

Investor Presentation

Q4 2019

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Safe Harbor

This presentation contains forward-looking statements. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, market size and growth opportunities, the calculation of certain of our key financial and operating metrics, capital expenditures, plans for future operations, competitive position, technological capabilities, and strategic relationships, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. 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," "would," "continue," "ongoing" or the negative of these terms or other comparable terminology. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all.

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Cloudflare at a Glance

Key Metrics

2010
Launched

2M+
Free & Paying Customers

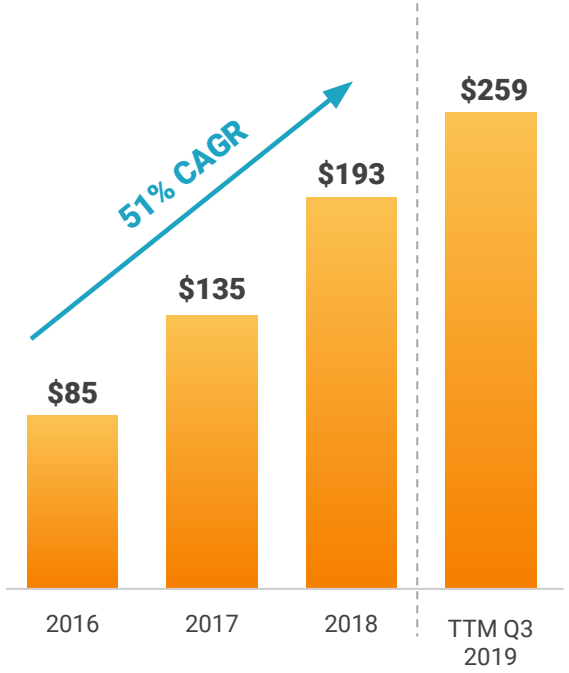
194
Cities in Network

10%
Of Fortune 1,000 are Paying Customers

1,191
Employees

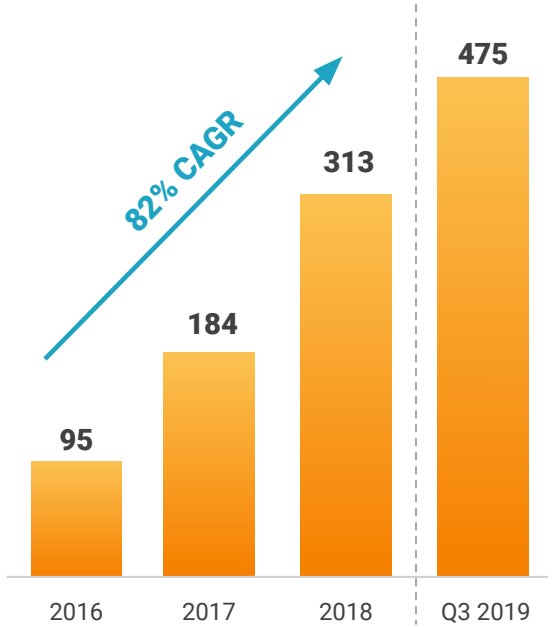
78%
GAAP Gross Margin

Annual Total Revenue ($M)



Large Customers

> $100,000 Annualized Billings



Note: All data as of the three months ended September 30, 2019. See Appendix for "paying customer", "large customer", and "Annualized Billings" definitions.

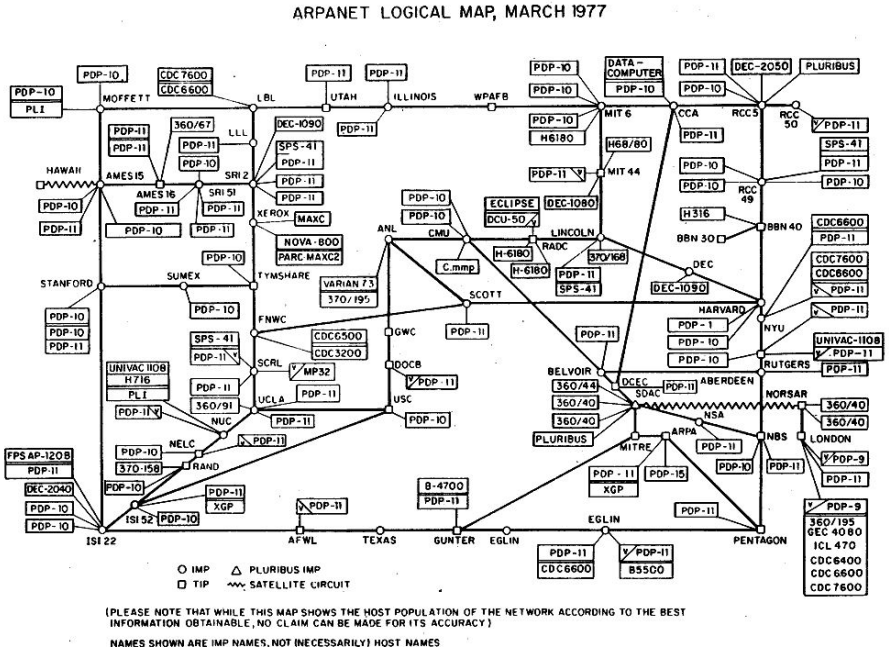
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Cloudflare’s mission is to

