

Investor Presentation

Q4 2019

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Cloudflare at a Glance

Key Metrics

as of Q4 2019

2010
Launched

2.6M
Free & Paying Customers

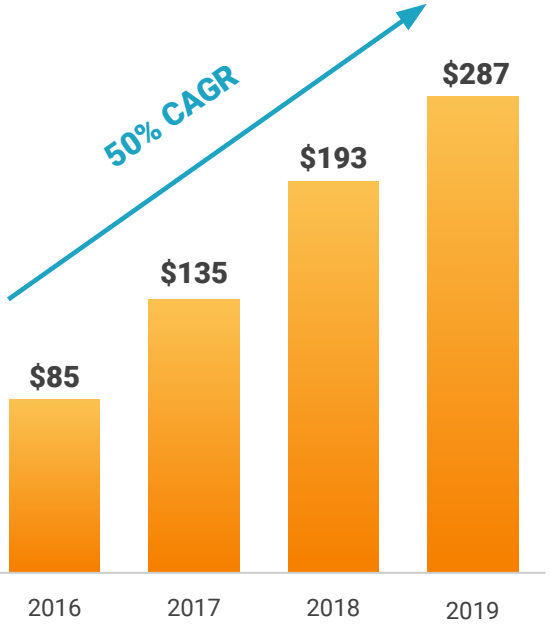
200
Cities in Network

13%
Of Fortune 1,000 are Paying Customers

1,270
Employees

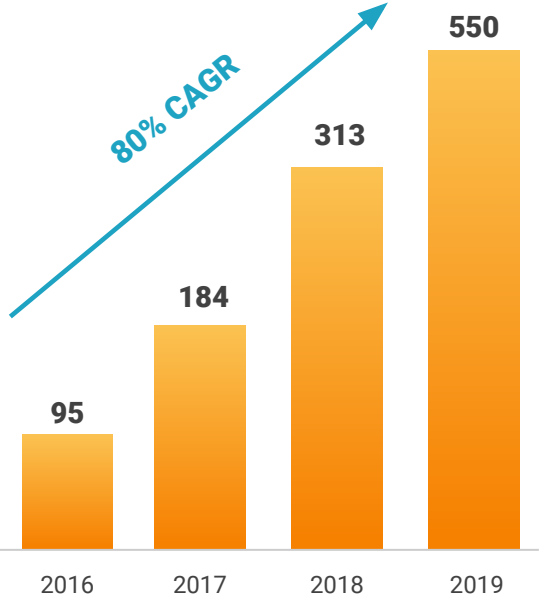
78%
GAAP Gross Margin

Annual Total Revenue ($M)



Large Customers

> $100,000 Annualized Billings



Note: All data as of December 31, 2019. See Appendix for "paying customer", "large customer", and "Annualized Billings" definitions.

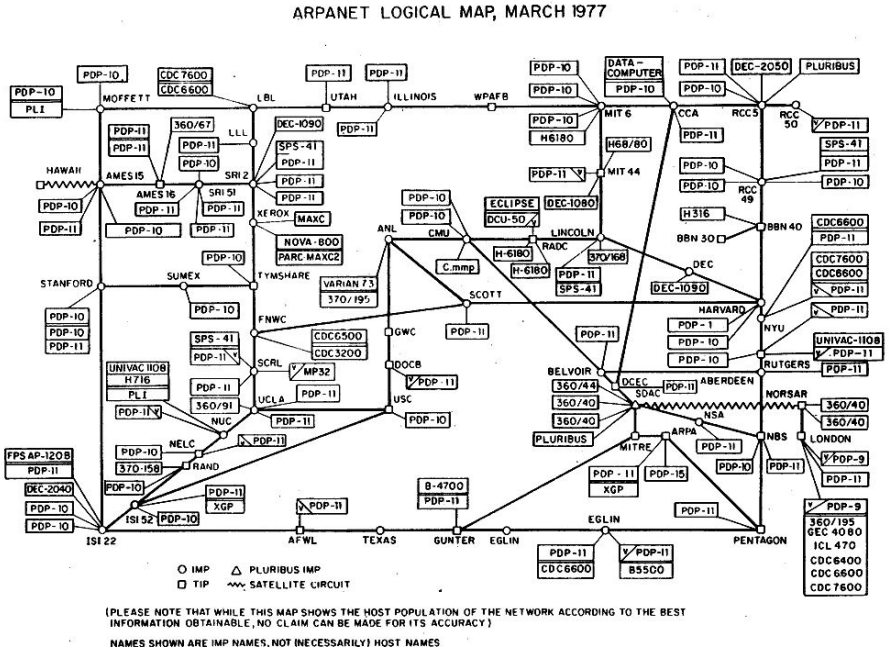
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Cloudflare’s mission is to

Help build a better Internet

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The Internet was not built for what it has become.

