



# Investor Presentation

May 2022

# Safe Harbor

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# Cloudflare at a Glance

2010

Launched

154K+

Paying Customers

270+

Cities in Network

>50%

Of Revenue from Large Customers

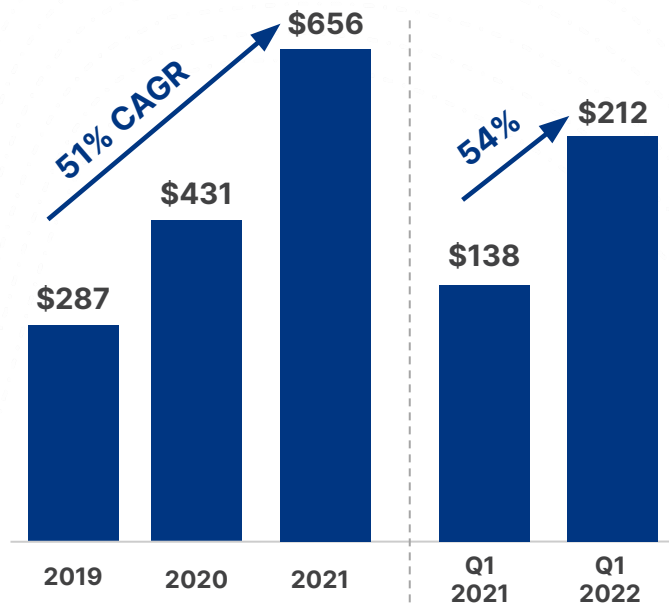
2,751

Employees

78%

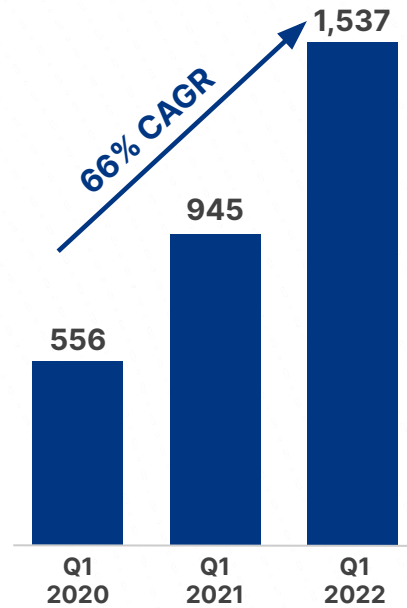
GAAP Gross Margin

## Total Revenue (\$M)



## Large Customers

> \$100,000 Annualized Revenue



Note: Unless indicated otherwise, all data in orange shaded area of slide are as of March 31, 2022, except revenue from Large Customers and GAAP gross margin are for three months ended March 31, 2022. Large Customers data in white shaded area of slide are as of applicable year ends. See Appendix for "Large Customers" definition.

# Environmental, Social, Governance



## Building a Greener Internet

Green Compute on  
Cloudflare Workers

Green Hosting with  
Cloudflare Pages

Published first Greenhouse  
Gas Emissions Report



## Promoting Human Rights

Published Human Rights  
Policy

Athenian Project  
International Expansion

Published UN  
Communication on Progress  
(COP)



## Building Sustainable Communities

Project Pangea

First Diversity, Equity,  
Inclusion Report

First Impact Report

Joined the 1% Pledge



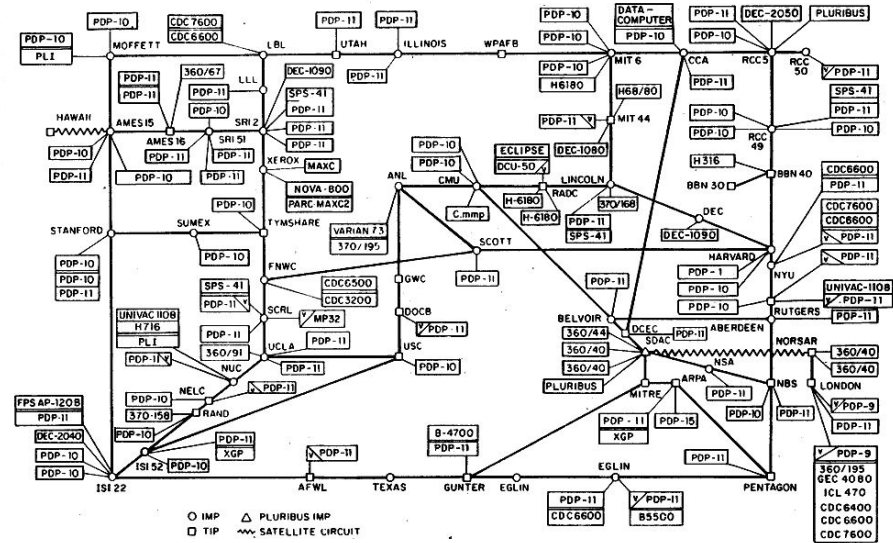
We are powering  
our network with  
100% renewable  
energy and  
committed to  
removing all  
historical  
emissions from our  
global network by  
2025

Cloudflare's mission is to  
**Help build a better Internet**

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The Internet  
was not  
built for  
what it has  
become.

ARPANET LOGICAL MAP, MARCH 1977



(PLEASE NOTE THAT WHILE THIS MAP SHOWS THE HOST POPULATION OF THE NETWORK ACCORDING TO THE BEST INFORMATION OBTAINABLE, NO CLAIM CAN BE MADE FOR ITS ACCURACY)

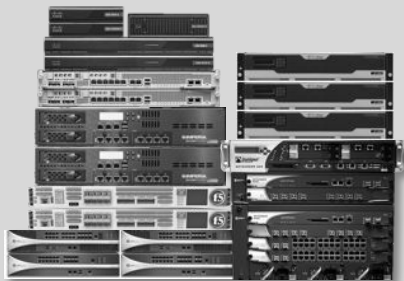
NAMES SHOWN ARE IMP NAMES, NOT NECESSARILY HOST NAMES

# From Endless Hardware to a Global Cloud Platform

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## 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