Help build a better Internet

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The Internet was not built for what it has become.

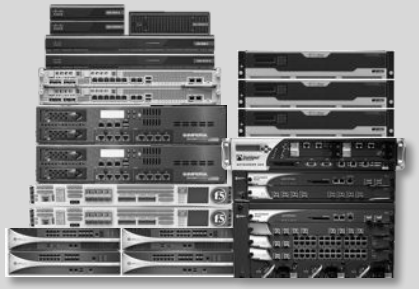


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From Endless Hardware to a Global Cloud Platform

BAND-AID BOXES

- Costly and complex
- Web of dependencies
- Specialized hardware
- On-premise only
- Point solutions



BETTER INTERNET

- Easy-to-use, flexible, and scalable
- Unified control plane
- Serverless cloud architecture
- Cloud, hybrid, on-premise, and SaaS
- Broad, integrated product platform

CLOUDFLARE®

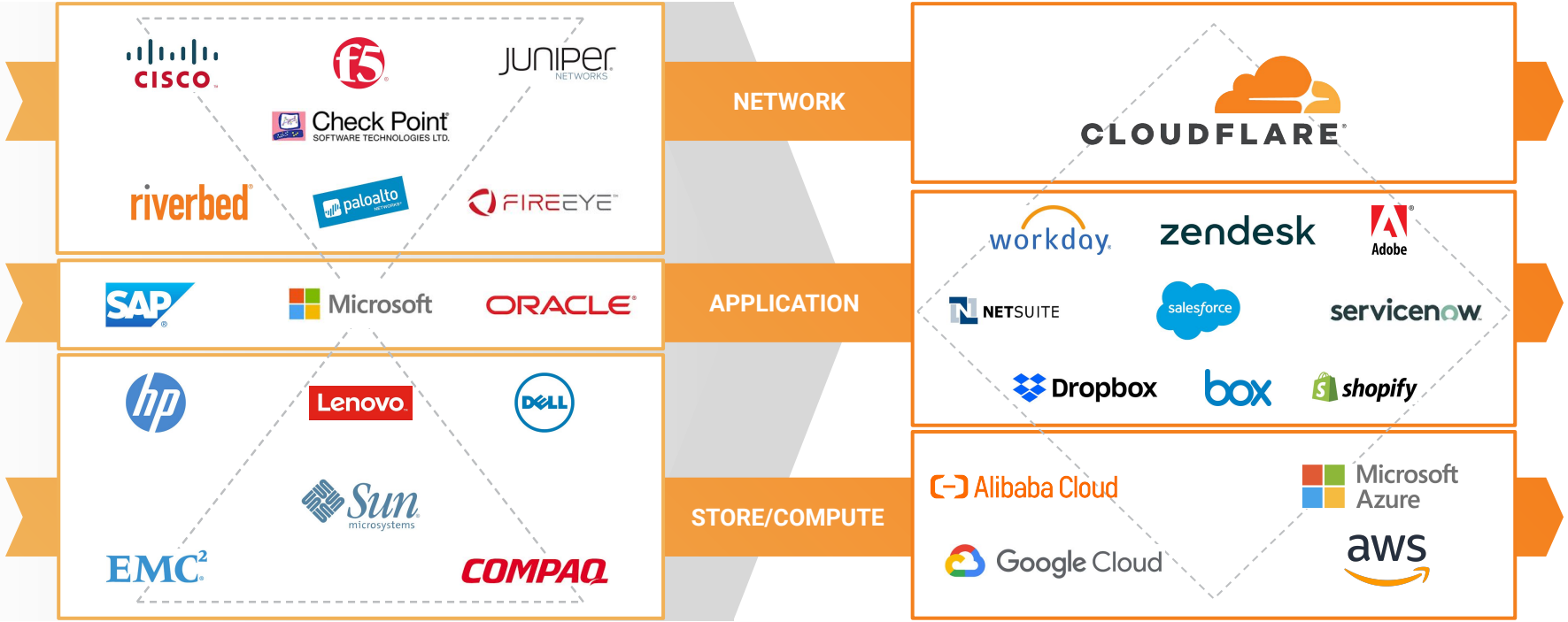
Global Cloud Platform

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Evolution of Enterprise Stack

