CLOUDFLARE

Investor Presentation

As of March 31, 2022

CLOUDFLARE © Copyright Cloudflare, Inc.

Safe Harbor

This presentation and the accompanying oral commentary have been prepared by Cloudflare, Inc. (“Cloudflare”) for informational purposes only and not for any other purpose. Nothing contained in this presentation is, or should be construed as, a recommendation, promise, or representation by the presenter or Cloudflare or any officer, director, employee, agent, or advisor of Cloudflare. This presentation does not purport to be all-inclusive or to contain all of the information you may desire. Information provided in this presentation and the accompanying oral commentary speak only as of the date set forth on the cover page of this presentation.

This presentation and the accompanying oral commentary contain express and implied “forward-looking” statements within the meaning of the federal securities laws, and these statements involve substantial risks, assumptions, and uncertainties. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, the current and planned functionality of our products, expectations of future operating results or financial performance, business strategy and plans, the impact of the COVID-19 pandemic on our and other businesses and economic conditions generally, market trends, 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.

Actual results could differ materially from our current expectations as a result of many factors, including those identified in the “Risk Factors” section of our filings made with the Securities and Exchange Commission ("SEC"). You can locate these reports on our investor relations website (https://cloudflare.NET) or on the SEC website (www.sec.gov). If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements included in this presentation represent our views only as of the date of this presentation, and except as required by law, we assume no obligation and do not intend to update these forward-looking statements or to conform these statements to actual results or to changes in our expectations.

In addition to our results determined in accordance with generally accepted accounting principles (“GAAP”), this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. See the appendix for a reconciliation of those measures to the most directly comparable GAAP measures.

This presentation and the accompanying oral commentary may contain statistical data, estimates, and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such data after the date of this presentation.

By attending or receiving this presentation you acknowledge that you will be solely responsible for your own assessment of the market and our market position and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of our business and products.

The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as an endorsement of the network and products of Cloudflare.

CLOUDFLARE © Copyright Cloudflare, Inc.

Cloudflare at a Glance

2010
Launched

154K+
Paying Customers

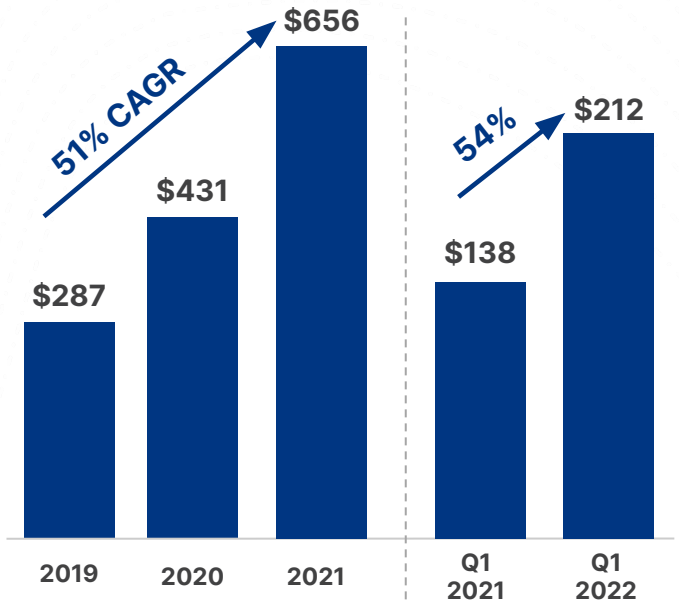
270+
Cities in Network

>50%
Of Revenue from Large Customers

2,751
Employees

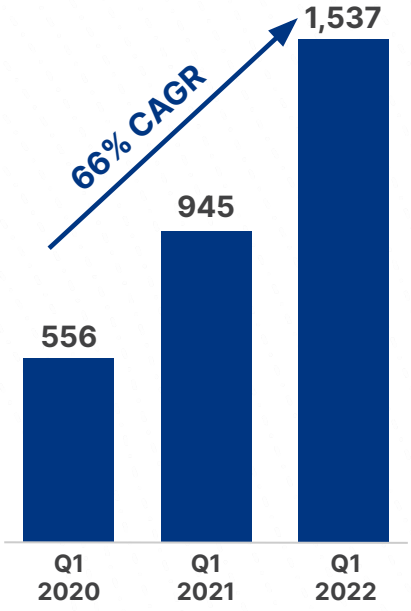
78%
GAAP Gross Margin

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.

CLOUDFLARE © Copyright Cloudflare, Inc.

Environmental, Social, Governance

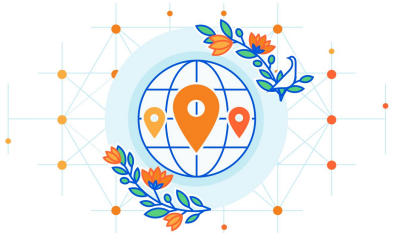


Building a Greener Internet

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

CLOUDFLARE © Copyright Cloudflare, Inc.

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

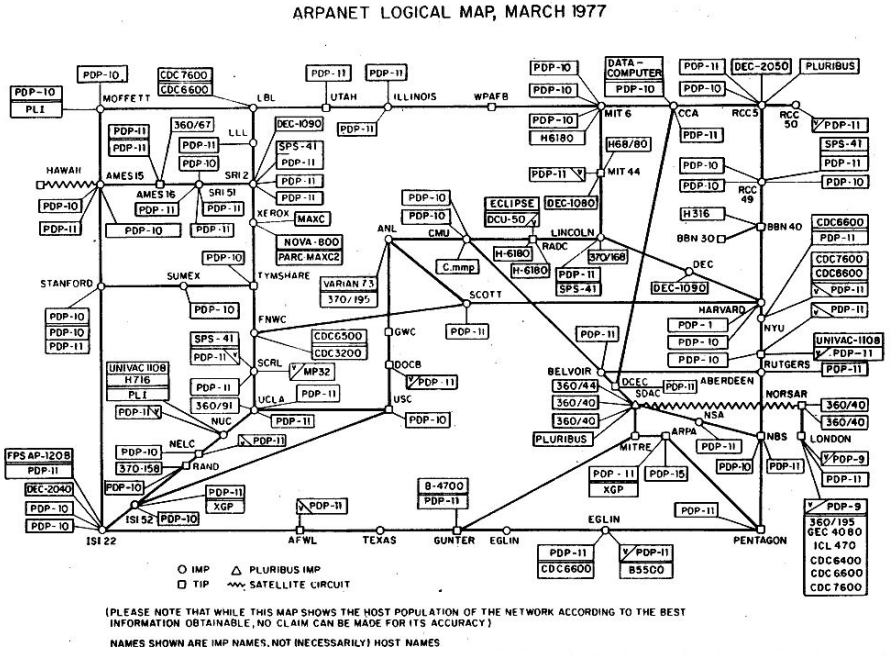
For more information, visit
https://www.cloudflare.com/impact/

Cloudflare’s mission is to

Help build a better Internet

CLOUDFLARE © Copyright Cloudflare, Inc.