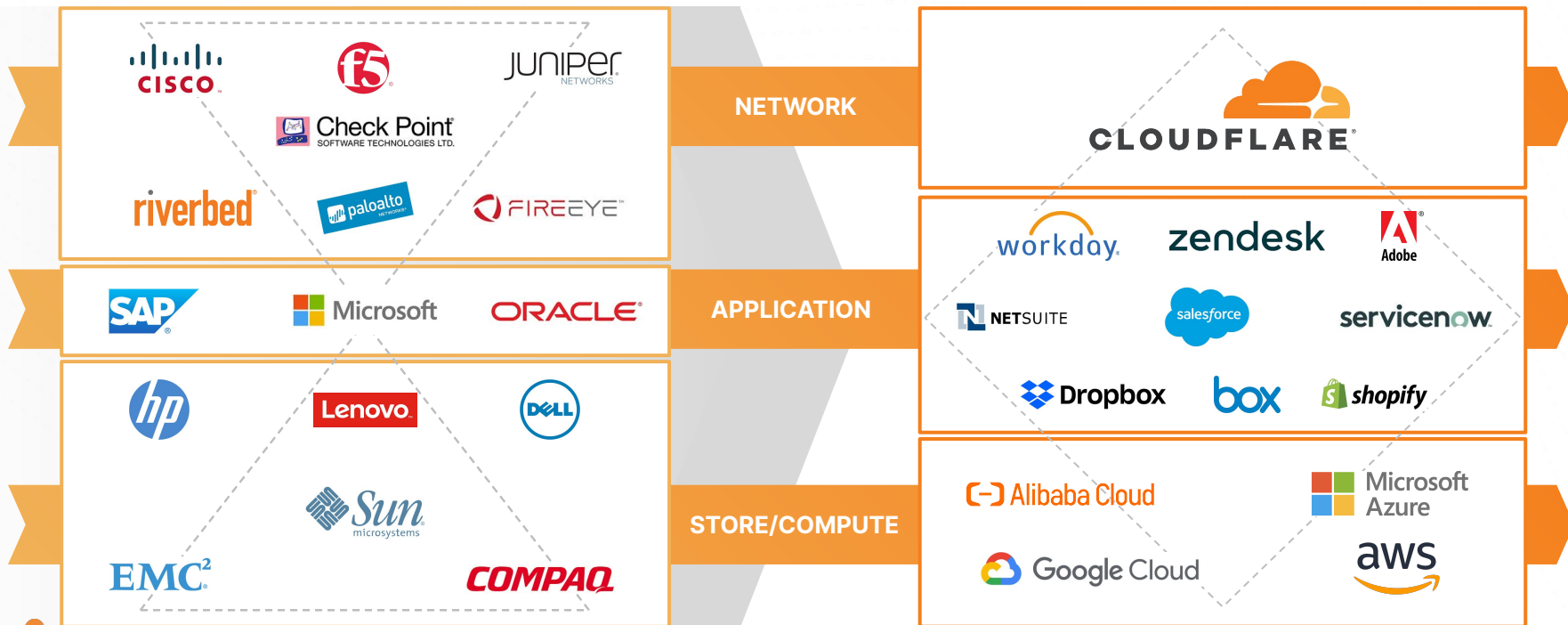
**CLOUDFLARE**<sup>®</sup>

Global Cloud Platform

# Evolution of Enterprise Stack

Hardware / Software (Buy) Yesterday

Services / Cloud (Rent) Tomorrow





# An Integrated Global Cloud Platform





## Cloudflare Zero Trust Services



## Cloudflare Network Services







## Cloudflare Application Services

### 1 Cloudflare One

#### *Cloudflare for Teams suite*

-  ZTNA with Private Routing
-  Remote Browser Isolation
-  SWG with CASB
-  Identity/Endpoint Integration




-  WAN-as-a-Service
-  Firewall-as-a-Service
-  L3 & L4 DDoS Protection
-  Network Interconnect
-  Smart Routing

-  WAF with API Protection
-  Rate Limiting
-  Load Balancing
-  Bot Management
-  L7 DDoS Protection
-  CDN and DNS

### Cloudflare Edge Developer Platform

-  Workers
-  Workers KV
-  Pages
-  Durable Objects
-  Video Streaming

### Cloudflare Global Network

-  **Global Edge:** 270+ cities, 95% of population within 50ms, 10,500 interconnects, 142 Tbps capacity, China Network
-  **Building Blocks:** SSL/TLS, mTLS, Authoritative/Recursive DNS, DNSSEC, DNS over HTTP, L4-7 over Wireguard
-  **Compliance/Privacy:** ISO, SOC, PCI, GDPR-compliant Logs & Analytics, Data Localization Suite

# We Operate at Massive Scale

**117B**

**Cyber Threats  
Blocked per Day**

**154K+**

**Total Paying  
Customers**

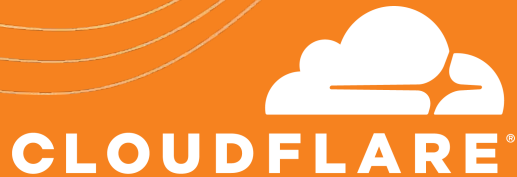
**>50%**

**Of Revenue from  
Large Customers**

**47%**

**Of Revenue from  
Outside of the U.S.**





# Our Flexible, Scalable, & Efficient Serverless Architecture

- Abstracts underlying infrastructure
- Dynamically optimizes and leverages capacity across network
- Single unified code base
- Deployment on commodity hardware

# A Global Network Powering our Platform



**270+** cities

in 100+ countries, including mainland China



**10,500** networks

directly connect to Cloudflare, including ISPs, cloud providers, and large enterprises



**142** Tbps

of network capacity and growing



**154,000+** paying customers



**Plans for 1,000+**

of the world's busiest office buildings and multi-dwelling units to link directly with the Cloudflare network in the future

