CLOUDFLARE

CONNECT 2023

Investor Day 2023

May 4, 2023

Safe Harbor

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Welcome



Phil Winslow
Vice President of Strategic Finance, Treasury,
& Investor Relations

Agenda

10:15 am - 10:20 am	**Welcome**	**Phil Winslow** VP of Strategic Finance, Treasury, & Investor Relations
10:20 am - 10:35 am	**Product: Application Services**	**Patrick Donahue** VP of Product - Application Security
10:35 am - 10:50 am	**Product: Network Services**	**Rustam Lalkaka** VP of Product - Network Services
10:50 am - 11:05 am	**Product: Zero Trust Services**	**Annika Garbers** Senior Product Manager - Cloudflare One
11:05 am - 11:20 am	**Product: Developer Services**	**Aly Cabral** VP of Product - Workers
11:20 am - 11:40 am	**Go-To-Market**	**Marc Boroditsky** President of Revenue
11:40 am - 12:00 pm	**Financials**	**Thomas Seifert** Chief Financial Officer
12:00 pm - 12:45 pm	**Q&A**	**Matthew Prince** Co-founder and Chief Executive Officer **Michelle Zatlyn** Co-founder and Chief Operating Officer **Thomas Seifert** Chief Financial Officer

CLOUDFLARE



Product: Innovation is at the Heart of Cloudflare

Our Mission

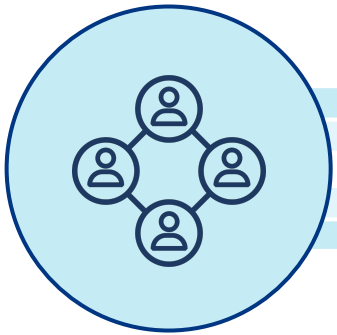
We are helping build a better Internet.



CLOUDFLARE

What We Do

— We help organizations of every size **protect websites, people, and networks** and **build and accelerate applications**... powered by one of the world's largest cloud networks



CIO | CTO | CISO | CFO

Solution:		Cloudflare Services include:
Secure Hybrid Work	→	Zero Trust Network Access, Gateway, RBI, CASB, Cloud Email Security
Supercharge Application Performance	→	CDN, Smart Routing, Load Balancing
Protect Customer-facing Apps	→	WAF, DDoS, Bot Management, Page Shield
Protect the Network	→	Magic Transit, Magic Firewall
Build Apps on Cloudflare	→	Workers, R2, D1

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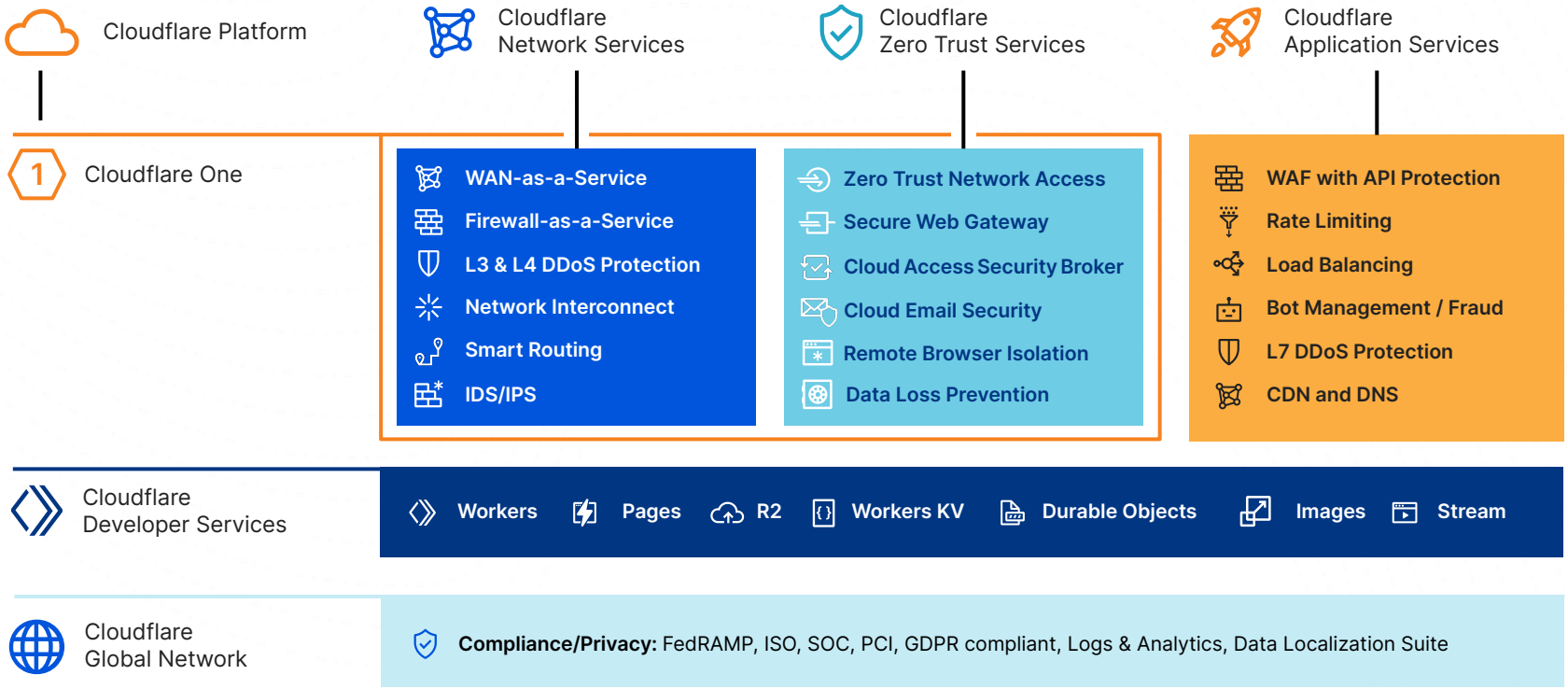
What We Offer



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What Makes Us Different









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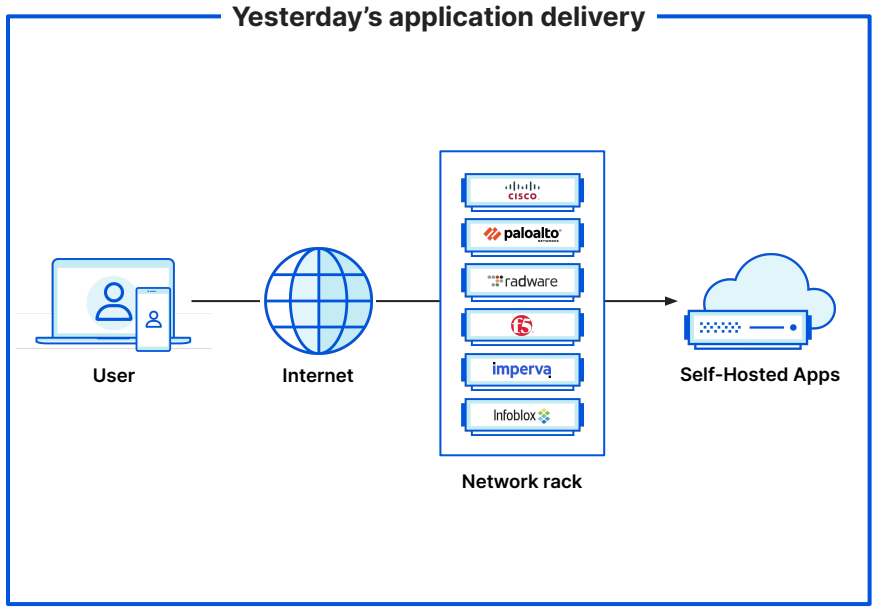
Act I:
Application Services

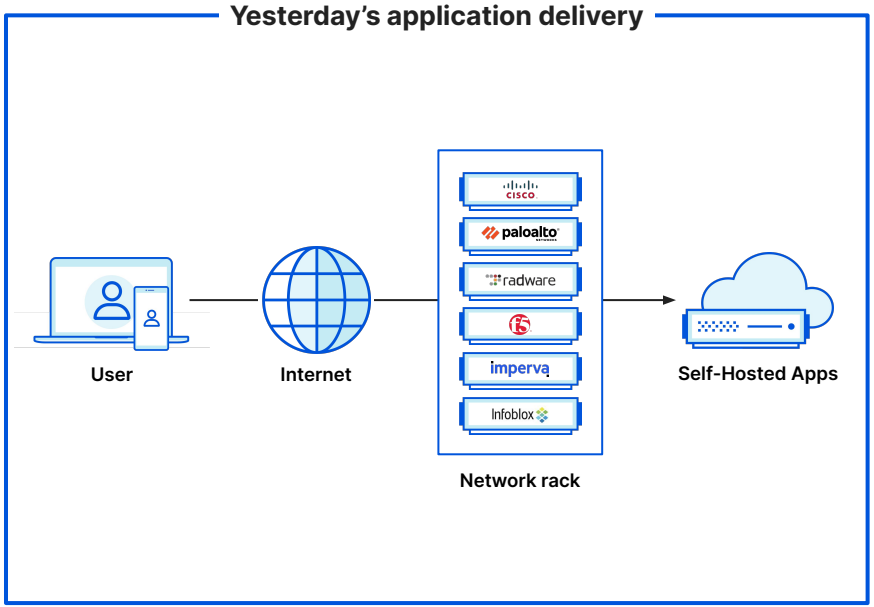


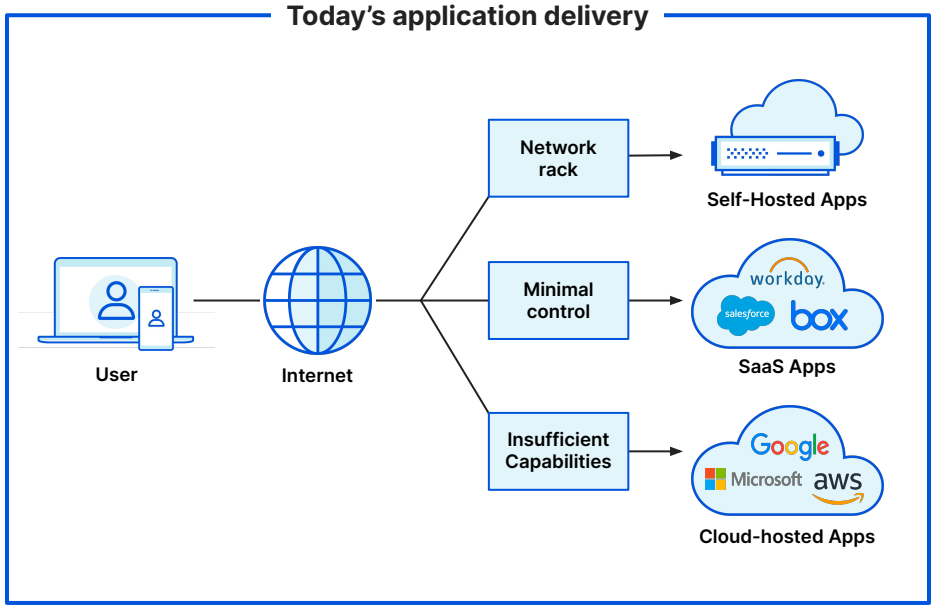
Patrick Donahue
VP Product - Application Security

Apps Have Left the Corporate Data Center



Apps Have Left the Corporate Data Center – Requiring New Solutions





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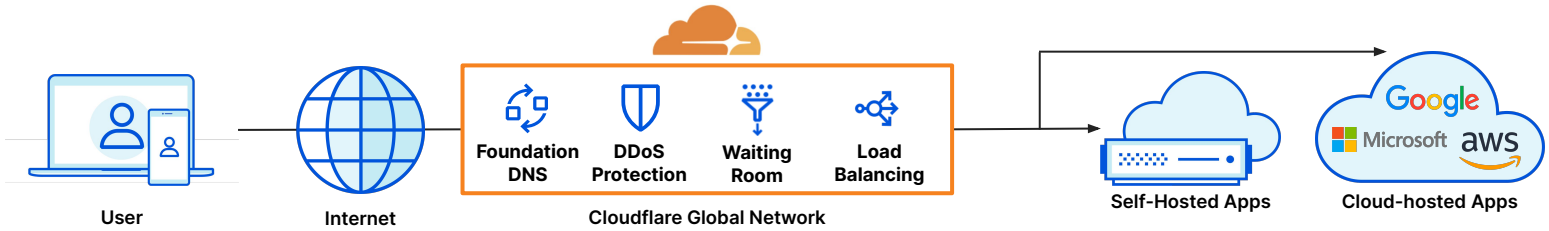
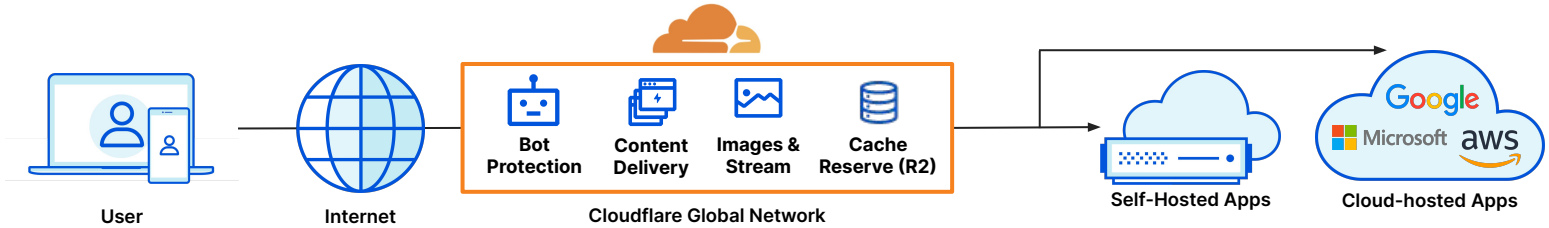
Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability	“My site, and the network on which it runs, is my business. I need it to be as fast, reliable, and available as possible.”	Director of (Network) Infrastructure	F5/NGINX, Akamai, Neustar, NetScout/Arbor, Imperva	AWS, Azure, GCP Fastly, NS1



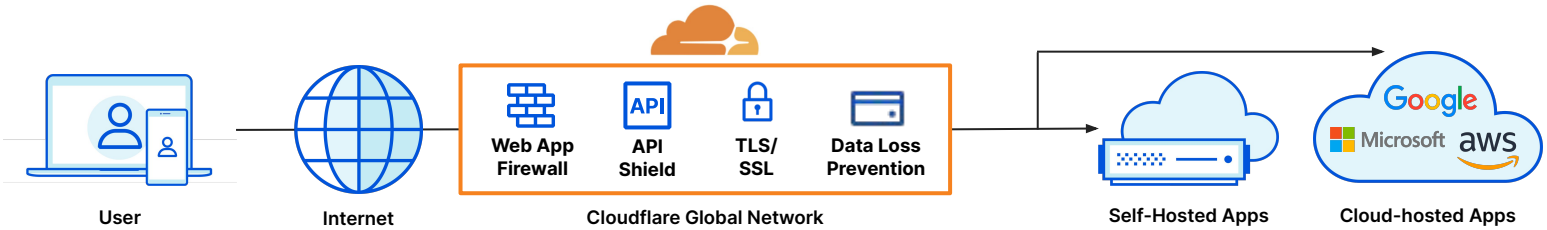
Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability				
Application Cost Efficiency	"Any content served by Cloudflare and not my origin saves me money."	Director of Web Infrastructure/ Engineering	Edgio (Edgecast), Akamai, Stackpath	AWS, Azure, GCP Fastly/Signal Sciences



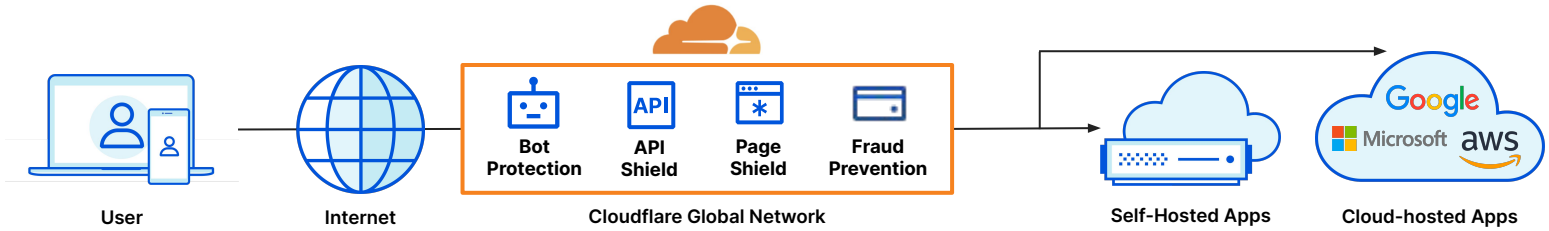
Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability				
Application Cost Efficiency				
Application/API Management and Protection	"If my applications are compromised, my customers' data (and my reputation) is at risk."	Director of Web Infrastructure/ Engineering	F5 (Shape), Imperva, Apigee, MuleSoft	AWS, Azure, GCP, Akamai, Fastly, Kong



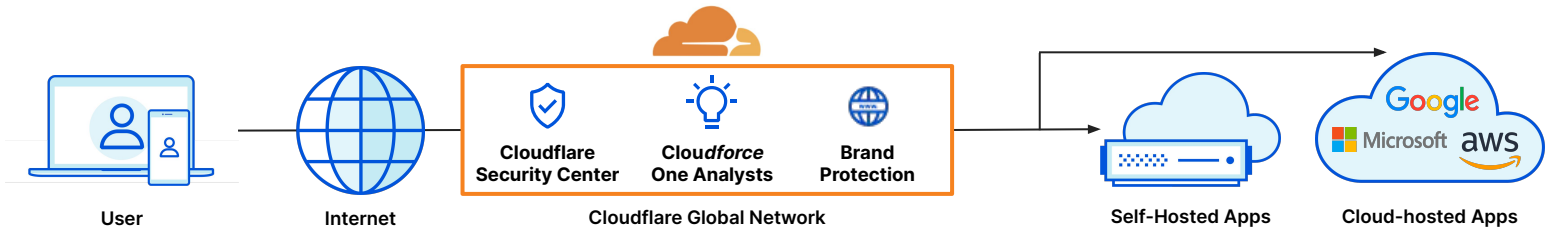
Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability				
Application Cost Efficiency				
Application/API Management and Protection				
Application Fraud Prevention	"If my applications are used fraudulently, or in a different manner than I permit, I am exposed to liability and financial loss."	Director of Security (and Engineering)	F5 (Shape), Akamai, Imperva	Salt Security, NoName, HUMAN (PerimeterX), ThreatMetrix, Google reCAPTCHA



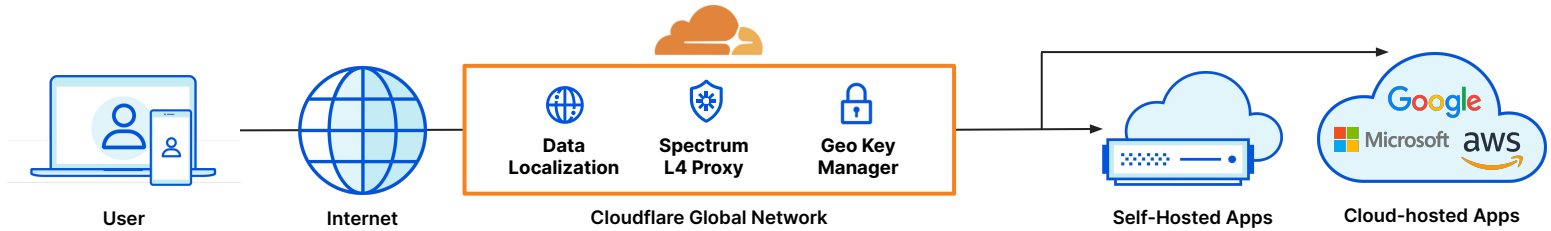
Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability				
Application Cost Efficiency				
Application/API Management and Protection				
Application Fraud Prevention				
Early Warning and Analysis of Threats	"My security team needs a trusted partner to help us understand and prepare for the threats facing us."	Security Operations Center (Analysts)	Proofpoint, Neustar, RecordedFuture	CrowdStrike, Google/Mandiant, Microsoft/RiskIQ



Customer Problems in Act I

Problem	Description	Buyer Persona	Legacy Bandaids	Modern Competitors
Application Performance and Network Reliability				
Application Cost Efficiency				
Application/API Management and Protection				
Application Fraud Prevention				
Early Warning and Analysis of Threats				
Compliance & Data Localization	"I have different global regulatory schemes to which I need to adhere."	Director of Web Infrastructure/ Engineering	SolarWinds	AWS



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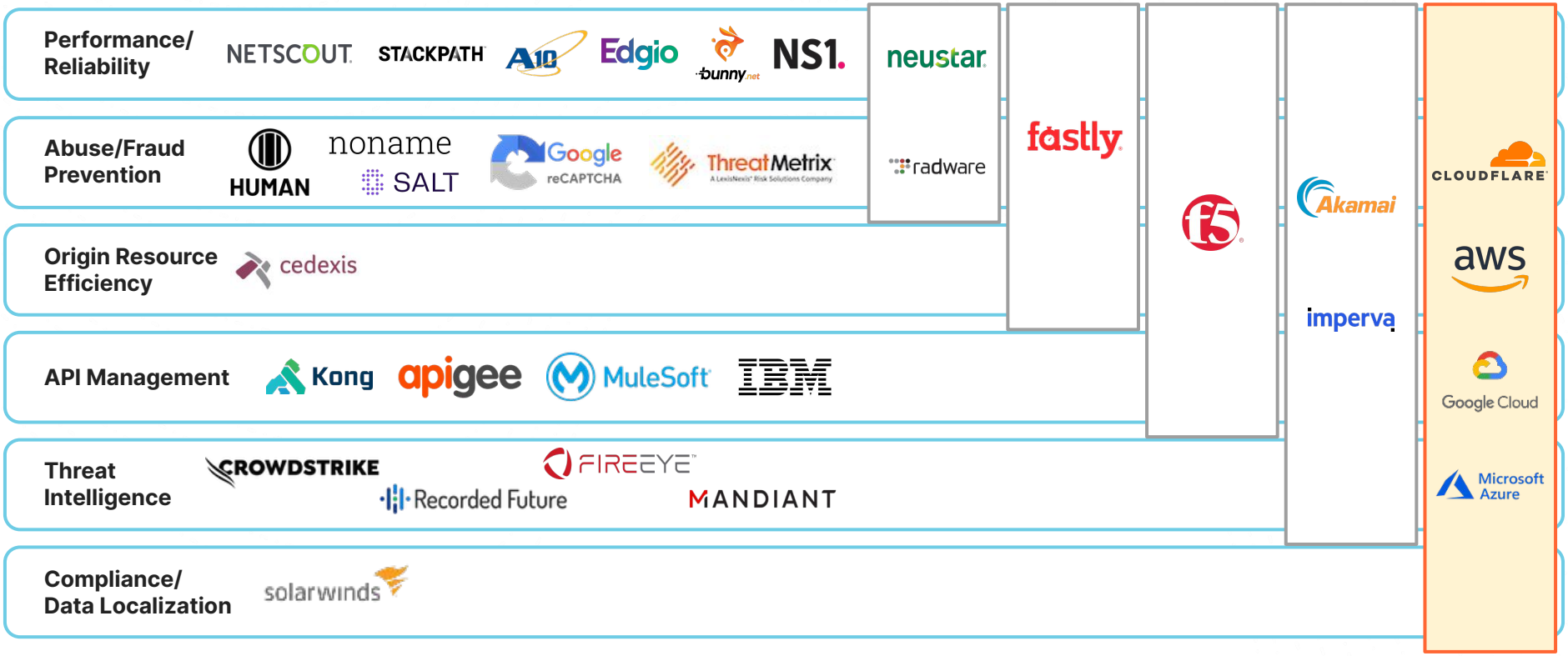
Act I: Application Security & Performance as a Platform