The Internet was not built for what it has become.

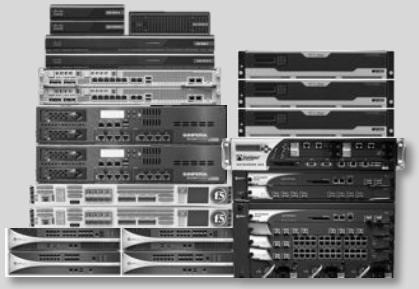


CLOUDFLARE © Copyright Cloudflare, Inc.

From Endless Hardware to a Global Cloud Platform

BAND-AID BOXES

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



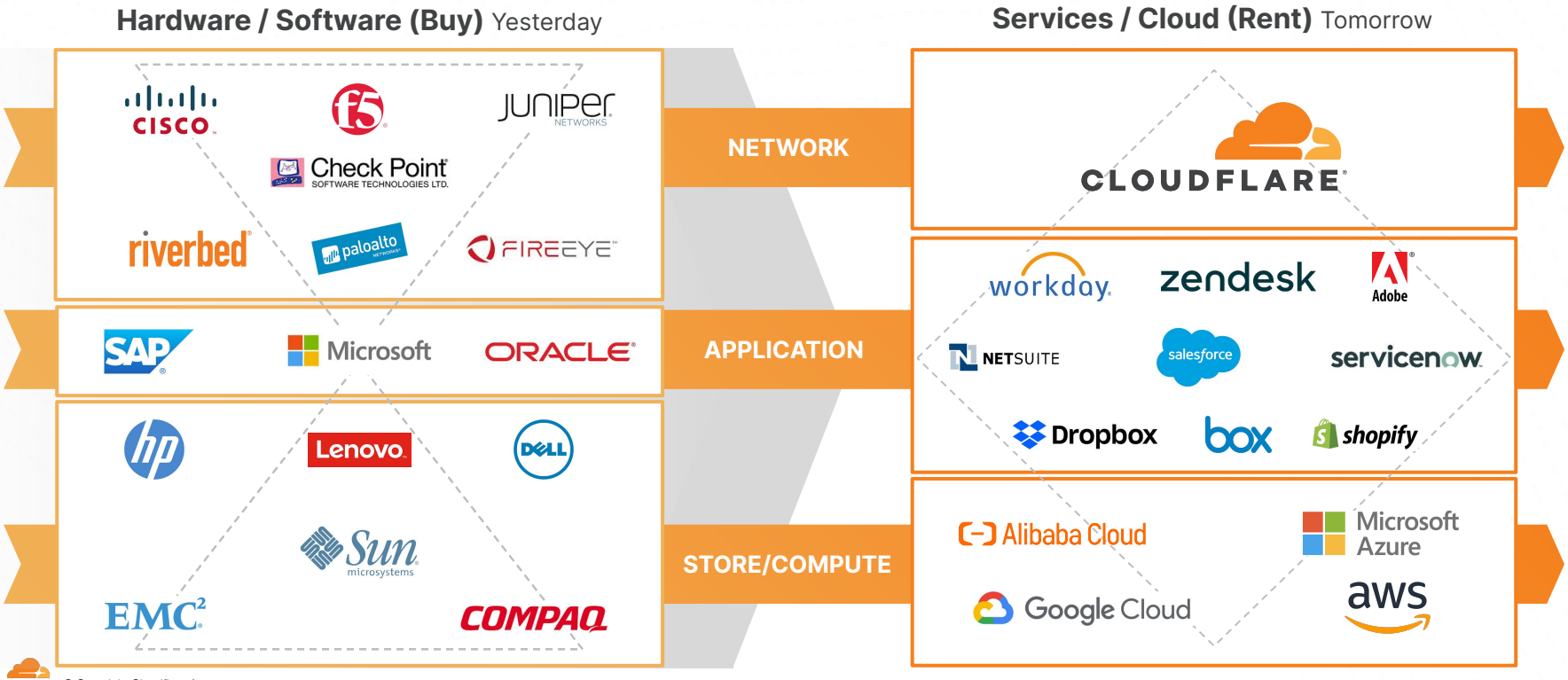
BETTER INTERNET

- 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

Evolution of Enterprise Stack



CLOUDFLARE © Copyright Cloudflare, Inc.

An Integrated Global Cloud Platform

Cloudflare One

Cloudflare Zero Trust Services

Cloudflare for Teams suite

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

Cloudflare Network Services

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

Cloudflare Application Services

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

Cloudflare Edge Developer Platform

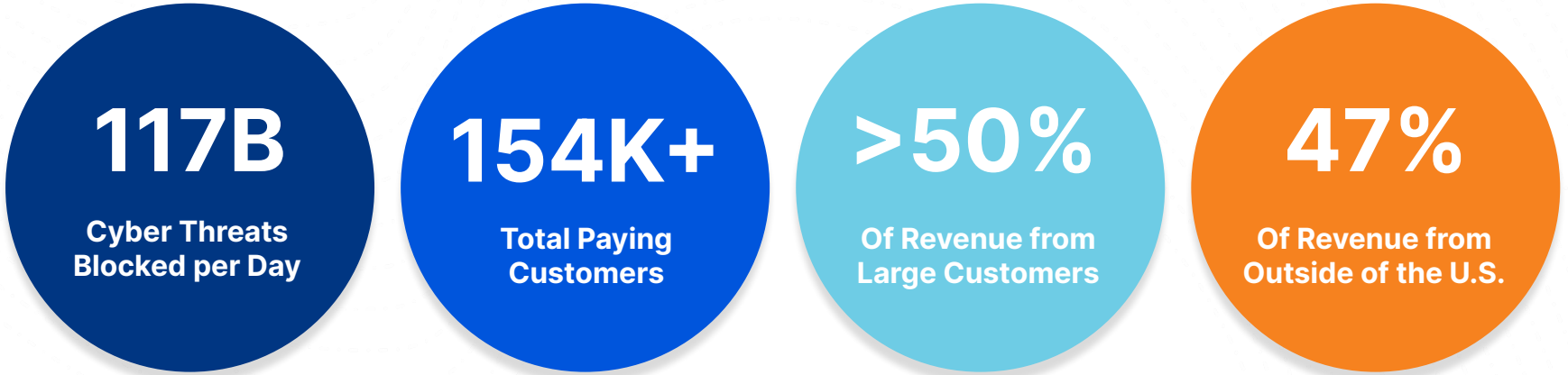
Workers | Workers KV | Pages | Durable Objects | Video Streaming

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

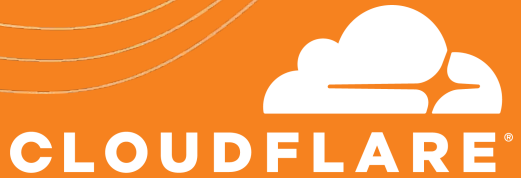
CLOUDFLARE © Copyright Cloudflare, Inc. ZTNA = Zero Trust Network Access | SWG = Secure Web Gateway | CASB = Cloud Access Security Broker

We Operate at Massive Scale



CLOUDFLARE © Copyright Cloudflare, Inc.