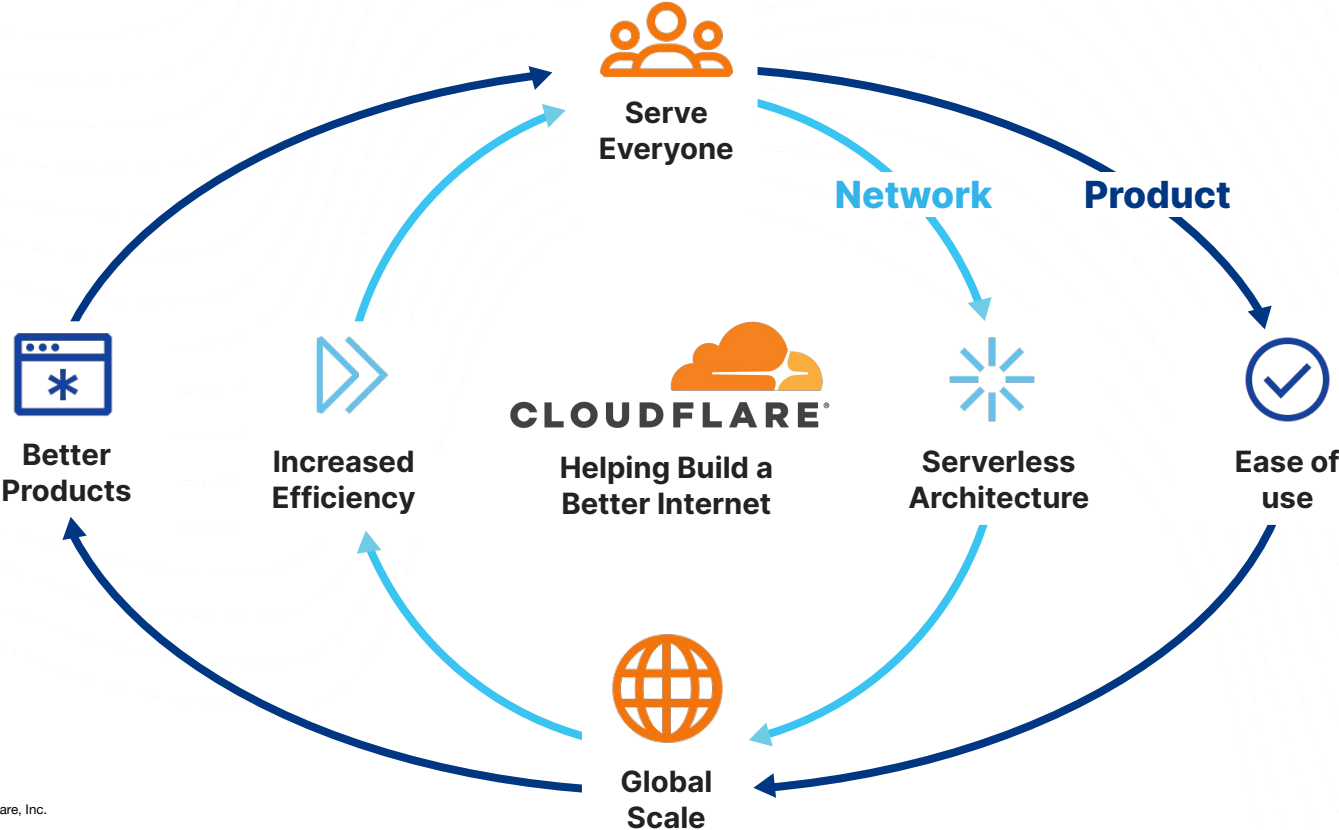
**63%**

year-over-year Large Customer growth in Q1'22

**95%**

of the world's population is within 50 ms of a Cloudflare data center

# Our Product & Network Flywheels Drive Our Business



# Data Intelligence & Quality Assurance at Scale

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## **Global sensor network**

with paying customers in 175+ countries.