Hardware / Software (Buy) *Yesterday*

Services / Cloud (Rent) *Tomorrow*



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An Integrated Global Cloud Platform

SECURITY

- Firewall
- IoT Security
- Bot Management
- SSL/TLS
- Secure Origin Connection
- DDoS Protection
- Rate Limiting
- Zero Trust Security
- Infrastructure Protection

PERFORMANCE

- Cache
- Mobile Optimization
- Intelligent Routing
- Image Optimization
- Content Optimization
- Mobile SDK

RELIABILITY

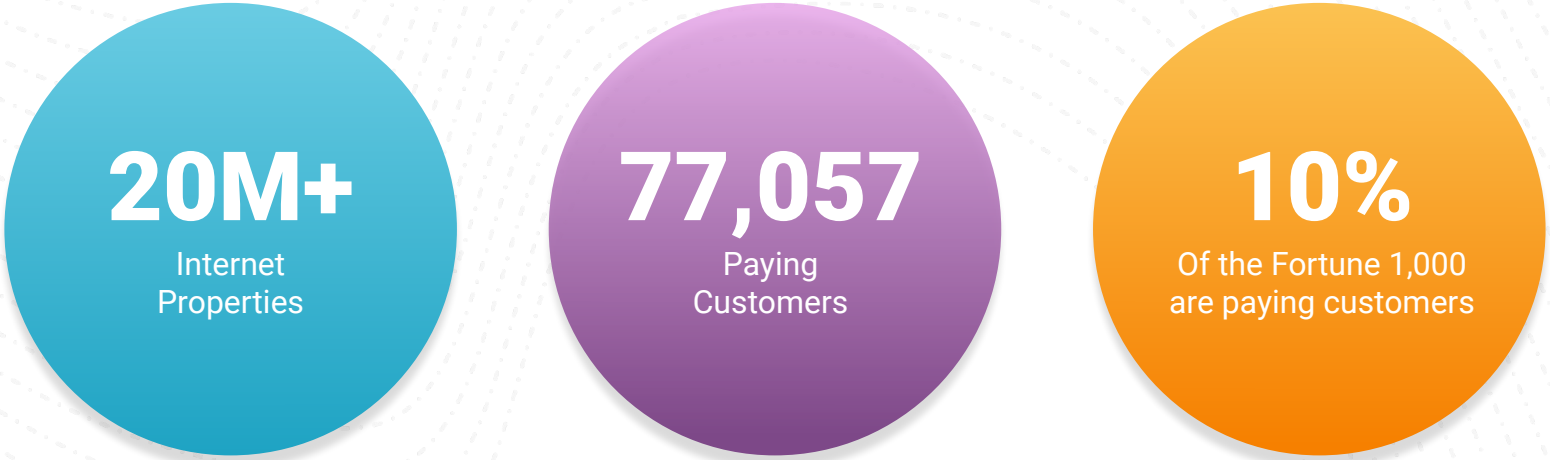
- Load Balancing
- Domain Name System (DNS)
- Anycast Network
- DNS Resolver
- Virtual Backbone
- Always Online

PLATFORM

- Serverless Compute
- Cloudflare Apps
- Analytics

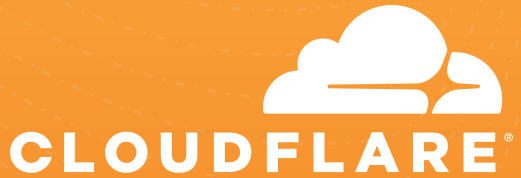
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We operate at a massive scale.



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Note: All data as of September 30, 2019. See Appendix for "paying customer" definition.