Problem	Application Security	Application Performance
Application Performance and Network Reliability	**Application and Network DDoS** Keep networks online and reliable. **TLS/SSL** Data security	**DNS** Fast, secure and resilient DNS **Argo Smart Routing** Accelerate traffic **Load Balancing** Dynamically distribute traffic **Spectrum** Proxy TCP/UDP apps
Application Cost Efficiency	**Bot Management and Fraud Prevention** Protect against bots running up costs	**CDN** Ultra-fast content delivery **Cloudflare Images** Store, optimize, resize images **Cloudflare Stream** Live and on-demand streaming **Cache Reserve** Eliminate egress fees
Application/API Management and Protection	**WAF w/Advanced Rate Limiting** Stop attacks, abuse and exploits **API Shield** Protection against API threats	**Waiting Room** Route excess users away **API Gateway** Manage API endpoints at the edge
Application Fraud Prevention	**Bot Management and Fraud Prevention** Stop bad bots and prevent fraud **Page Shield** Stop client-side attacks	**Zaraz** Load third-party tools
Early Warning and Analysis of Threats	**Cloudflare Security Center** Attack surface management **Cloud*force* One** Access to threat intel experts	
Compliance & Data Localization	**Geo Key Manager** Region-restricted encryption keys	**Data Localization Suite** Adhere to regulatory schemes

COMPETITIVE LANDSCAPE

Only Cloudflare & Big 3 Clouds Address All of these Application Challenges…



COMPETITIVE LANDSCAPE

...But Only Cloudflare Excels across the Board — While Avoiding Lock-In

	CLOUDFLARE	aws	Microsoft Azure	Google Cloud
Performance/Reliability	Strong	Moderate	Moderate	Moderate
Abuse/Fraud Prevention	Strong	Moderate	Weak	Weak
Origin Resource Efficiency	Strong	Moderate	Moderate	Moderate
API Management	New	Strong	Moderate	Strong
Threat Intelligence	Strong	Moderate	Strong	Strong
Data Localization	Strong	Moderate	Moderate	Moderate
Avoids Cloud Vendor Lock-In?	Yes	No	No	No

Why We Win Today

1. Platform benefits, including ease of use and breadth of offering
2. Product velocity and buy-in to our vision
3. Affirmation from analysts and presence on “short lists”
4. “Value” / cost reduction
5. Accessibility of technical leadership (Product, Engineering) to customer
6. Hybrid-/multi-cloud and preservation of optionality



Why We Will Win Tomorrow
— Customers Will Consolidate to a Single Platform over Time

Platforms provide **inherent structural advantages** for security, performance, and ease of use



Point-cloud solutions lack our network and development **velocity**

Hardware vendors are unable to compete on performance or scale with **cloud-native** platforms such as Cloudflare

What Makes Us Different



1. Absorb the largest attacks, anywhere in the world
2. Customer density and diversity improves network performance
3. Cost efficiencies passed on to customers



1. Single dashboard to control entire product suite.
2. Customers guided through adoption journey
3. Improved experience for customers based on PAYGO feedback and testing



1. Every request improves app security products
2. Collective data powers threat intelligence offering
3. Application Services products complement each other (layers)



1. Traditional security offerings increase latency; we do not—and often increase performance
2. Platform benefits vs. “best of breed”

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Act II:
Network Services



Rustam Lalkaka
VP Product - Network Services

Cloudflare's Global Network

285+ cities
in 100+ countries, including mainland China

12,000+ networks
directly connect to Cloudflare, including ISPs, cloud providers and large enterprises

197 Tbps
of network edge capacity and growing
the largest attack on record was 1.5Tbps

230+ backbone links
dedicated capacity circumnavigating the globe

95% within 50ms
of the world's population



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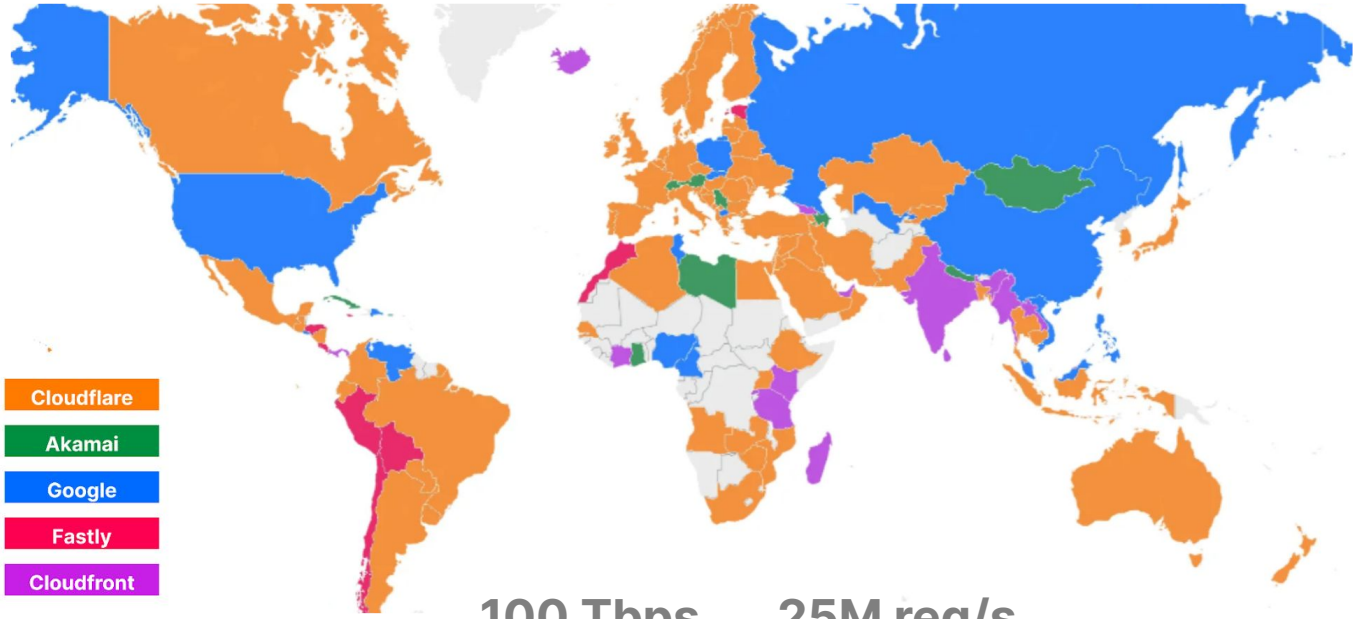
Note: Figures as of March 31, 2023.

The Need for Speed

Cloudflare is committed to being the fastest network in every country



The Need for Speed

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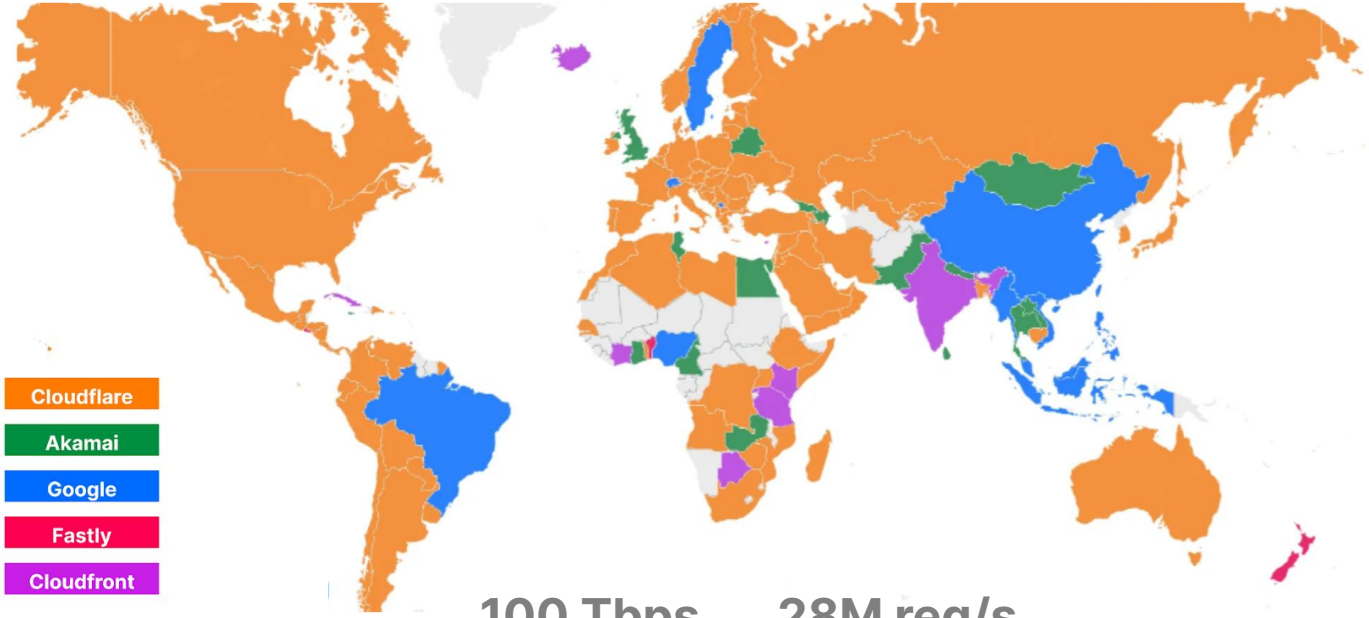
November 2021



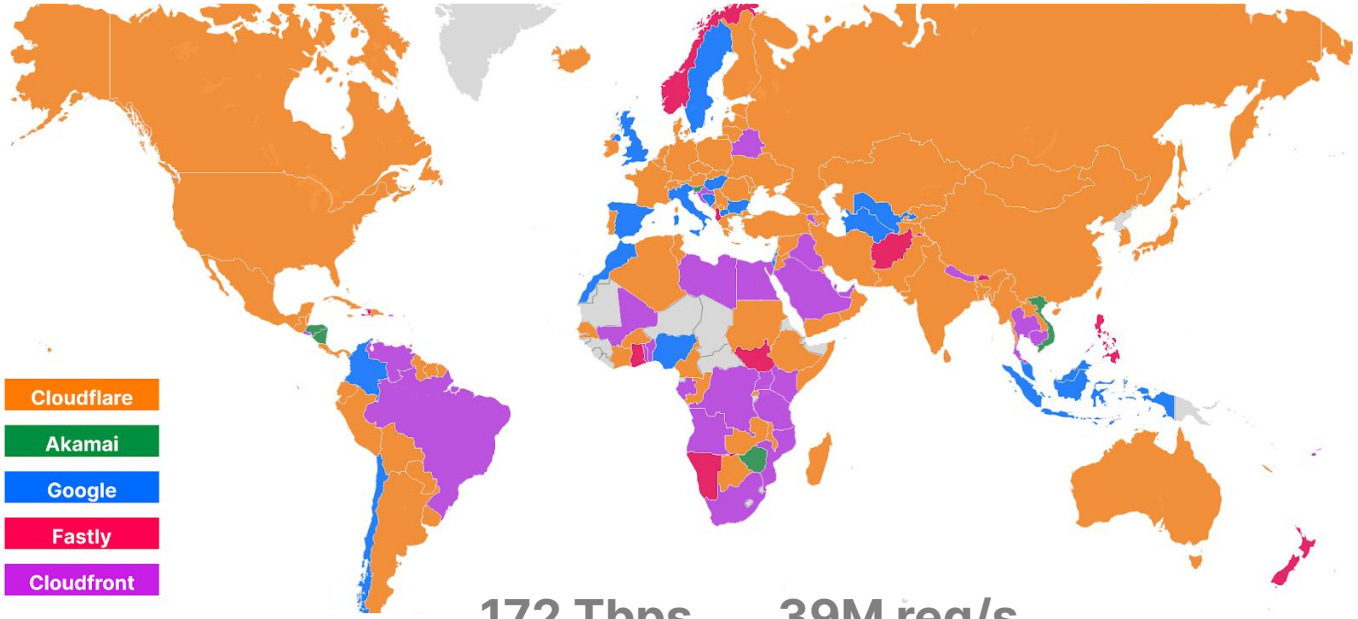
100 Tbps
Network capacity

28M req/s
HTTP throughput

The Need for Speed

Cloudflare is committed to being the fastest network in every country

November 2022



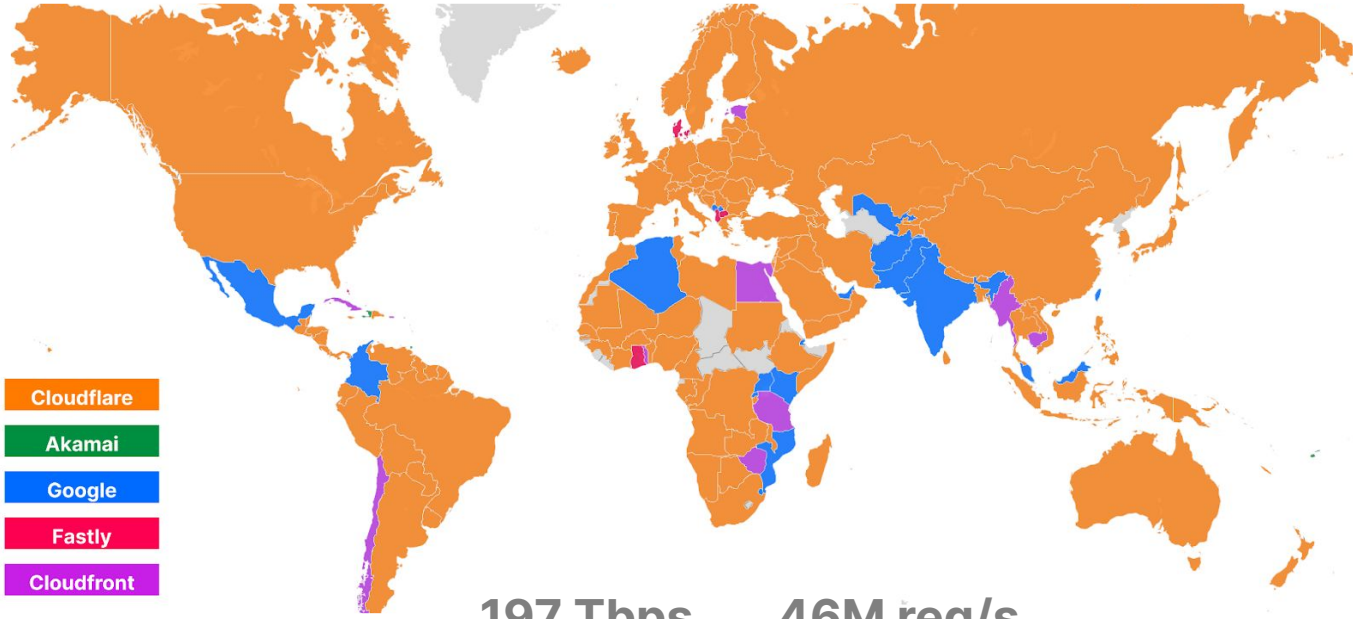
172 Tbps
Network capacity

39M req/s
HTTP throughput

The Need for Speed

Cloudflare is committed to being the fastest network in every country

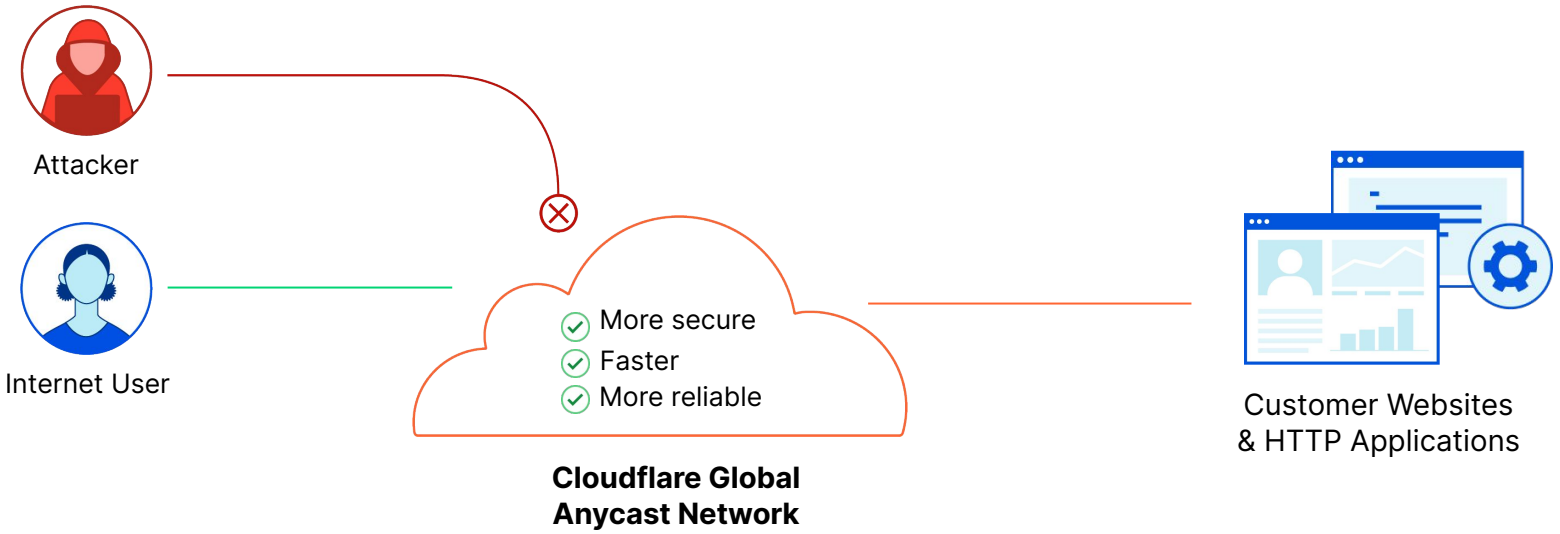
March 2023



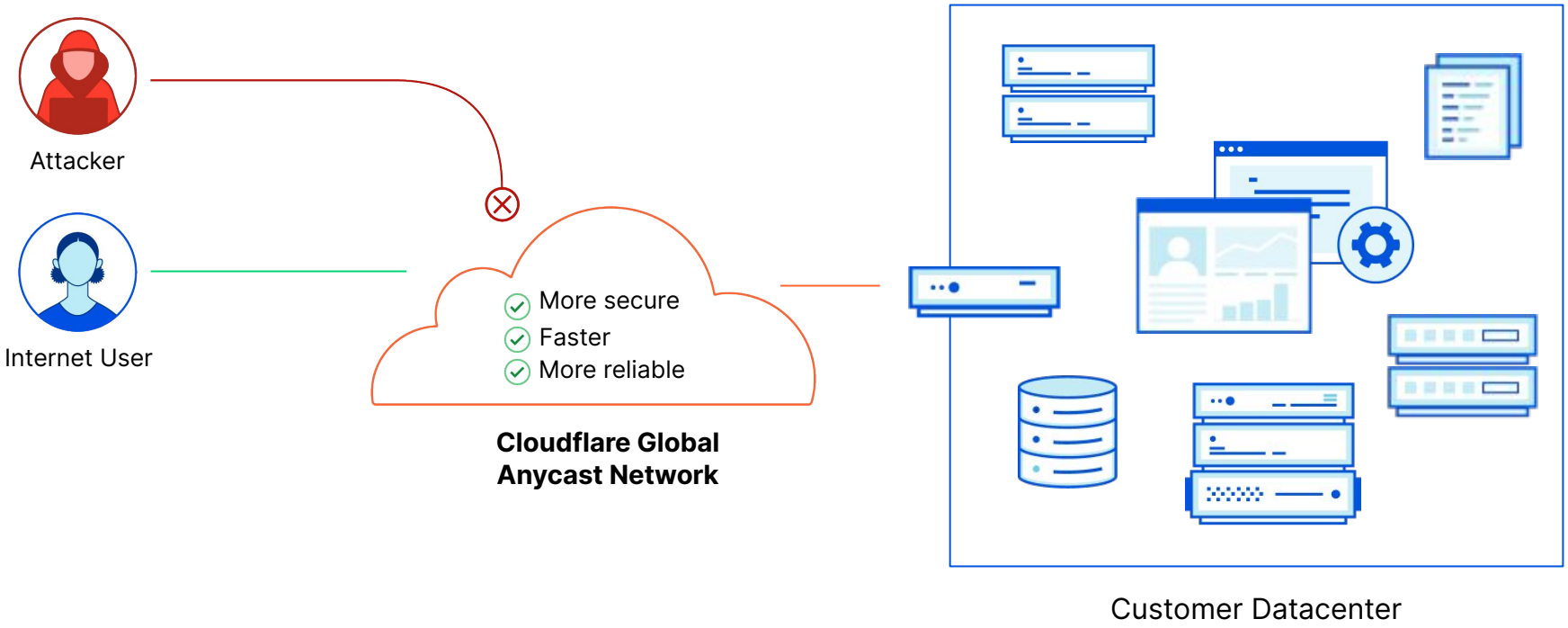
197 Tbps
Network capacity

46M req/s
HTTP throughput

Act I: Protecting Public-Facing Infrastructure



Act I: Protecting Public-Facing Infrastructure at the Network Level



Cloudflare Protection at All Layers of the OSI Stack

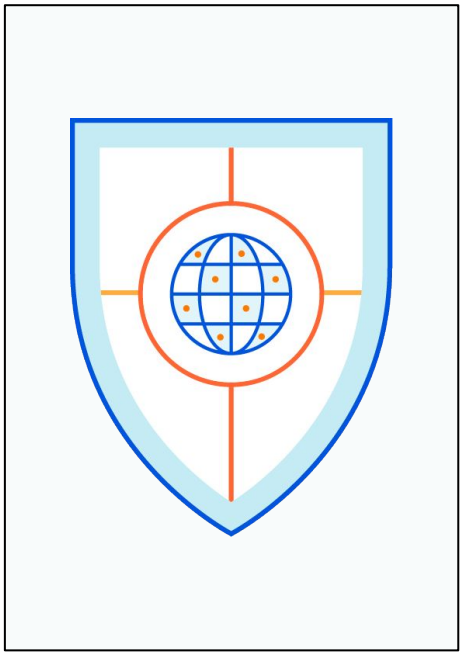
7	Application Layer
6	Presentation Layer
5	Session Layer
4	Transport Layer
3	Network Layer
2	Datalink Layer
1	Physical Layer