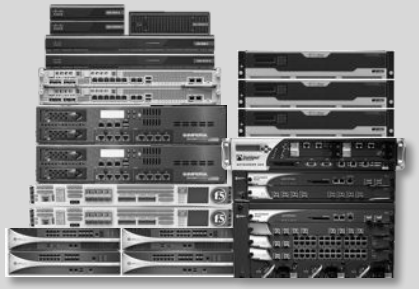


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From Endless Hardware to a Global Cloud Platform

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®

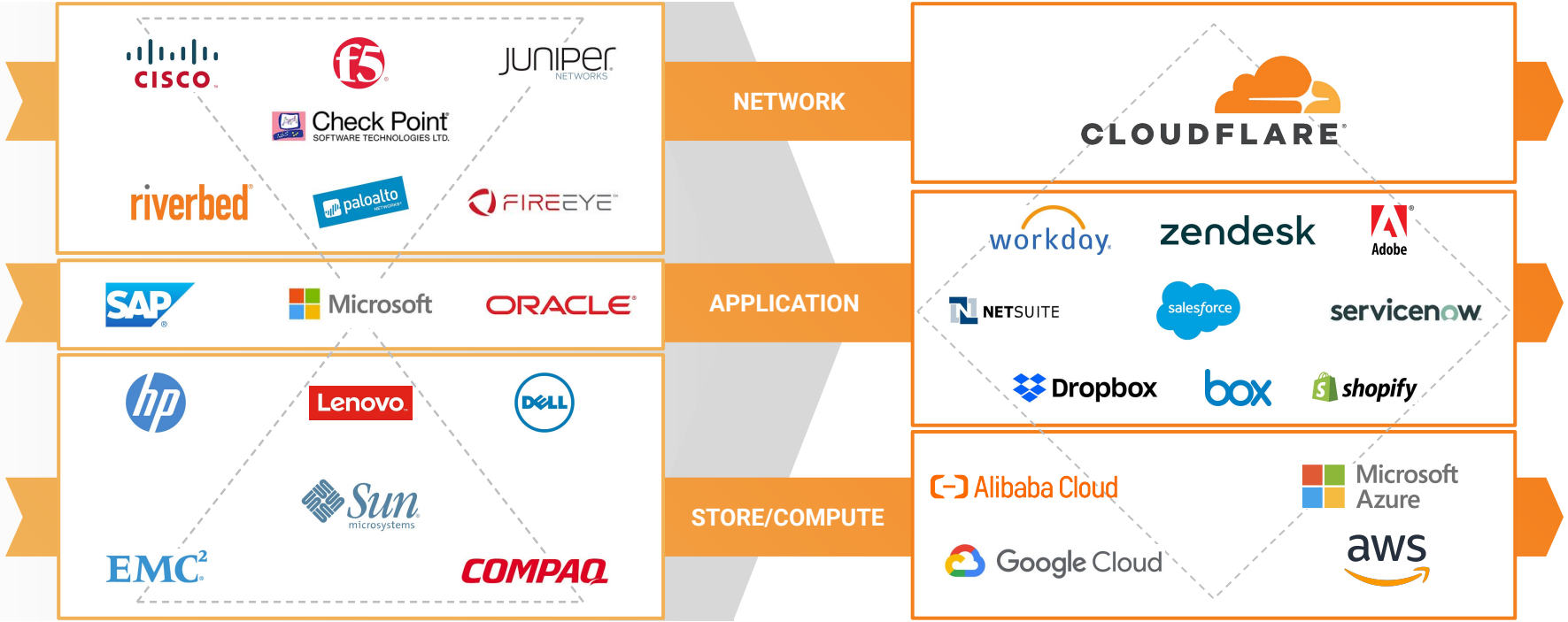
Global Cloud Platform

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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
- DDoS Protection
- Secure Origin Connection
- Infrastructure Protection
- Rate Limiting

TEAMS

- Zero Trust Security
- Gateway

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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An Integrated Global Cloud Platform