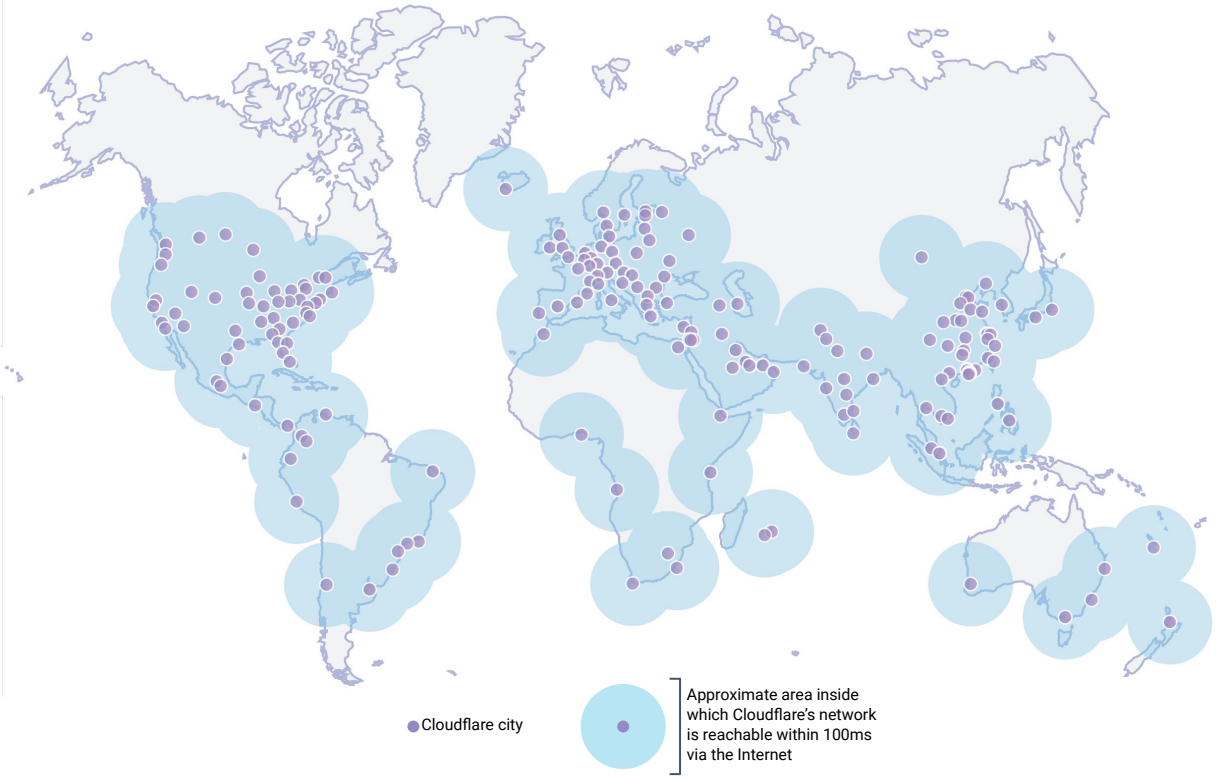


Our Flexible, Scalable, & Efficient Serverless Architecture

- Every server, in every city, can run every Cloudflare service
- Abstracts underlying infrastructure
- Dynamically optimizes and leverages capacity across network
- Single unified code base
- Deployment on commodity hardware

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A Global Network Powering Our Platform