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

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










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



# Our Competitive Advantages

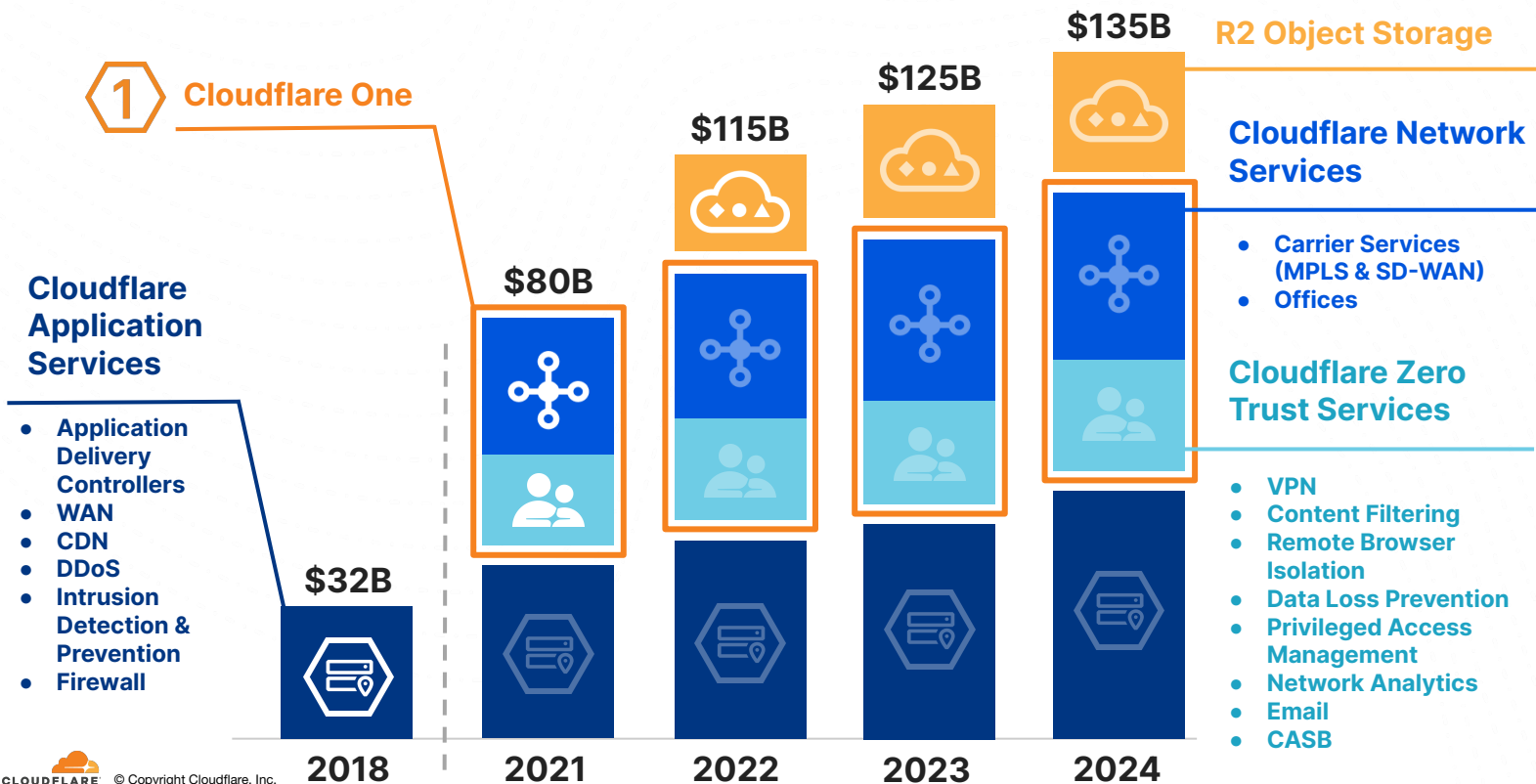


# Our Favorable Competitive Position

		Limitations
 <b>On-Premise</b>	 	<ul style="list-style-type: none"><li>• Complex and expensive</li><li>• Not suited to address cloud-based and hybrid deployments</li></ul>
 <b>Point Solutions</b>	 	<ul style="list-style-type: none"><li>• Architected to deliver single point / more narrow product portfolio</li><li>• Customers are increasingly looking for an integrated platform offering security, performance, and reliability through a single vendor</li></ul>
 <b>Public Cloud</b>	 	<ul style="list-style-type: none"><li>• Inability to serve as a unified control plane across on-premise, cloud, hybrid, and SaaS infrastructure</li><li>• Customer lock-in and competition concerns</li></ul>



# Innovation Drives Massive TAM Expansion



## Areas for Potential Incremental Growth

- Serverless
- Database
- Internet of Things
- 5G Cellular
- Consumer

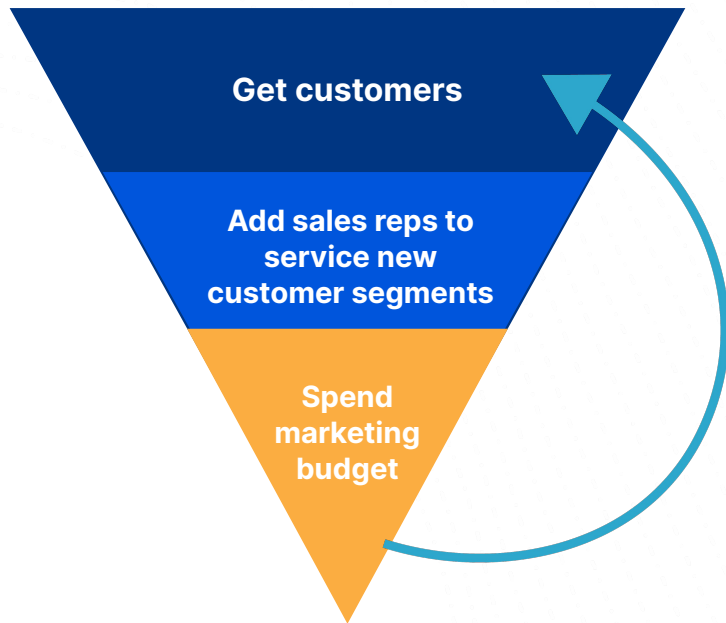
# Traditional Go-To-Market Model Inverted

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

  
CLOUDFLARE Model



# Our Strategy for Growth

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# Financial Overview

# Key Financial Highlights

**\$115B**

Large  
Addressable  
Market in 2022

**54%**

Y/Y  
Q1'22 Revenue  
Growth

**78%**

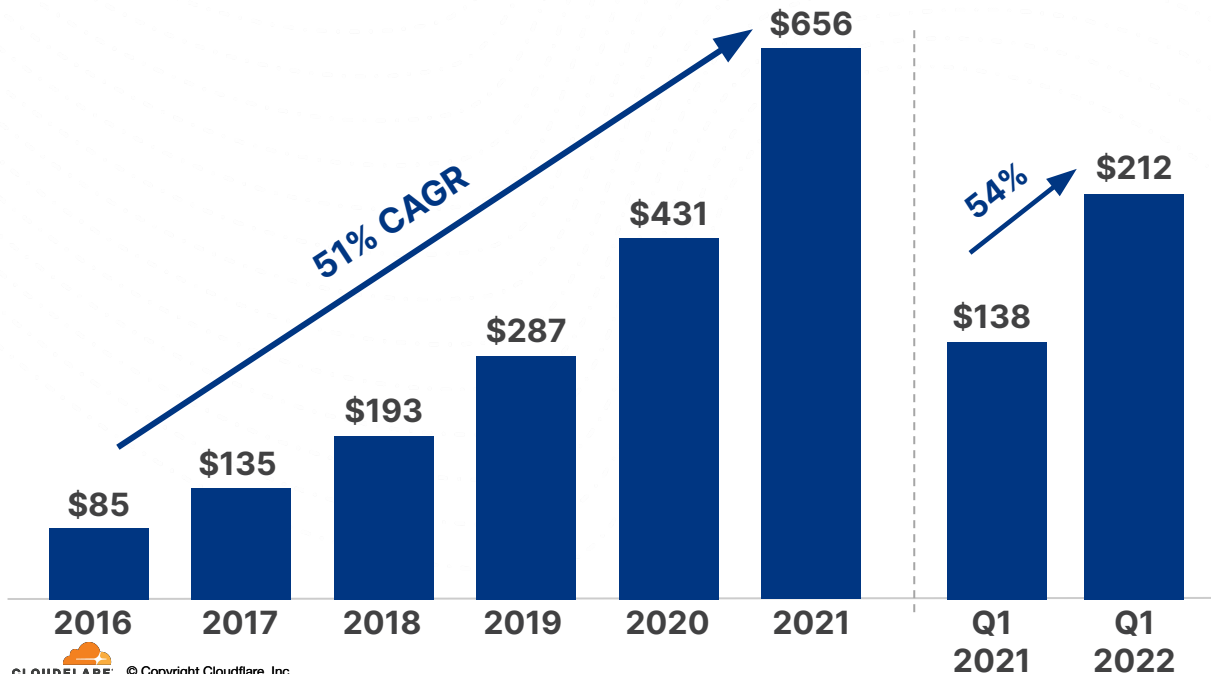
Q1'22 GAAP  
Gross  
Margin

**1,537**

Large  
Customers

# Track Record of Delivering Revenue Growth

Total Revenue (\$M)