SECURITY

APPLICATION SECURITY



Firewall



Bot Management



DDoS Protection

NETWORK SECURITY



Multi-Protocol Network Security



Infrastructure Protection

TEAMS



Zero Trust Security



Gateway

- New security suite that protects corporate employees and data without sacrificing performance
- Zero Trust security for internal applications
- Designed to secure users, devices and networks on the open market

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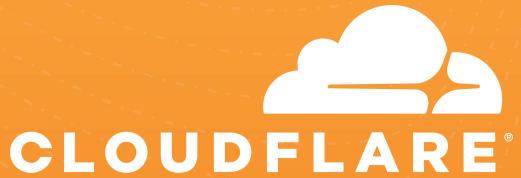
Note: Gateway is an announced solution for release in stages during 2020.

We operate at a massive scale.



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Note: All data as of December 31, 2019. See Appendix for "paying customer" definition.

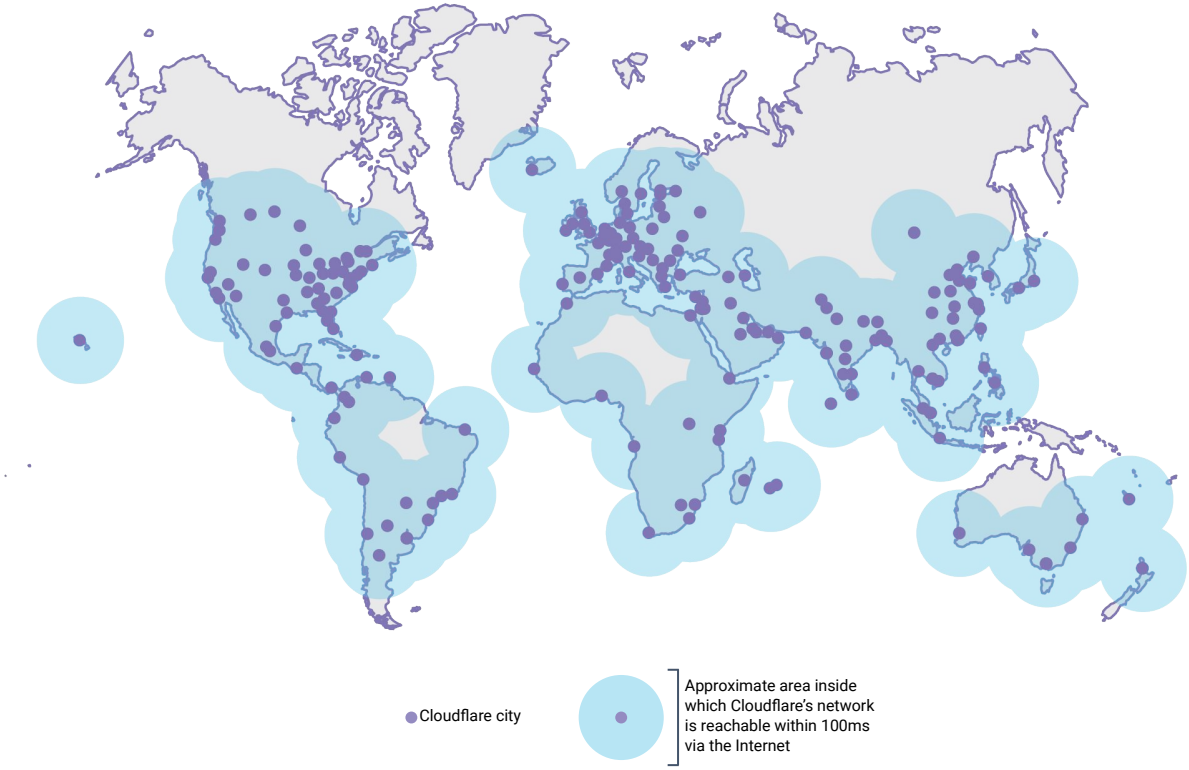


Our Flexible, Scalable, & Efficient Serverless Architecture