L7 DDoS, WAF, Bot Management, API Security

Spectrum

Magic Transit, Magic Firewall

Cloudflare Network Interconnect



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Magic Transit Solves the Problems of Legacy Competitors

Specialized hardware

expensive, capacity-limited, can't keep up with changing attack landscape

radware ARBOR NETWORKS

Software scrubbing centers

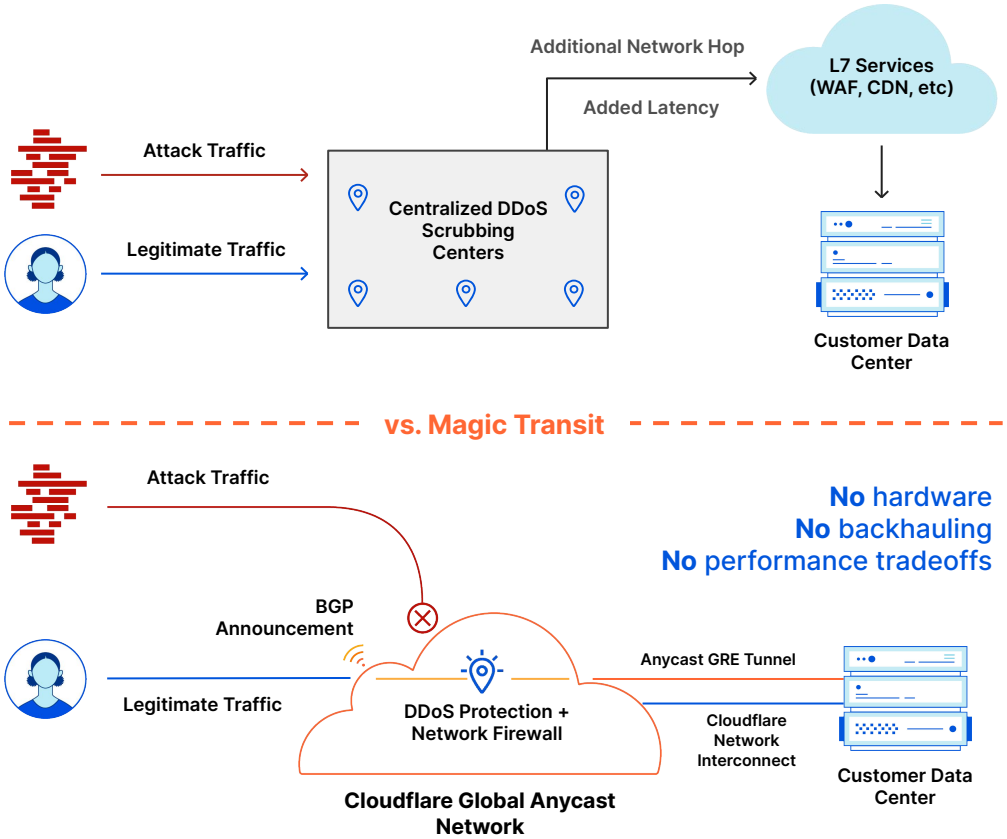
introduce latency by backhauling traffic to centralized location

Akamai imperva

ISP-provided protection

specialized hardware at a dedicated scrubbing center without quality support

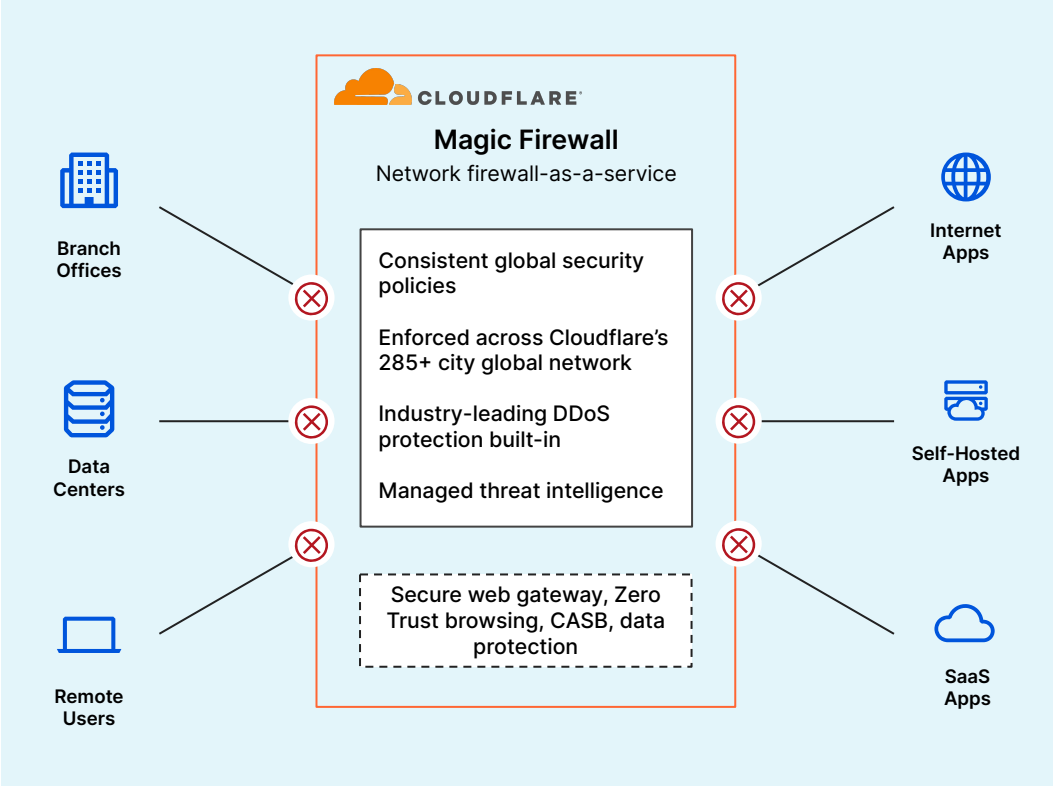
verizon LUMEN



Magic Firewall Provides Cloud-Native Security for Your Entire Network

Magic Firewall enforces consistent security policies across customers' branch offices, data centers, cloud properties, and end-user devices.

- Consistent security policies — deployed globally in under 500ms
- No appliances to manage — automatically scale with business needs
- Eliminate unwanted traffic before it reaches your network
- Managed threat intelligence gleaned from the Cloudflare global network
- Optional upgrades to Secure Web Gateway, CASB, Zero Trust browsing



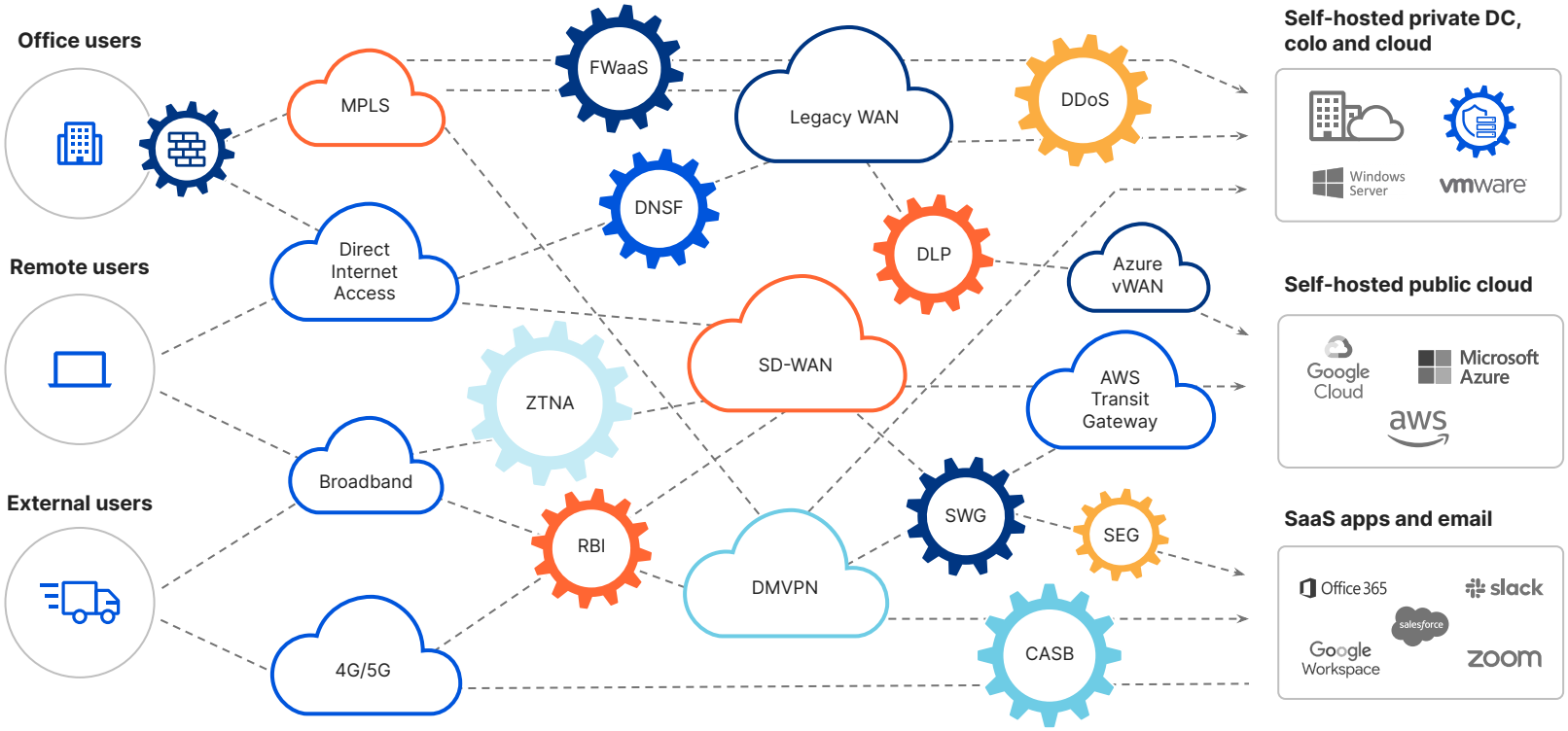
What's Next after Act I?

Our customers' public-facing networks are more secure, faster, and more reliable.

We're replacing legacy hardware boxes and band-aid point solutions.



Act II: Enterprise Networks were Not Built for What They Have Become



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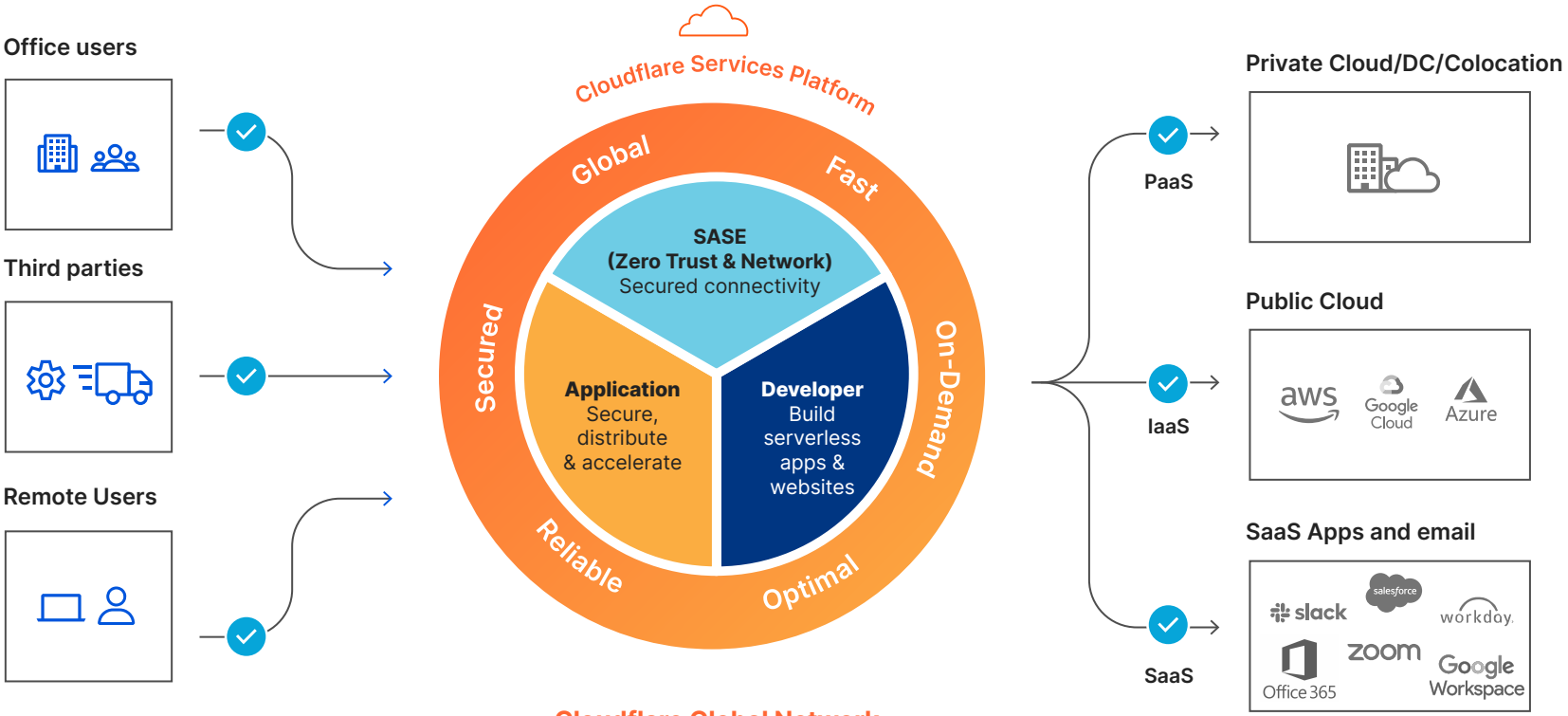
Cloudflare is Secure, Fast, Reliable, Any-to-Any & End-to-End, Composable



Cloudflare Global Network

285+ cities (in 100+ countries, including mainland China) • ~50ms from 95% of Internet population
12,000+ interconnects • 197 Tbps of network capacity

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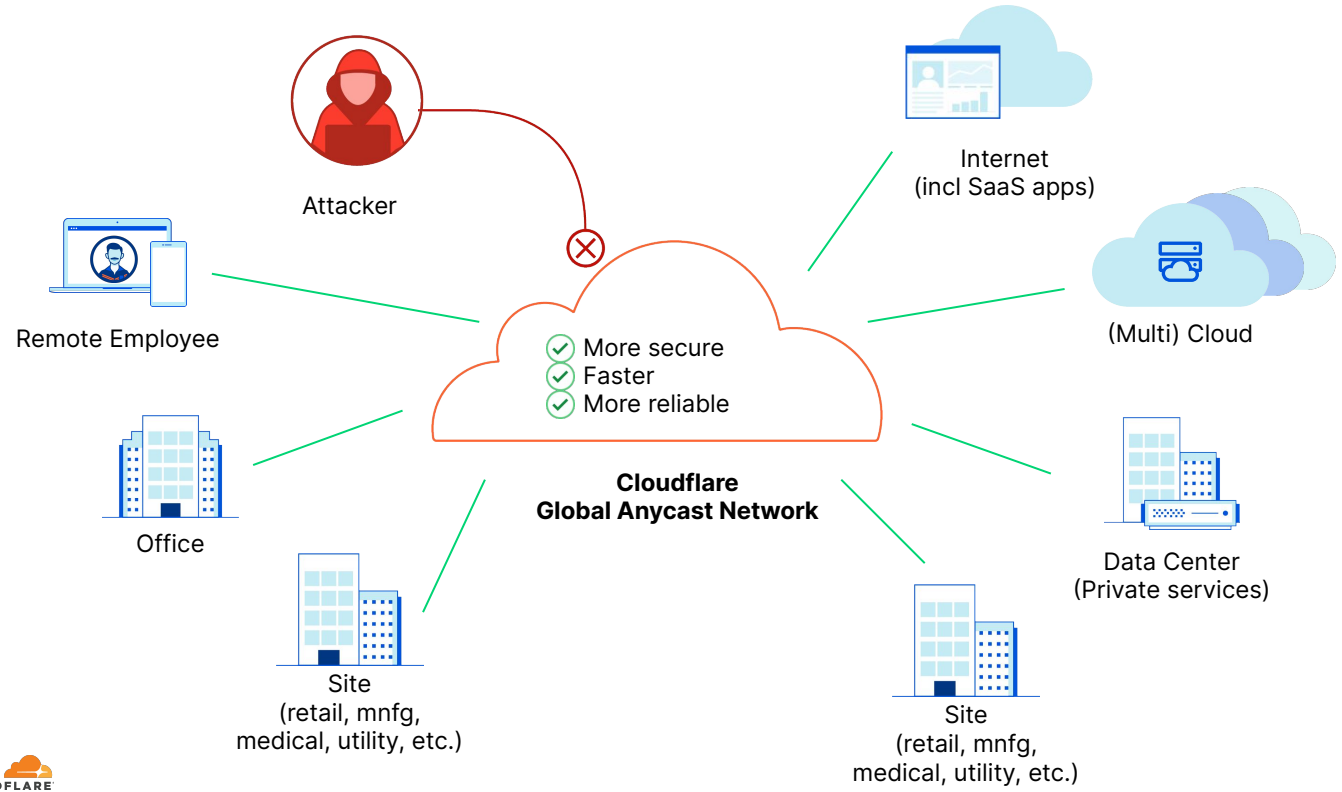
Note: Figures as of March 31, 2023.

Magic WAN Connects & Protects Private Infrastructure...



Built-in, not bolt-on, security

Get cloud-native **DDoS protection, network firewalling, and zero trust** functionality — all delivered as-a-service

Operational agility up, costs down

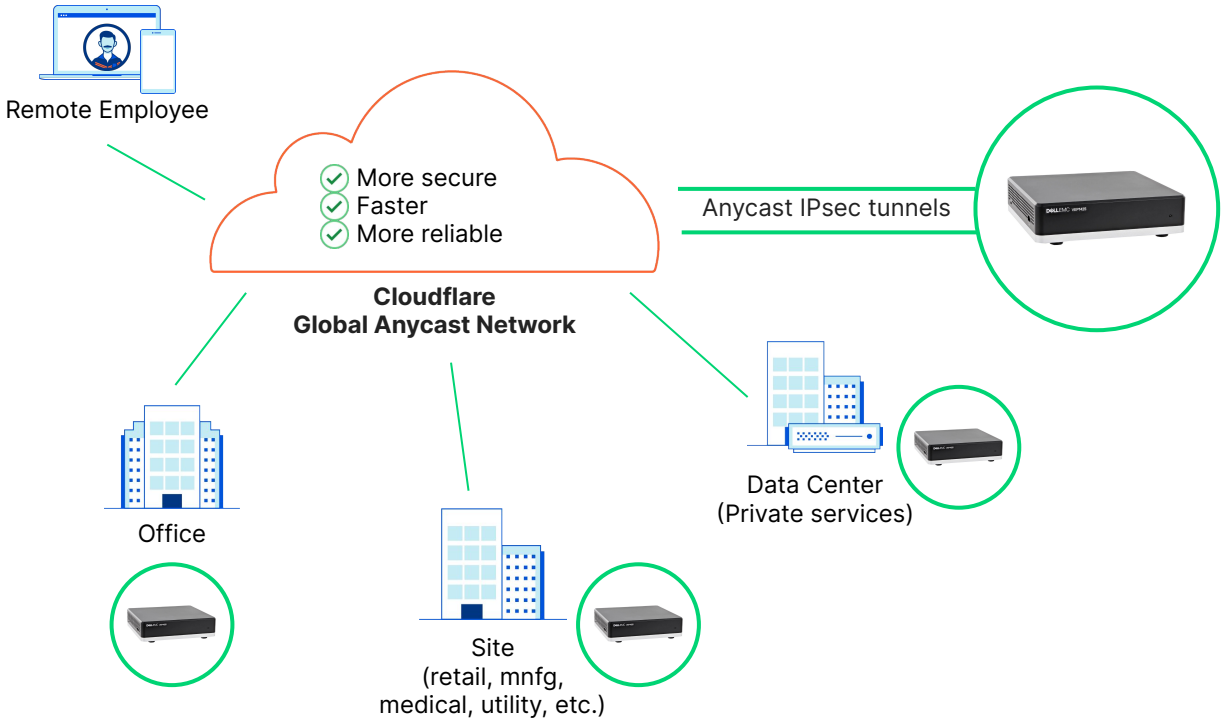
Reduce network TCO by **minimizing branch footprint** and shifting network functions to the cloud

Central management and visibility

Manage all network security and connectivity and get **deep visibility** into your network traffic — all from the **same interface**