194
Cities

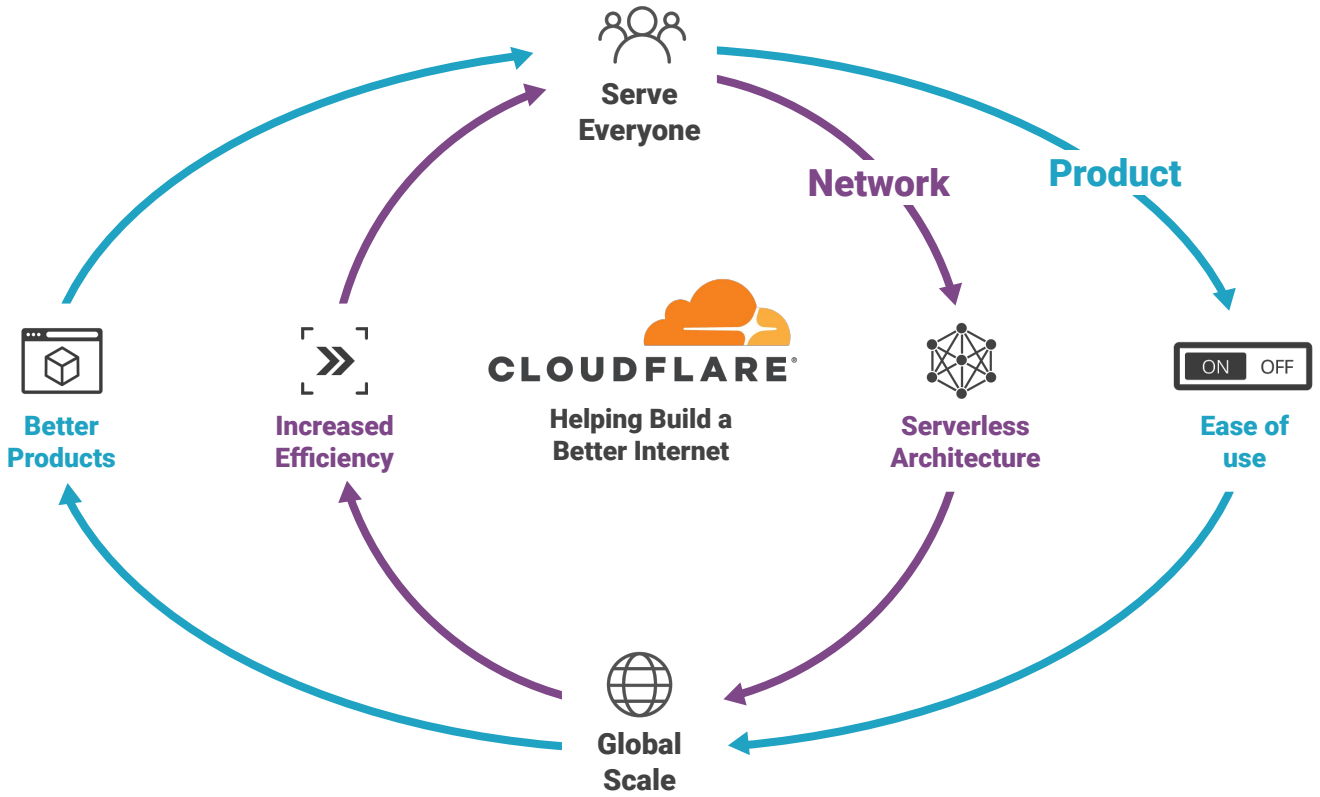
90+
Countries

8,000+
Interconnects

99%
Of the Internet-connected developed world population is located within 100 milliseconds of our network

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Our Product & Network Flywheels Drive Our Business



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Data Intelligence & Quality Assurance at Scale

Global sensor network
through 20M+ Internet properties with paying customers in over 160 countries.

Machine learning systems
improve products with every customer's request.

Immune system for the Internet with 72 billion cyber threats blocked per day.

Rapid development cycles
and QA through free users volunteering to test new products.

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Note: All data as of September 30, 2019. See Appendix for "paying customer" definition.

Our Competitive Advantages









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Our Favorable Competitive Position

		Limitations
On-Premise		• Complex and expensive • Not suited to address cloud-based and hybrid deployments
Point Solutions		• Architected to deliver single point / more narrow product portfolio • Customers are increasingly looking for an integrated platform offering security, performance, and reliability through a single vendor
Public Cloud		• Inability to serve as a unified control plane across on-premise, cloud, hybrid, and SaaS infrastructure • Customer lock-in and competition concerns

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Disrupting Large, Well Established Legacy Markets

2022
$47B

2018
$32B

Performance & Reliability

- Application Delivery Controls
- Content Delivery Networks
- Wide Area Network Technology

Security

- VPN
- Internal and External Firewalls
- Web Security
- Distributed Denial of Service Prevention
- Intrusion Detection and Prevention
- Advanced Threat Prevention

Areas for Incremental Growth

- Serverless
- Internet of Things
- 5G Cellular

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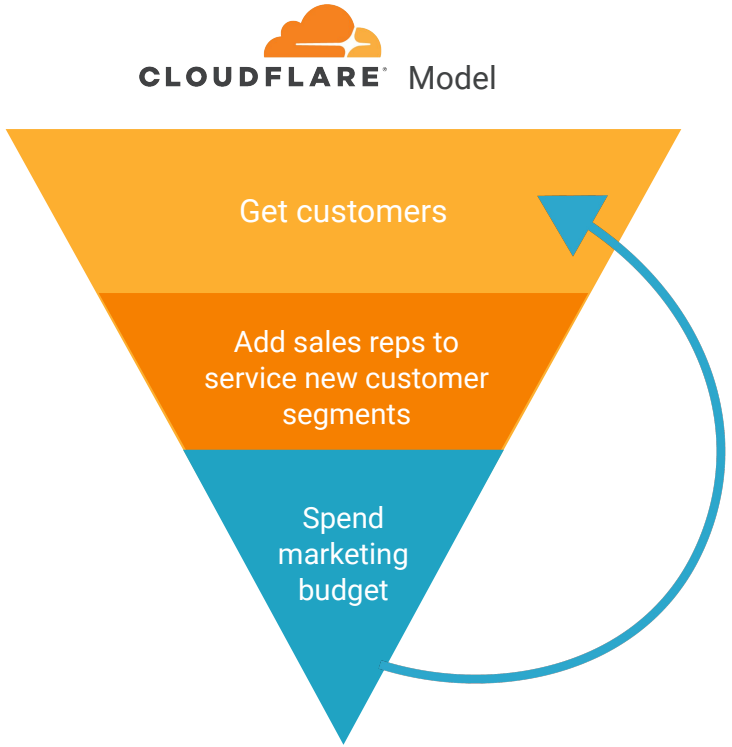
Note: Total addressable market represents 2018 spend and 2022 projections from our analysis based on IDC data.