Note: Cyber threats blocked per day is average over the three months ended March 31, 2022. All other figures as of or for the three months ended March 31, 2022. See Appendix for "Paying Customers" and "Large Customers" definitions.



Our Flexible, Scalable, & Efficient Serverless Architecture

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

CLOUDFLARE © Copyright Cloudflare, Inc.

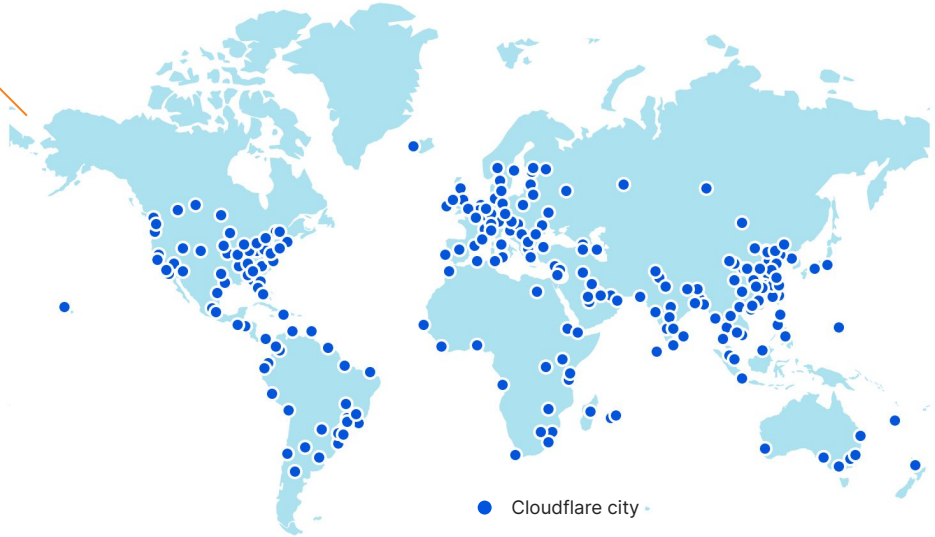
A Global Network Powering our Platform

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



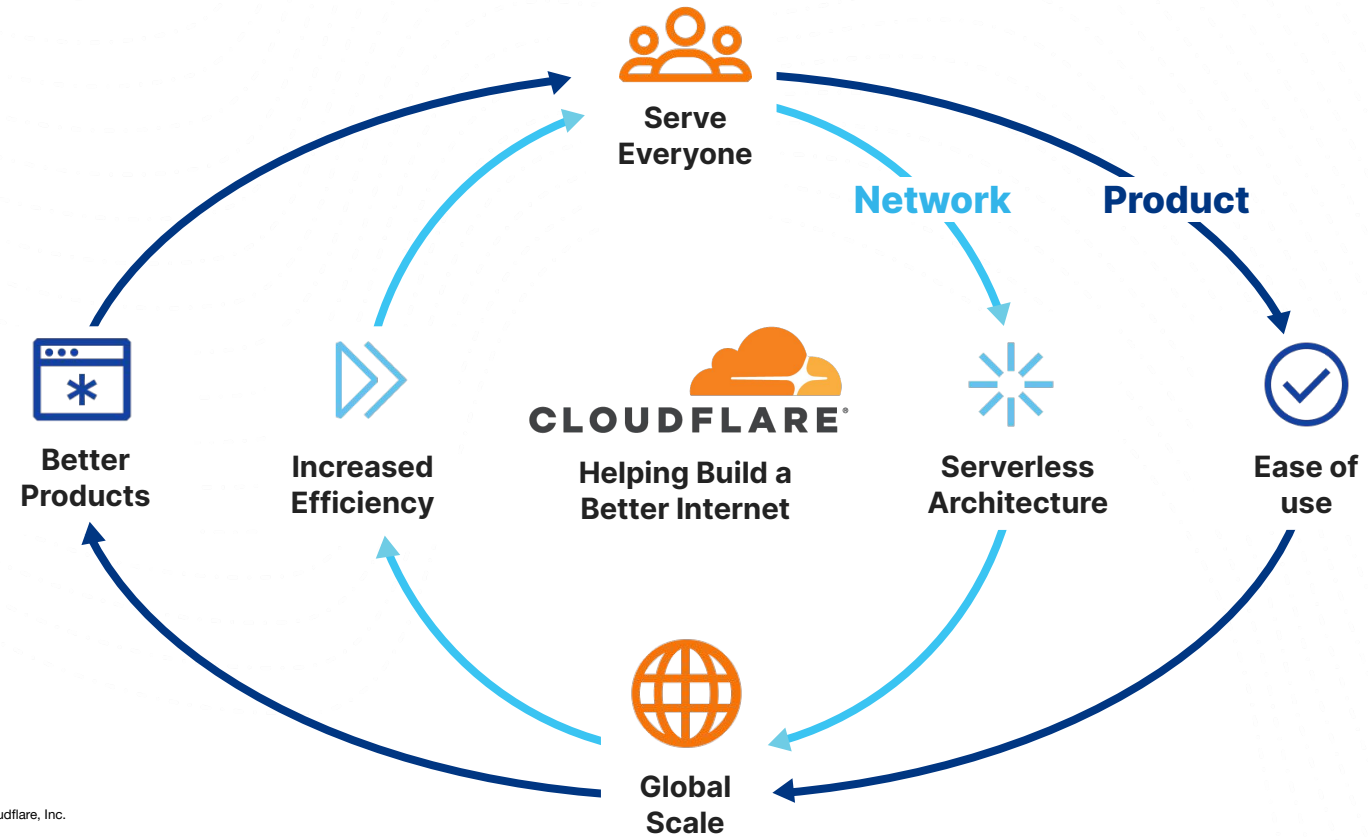
Plans for 1,000+
of the world's busiest office buildings and multi-dwelling units to link directly with the Cloudflare network in the future

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

Note: All figures as of March 31, 2022. See Appendix for "Large Customers" definition.