MAGIC WAN CONNECTOR

...with an Easy On-ramp for Physical Locations



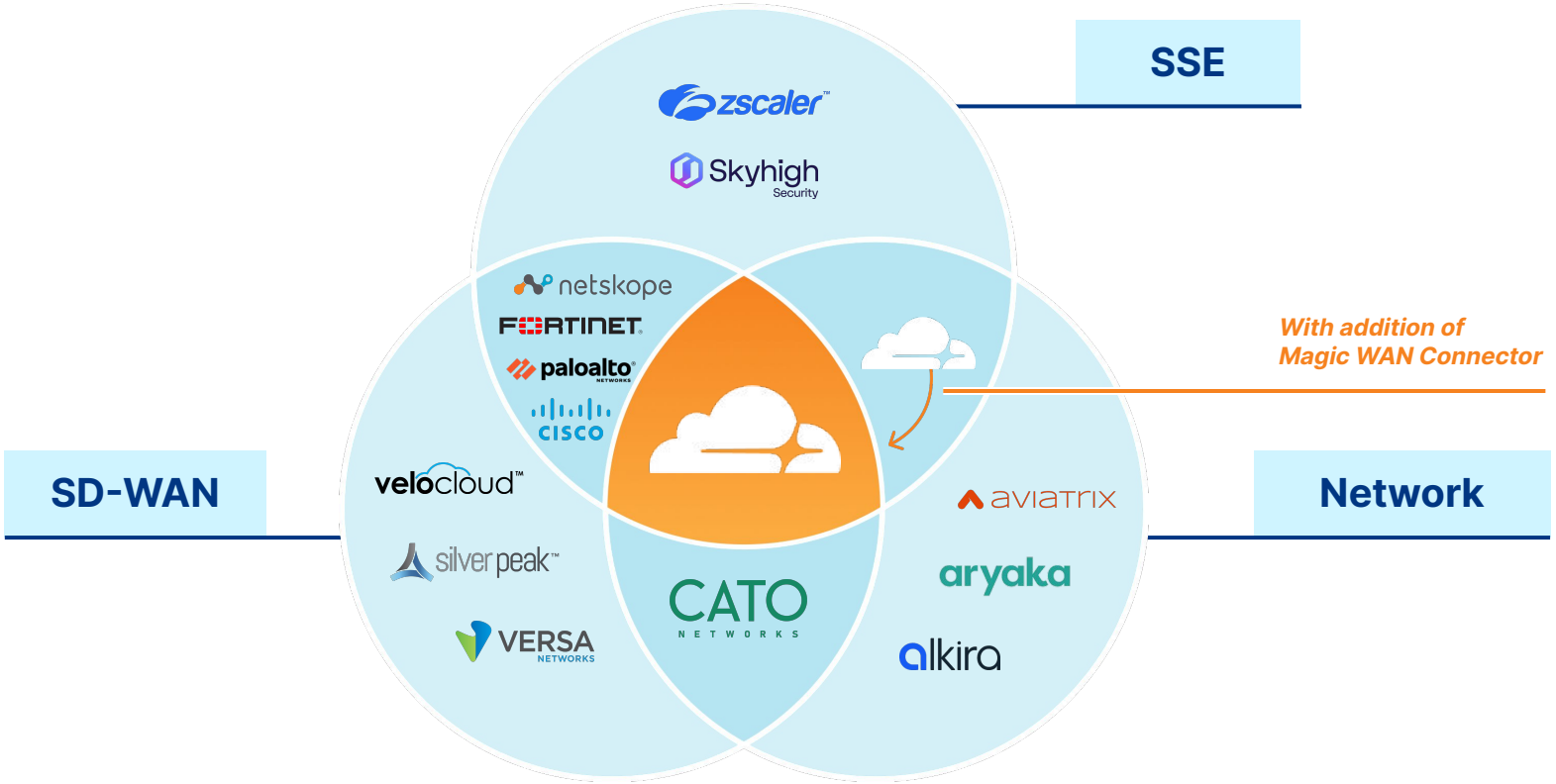
Magic WAN Connector

- Cloudflare software, partner hardware
- Zero-touch configuration
- Smart traffic steering
- End-to-end integration with Cloudflare One

Cloudflare One is the Next Evolution in Network Design

Aspect	Example	MPLS	SD-WAN	Magic WAN
Configuration	New site setup and configuration	Manual	Simplified orchestration via SaaS portal	Simplified orchestration via SaaS portal
Last mile traffic control	Traffic balancing, QoS, and failover	MPLS SLAs	Available via SD-WAN appliance software	Available via hardware or software Magic WAN connector deployed on-prem
Middle mile traffic control	Traffic steering around middle mile congestion	MPLS SLAs	Not available via SD-WAN appliance	Integrated traffic management & private backbone controls in a unified dashboard
Security	Filter outbound Internet traffic for malware	Patchwork hardware controls	Patchwork hardware and/or software controls	Native integration with complete SSE/WAAP portfolio
Cost	Maximize ROI for network investments	High cost for hardware and connectivity	Decreased connectivity costs with higher hardware/software costs	Decreased hardware and connectivity costs for maximized ROI
Cloud integration	Connectivity for cloud migration	Manual IPsec tunnel configuration	Available via vCPE deployment	Native connectivity with Cloud Network Interconnect

SASE Competitive Landscape



We’re Laying the Foundation to be a Universal Network Fabric



for IoT

Connectivity and security for Zero Trust SIM and Internet of Things device management platform



for Hybrid- & Multi-Cloud

Fabric and orchestration to facilitate complex, secure, private multi-cloud deployments



for Service Providers

Network services tailored toward ISP and telco use cases — both sell to and sell through motions

What Makes Us Different?



1. Capacity to easily absorb the world's largest attacks
2. Cost efficiencies passed on to the buyer



1. Buy SASE in one place instead of cobbling together disparate network + security products
2. Unified policy engine for all traffic regardless of on-ramp
3. Single dashboard to control entire product suite



1. Unique view of Internet health allows us to see and route around problems, enabling migration away from MPLS without sacrificing reliability



1. Filtering happens close to users, applications, and customer sites wherever they are in the world
2. Single-pass architecture works with our traffic acceleration features

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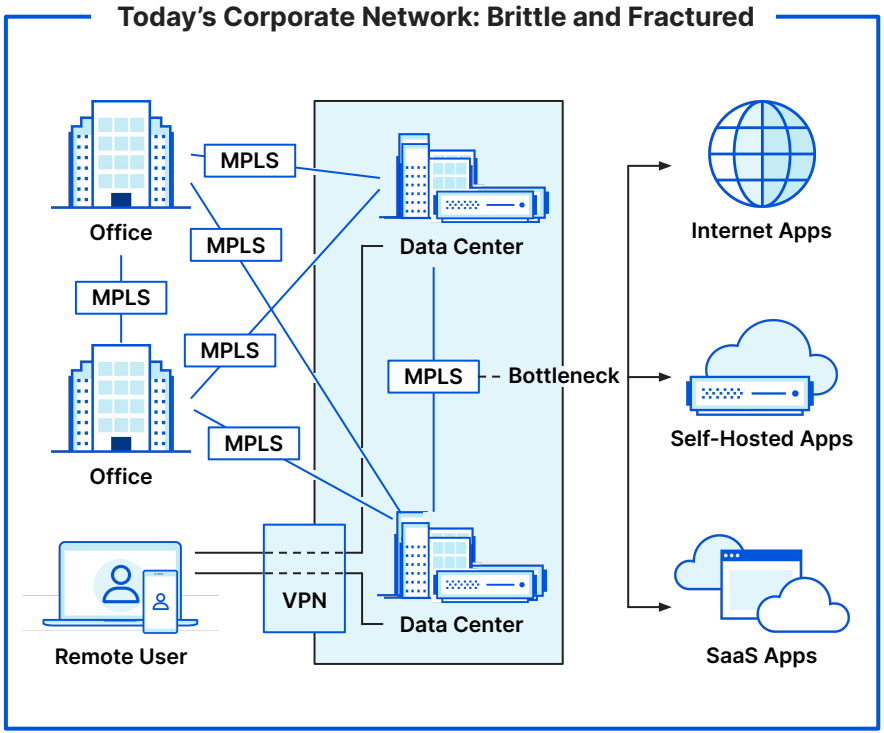
Act II:
Zero Trust Services

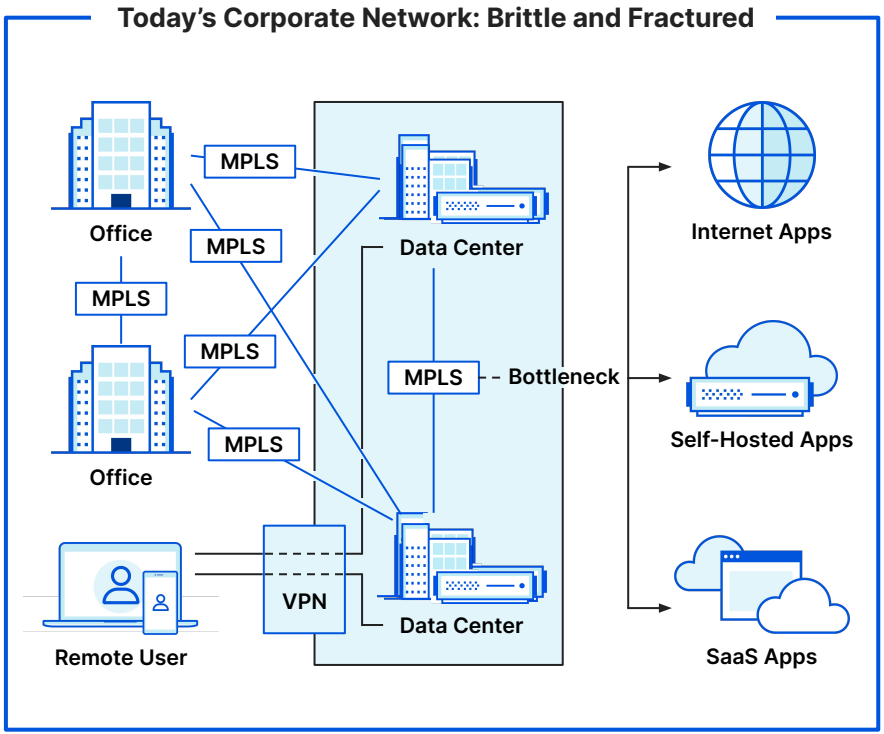


Annika Garbers
Product Manager

Apps Have Left the Corporate Data Center



Apps Have Left the Corporate Data Center, Requiring New Solutions





CLOUDFLARE

What is SASE?

Connectivity & Network Services

How do I connect my users, devices, and applications?

- User connectivity
- Network connectivity
- Traffic steering & acceleration

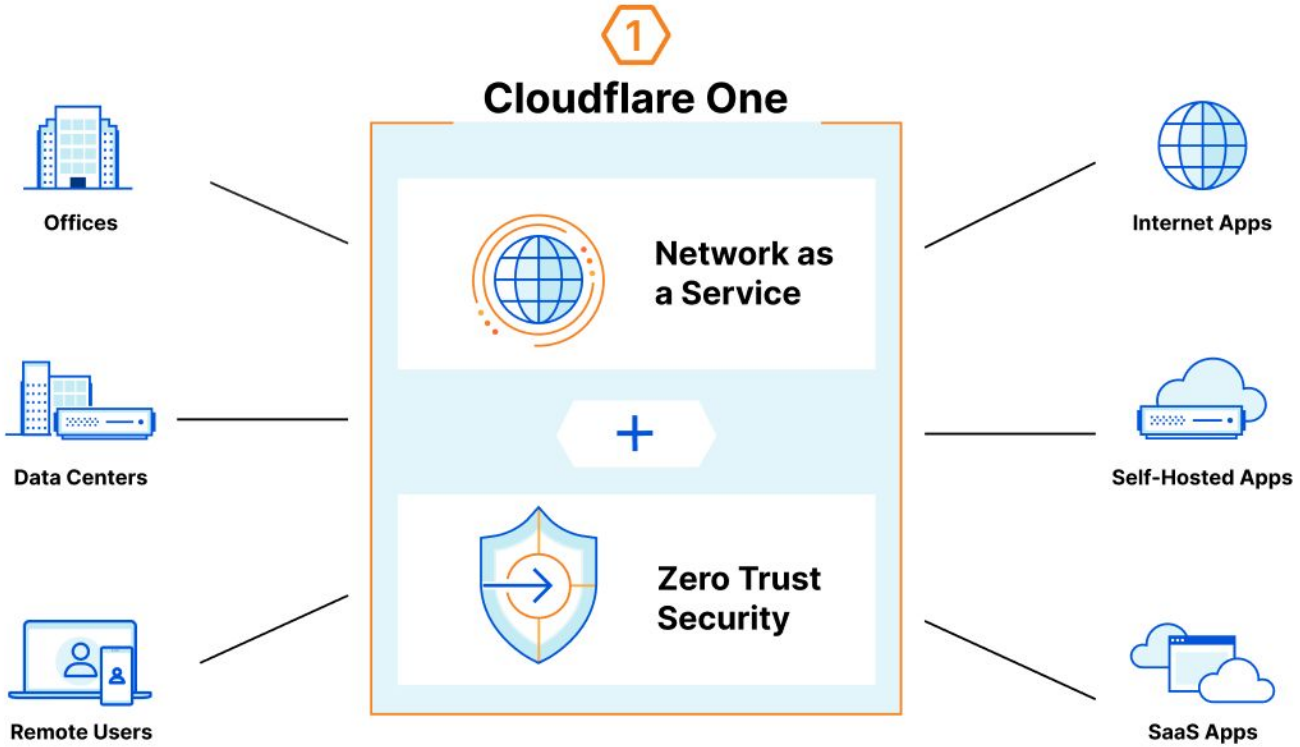
Zero Trust Services

How do I secure, manage, and filter my applications and data?

- Zero Trust Access Control
- DNS Filtering
- Secure Web Gateway
- Cloud Access Security Broker
- Network Firewall
- Remote Browser Isolation
- Data Loss Prevention
- Shadow IT

Secure Access Service Edge (SASE)

Cloudflare One is Our Unified SASE Platform



Customer Problems in Act II

Problem	Description	Buyer Persona	Legacy Bandaid	Modern Competitor
Site-to-Site Connectivity	“I need to connect sites (offices, retail, mfg) to offices and data centers.”	CIO	MPLS links	SD-WAN vendors (Viptela, Silver Peak)

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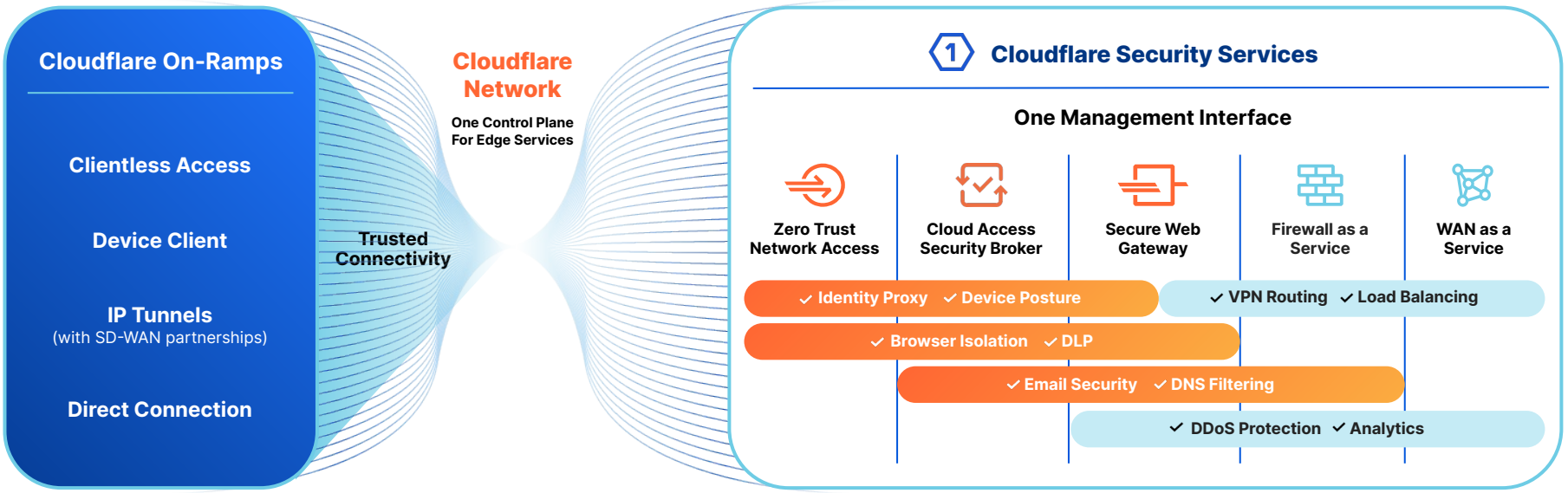
SaaS App Control	"I need to control how SaaS apps are used."	CSO, IT implements	Manual configuration	CASB vendors (Netskope)
Data Control	"I need to control who has access to data and where it is stored or transmitted."	CSO, IT implements	Self-managed appliances (Forcepoint, Digital Guardian)	Cloud-Based DLP (Zscaler, Netskope)

CLOUDFLARE ONE

A Full-Stack SASE Platform (Zero Trust Services + Network Services)



Zero Trust services: ORANGE
Network services: BLUE

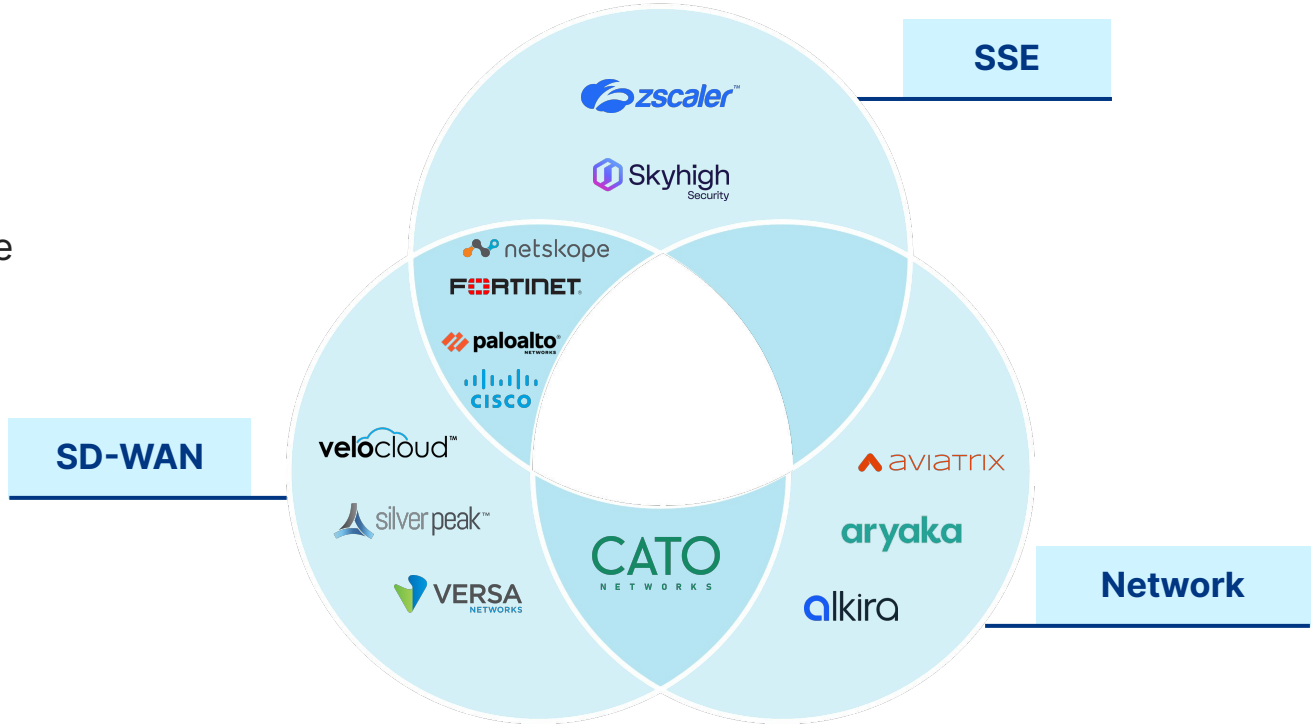
CLOUDFLARE

COMPETITIVE LANDSCAPE

No Existing Vendor was Prepared to Solve the Full Stack of Problems…

Why?

- Inflexible architecture combined with decisions to deploy dedicated or purpose-built hardware
- Avoid competing with revenue-generating partners
- Unwilling to divert attention from primary revenue drivers
- Lack of innovation



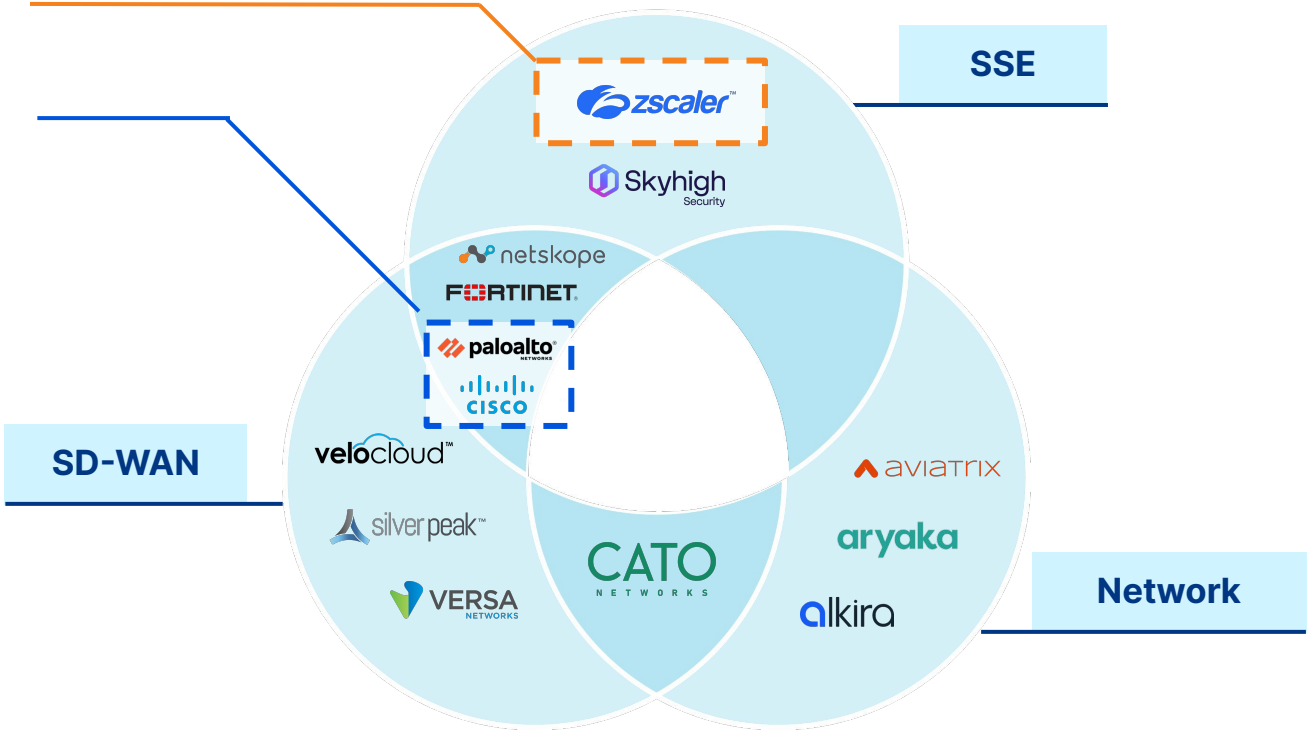
CLOUDFLARE

As a Result...

1. **SSE vendors are paired up with a connectivity vendor**
2. **Or, they cobble together point solutions through multiple acquisitions**

Why are these problematic for customers?