Investment in enterprise sales



Large customer momentum



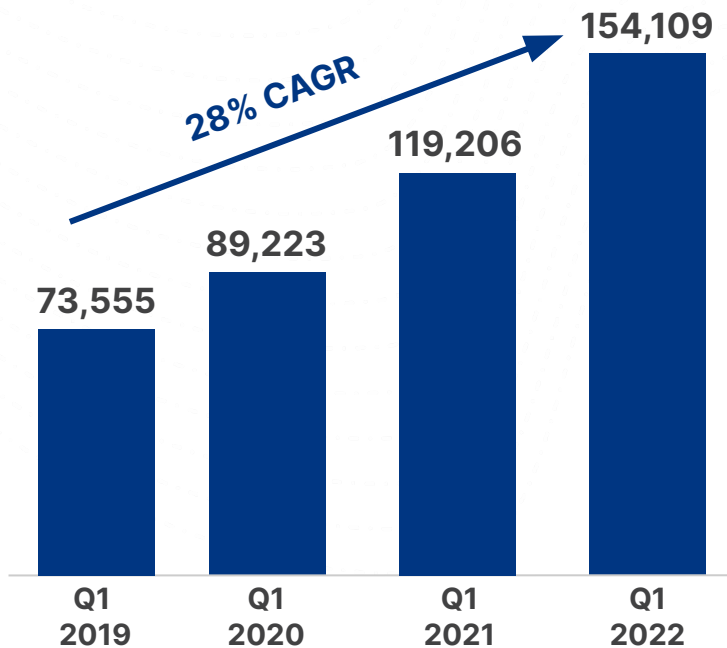
Land and expand strategy drives growth across cohorts