Traditional Go-To-Market Model Inverted

We don’t build ahead of the curve.

Sources of Leverage

- Self service adoption for customers of all sizes
- Natural expansion
- Pulled into new geographies
- Pulled up market



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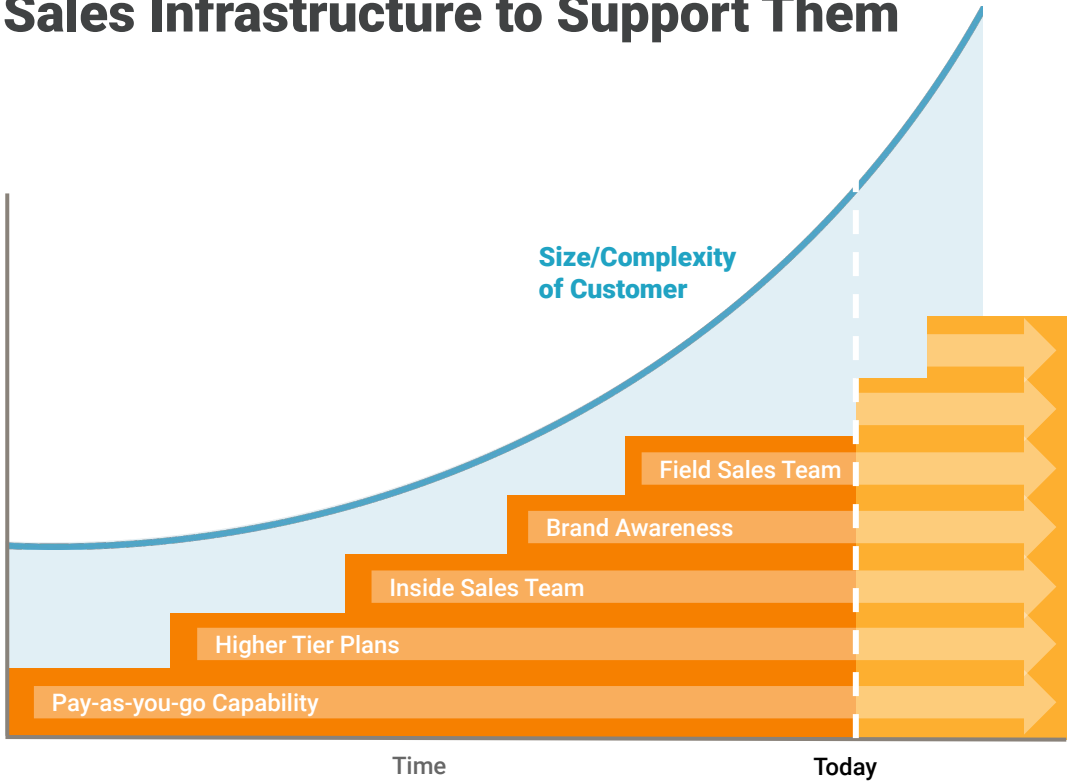
Our Horizontal Solution Addresses Many Customer Segments

Developers + SMB	Mid-Market	Large Enterprise
Month-to-Month Pay-as-you-go	1-3 Year Contracts Inside sales	1-3 Year Contracts Field sales

Universal need & single globally distributed platform

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As We Add Larger Customers, We Add Sales Infrastructure to Support Them