- A patchwork of multiple security vendors creates opportunities for blind spots and gaps
- Maintenance increases exponentially with every vendor added
- Added costs
- High visibility requires high effort

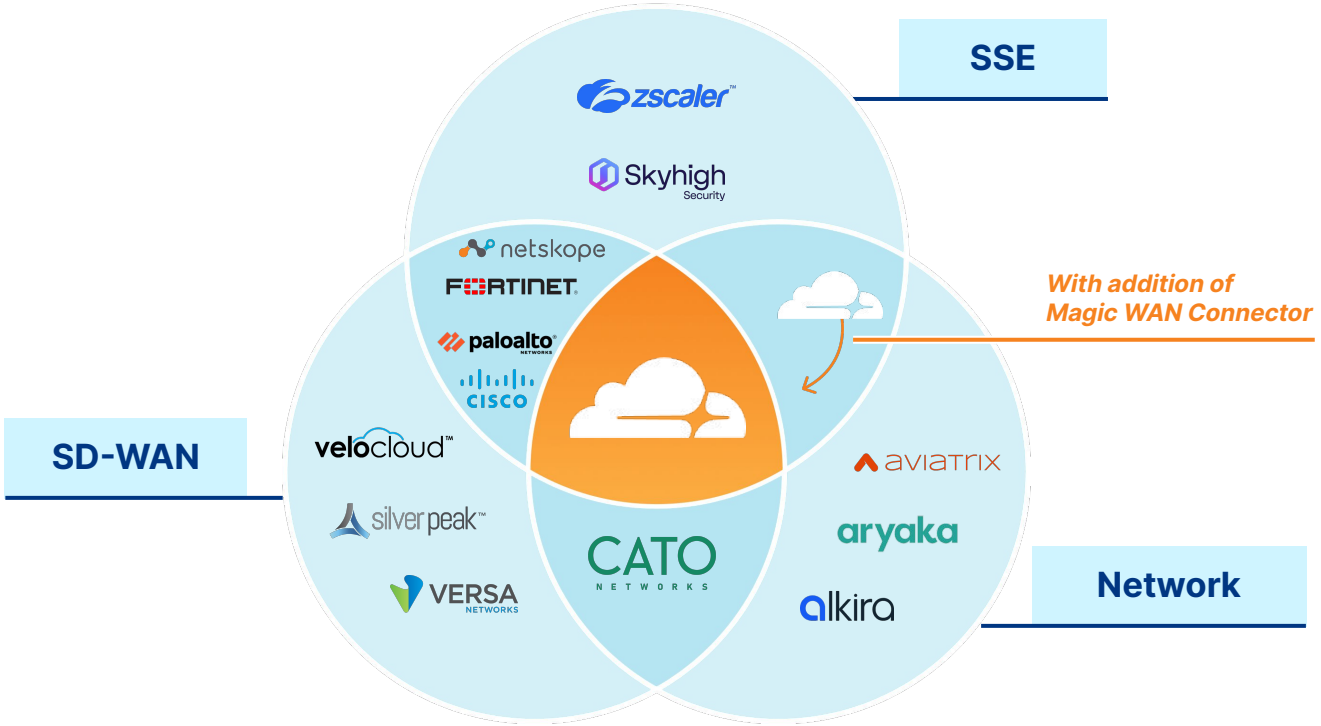


COMPETITIVE LANDSCAPE

Cloudflare One is a Single, Comprehensive, SASE Solution that also Addresses Adjacent Customer Problems

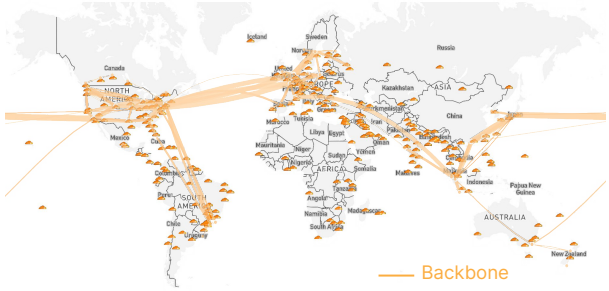
Adjacent Problems

- Email Security
- DDoS Mitigation
- WAF
- IoT/Device Security



Our Speed Advantage (or: Location, Location, Location + Backbone)

Cloudflare



Zscaler



Palo Alto Networks



Netskope



Note: The source of the data in these maps is https://sasecloudmap.com/.

Our One Network Advantage

Trusted connectivity within 50ms of 95% of the world's population

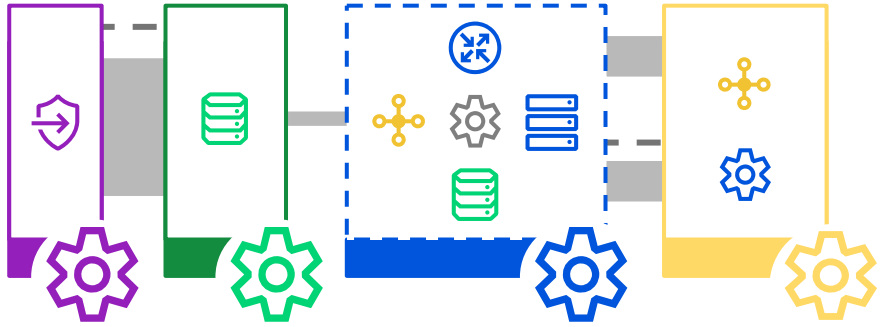
↓

Every network location is available to every customer, and every service built to run in every network location

↓

Consistently protect any source to any destination, from any location

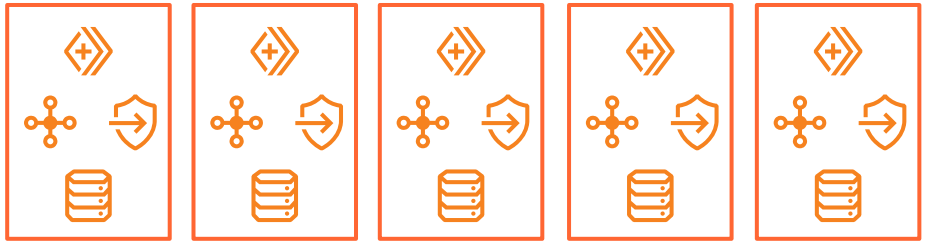
→



Many fragmented clouds, Many control panels

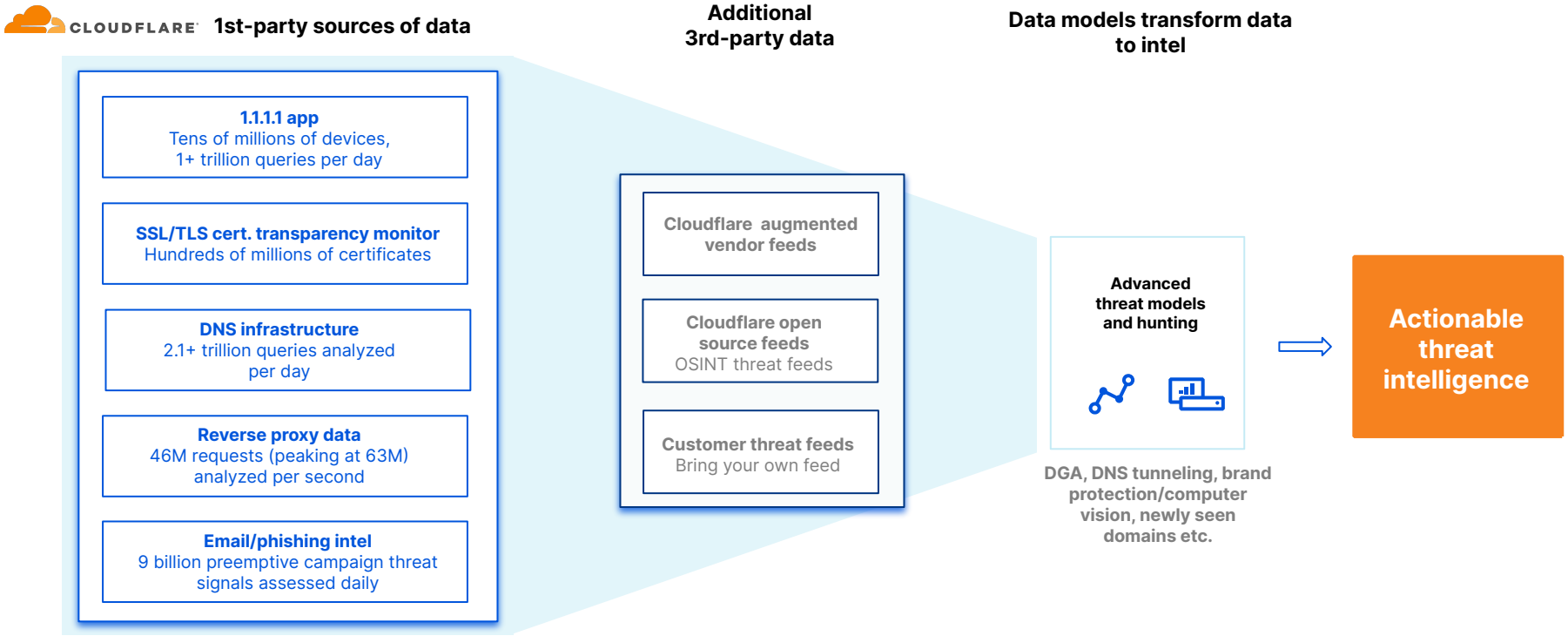
vs. Cloudflare

Every service in every data center



One cloud platform, one control plane

Cloudflare's Threat Intelligence Engine



What Makes Us Different?



1. Same quality of service and security filtering anywhere on the globe
2. Network reach expands TAM; does not rely on public cloud footprint
3. Cost efficiencies passed on to the buyer



1. Enterprise buyers experiment on free plans and then purchase
2. Improved experience based on PAYGO feedback for enterprise customers



1. Smarter blocks applied
2. Fewer false positives and reduced IT help desk burden



1. We improve speed by bringing security actions closer to the user
2. Single-pass architecture works with our traffic acceleration features

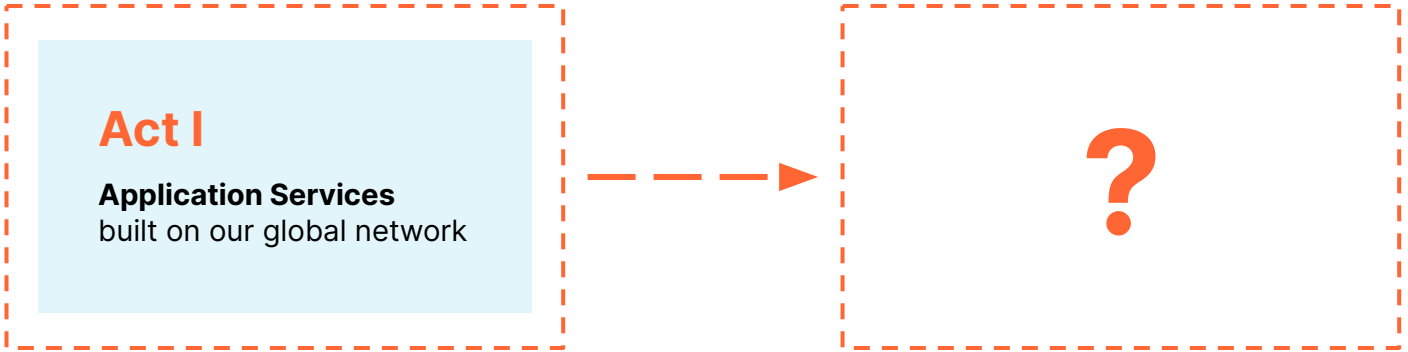
CLOUDFLARE

Act III:
Developer Services



Aly Cabral
VP Product - Developer Platform

After We Established Act I, We Needed to Iterate to Find our Next Act



We started **building and deploying applications at the edge of our global network** to find our next big product

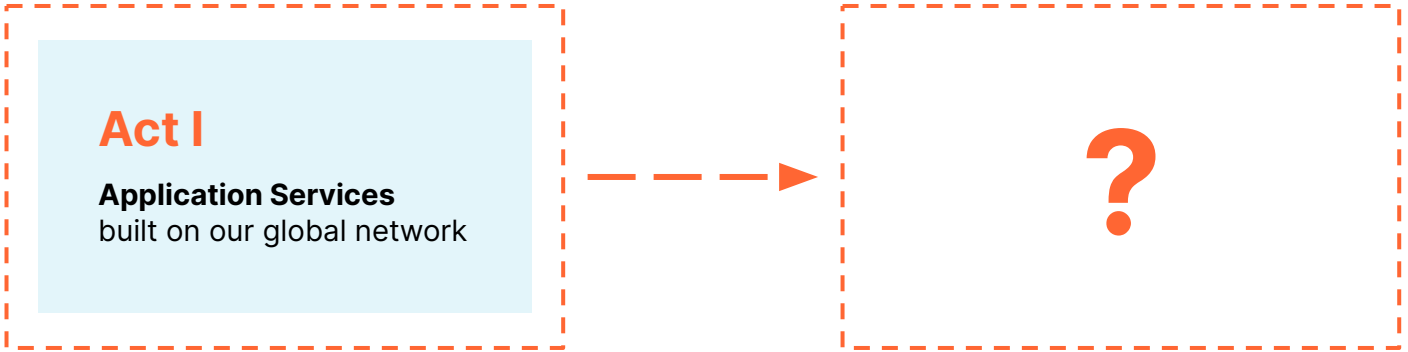
We Faced Many Problems that Came with Shipping at a Global Scale



=

- Geo-load balancing
- New regions to improve performance
- CDN & caching optimization
- Scaling and capacity management
- Load balancing to distribute load
- Data localization

After We Established Act I, We Needed to Iterate to Find our Next Act



Simultaneously, customers asked us to deliver more **features and configurations** on our Act I products

After We Established Act I, We Needed to Iterate to Find our Next Act



HOW DID WE GET INTO ACT III?

Our Customers Asked Us to Help Them Move Fast Too



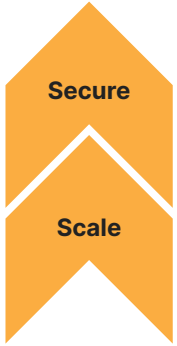
Developers Face Many Problems When Building Applications

Problem	Description
Production Readiness	“I need to take an application that’s working locally and deploy it at scale”
Pace of innovation	“I need to move fast to keep up with competition”
Vendor lock-in	“I need to get value out of my data but can’t leave the ecosystem”
Global audience	“I need to consider users across the world”
High user expectations	“I need to deliver modern, performant web experiences”

These problems are **not new** to us...

We've Solved these Problems Before with Our Act I Products

Problem	Description	Act I Highlights
Production Readiness	"I need to take an application that's working locally and deploy it at scale"	Load balancing, DDoS, Bots, Waiting Room
Pace of innovation	"I need to move fast to keep up with competition"	Self serve experience
Vendor lock-in	"I need to get value out of my data but can't leave the ecosystem"	Cloudflare plans
Global audience	"I need to consider users across the world"	Regional Services, CDN
High user expectations	"I need to deliver modern, performant web experiences"	CDN



Act I

Help developers **scale and secure** their applications, after they've built and deployed them

WHY ACT III?

We Can Solve these Same Problems Again, Now Earlier in the Build Process

Problem	Description	Act I Highlights	Act III Highlights
Production Readiness	“I need to take an application that’s working locally and deploy it at scale”	Load balancing, DDoS, Bots, Waiting Room	Workers
Pace of innovation	“I need to move fast to keep up with competition”	Self serve experience	Pages, wrangler
Vendor lock-in	“I need to get value out of my data but can’t leave the ecosystem”	Cloudflare plans	R2
Global audience	“I need to consider users across the world”	Regional Services, CDN	Workers KV, Workers
High user expectations	“I need to deliver modern, performant web experiences”	CDN	Workers



Act I

Help developers **scale and secure** their applications, after they’ve built and deployed them

Act III

Help developers **build and deploy** their applications right from the start

Act III Complements Act I with Storage, Compute, and Developer Experience – Freeing Developers to Select the Best Solution for the Problem at Hand



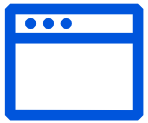
Act III

The earlier we get involved in the development cycle, the **greater the product stickiness** and the **larger the potential user base**

Act I

Developers are usually **locked in to their tools** and ecosystems at this point, making it harder to look to services outside of their building platforms

Developers Need Various Building Blocks to Create a Full-Stack Application



Application



Compute
Power the logic of an application



Storage
Provide contextual information



Network
Send information to/from different locations

Developers choose these tools based on...



Developer Experience
Allows for focus on application differentiation

Platform Maturity Continues to Accelerate

Cloudflare Developer Platform

Developer Products

Compute

- Workers Bundled
- Cron Triggers
- Workers Unbound

Data Storage

- Workers KV
- Durable Objects
- D1 Data Storage
- Cache API
- R2 Blob Storage
- Third-party connectors

Developer Services

- Pages
- Stream
- Platforms
- Magic NAT
- Images
- Workers Analytics Engine
- Observability Tools
- Pub Sub

Platform

Cloudflare Network Infrastructure

- **Global Edge:** 285+ cities, 95% of Internet users within 50ms, 12,000 interconnects, 197 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

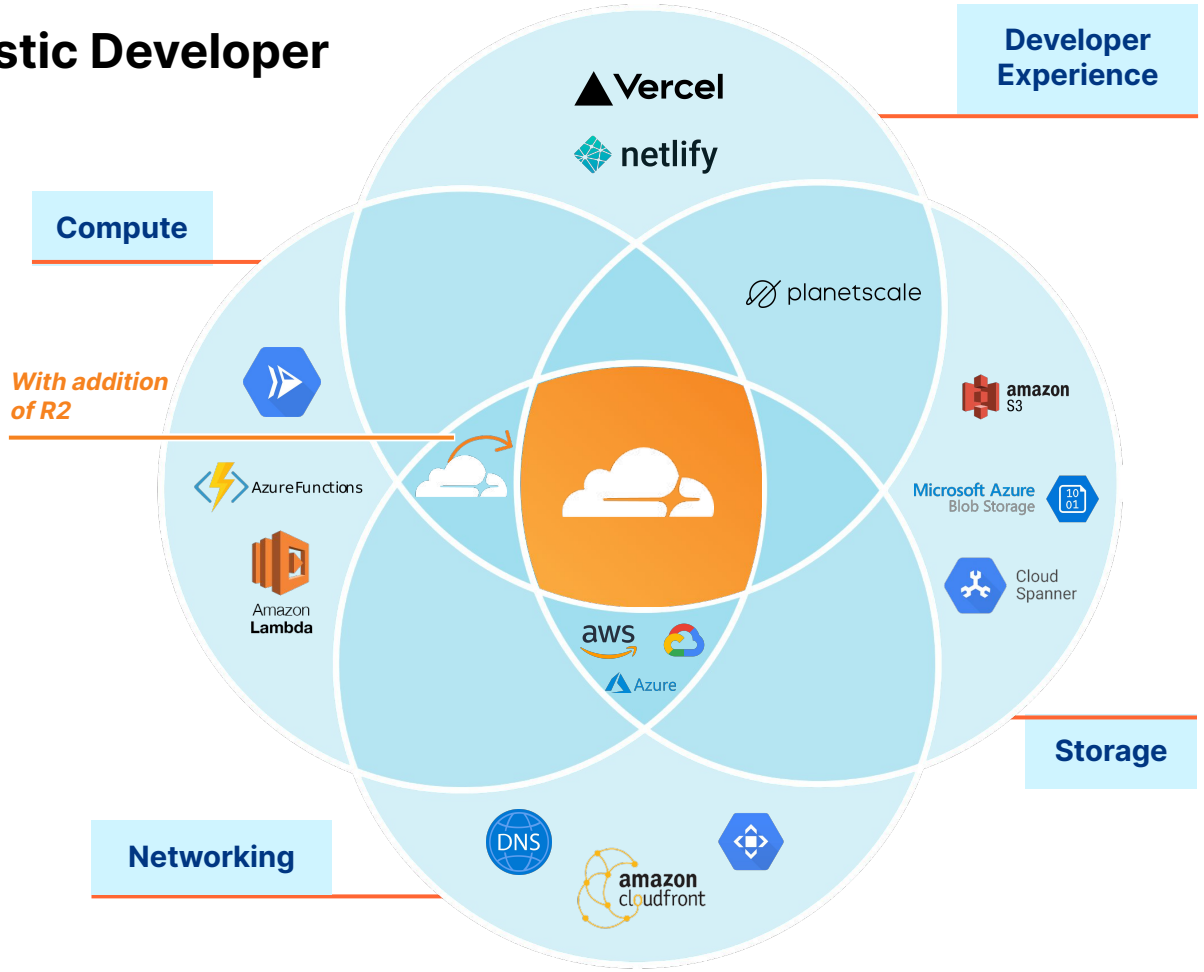
Note: Figures as of March 31, 2023.

HOW WE COMPETE

Cloudflare is the Only Holistic Developer Platform with All the Tools

Cloudflare is uniquely positioned:

- Network infrastructure is already in-place and ready to handle scale
- Developers trust us from our Act I products
- More agile and innovative than the big three clouds
- More established than new challengers with stronger reach and presence



CLOUDFLARE

HOW WE COMPETE

R2 Object Storage Benefits

Zero egress fees
Lower, more predictable costs, without the data lock-in

Worker integration
Customize data processing and storage with code



Region: Automatic
Performant and compliant data placement by default

S3-compliant
Easy migration from S3-compliant providers and no vendor lock-in

HOW WE COMPETE

R2 Use Cases



Static assets



Media files



Logs



Data platform

HOW WE COMPETE

Why Developers Choose Our Products

Workers



Compute
Power the logic of an application

Cloudflare takes care of the **infrastructure management**

Production readiness baked in

KV R2 D1

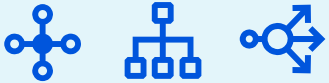


Storage
Provide contextual information

No vendor lock-in

Seamless data placement

CDN DNS Load Balancing

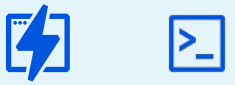


Network
Send information to/from different locations

Global network with **best in class performance**

Scalable and reliable without any additional config

Pages Wrangler



Developer Experience
Allows for focus on application differentiation

Developer **velocity without compromise**

Built for the biggest and most **critical workloads**

PhonePe GARMIN UDACITY DISCORD DOORDASH C&A SIXT jetBlue Vercel

CLOUDFLARE

COMPETITIVE LANDSCAPE

How We Compare to Incumbent Cloud Providers

Cloud Infrastructure	CLOUDFLARE	aws Azure
Networking	Strong	Moderate
Compute	Specific	Strong
Storage	Specific	Strong
Databases	New + Specific	Strong
Developer Experience	Strong	Moderate
Data Localization	Strong	Moderate
Avoids Cloud Vendor Lock-In?	Yes	No

What Makes Us Different?