Strong penetration across the entire product portfolio

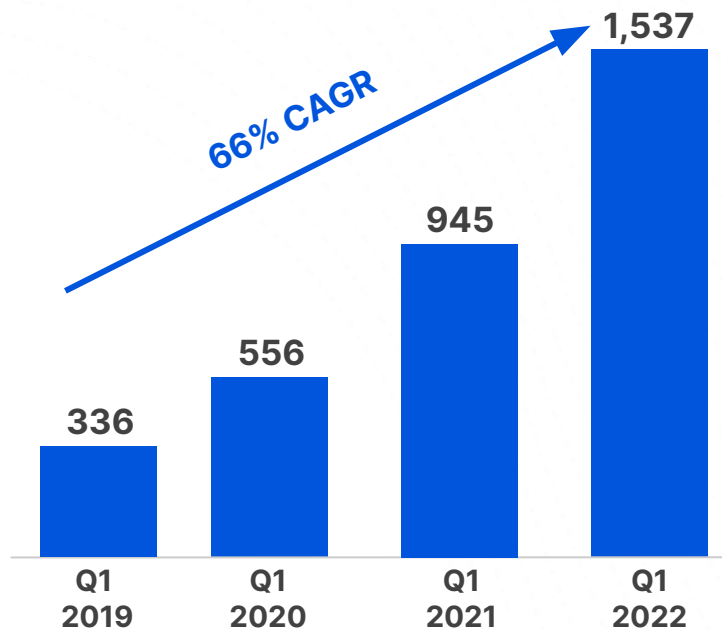
# Rapid Customer Growth

## Paying Customers

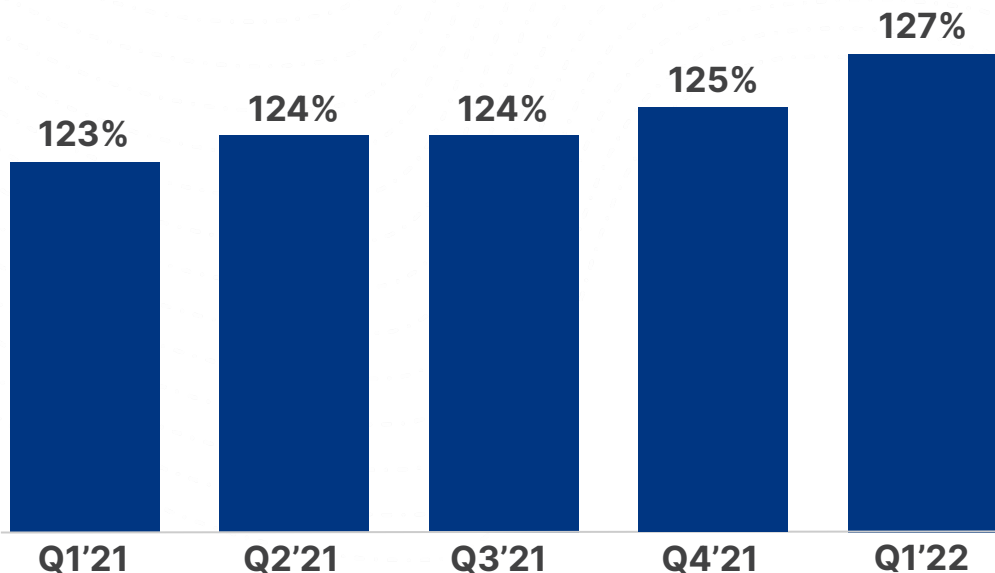


## Large Customers

>\$100,000 Annualized Revenue



# Strong Dollar-Based Net Retention



DNR includes all paying customers



Large customers are a tailwind to DNR



Gross retention above 90%

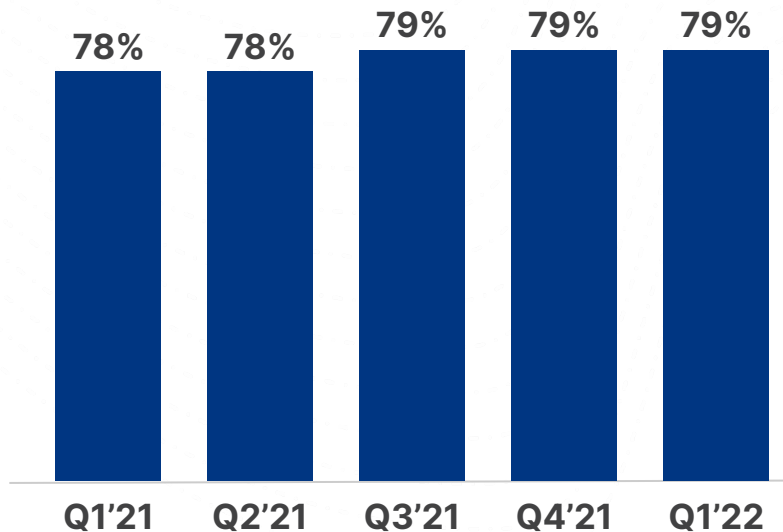


Continuous innovation offers expansion opportunities





## Non-GAAP Gross Margin



## Attractive & Consistent Gross Margin

Serverless architecture deployed on commodity hardware

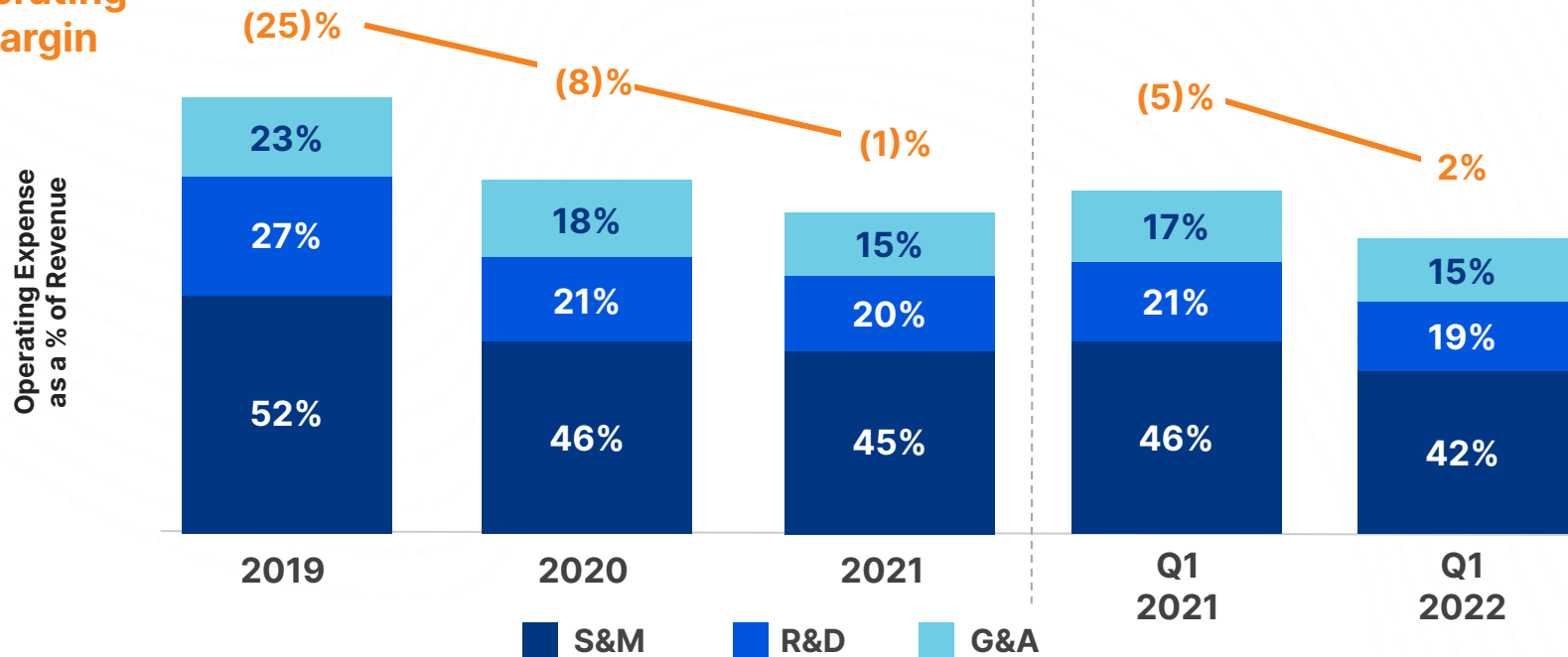
Single software stack across the network

Symbiotic relationship with ISPs

Leverage idle capacity across network

# Leverage of Our Operating Model

Non-GAAP  
Operating  
Margin



# Guidance

(as of May 05, 2022)

## Q2 2022

**Revenue** **\$226.5 - 227.5**  
Y/Y Growth 49%

**Operating Loss** **(\$2.0) - (\$1.0)**  
Operating Margin (0%) - (1%)

**EPS** **(\$0.01) - \$0.00**

## FY 2022

**Revenue** **\$955.0 - 959.0**  
Y/Y Growth 45% - 46%

**Operating Income** **\$10.0 - \$14.0**  
Operating Margin 1%

**EPS** **\$0.03 - \$0.04**

FY 2022  
Network Capex  
as % of Revenue

**12%-14%**

**Anticipate Returning to Free Cash Flow Positive**

**2nd Half 2022**

# Long-Term Model

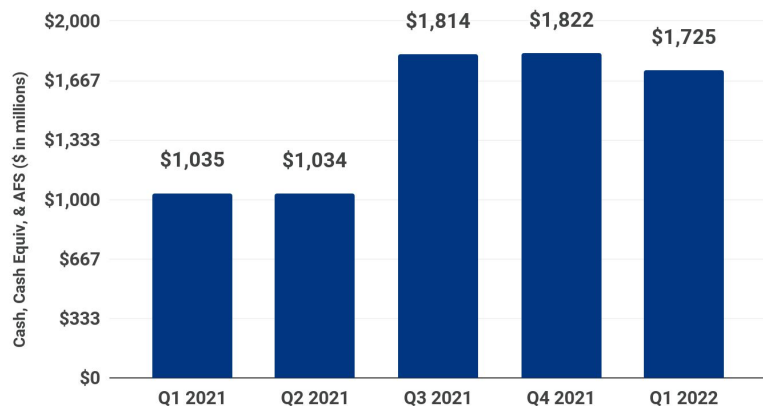
	2019	2020	2021	Q1 2022	Long-Term Model
<b>Non-GAAP Gross Margin</b>	78 %	78 %	79 %	79 %	75% - 77%
<b>Sales &amp; Marketing</b> (% of revenue)	52 %	46 %	45 %	42 %	27% - 29%
<b>Research &amp; Development</b> (% of revenue)	27 %	21 %	20 %	19 %	18% - 20%
<b>General &amp; Administrative</b> (% of revenue)	23 %	18 %	15 %	15 %	8% - 10%
<b>Non-GAAP Operating Margin</b>	(25)%	(8)%	(1)%	2 %	20% +