Hybrid Disruption Capability

Field Sales

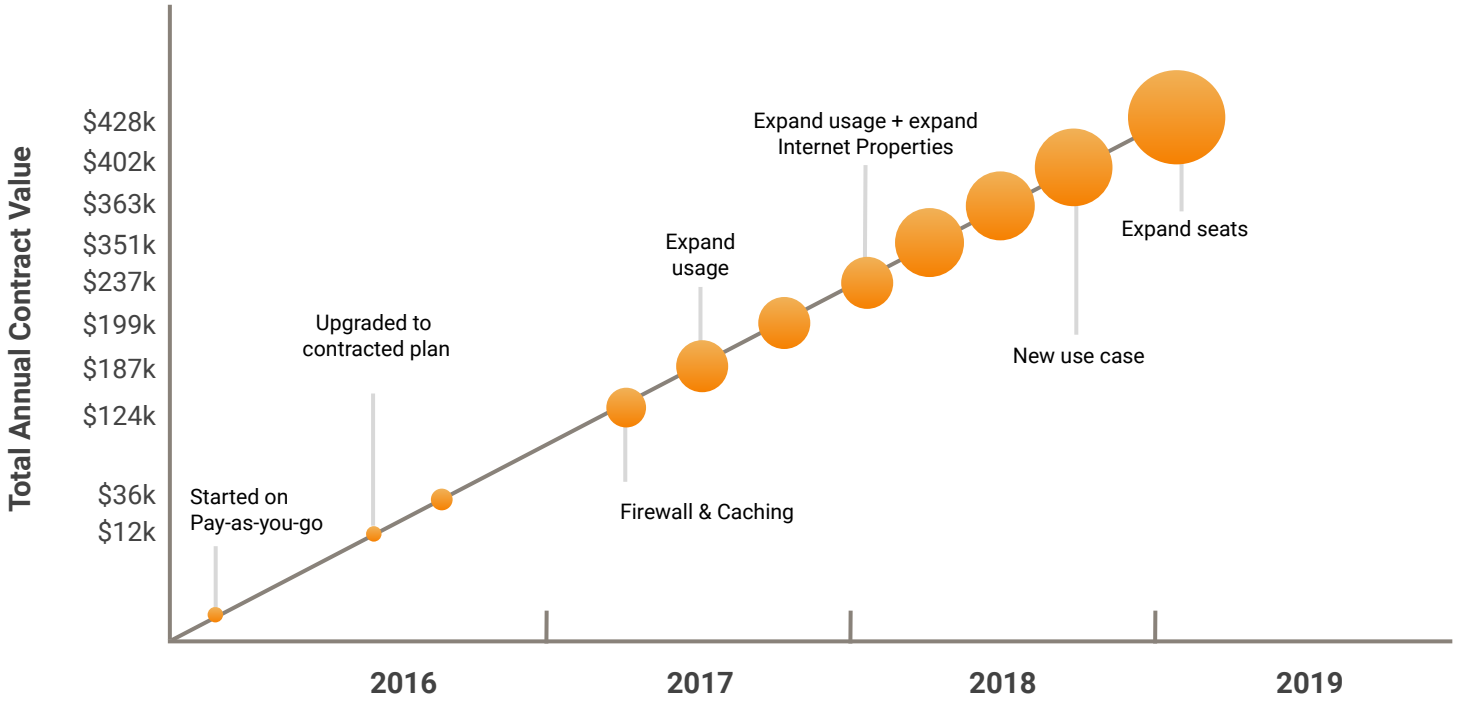
Inside Sales

Pay-as-you-go

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Multiple Landing & Expansion Opportunities