Our Product & Network Flywheels Drive Our Business



CLOUDFLARE © Copyright Cloudflare, Inc.

Data Intelligence & Quality Assurance at Scale

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.

CLOUDFLARE © Copyright Cloudflare, Inc.
Note: Cyber threats blocked per day is approximate average over the three months ended March 31, 2022. Other figures as of the three months ended March 31, 2022.

Our Competitive Advantages









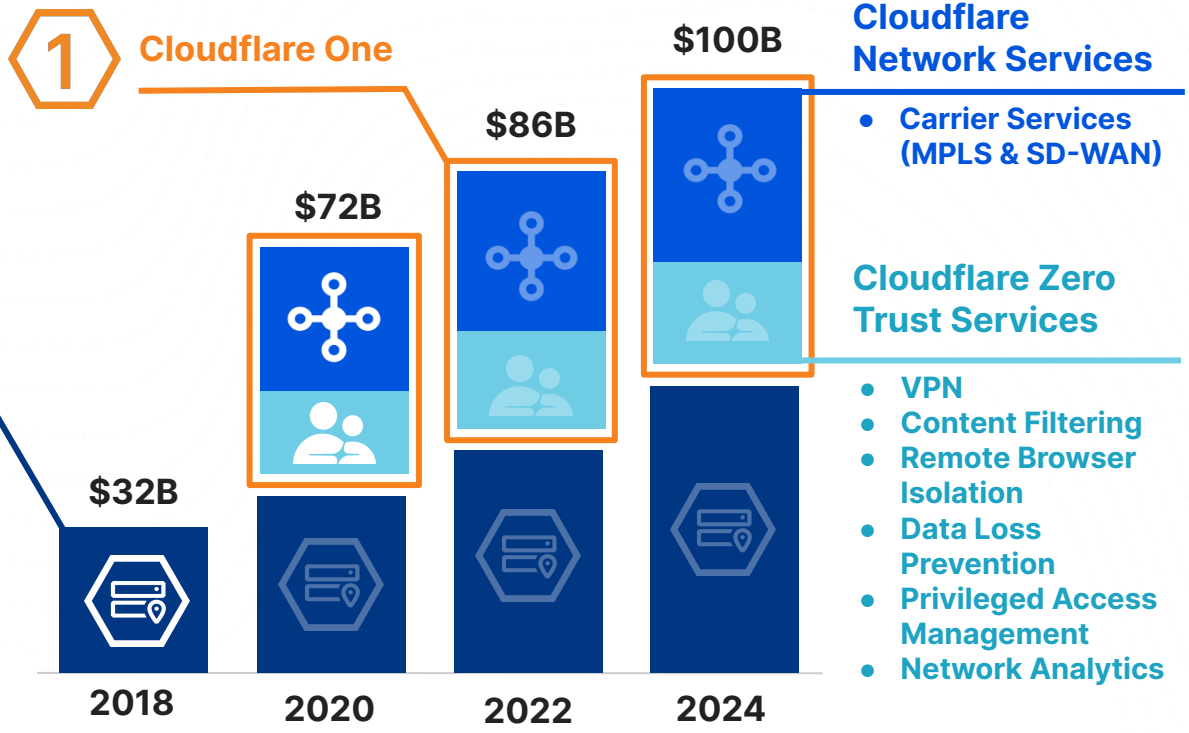
CLOUDFLARE © Copyright Cloudflare, Inc.

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

CLOUDFLARE © Copyright Cloudflare, Inc.

Innovation Drives TAM Expansion



Cloudflare Application Services

- Application Delivery Controllers
- WAN
- CDN
- DDoS
- Intrusion Detection & Prevention
- Firewall

Cloudflare Network Services

- Carrier Services (MPLS & SD-WAN)

Cloudflare Zero Trust Services

- VPN
- Content Filtering
- Remote Browser Isolation
- Data Loss Prevention
- Privileged Access Management
- Network Analytics

Areas for Potential Incremental Growth

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

CLOUDFLARE © Copyright Cloudflare, Inc.

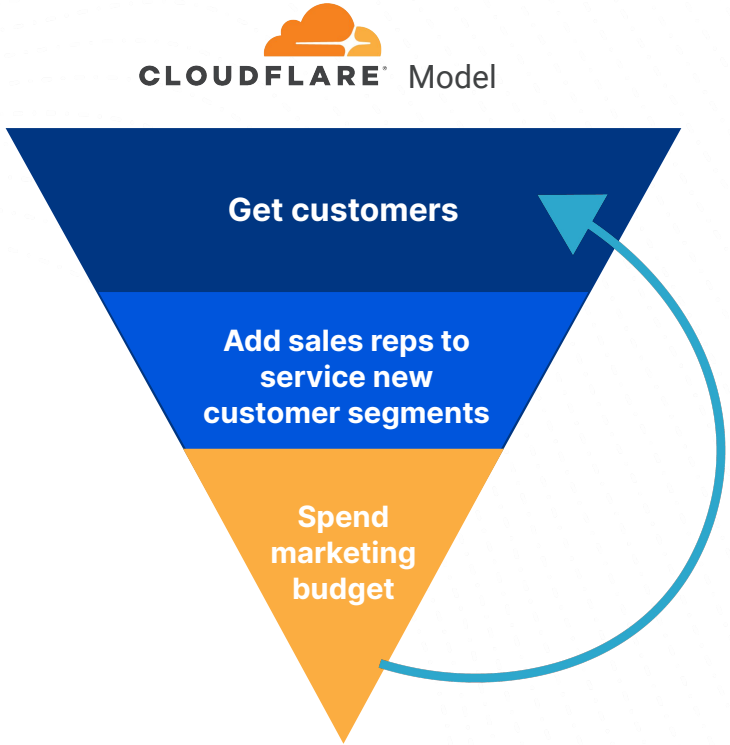
Note: Total Addressable Market represents expected spend by year from our analysis based on IDC data. Figures reflect the markets addressed by our current product offerings.

Traditional Go-To-Market Model Inverted

We don’t build ahead of the curve.