1. The network allows us to support the most critical workloads as opposed to a platform you have to graduate out of



1. Ease of use allows developers to focus on the differentiation of their application



1. Shared intelligence allows us to make the right decision on behalf of developers, saving them time



1. We don't force developers to tradeoff between cost and performance

CLOUDFLARE

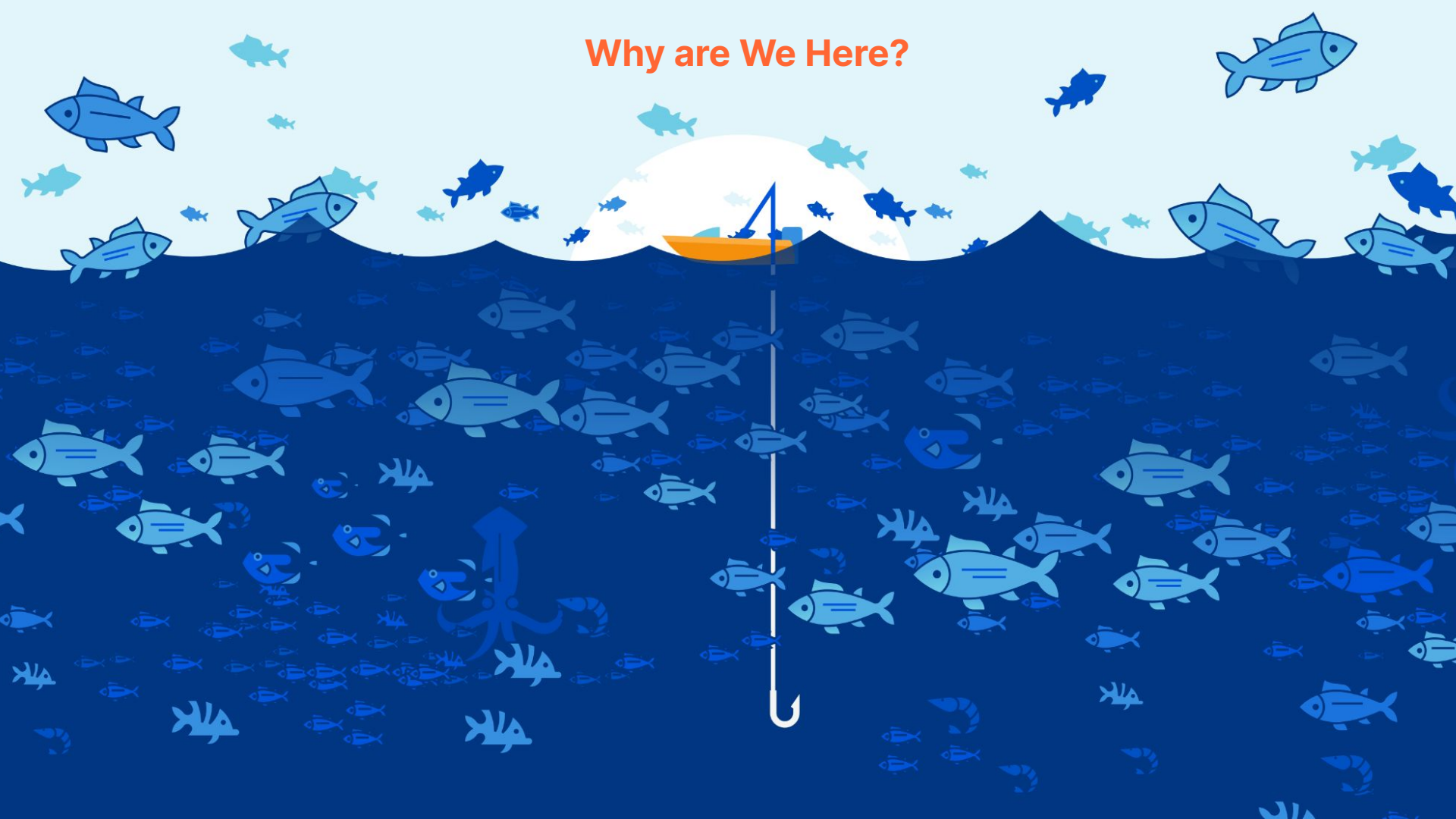
Go-To-Market: Becoming World Class



Marc Boroditsky
President of Revenue

May 4, 2023

Why are We Here?



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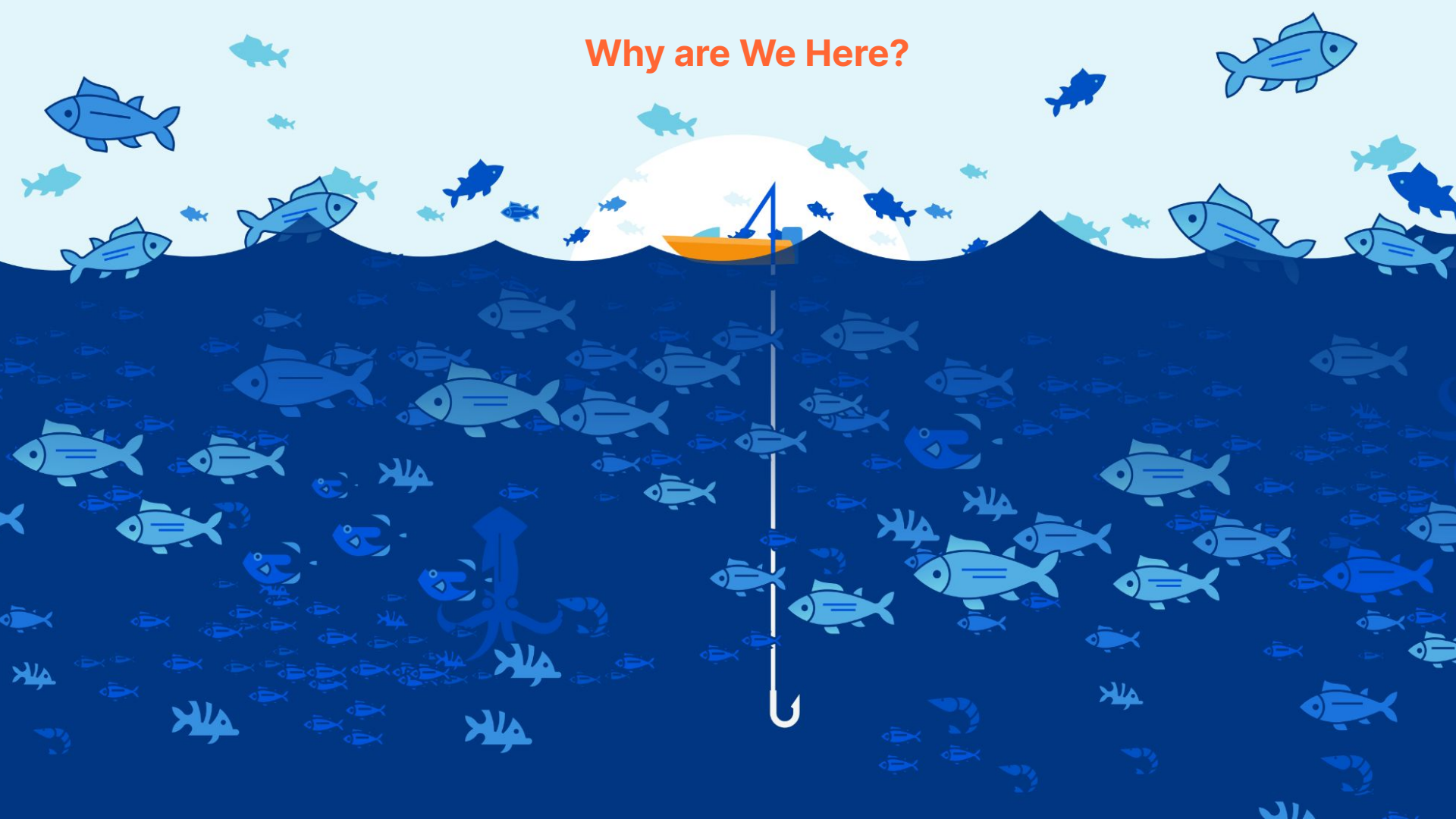
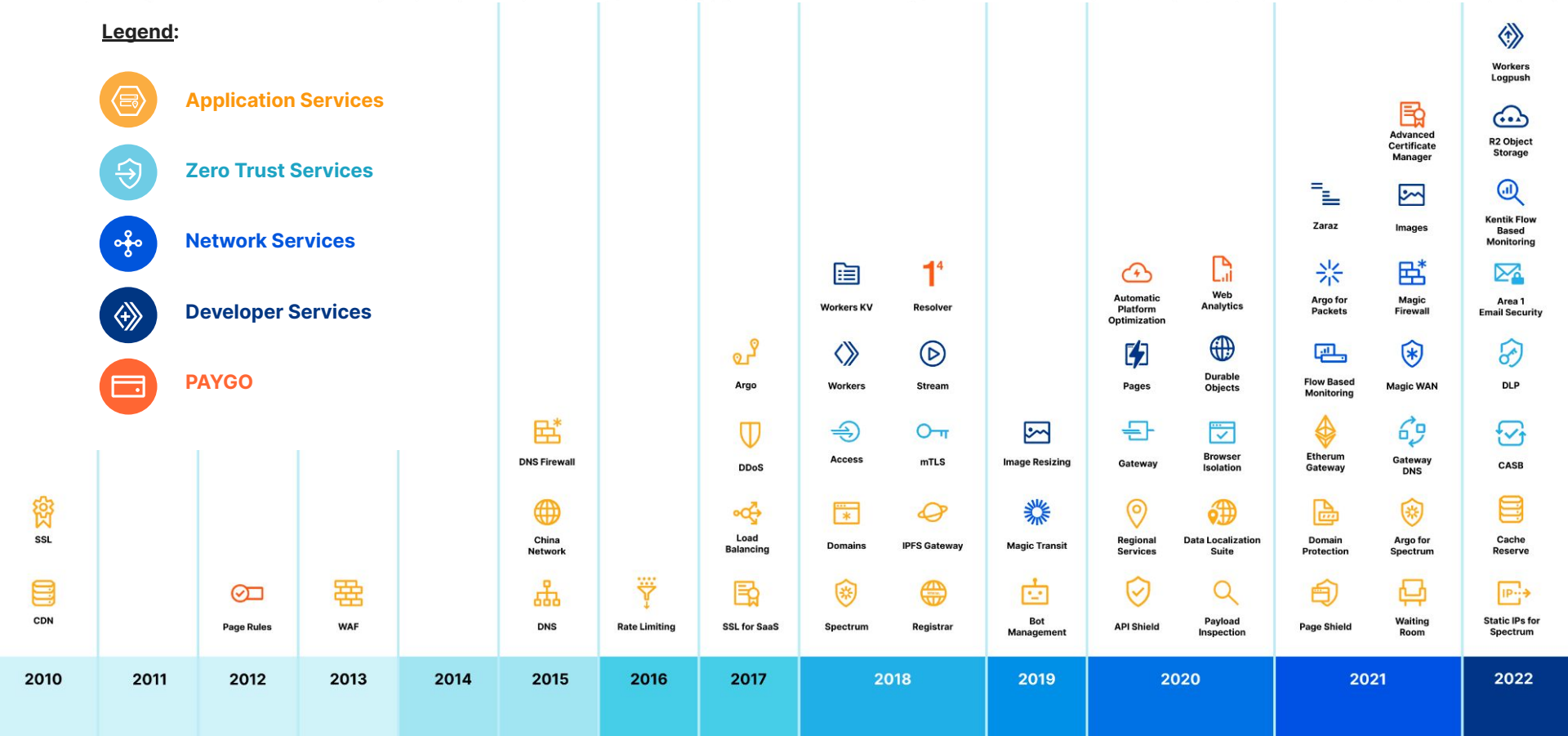




Where We Excel

A Platform Constantly Delivering Innovation



Strength of Product



- 2023 GigaOM Radar for Application & API Security: LEADER
- 2022 Gartner Magic Quadrant for Web Application Firewall: LEADER
- 2022 Forrester Wave for Web Application Firewall: LEADER
- 2022 Gartner Peer Insights 'Voice of the Customer': WAAP: Customer's Choice LEADER
- 2022 Gartner Critical Capabilities for Cloud Web Application Firewall: TOP 3 SHORT-LIST for 'Core Security' & 'Web-Scale' Business Applications



- 2023 GigaOM Radar for CDN: LEADER
- 2023 GigaOM Radar for DNS Security: LEADER
- 2022 IDC CDN MarketScape: LEADER
- 2022 Gartner Peer Insights 'Voice of the Customer': Global CDN: Customer's Choice LEADER
- 2022 Frost & Sullivan Technology Innovation Leader: Global CDN: LEADER



- 2023 KuppingerCole Leadership Compass for SASE: LEADER
- 2022 KuppingerCole Leadership Compass for ZTNA: LEADER
- 2022 Gartner Peer Insights 'Voice of the Customer' | Security Services Edge: STRONG PERFORMER
- 2023 Gartner Magic Quadrant for Security Services Edge: NICHE PROVIDER
- 2022 Gartner Market Guide for Zero Trust Network Access: Representative Vendor
- 2021 Forrester New Wave for ZTNA: CONTENDER



- 2022 Forrester Wave for Bot Management: STRONG PERFORMER
- 2020 QKS Bot Management Market: TECHNOLOGY LEADER

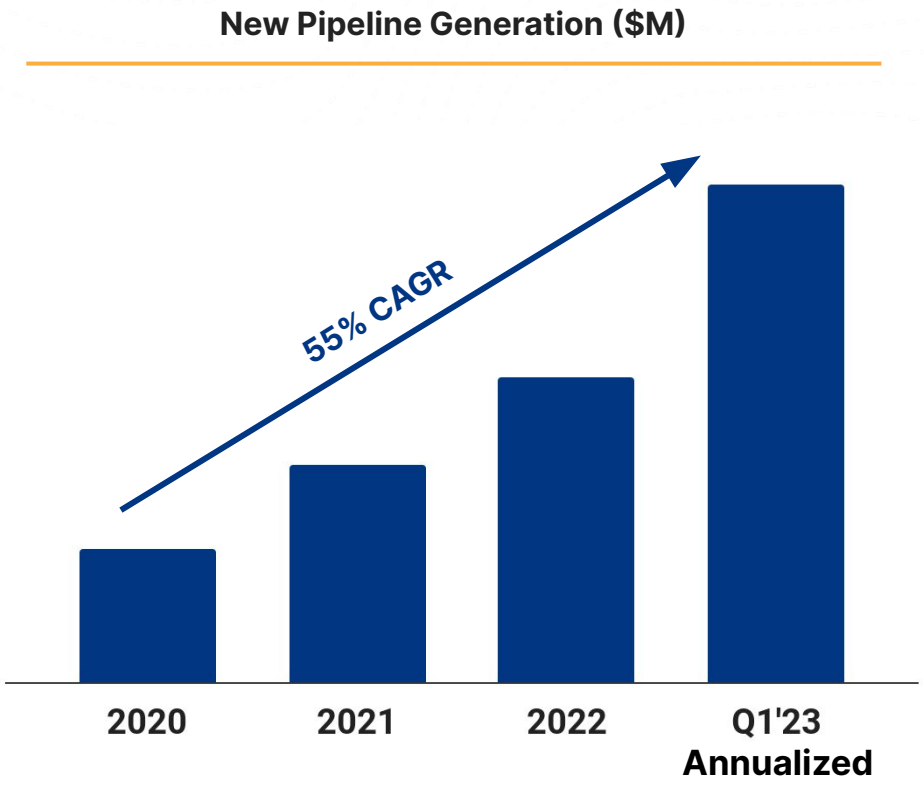


- 2021 Forrester New Wave™ for Edge Development Platforms: LEADER
- 2020 Forrester New Wave for FaaS STRONG PERFORMER



- 2022 GigaOm Radar for DDoS Protection: LEADER
- 2021 Forrester Wave for DDoS Mitigation Solutions: LEADER
- 2020 Gartner Solution Comparison for DDoS Cloud Scrubbing Centers: Most number of 'HIGH' ratings
- 2019 IDC DDoS Prevention MarketScape: LEADER

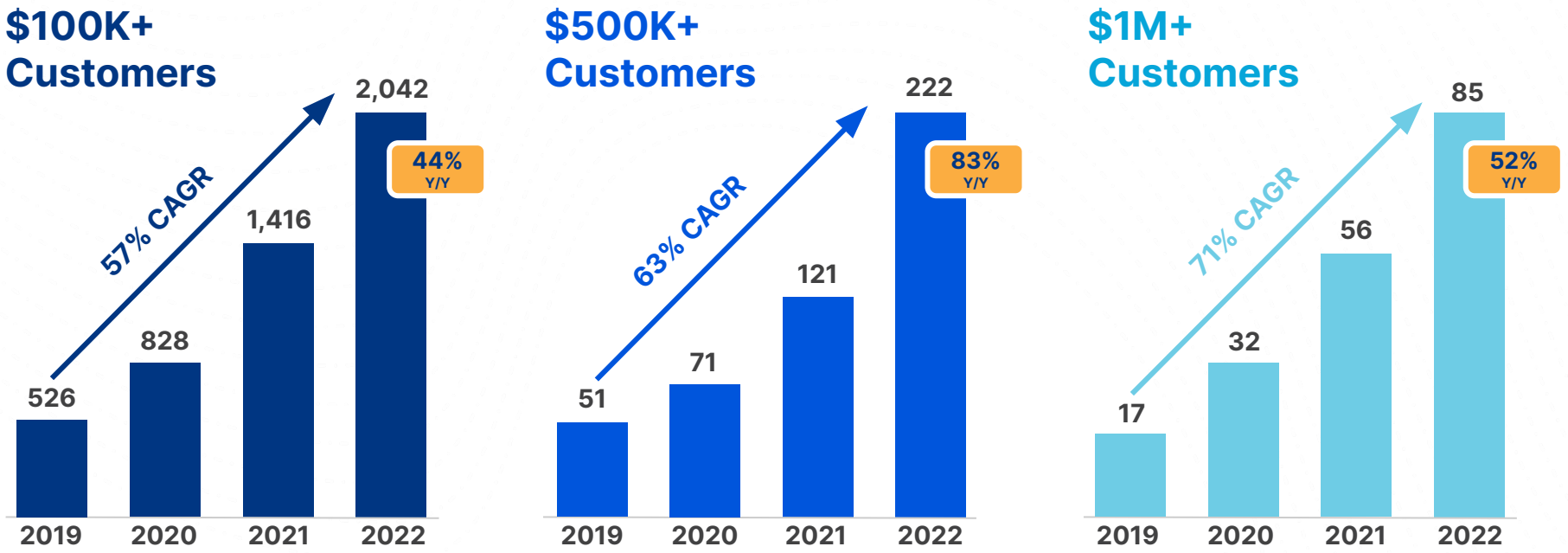
Product Innovation That Translates into Pipeline Generation



~4x

in-quarter pipeline coverage ratio

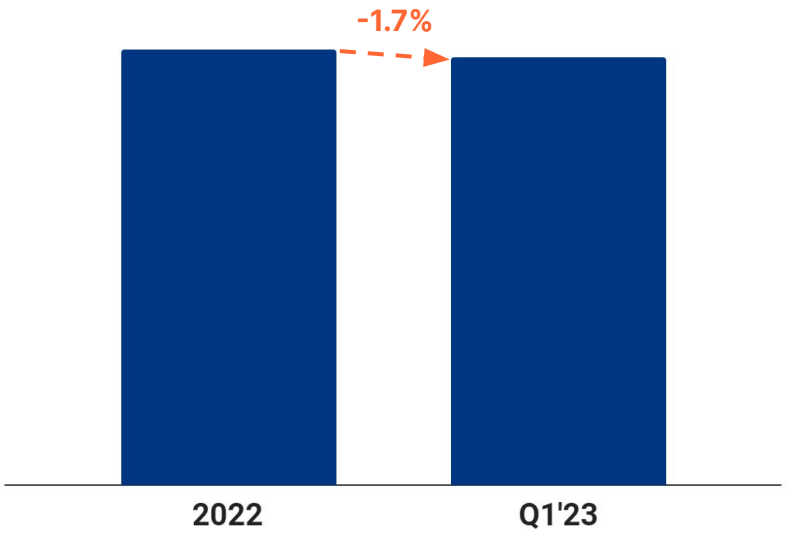
Significant Growth in Large Customer Cohorts



Note: Large Customer data are as of year end. See the Appendix for how we define "Large Customers," which are the same as $100K+ customers. $500K+ and $1M+ customers are defined in the same manner, except we use $500K+ and $1M+, respectively, of Annualized Revenue instead of $100K+.

Top Sellers Are Consistent High Performers

Average Quarterly Productivity of High Performing Account Executives (AE)



Top 15%

Achieved 129% of quota over the last four quarters

Approximately **27% started within the last 18 months**

Note: 2022 is representative of the four quarter average of the 2022 fiscal year.



Where We Need Improvement

We Are Not Limited by TAM, Opportunity, or Capacity...

Not Limited by TAM	Total addressable market $146 billion in 2023
Not Limited by Opportunity	Accelerating new pipeline generation
Not Limited by Capacity	Too many AEs not making their targets

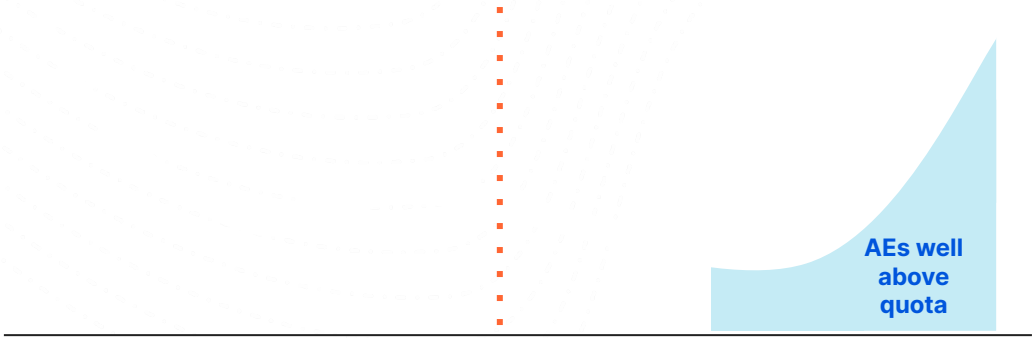
Performance Constrained

CLOUDFLARE

Note: Total Addressable Market figures are Cloudflare estimates based on IDC market forecasts. Figures reflect the markets addressed by our current product offerings. For markets not profiled by IDC forecasts, such as threat intelligence software and anti-fraud software, Cloudflare's estimates are based on Gartner, Inc., Forecast: Information Security and Risk Management, Worldwide, 2021-2027, 1Q23 Update, Shailendra Upadhyay, Rahul Yadav, et.al., 03/29/2023.

...We Are Performance Constrained

Example of Recent Distribution of Non-Ramping Account Executive (AE) Quota Attainment



- **Bimodal distribution of quota attainment**
- **Not capacity constrained**
- **Indicates performance challenges**

Note: The line is an approximate representation of quota attainment for Cloudflare AEs over the quarters ended June 30, 2022 and September 30, 2022.