- 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



200
Cities

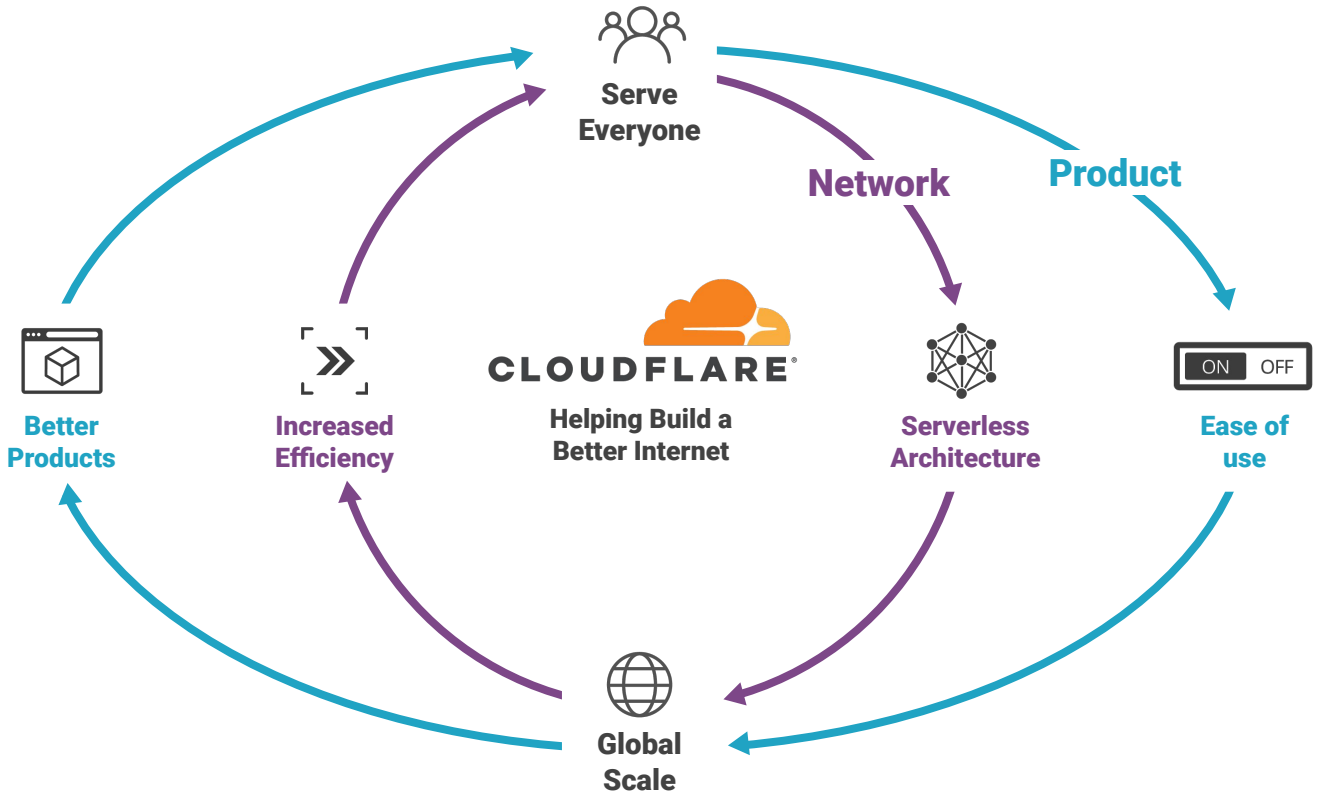
90+
Countries

8,500+
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 26M+ Internet properties with paying customers in over 160 countries.

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

Immune system for the Internet blocking an average of 50.1 billion cyber threats each day.

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

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Note: Cyber threats data is for the three months ended December 31, 2019. Network data as of December 31, 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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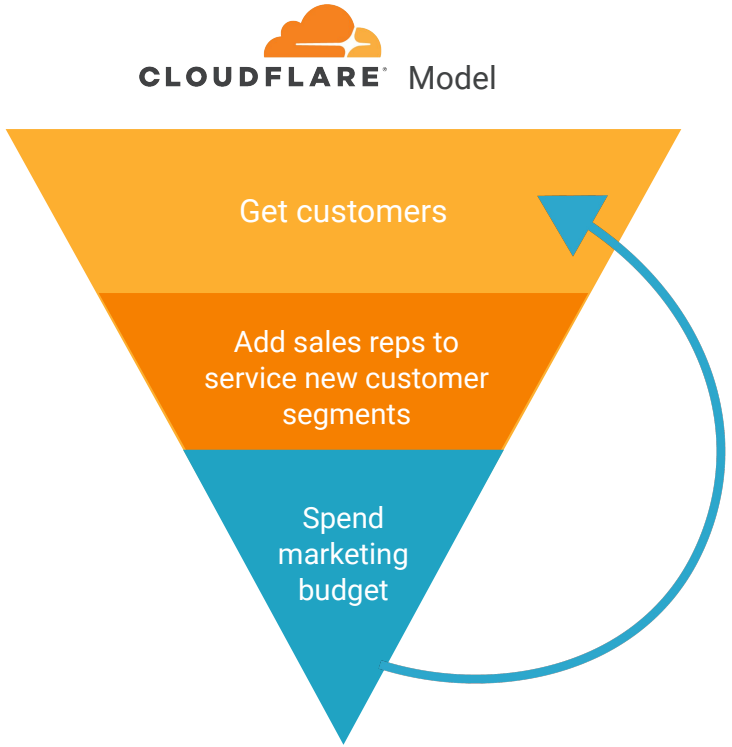
Note: Total addressable market represents 2018 spend and 2022 projections from our analysis based on IDC data.