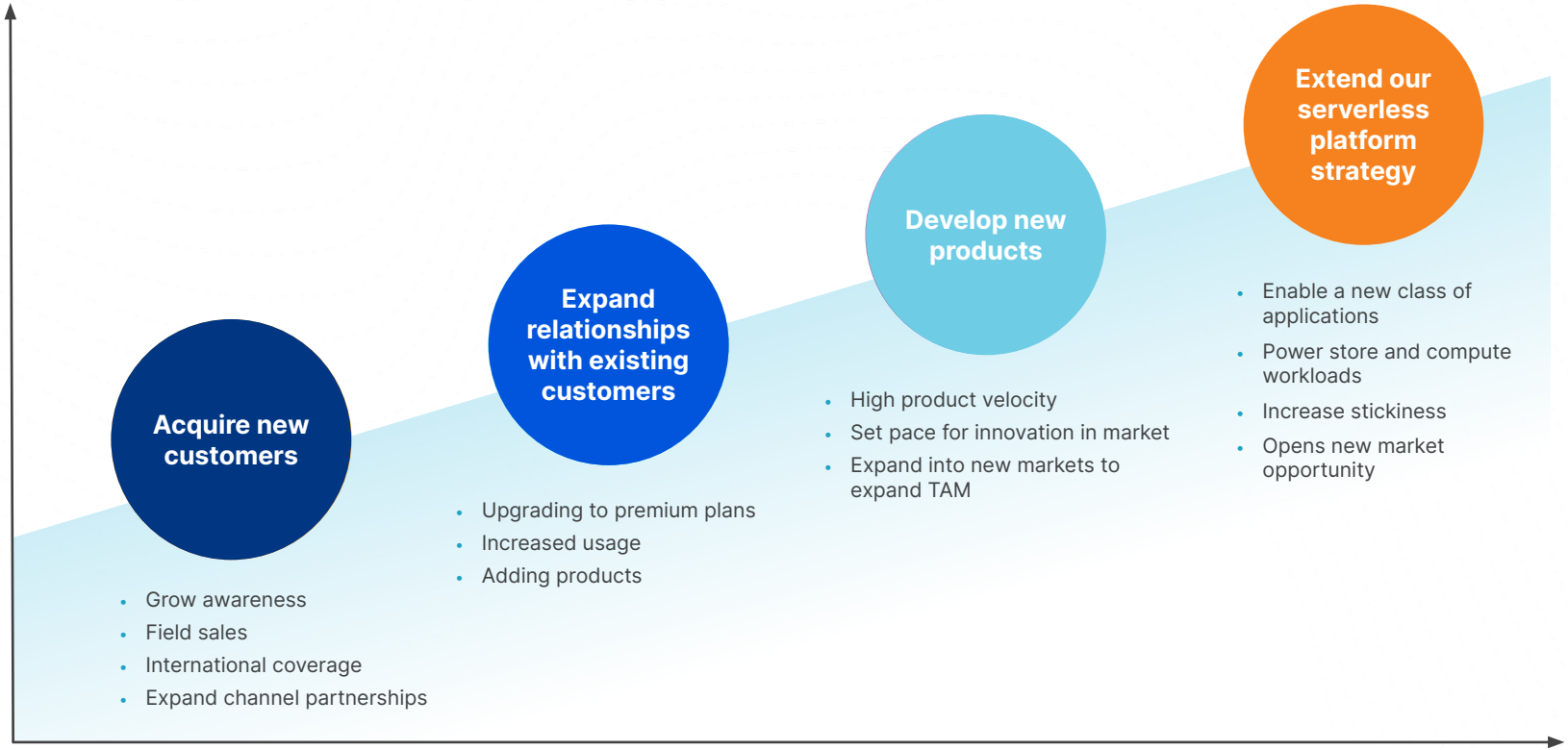
Sources of Leverage

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



CLOUDFLARE © Copyright Cloudflare, Inc.

Our Strategy for Growth



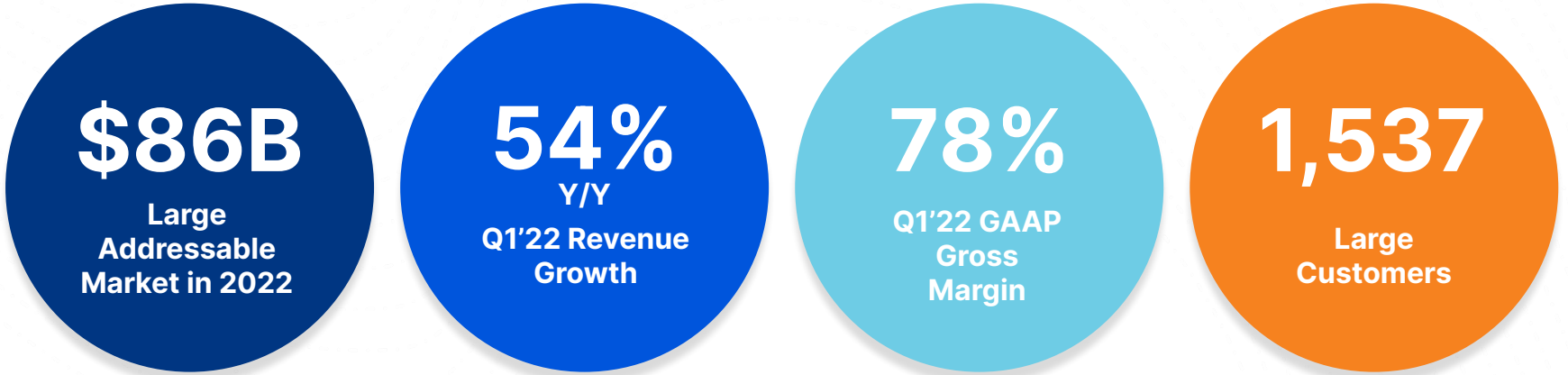
CLOUDFLARE © Copyright Cloudflare, Inc.



Financial Overview

CLOUDFLARE © Copyright Cloudflare, Inc.