...We Are Performance Constrained

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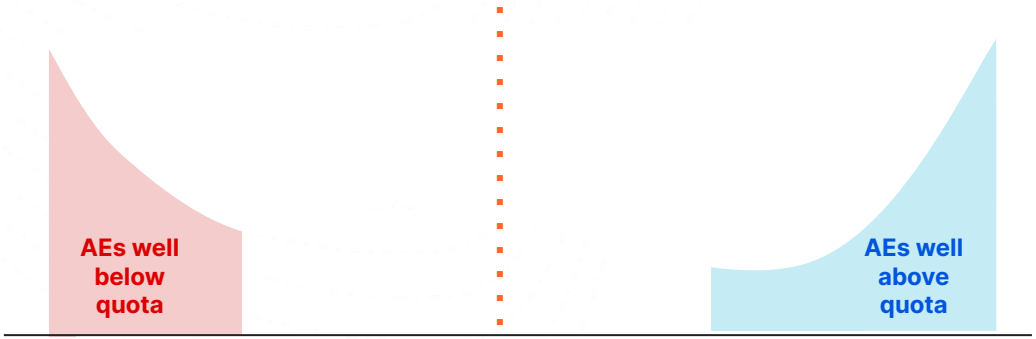

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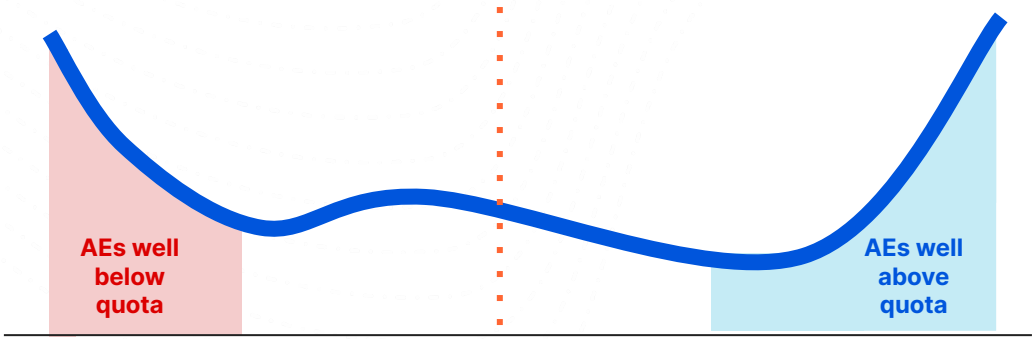

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- **Indicates performance challenges**

Note: The line is an approximate representation of quota attainment for Cloudflare AEs over the quarters ended June 30, 2022 and September 30, 2022.

Areas Identified for Improvement...



Talent Relaxed standards — hiring profile, enablement, and performance management



Customer Journey Limited data and understanding of what drives customer to land, expand, and adoption of platform



Metrics & Processes Limited unifying input/output metrics; inconsistent, conflicting, and undocumented guidelines and processes



Coverage & Structure Inconsistent coverage model by geography, country, segment, and channel with multiple many-to-many mappings for supporting resources



Territories & Accounts Inequitable territory and account allocation



Pipeline Routing issues, attribution friction, not aligned on unified metrics

...Compounded by Selling at Cloudflare being Very Complex



LinkedIn
POs
Deal Desk
Ninja Panel
Make my Number
Build Demos
Workers
Catchpoint
Lighthouse
R2
Usage Caps
CPO
Network
Build Pipeline
RFPIO
CTO
Outreach
Privacy
CISO
Bundles
Price Lists
Tableau
ACV Growth
Ironclad
CF1
Zero Trust
Intricately
FREE
Jira
Anaplan
Boostup
Internal Processes
FedRamp
Co-term
Pagerduty
Lusha
Zoom Phone
Renewals
New Products All the Time
Zendesk
CIO
FX
Self Serve
Annual Prepay
Margin
Confluence
Launch
Salesforce
Showpad
Gainsight
Partners
ZoomInfo
Paygo
Customer 360
Developers

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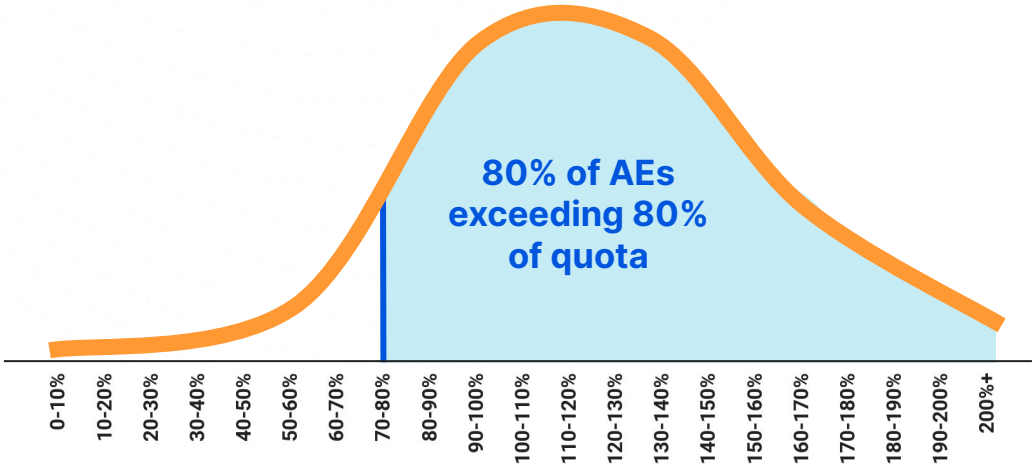
2023 Action Plan

Our Opportunity is Performance Improvement

Illustrative Example of a More Normalized Distribution of Non-Ramping Account Executive (AE) Quota Attainment



If quota attainment performance had a more normalized distribution, average AE productivity potentially would increase at least 20%

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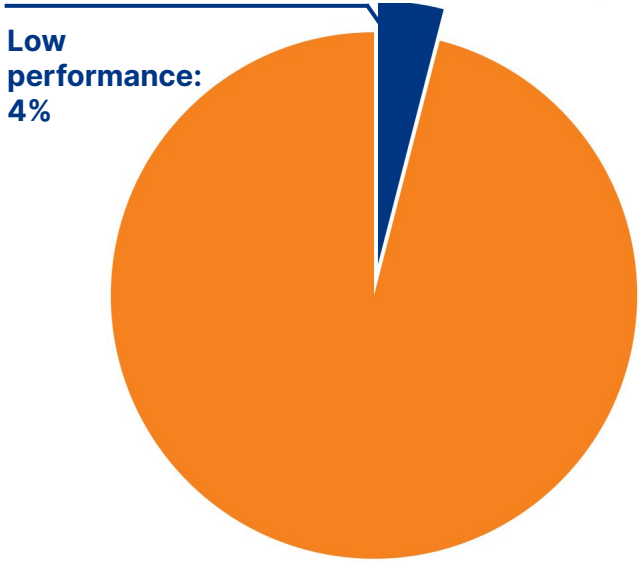
What are the Initiatives in 2023 to Improve Performance?



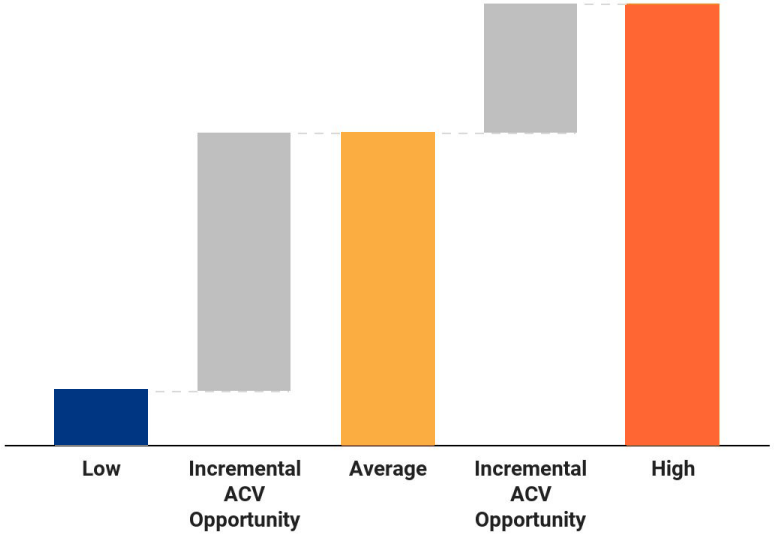
WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

Upgrade Go-To-Market Talent

Low Performance AEs ACV Contribution



Productivity per AE — Low vs. Average vs. High Performance



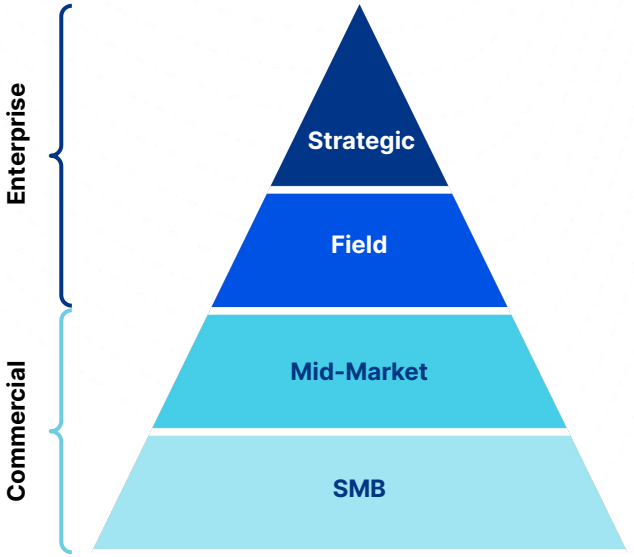
Note: Both graphs utilize data from Q1 2023. We define low performance as having not achieved more than 50% quota attainment over the last five quarters. Average performance is calculated based on the average productivity of AEs, excluding low performance.

WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

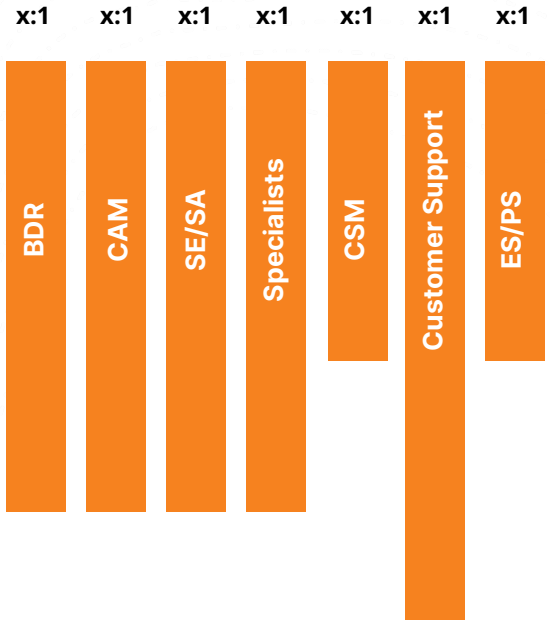
Build Regional Revenue Machines

UNIFYING METRIC: Sales Productivity

AMER | EMEA | APJC



Ratio-Oriented Model (AE:Role)



- Organize by global region, country, segment
- Standardize by segments and customer size breaks
- Standardize mapping to supporting teams, staff based on **ratio-oriented model (ROM)**
- Expanded **specialized overlays** for security (Cloudflare One), network (Magic Transit), and developer (R2/Workers)
- Staff support based on ticket volume and target mean time to resolution

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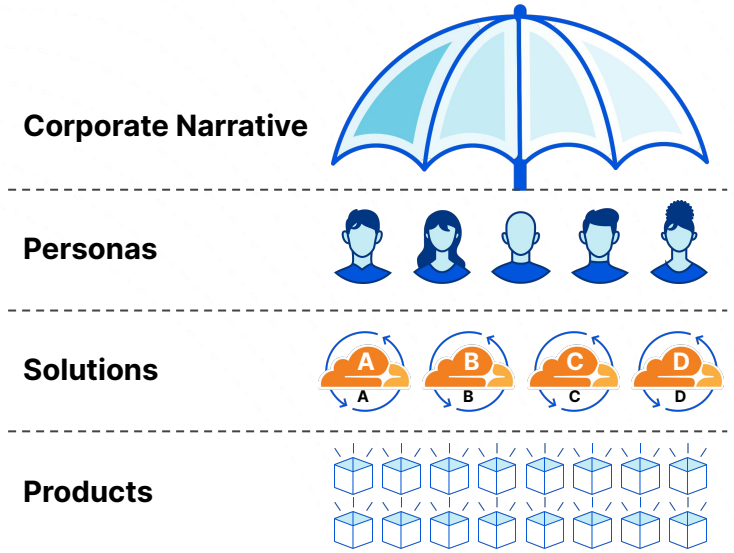
WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

Sell The Way The Customer Buys

UNIFYING METRIC: Pipeline Coverage

- **Market-driven model** (TAM/SAM by product, geography, and industry) to align coverage, resources, and priorities
- Map **customer journey** — free, PAYGO, trial, land, expand — to optimize adoption and customer experience and align demand generation, BDR, and AEs
- Position solutions relative to customer pain points:
  - **"Secure Hybrid Work"** = ZT, Access, Gateway, RBI, CASB, Email
  - **"Supercharge App Performance"** = Argo, Load Balancing
  - **"Protect Customer Facing Apps"** = WAF, DDoS, Bot Management, Page Shield
- Align categories to customers' organizational charts:
  - **Application & Network Services** >> IT/CIO
  - **Cloudflare One** >> Security/CISO
  - **Workers & R2** >> Dev/CPO
- Elevate our **Partner Program** with clear roles and ROE around customer requirements



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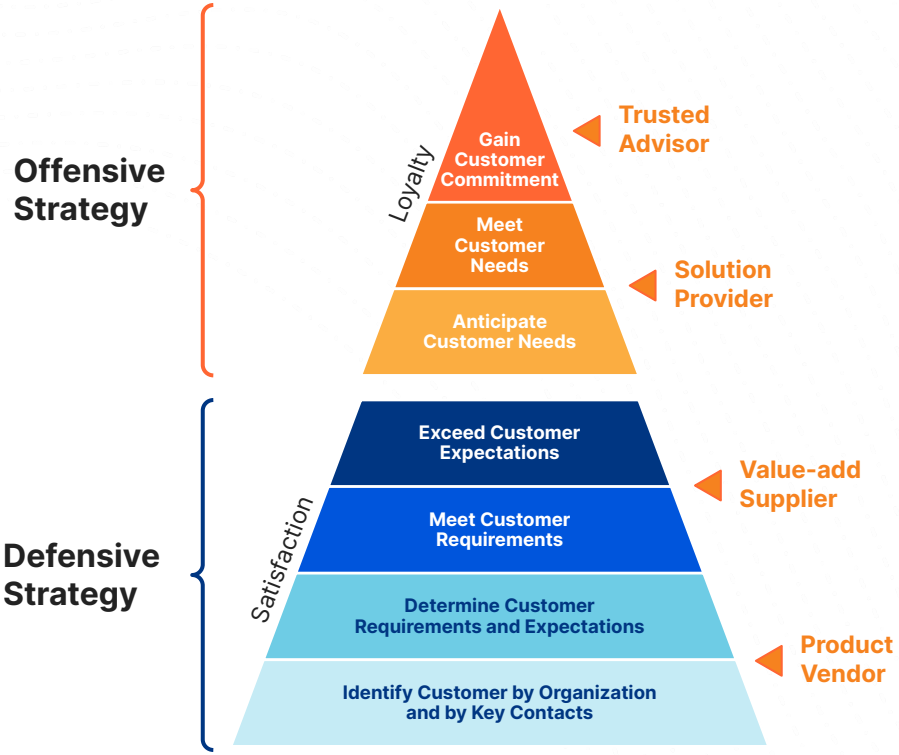
WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

Become Trusted Advisors for Our Customers

UNIFYING METRIC:
CSAT at Each Touch

- Enable First Line Sales Managers (FLSM) as coaches that identify, develop, and retain great talent while driving higher levels of performance
- Expand **enablement** to accelerate ramp, improve how we drive adoption, and how we sell
- Shift from selling tactical point products to delivering **strategic** platforms and solutions that address customers' real business requirements
- Provide a seamless **customer experience** from first touch through scaling platform adoption
- Build out **implementation programs** to support customers that lack technical capacity to implement or expand the use of our solutions



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WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

Partner with Product

UNIFYING METRIC:
Revenue by Product

Partner with Product to create Solution Leadership Teams with a shared ownership model



Organize based on product roadmap, consistent release process, and support model for new products

Provide consistent, reliable feedback to Product on solution gaps and customer needs

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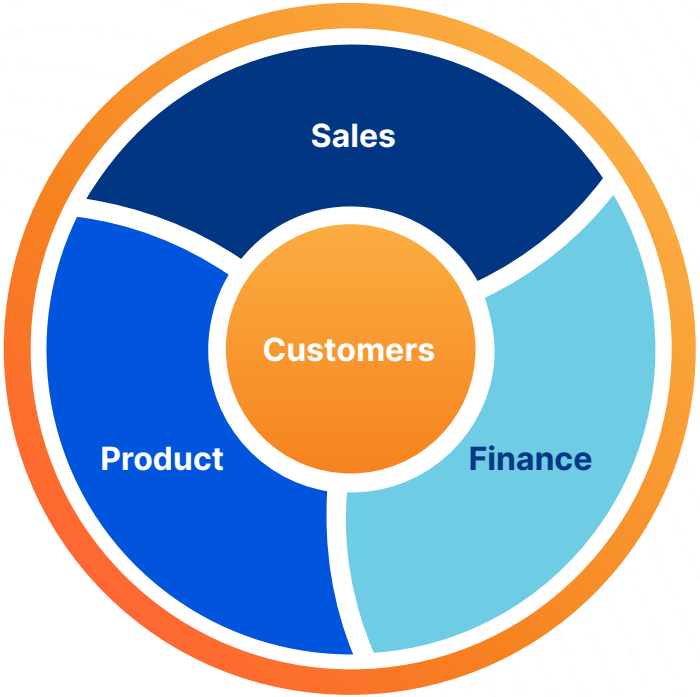
WHAT ARE THE INITIATIVES IN 2023 TO IMPROVE PERFORMANCE?

Operate as One Revenue Team

UNIFYING METRIC:
Engagement

- Align with Finance and Product on **targets based on opportunity, capacity, and productivity** — making goals rational but challenging
- Roll down priorities with all leaders creating a set for their teams that align to top level
- Unify and orchestrate **consistent communications** with one voice, reliable paths, enablement, and regular cadence
- Create cross-functional segment, operational roles to represent the Revenue team to other teams



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Becoming World Class in Go-To-Market

Product Innovation



Network Stability



Go-To-Market



- Upgrade talent and invest in comprehensive training and ongoing enablement
- Increase sales team specialization, focusing on different customer segments, buyer personas, and industries
- Leverage data analytics to make informed decisions on resource allocation and prioritize high-value opportunities
- Emphasize consultative selling and prioritize customer success to drive repeat business, referrals, and upsell opportunities
- Closely partner with product development to better address customer needs and close deals more efficiently

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Financials:
Profitable Growth At Scale



Thomas Seifert
Chief Financial Officer

May 4, 2023

Where We Are Today



Growth



Profitability

Key Financial Highlights

$146B

Total Addressable Market in 2023

4.6x TAM since IPO

2,156

Large Customers

~460% increase from IPO

$1.2B

Revenue Run Rate

+330% increase in revenue since IPO

76%

GAAP Gross Margin

maintained >75% since IPO

6.7%

Non-GAAP Op Profit Margin

record operating profit and margin

Note: Total Addressable Market figures are Cloudflare estimates based on IDC market forecasts. Figures reflect the markets addressed by our current product offerings. For markets not profiled by IDC forecasts, such as threat intelligence software and anti-fraud software, Cloudflare's estimates are based on Gartner, Inc., Forecast: Information Security and Risk Management, Worldwide, 2021-2027, 1Q23 Update, Shailendra Upadhyay, Rahul Yadav, et.al., 03/29/2023. Total addressable market at IPO represents 2018 expected spend from our analysis based on IDC data. Large Customers, Revenue Run Rate, GAAP Gross Margin, and Non-GAAP Op Profit Margin are as of the fiscal quarter ended March 31, 2023. Revenue Run Rate is defined as applicable quarterly revenue multiplied by 4. "From IPO" and "since IPO" refer to data as of the fiscal quarter ended June 30, 2019 (Cloudflare IPO occurred on Sept. 13, 2019). See the Appendix for how we define "Large Customers" and for GAAP to Non-GAAP reconciliation.