**Driving product innovation as the marginal cost to serve customers declines creates significant long-term operating margin opportunity**

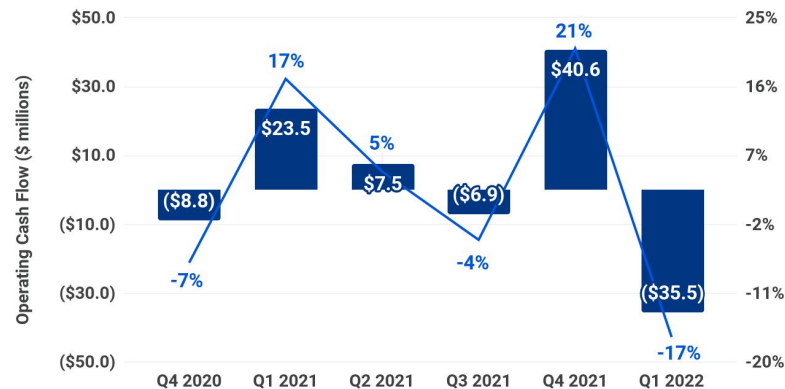
# Strong Cash Position

- Raised \$565 million in our IPO that priced on September 12th, 2019, net of fees and expenses
- Raised \$495 million in our Convertible Notes Offering due 2025 that priced on May 13th, 2020, net of issuance costs and a capped call with respect to the 2025 convertible notes
- Raised \$790 million in our Convertible Note Offering due 2026 that priced on August 10th, 2021, net of the repurchase of 2025 notes, issuance costs, and a capped call with respect to the 2026 convertible notes

## Cash Balance



## Operating Cash Flow & Margin



# Our Business Model



**Disrupting a large and growing total addressable market**



**Widely distributed global cloud platform**



**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**



# Appendix

# GAAP to Non-GAAP Reconciliation (Annual)

	2019	2020	2021
<b>GAAP Cost of Revenue</b>	<b>\$63,423</b>	<b>\$101,055</b>	<b>\$147,134</b>
Less: Stock-based Compensation Expense & Related Payroll Taxes	-\$716	-\$1,466	-\$3,703
Less: Amortization of Acquired Intangible Assets	-\$125	-\$3,081	-\$2,946
<b>Non-GAAP Cost of Revenue</b>	<b>\$62,582</b>	<b>\$96,508</b>	<b>\$140,485</b>
<b>GAAP Gross Profit</b>	<b>\$223,599</b>	<b>\$330,004</b>	<b>\$509,292</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$716	\$1,466	\$3,703
Add: Amortization of Acquired Intangible Assets	\$125	\$3,081	\$2,946
<b>Non-GAAP Gross Profit</b>	<b>\$224,440</b>	<b>\$334,551</b>	<b>\$515,941</b>
GAAP Gross Margin	78%	77%	78%
Non-GAAP Gross Margin	78%	78%	79%
<b>GAAP Sales and Marketing</b>	<b>\$159,298</b>	<b>\$217,875</b>	<b>\$328,065</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$8,709	-\$17,678	-\$32,869
<b>Non-GAAP Sales and Marketing</b>	<b>\$150,589</b>	<b>\$200,197</b>	<b>\$295,196</b>
GAAP S&M Expense as a % of Revenue	56%	51%	50%
Non-GAAP S&M Expense as a % of Revenue	52%	46%	45%
<b>GAAP Research and Development</b>	<b>\$90,669</b>	<b>\$127,144</b>	<b>\$189,408</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$13,037	-\$30,497	-\$61,056
Less: Acquisition-related and other expenses	-	-\$5,725	-
<b>Non-GAAP Research and Development</b>	<b>\$77,632</b>	<b>\$90,922</b>	<b>\$128,352</b>
GAAP R&D Expense as a % of Revenue	32%	29%	29%
Non-GAAP R&D Expense as a % of Revenue	27%	21%	20%
<b>GAAP General and Administrative</b>	<b>\$81,578</b>	<b>\$91,753</b>	<b>\$119,503</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$14,165	-\$13,875	-\$19,706
Less: Acquisition-related and other expenses	-	-\$554	-\$380
<b>Non-GAAP General and Administrative Expense</b>	<b>\$67,413</b>	<b>\$77,324</b>	<b>\$99,417</b>
GAAP G&A Expense as a % of Revenue	28%	21%	18%
Non-GAAP G&A Expense as a % of Revenue	23%	18%	15%
<b>GAAP Loss from Operations</b>	<b>-\$107,946</b>	<b>-\$106,768</b>	<b>-\$127,684</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$36,627	\$63,516	\$117,334
Add: Amortization of Acquired Intangible Assets	\$125	\$3,081	\$2,946
Add: Acquisition-related and other expenses	-	\$6,279	\$380
<b>Non-GAAP Loss from Operations</b>	<b>-\$71,194</b>	<b>-\$33,892</b>	<b>-\$7,024</b>
GAAP Operating Margin	-38%	-25%	-19%
<b>Non-GAAP Operating Margin</b>	<b>-25%</b>	<b>-8%</b>	<b>-1%</b>