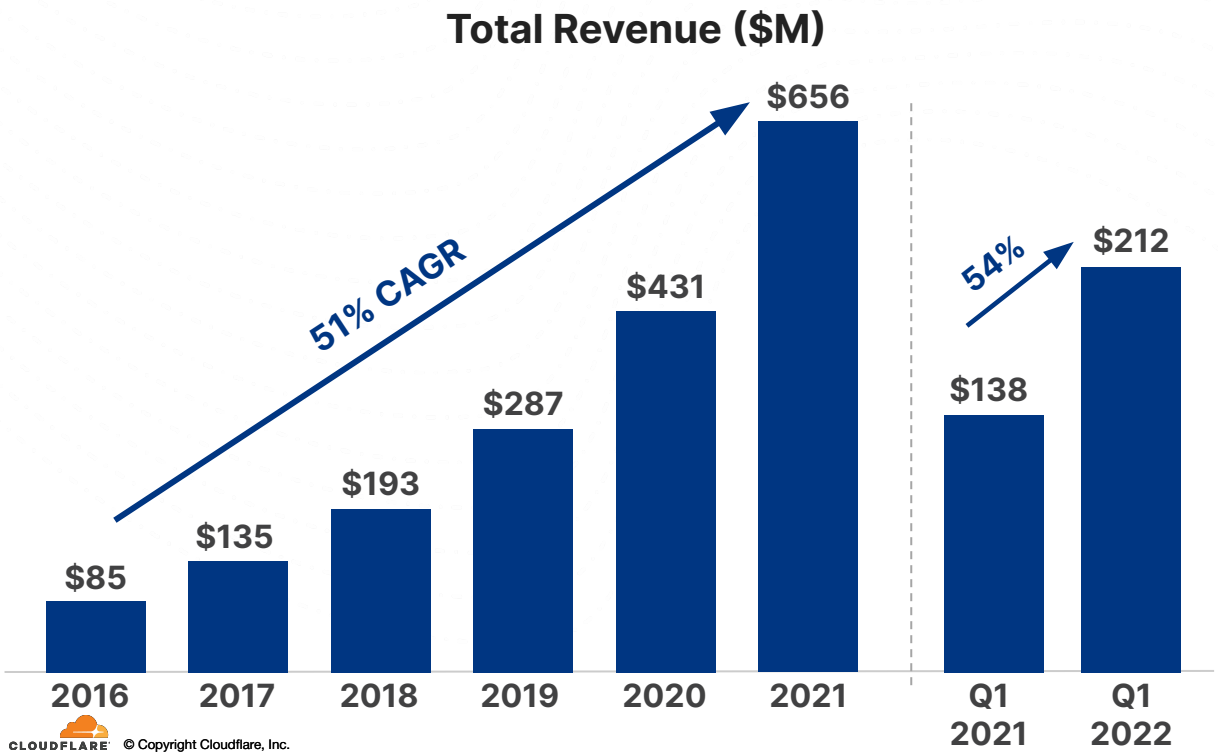
Key Financial Highlights



CLOUDFLARE © Copyright Cloudflare, Inc.

Note: Total Addressable Market represents 2022 expected spend from our analysis based on IDC data. Year-over-year revenue growth and gross margin are as of the three months ended March 31, 2022. Large Customers is as of March 31, 2022. See the Appendix for how we define "Large Customers."

Track Record of Delivering Revenue Growth

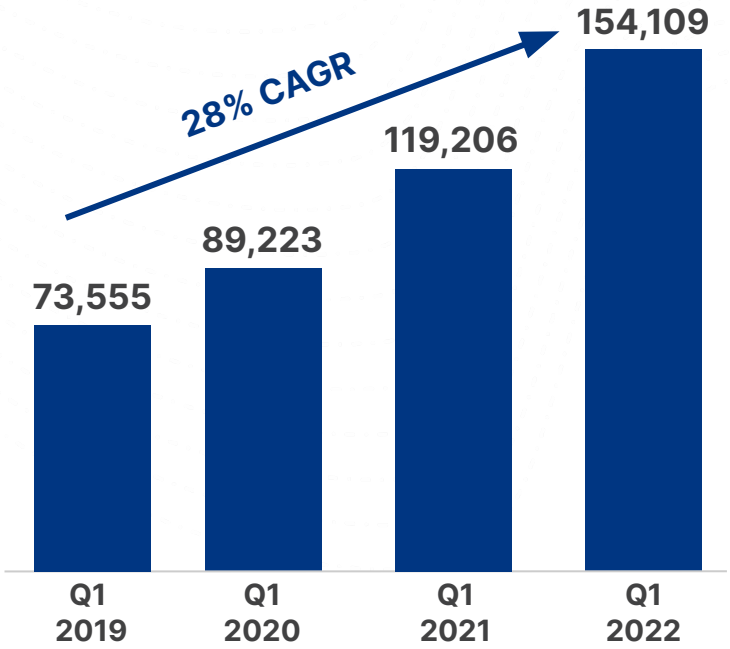


CLOUDFLARE © Copyright Cloudflare, Inc.

- Investment in enterprise sales
- Large customer momentum
- Land and expand strategy drives growth across cohorts
- Strong penetration across the entire product portfolio