Case study: Global 2,000 Consumer Packaged Goods Company

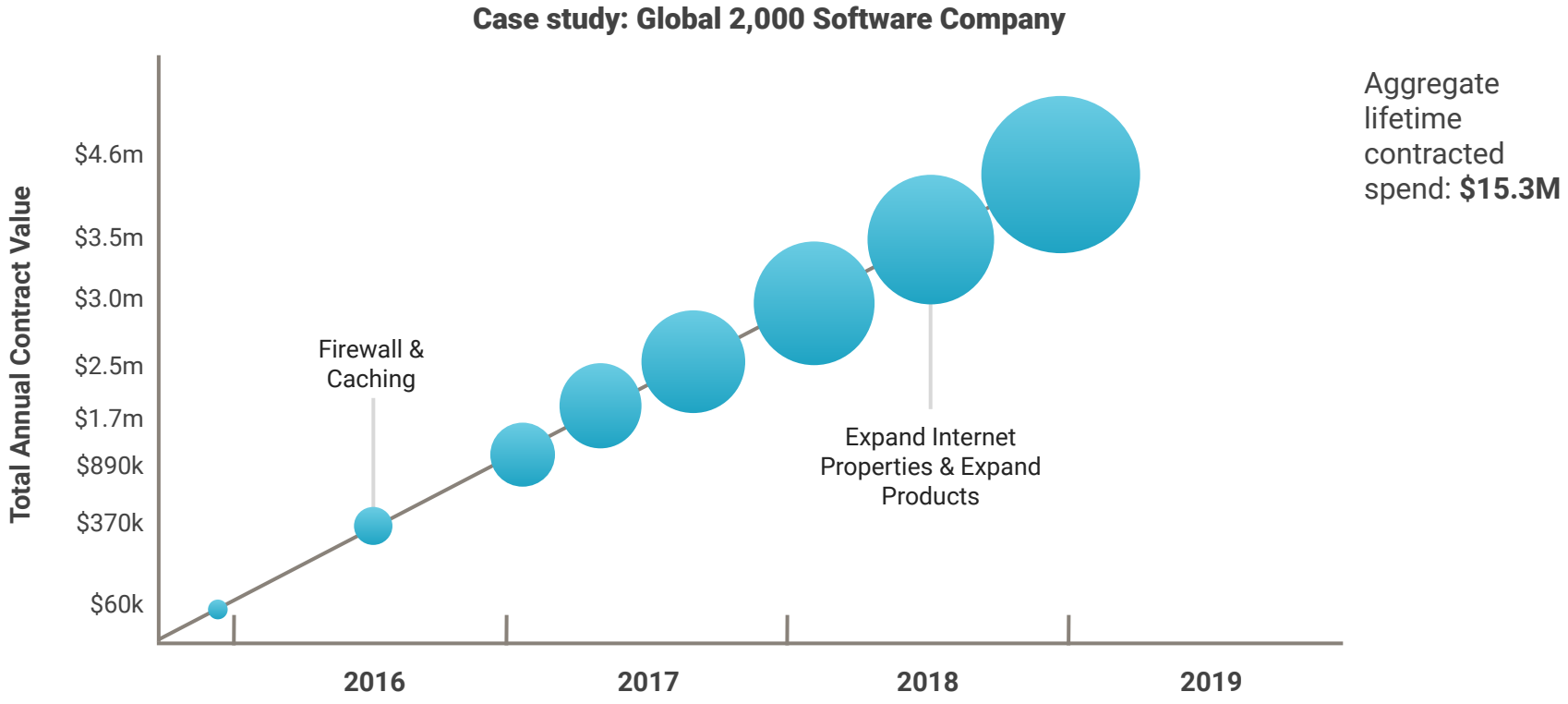


Aggregate lifetime contracted spend: **$1.0M**

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Note: Total annual contract value (ACV) represents the annualized value of the fixed portion of the customer contract, which excludes any variable charges. Sizes of circles reflect ACV and increase in size as customer expands usage of existing products and/or subscribes to additional products. Aggregate lifetime contracted spend reflects total lifetime spend and committed spend (including variable charges) through the expiration of the contract as of July 14, 2019.

Multiple Landing & Expansion Opportunities



Aggregate lifetime contracted spend: **$15.3M**

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Note: Total annual contract value (ACV) represents the annualized value of the fixed portion of the customer contract, which excludes any variable charges. Size of circles reflect ACV and increase in size as customer expands usage of existing products and/or subscribes to additional products. Aggregate lifetime contracted spend reflects total lifetime spend and committed spend (including variable charges) through the expiration of the contract as of July 14, 2019.

Our Strategy for Growth



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Our Business Model



Disrupting a large and growing total addressable market



Widely distributed Global Cloud Platform; every service on every server



Expansive product portfolio; open to developer innovation



Highly efficient business model and low fundamental cost structure



High-growth subscription revenue model with attractive gross margin

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Appendix

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Definitions

Large customer: We define a large customer as a paying customer with Annualized Billings greater than $100,000.

Paying customer: We define a paying customer at the end of any period as a person or entity who has been billed for our services in the last month of the period, excluding (i) Baidu, (ii) other customers that were not acquired through ordinary sales channels, and (iii) customers using our consumer applications, such as 1.1.1.1. An entity is defined as a company, a government institution, a non-profit organization, or a distinct business unit of a large company that has an active contract with us or one of our partners.

Annualized Billings: To measure Annualized Billings, we take the billings for each customer in the final month of a period and multiply that amount by 12. This measure provides us a view of what our billings would be had the customer been using our platform for an entire calendar year. Our Annualized Billings calculation excludes (i) our strategic agreement with Baidu, (ii) other agreements that were not entered into through our ordinary sales channels, and (iii) customers using our consumer applications, such as 1.1.1.1 and that together represent an insignificant amount of our revenue. We include both month-to-month subscriptions and contractual agreements in the calculation of Annualized Billings. Our Annualized Billings metric also includes any usage charges by a customer during a period, which represent a small portion of our total billings and may not be recurring. As a result, Annualized Billings may be higher than actual billings over the course of the year. For example, if we signed a new customer that was billed for $200 in December, that customer would account for $2,400 of Annualized Billings for that year.

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