Reseller customers is defined as the annualized recurring amount of all contracts with Third-party Reseller customers as of the last day of the reporting period. The recurring amount of a contract is determined based upon the terms of a contract and is calculated by dividing the amount of a contract by the term of the contract and then annualizing such amount. The calculation assumes no subsequent changes to the existing subscription. The calculation includes the annualized contractual minimum commitment and excludes amounts related to overages above the contractual minimum commitment. Contracts include portions of professional services contracts that are recurring in nature.

Total ARR is defined as the annualized recurring amount of all contracts executed as of the last day of the reporting period. The recurring amount of a contract is determined based upon the terms of a contract and is calculated by dividing the amount of a contract by the term of the contract and then annualizing such amount. The calculation assumes no subsequent changes to the existing subscription, and where relevant, includes the annualized contractual minimum commitment and excludes amounts related to overages above the contractual minimum commitment. Contracts include portions of professional services contracts that are recurring in nature.

ARR is independent of historical revenue, unearned revenue, remaining performance obligations or any other GAAP financial measure over any period. It should be considered in addition to, not as a substitute for, nor superior to or in isolation from, these measures and other measures prepared in accordance with GAAP. We believe ARR-based metrics provides insight into the performance of our recurring revenue business model while mitigating for fluctuations in billing and contract terms.

In addition, we present ARR on a constant currency basis. Constant currency as it relates to ARR provides a framework for assessing Company performance which excludes the effect of foreign currency rate fluctuations. Contracts included in the determination of ARR in the current period are converted into USD at the exchange rates in effect at the end of the comparative period, as opposed to the exchange rates in effect at the end of the current period.

Dollar-based net retention rate is a metric we use to assess our ability to retain our customers and expand the ARR they generate for us. We calculate dollar-based net retention rate by first determining the ARR generated 12 months prior to the end of the current period for a cohort of customers who had active contracts at that time. We then calculate ARR from the same cohort of customers at the end of the current period, which includes customer expansion, contraction and churn. The current period ARR is then divided by the prior period ARR to arrive at our dollar-based net retention rate.