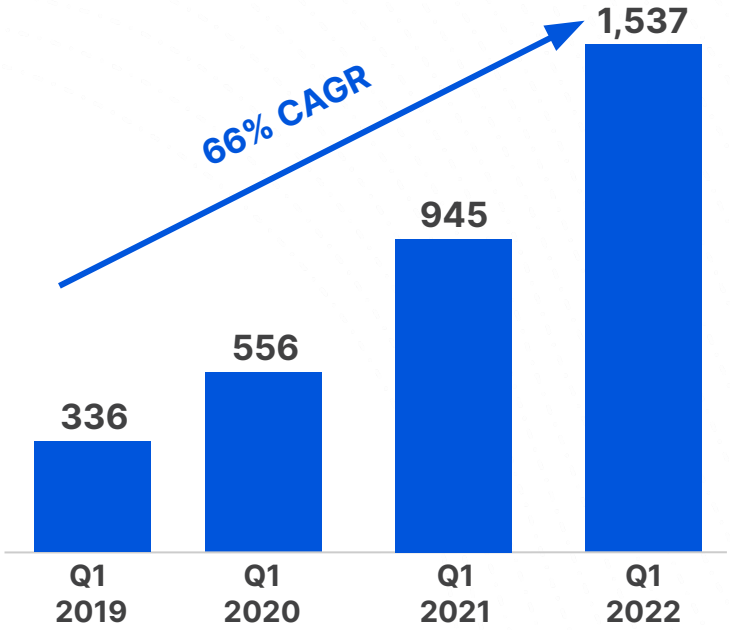
Rapid Customer Growth

Paying Customers



Large Customers

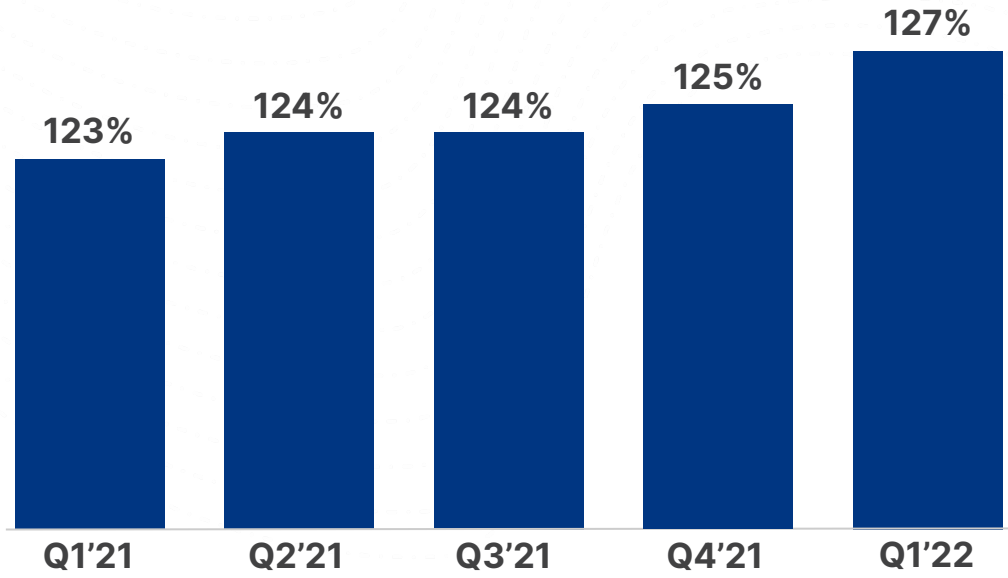
>$100,000 Annualized Revenue



CLOUDFLARE © Copyright Cloudflare, Inc.

Note: See the Appendix for how we define “Paying Customers” and “Large Customers.”

Strong Dollar-Based Net Retention

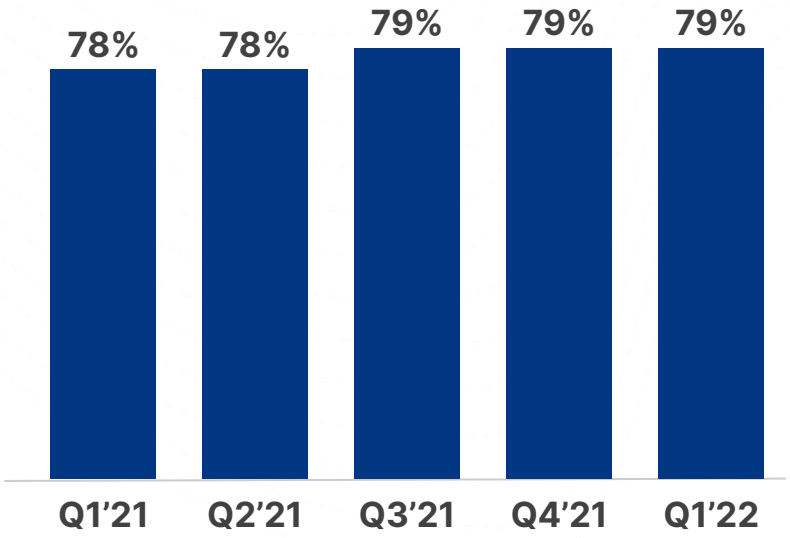


- DNR includes all paying customers
- Large customers are a tailwind to DNR
- Gross retention above 90%
- DNR benefits from strong upsell, expansion, and new product introductions
- Cloudflare One offers bundling opportunities

© Copyright Cloudflare, Inc.

Note: See the Appendix for how we define "Dollar-Based Net Retention." Gross revenue retention is defined as 1 - gross revenue churn.

Non-GAAP Gross Margin



Attractive & Consistent Gross Margin

Serverless architecture deployed on commodity hardware

Single software stack across the network

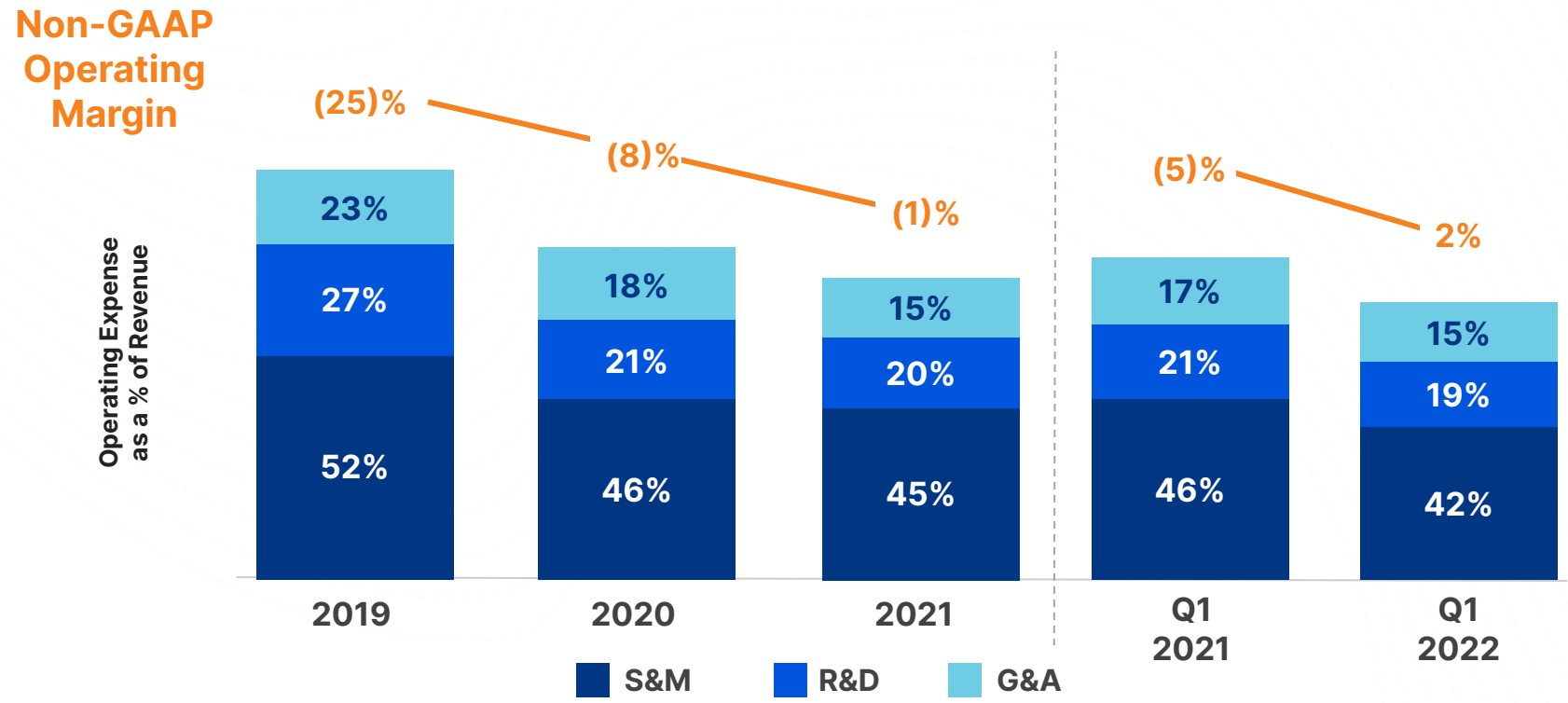
Symbiotic relationship with ISPs

Leverage idle capacity across network

CLOUDFLARE © Copyright Cloudflare, Inc.