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 Strategy for Growth

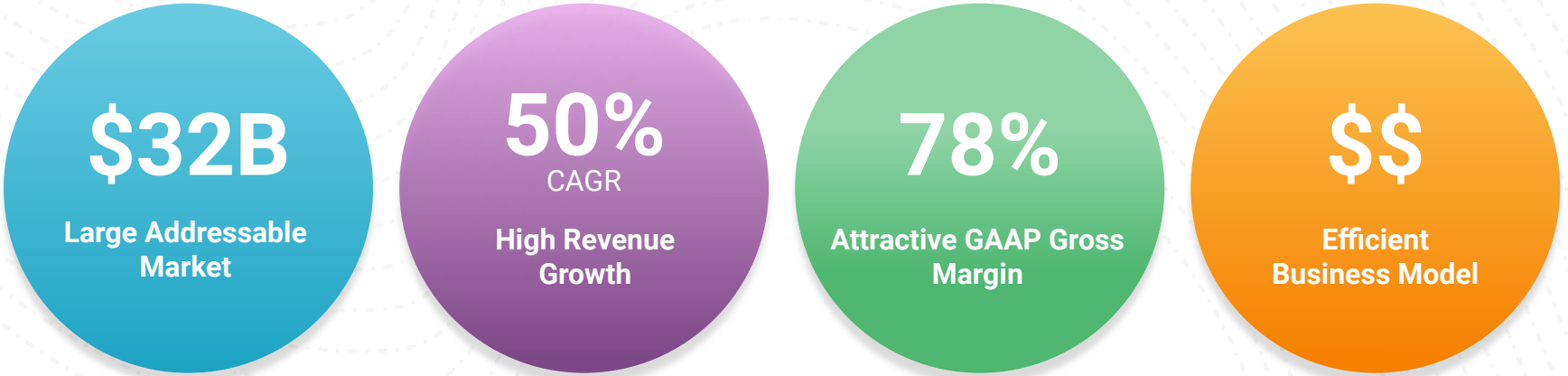


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Financial Overview

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Key Financial Highlights



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Note: Total addressable market represents 2018 spend from our analysis based on IDC data. Revenue growth is from 2016-2019 and gross margin data is for the twelve months ended December 31, 2019.

Annual Total Revenue ($M)



Strong Revenue Growth

Multiple independent growth vectors

Large customer growth

Product portfolio expansion

10 consecutive quarters with DNR above 110%

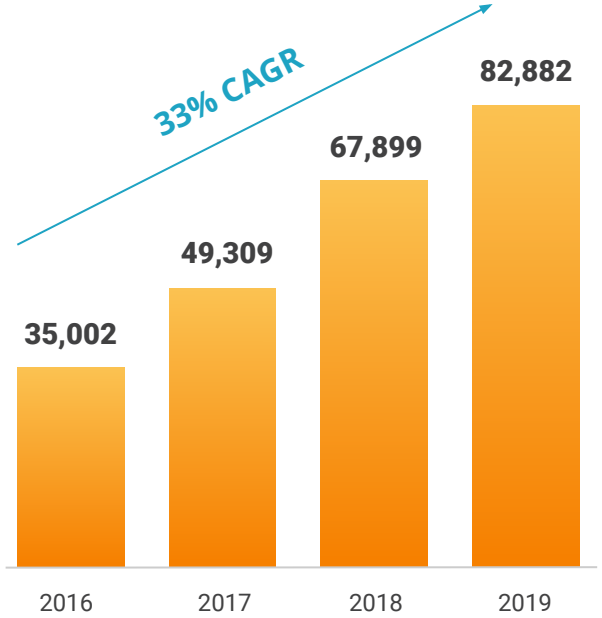
100% subscription-based revenue,
49% outside of the United States

Note: Subscription-based revenue includes related support services and usage fees. Revenue outside the United States is for the three months ended December 31, 2019.