# GAAP to Non-GAAP Reconciliation (Quarterly)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>GAAP Cost of Revenue</b>	<b>\$32,084</b>	<b>\$35,029</b>	<b>\$37,525</b>	<b>\$42,496</b>	<b>\$47,051</b>
Less: Stock-based Compensation Expense & Related Payroll Taxes	-\$523	-\$803	-\$1,040	-\$1,337	-\$1,323
Less: Amortization of Acquired Intangible Assets	-\$700	-\$700	-\$700	-\$846	-\$507
<b>Non-GAAP Cost of Revenue</b>	<b>\$30,861</b>	<b>\$33,526</b>	<b>\$35,785</b>	<b>\$40,313</b>	<b>\$45,221</b>
<b>GAAP Gross Profit</b>	<b>\$105,971</b>	<b>\$117,399</b>	<b>\$134,822</b>	<b>\$151,100</b>	<b>\$165,116</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$523	\$803	\$1,040	\$1,337	\$1,323
Add: Amortization of Acquired Intangible Assets	\$700	\$700	\$700	\$846	\$507
<b>Non-GAAP Gross Profit</b>	<b>\$107,194</b>	<b>\$118,902</b>	<b>\$136,562</b>	<b>\$153,283</b>	<b>\$166,946</b>
GAAP Gross Margin	77%	77%	78%	78%	78%
Non-GAAP Gross Margin	78%	78%	79%	79%	79%
<b>GAAP Sales and Marketing</b>	<b>\$69,974</b>	<b>\$75,995</b>	<b>\$85,877</b>	<b>\$96,219</b>	<b>\$100,057</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$6,835	-\$7,579	-\$8,271	-\$10,184	-\$10,379
<b>Non-GAAP Sales and Marketing</b>	<b>\$63,139</b>	<b>\$68,416</b>	<b>\$77,606</b>	<b>\$86,035</b>	<b>\$89,678</b>
GAAP S&M Expense as a % of Revenue	51%	50%	50%	50%	47%
Non-GAAP S&M Expense as a % of Revenue	46%	45%	45%	44%	42%
<b>GAAP Research and Development</b>	<b>\$39,527</b>	<b>\$41,349</b>	<b>\$46,770</b>	<b>\$61,762</b>	<b>\$67,054</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$11,058	-\$11,280	-\$13,971	-\$24,747	-\$24,079
Less: Acquisition-related and other expenses	-	-	-	-	-\$2,639
<b>Non-GAAP Research and Development</b>	<b>\$28,469</b>	<b>\$30,069</b>	<b>\$32,799</b>	<b>\$37,015</b>	<b>\$40,336</b>
GAAP R&D Expense as a % of Revenue	29%	27%	27%	32%	32%
Non-GAAP R&D Expense as a % of Revenue	21%	20%	19%	19%	19%
<b>GAAP General and Administrative</b>	<b>\$27,724</b>	<b>\$28,927</b>	<b>\$28,669</b>	<b>\$34,183</b>	<b>\$38,029</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$4,648	-\$4,486	-\$4,742	-\$5,830	-\$6,018
Less: Acquisition-related and other expenses	-	-	-	-\$380	-
<b>Non-GAAP General and Administrative Expense</b>	<b>\$23,076</b>	<b>\$24,441</b>	<b>\$23,927</b>	<b>\$27,973</b>	<b>\$32,011</b>
GAAP G&A Expense as a % of Revenue	20%	19%	17%	18%	18%
Non-GAAP G&A Expense as a % of Revenue	17%	16%	14%	14%	15%
<b>GAAP Loss from Operations</b>	<b>-\$31,254</b>	<b>-\$28,872</b>	<b>-\$26,494</b>	<b>-\$41,064</b>	<b>-\$40,024</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$23,064	\$24,148	\$28,024	\$42,098	\$41,799
Add: Amortization of Acquired Intangible Assets	\$700	\$700	\$700	\$846	\$507
Add: Acquisition-related and other expenses	-	-	-	\$380	\$2,639
<b>Non-GAAP Loss from Operations</b>	<b>-\$7,490</b>	<b>-\$4,024</b>	<b>\$2,230</b>	<b>\$2,260</b>	<b>\$4,921</b>
GAAP Operating Margin	-23%	-19%	-15%	-21%	-19%
<b>Non-GAAP Operating Margin</b>	<b>-5%</b>	<b>-3%</b>	<b>1%</b>	<b>1%</b>	<b>2%</b>

# Definitions

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**Paying Customers.** We believe our ability to grow the number of paying customers on our network provides a key indicator of growth of our business and our future business opportunities. We define a paying customer at the end of the quarter as a person or entity who has generated revenue during such quarter, excluding (i) customers that were not acquired through ordinary sales channels, (ii) customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and Warp, which agreements and customers together represent an insignificant amount of our revenue. 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.

**Large Customers (> \$100,000 Annualized Revenue).** While we continue to grow customers across all sizes, over time, our large customers have contributed an increasing share of our revenue. We view the number of customers with Annualized Revenue greater than \$100,000 as indicative of our penetration within large enterprise accounts. To measure Annualized Revenue at the end of a quarter, we take the sum of revenue for each customer in the quarter and multiply that amount by four. For example, if we signed a new customer that generated \$1,800 of revenue in a quarter, that customer would account for \$7,200 of Annualized Revenue for that year. Our Annualized Revenue calculation excludes (i) agreements that were not entered into through our ordinary sales channels, (ii) revenue generated from customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and Warp, which agreements and customers together represent an insignificant amount of our revenue. Our Annualized Revenue metric also includes any usage charges by a customer during a period, which represents a small portion of our total revenue and may not be recurring. As a result, Annualized Revenue may be higher than actual revenue over the course of the year.

**Dollar-Based Net Retention.** Our ability to maintain long-term revenue growth and achieve profitability is dependent on our ability to retain and grow revenue generated from our existing paying customers. We believe that we will achieve these objectives by continuing to focus on customer loyalty and adding additional products and functionality to our network. Our dollar-based net retention rate is a key way we measure our performance in these areas. Dollar-based net retention measures our ability to retain and expand recurring revenue from existing customers. To calculate dollar-based net retention for a quarter, we compare the Annualized Revenue from paying customers four quarters prior to the Annualized Revenue from the same set of customers in the most recent quarter. Our dollar-based net retention includes expansion and is net of contraction and attrition, but excludes Annualized Revenue from new customers in the current period. Our dollar-based net retention excludes professional services and the benefit of free customers that upgrade to a paid subscription between the prior and current periods, even though this is an important source of incremental growth.