Note: See Appendix for GAAP to Non-GAAP reconciliation.

Leverage of Our Operating Model



CLOUDFLARE © Copyright Cloudflare, Inc.

Note: See the Appendix for GAAP to Non-GAAP reconciliation.

Guidance

(as of May 05, 2022)

Q2 2022		FY 2022	
Revenue Y/Y Growth	**$226.5 - 227.5** 49%	**Revenue** Y/Y Growth	**$955.0 - 959.0** 45% - 46%
Operating Loss Operating Margin	**($2.0) - ($1.0)** (0%) - (1%)	**Operating Income** Operating Margin	**$10.0 - $14.0** 1%
EPS	**($0.01) - $0.00**	**EPS**	**$0.03 - $0.04**

FY 2022
Network Capex
as % of Revenue

12%-14%

Anticipate Returning to Free Cash Flow Positive **2nd Half 2022**

CLOUDFLARE © Copyright Cloudflare, Inc.

Note: These forward looking statements were provided by us on May 05, 2022. This forward looking guidance speaks only as of such date and the inclusion of such guidance in this presentation should not be interpreted as a confirmation or affirmation of such guidance as of any other date. Except as required by law, we assume no obligation and do not intend to update these forward-looking statements or to conform these statements to actual results or to changes in our expectations.

Long-Term Model

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

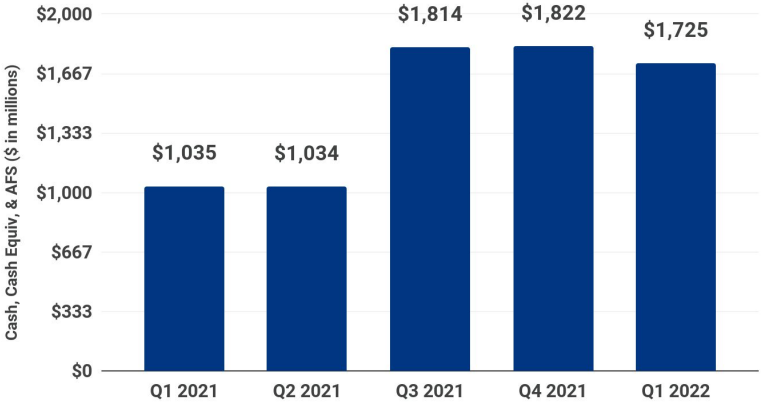
CLOUDFLARE © Copyright Cloudflare, Inc.

Note: Metrics shown are Non-GAAP. See Appendix for GAAP financial measures and GAAP to Non-GAAP reconciliation.

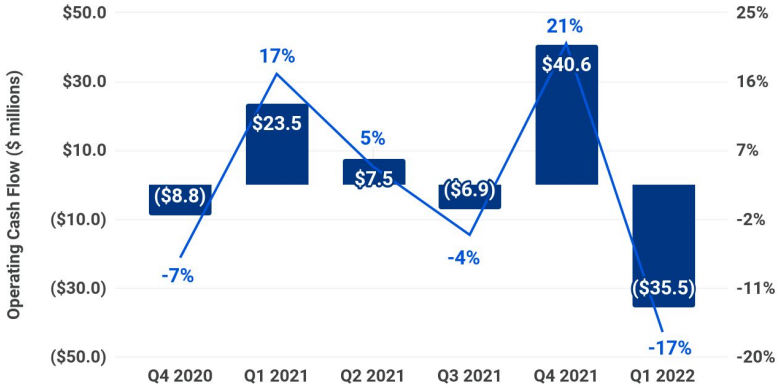
Strong Cash Position

- 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



CLOUDFLARE © Copyright Cloudflare, Inc.

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

CLOUDFLARE © Copyright Cloudflare, Inc.



Appendix

CLOUDFLARE © Copyright Cloudflare, Inc.

GAAP to Non-GAAP Reconciliation (Annual)

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

CLOUDFLARE © Copyright Cloudflare, Inc.

GAAP to Non-GAAP Reconciliation (Quarterly)

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
GAAP Cost of Revenue	**$32,084**	**$35,029**	**$37,525**	**$42,496**	**$47,051**
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
Non-GAAP Cost of Revenue	**$30,861**	**$33,526**	**$35,785**	**$40,313**	**$45,221**
GAAP Gross Profit	**$105,971**	**$117,399**	**$134,822**	**$151,100**	**$165,116**
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
Non-GAAP Gross Profit	**$107,194**	**$118,902**	**$136,562**	**$153,283**	**$166,946**
GAAP Gross Margin	77%	77%	78%	78%	78%
Non-GAAP Gross Margin	78%	78%	79%	79%	79%
GAAP Sales and Marketing	**$69,974**	**$75,995**	**$85,877**	**$96,219**	**$100,057**
Less: Stock-based Compensation & Related Payroll Taxes	-$6,835	-$7,579	-$8,271	-$10,184	-$10,379
Non-GAAP Sales and Marketing	**$63,139**	**$68,416**	**$77,606**	**$86,035**	**$89,678**
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%
GAAP Research and Development	**$39,527**	**$41,349**	**$46,770**	**$61,762**	**$67,054**
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
Non-GAAP Research and Development	**$28,469**	**$30,069**	**$32,799**	**$37,015**	**$40,336**
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%
GAAP General and Administrative	**$27,724**	**$28,927**	**$28,669**	**$34,183**	**$38,029**
Less: Stock-based Compensation & Related Payroll Taxes	-$4,648	-$4,486	-$4,742	-$5,830	-$6,018
Less: Acquisition-related and other expenses	-	-	-	-$380	-
Non-GAAP General and Administrative Expense	**$23,076**	**$24,441**	**$23,927**	**$27,973**	**$32,011**
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%
GAAP Loss from Operations	**-$31,254**	**-$28,872**	**-$26,494**	**-$41,064**	**-$40,024**
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
Non-GAAP Loss from Operations	**-$7,490**	**-$4,024**	**$2,230**	**$2,260**	**$4,921**
GAAP Operating Margin	-23%	-19%	-15%	-21%	-19%
Non-GAAP Operating Margin	**-5%**	**-3%**	**1%**	**1%**	**2%**

CLOUDFLARE © Copyright Cloudflare, Inc.

Definitions

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.

CLOUDFLARE © Copyright Cloudflare, Inc.