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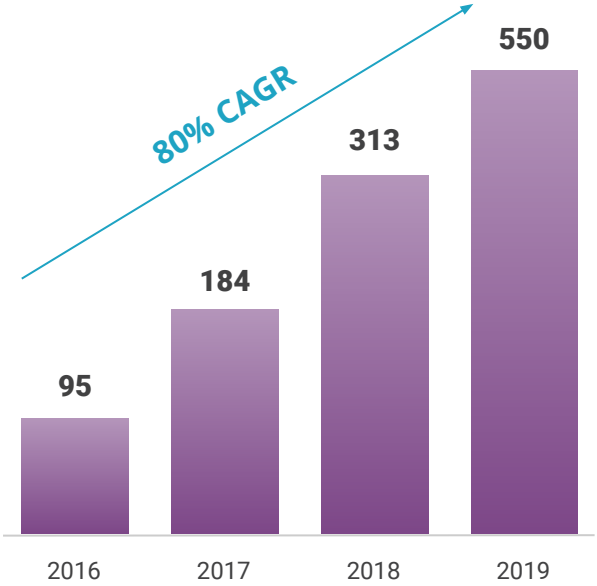
Rapid Customer Growth

Total Paying Customers



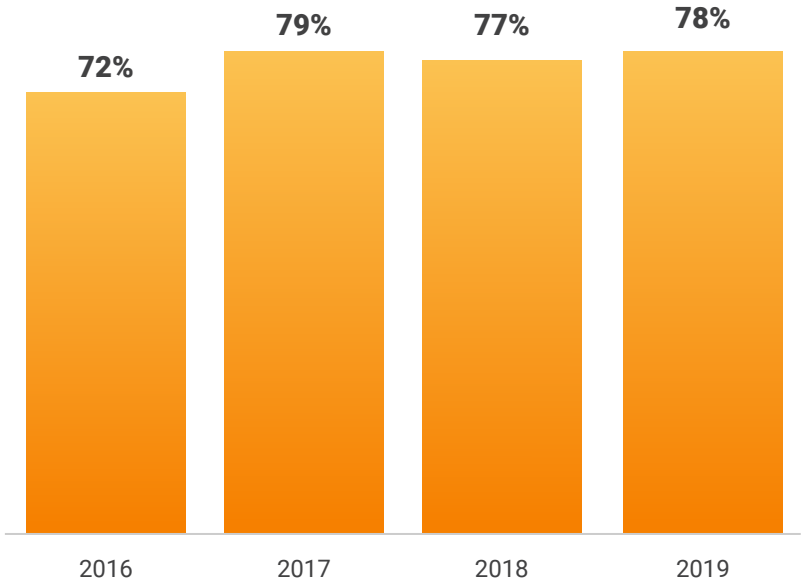
Large Customers

>$100,000 Annualized Billings



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Note: See Appendix for "paying customer", "large customer", and "Annualized Billings" definitions.



Attractive GAAP Gross Margin

Serverless architecture deployed on commodity hardware

Single software stack across the network

Symbiotic relationship with ISPs

Leverage idle capacity across network

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Long-Term Model (Non-GAAP)

	2018	1H 2019	2H 2019	Long-Term Model
Gross Margin	78 %	77 %	79 %	**75% - 77%**
Sales & Marketing	48 %	51 %	54 %	**27% - 29%**
Research & Development	27 %	28 %	27 %	**18% - 20%**
General & Administrative	31 %	26 %	22 %	**8% - 10%**
Operating Margin	(30) %	(27) %	(23) %	**20% +**

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Note: Metrics shown represent % of Revenue. Metrics shown are Non-GAAP. See Appendix for GAAP financial measures and reconciliation.

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 products, such as 1.1.1.1 and Warp. 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 products, such as 1.1.1.1 and Warp, and that together represent an insignificant amount of our revenue. We include both month-to-month subscriptions and longer-term agreements with our contracted customers 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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