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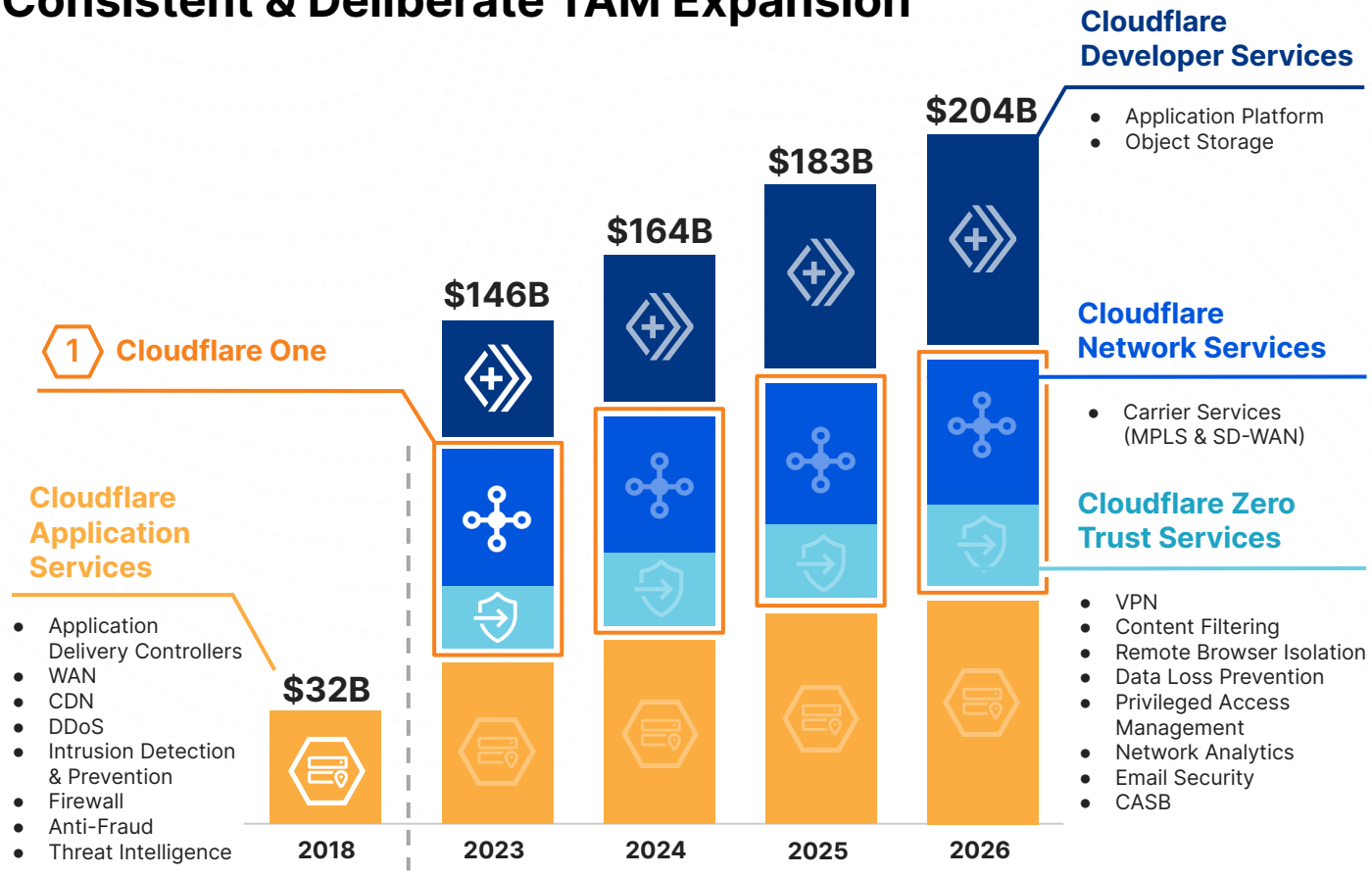
Consistent & Deliberate TAM Expansion



Areas for Potential Incremental Growth

- AI
- Database
- Internet of Things
- 5G Cellular
- Network Services

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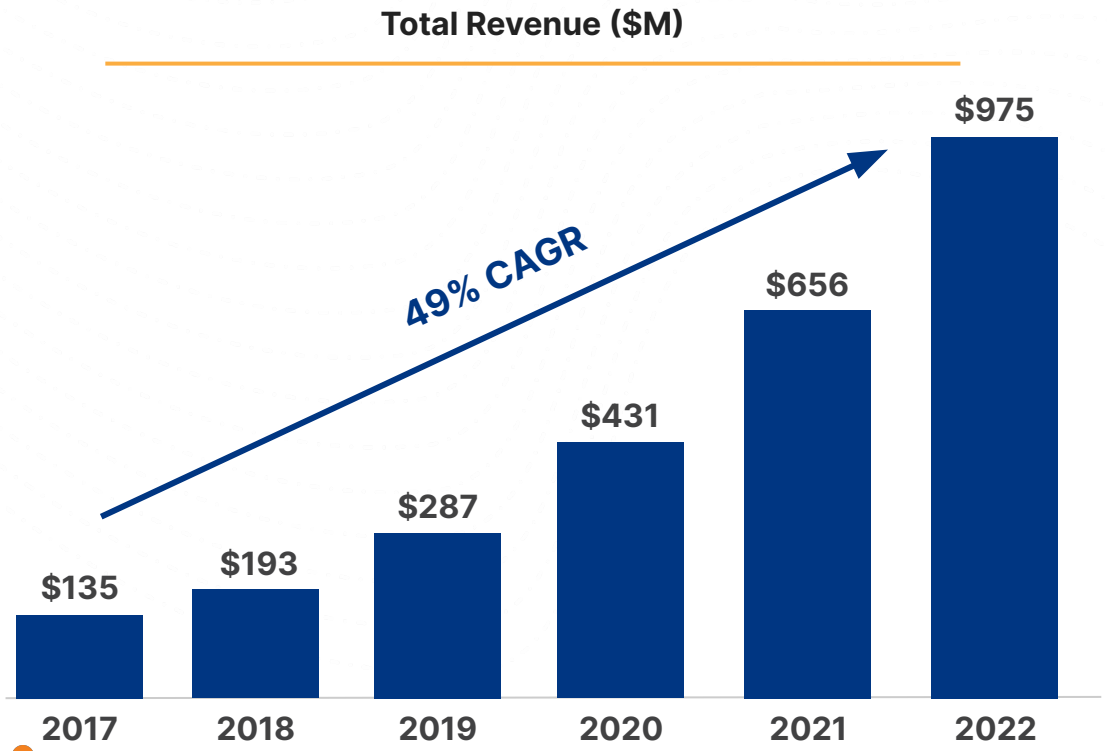
Note: Total Addressable Market figures are Cloudflare estimates based on IDC market forecasts. Figures reflect the markets addressed by our current product offerings. For markets not profiled by IDC forecasts, such as threat intelligence software and anti-fraud software, Cloudflare's estimates are based on Gartner, Inc., Forecast: Information Security and Risk Management, Worldwide, 2021-2027, 1Q23 Update, Shailendra Upadhyay, Rahul Yadav, et.al., 03/29/2023.

Track Record of Delivering Revenue Growth



- Investments in enterprise sales
- Large customer momentum
- Land and expand strategy drives growth across cohorts
- Increasing penetration across an expanding product portfolio

WHAT'S CHANGED?

Negative Headlines...

I.M.F. Lowers Growth Outlook Amid Financial System Tremors

The International Monetary Fund says a painful slowdown, which could include a recession, has become a bigger risk for the global economy.

Credit Suisse, the Risk-Taking Swiss Banking Giant, Succumbs to Crisis

Silvergate Bet Everything on Crypto, Then It All Evaporated

Silvergate Plans to Wind Down Bank Operations and Liquidate

How the Last-Ditch Effort to Save Silicon Valley Bank Failed

UBS Agrees to Buy Credit Suisse for More Than $3 Billion

Deal is part of effort to prevent further erosion of confidence in banking system

U.S. FDIC tells Signature Bank's crypto clients to close accounts by April 5

Signature Bank becomes next casualty of banking turmoil after SVB

JPMorgan CEO Jamie Dimon Leading Efforts to Craft New First Republic Bank Rescue Plan

Eleven Banks Deposit $30 Billion in First Republic Bank

Regulators say move by JPMorgan and others demonstrates system's resilience

The 11 Days of Turmoil That Brought Down Four Banks And Left a Fifth Teetering

First Republic's $30 Billion Rescue Fails to Soothe Investor Fear

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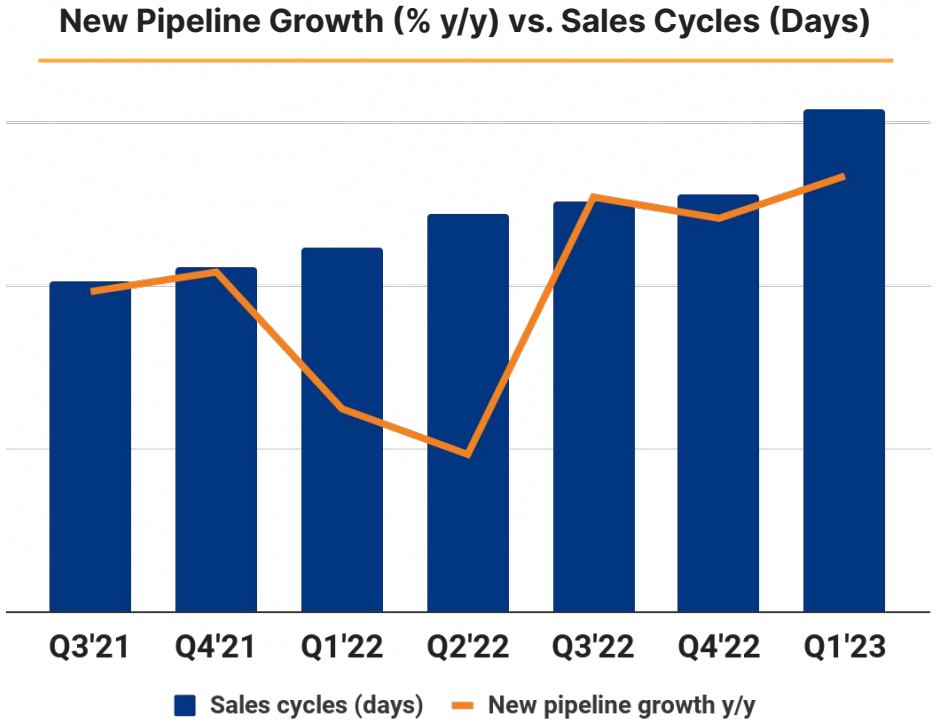
WHAT'S CHANGED?

...Elongated Sales Cycles, Which Countered Improving New Pipeline Generation...



Significantly longer sales cycles in Q1'23 (~27% longer than last four quarter average) — most notably in large customer upsell deals

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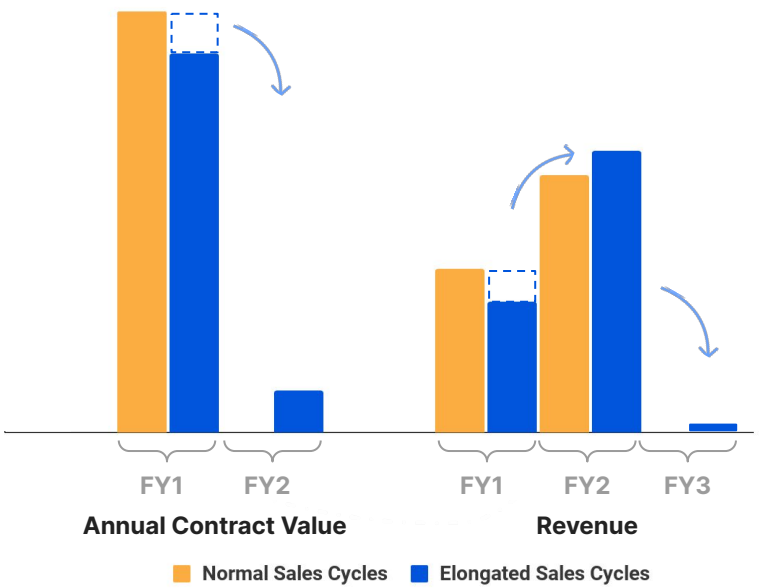
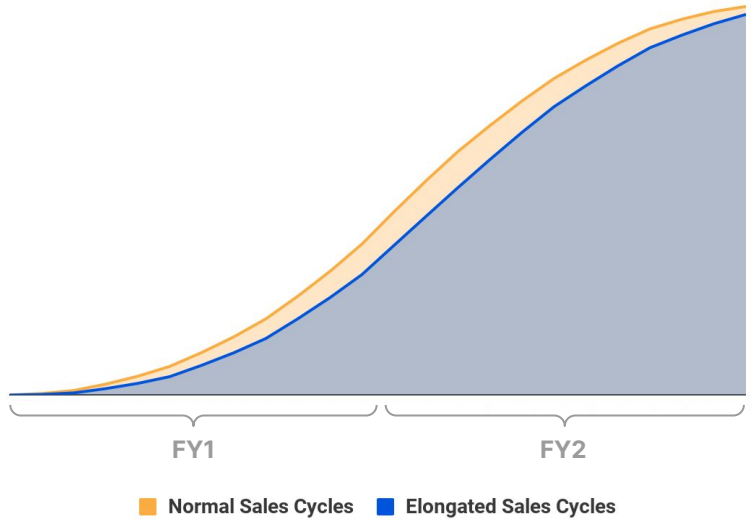
WHAT'S CHANGED?

...Driving Our Expectation for Delayed ACV Bookings & Revenue Recognition

Illustrative Example of Potential Impact to ACV & Revenue by Fiscal Year — Normal vs. Elongated Sales Cycles

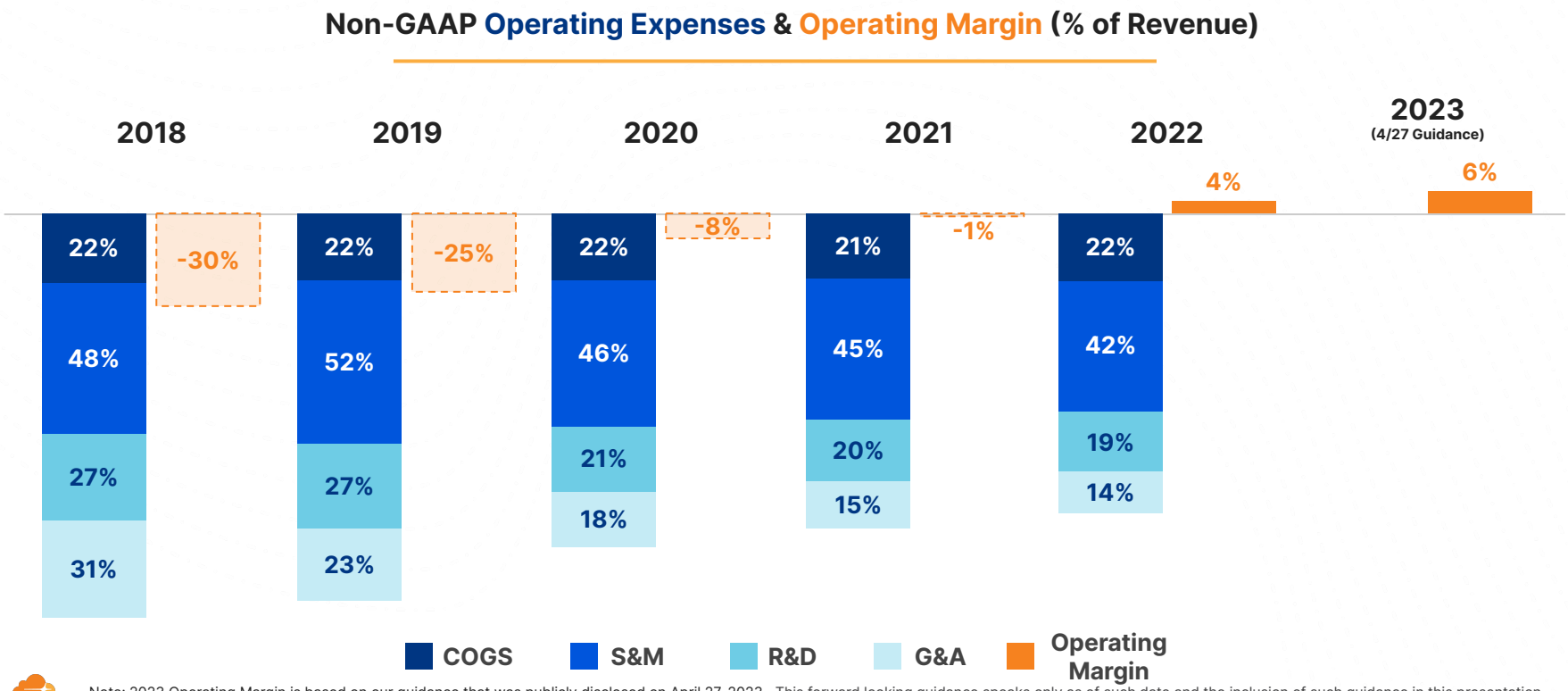


Illustrative Example of Potential Cumulative Revenue over Two Fiscal Years — Normal vs. Elongated Sales Cycles



Note: The scenarios presented in both charts are illustrative examples of the potential impact of longer sales cycles, in which ACV bookings are shifted into future periods. Linearity is then applied each month and each quarter to derive recognized revenue via a waterfall. See the Appendix for how we define "Annual Contract Value" or "ACV."

Elasticity of & Leverage in Our Operating Model



Note: 2023 Operating Margin is based on our guidance that was publicly disclosed on April 27, 2023. 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.

The Path to Our Goal of $5B of Revenue



A Platform That Constantly Delivers Innovation



Compelling Unit Economics Driving Profitable Growth at Scale

A Platform That Constantly Delivers Innovation



Growing Large Customer Cohort

Expanding Product Portfolio

Extending into Adjacent Markets

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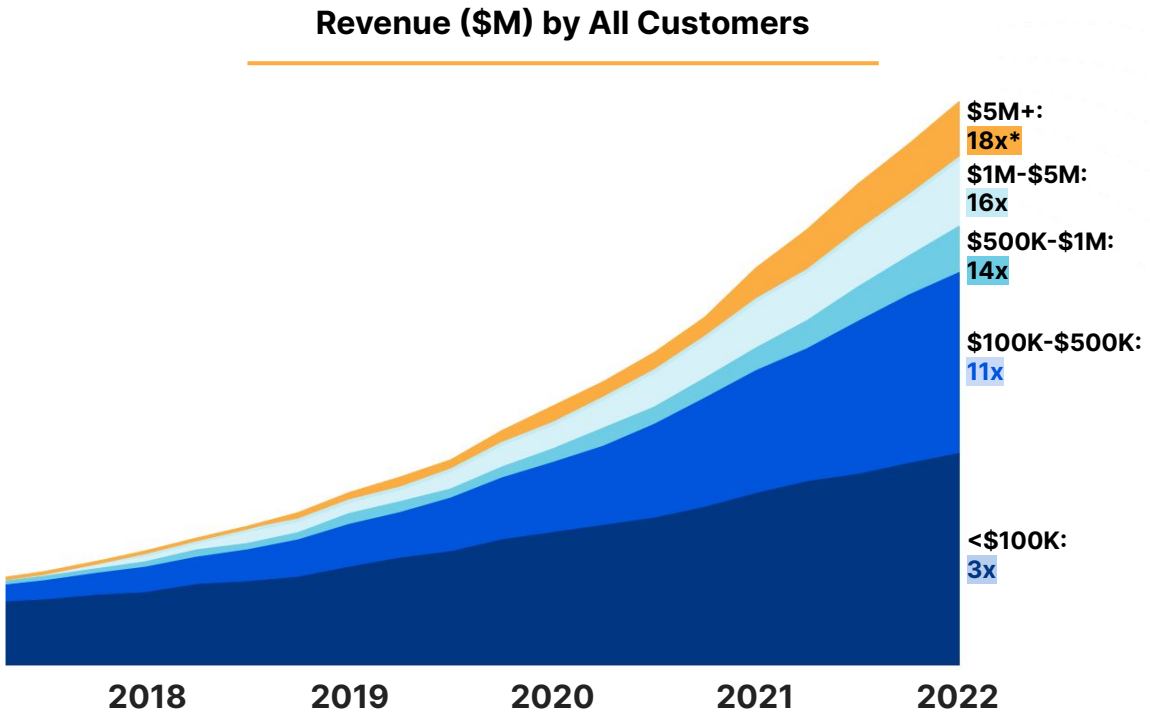
GROWING LARGE CUSTOMER COHORT

Rapid Enterprise Expansion



30% of Fortune 1,000 and 6 of the Top 10 are paying customers

Large enterprise go-to-market additions

Enterprise grade product portfolio

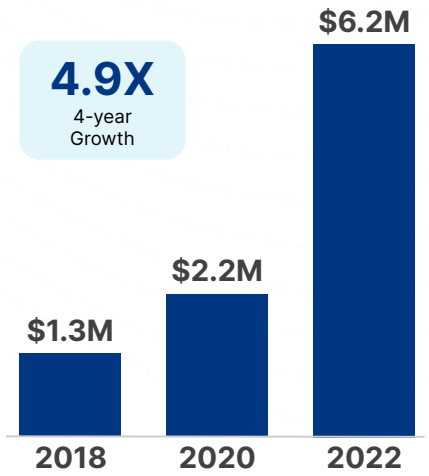
Note: Growth factors (e.g., 3x for <$100K) are calculated as Q4'22 revenue divided by Q1'18 revenue, except for $5M+, which compares Q4'22 to Q4'18.

GROWING LARGE CUSTOMER COHORT

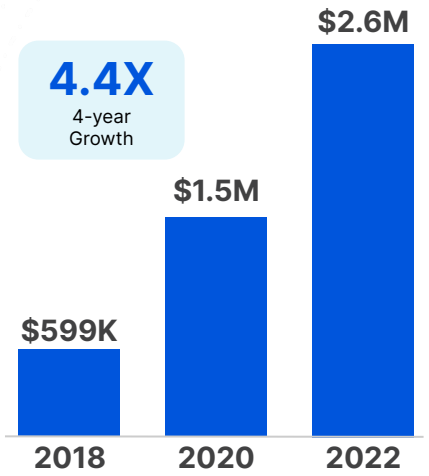
Increasing Enterprise Volume + Scale

Minimum ARR Required to be a Top Account

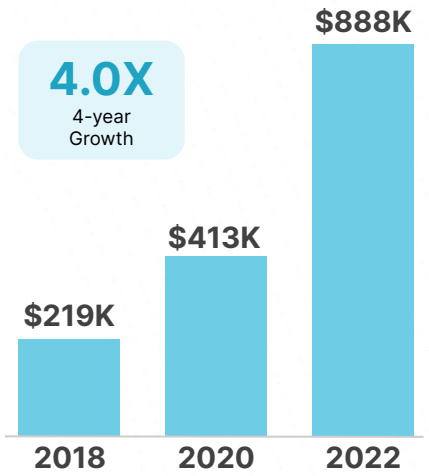
Top 10 Customer



Top 25 Customer



Top 100 Customer

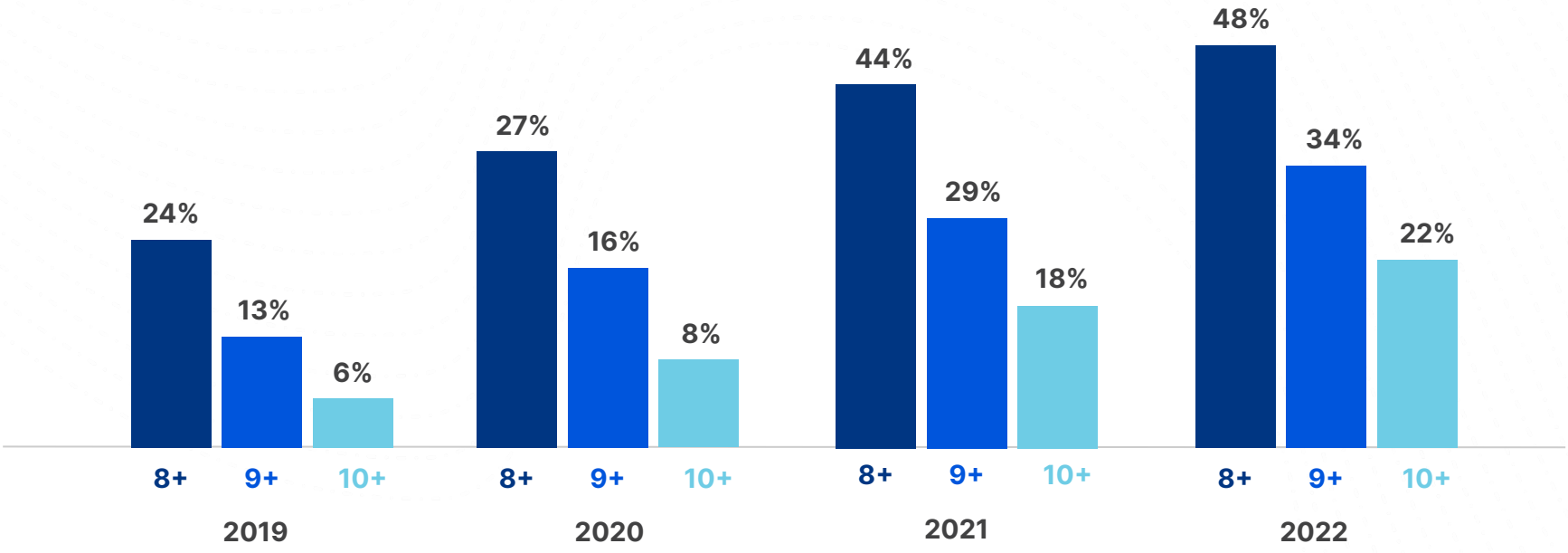


Note: Annual Recurring Revenue (ARR) is defined as the annualized value of our customer subscription contracts as of the measurement date, assuming any contract that expires during the next 12 months is renewed on its existing terms. ARR is calculated by multiplying the revenue in the fourth quarter of each respective year by four.

EXPANDING PRODUCT PORTFOLIO

Land and Expand Strategy Drives Growth

Product Attach Rates by Number of Products Purchased

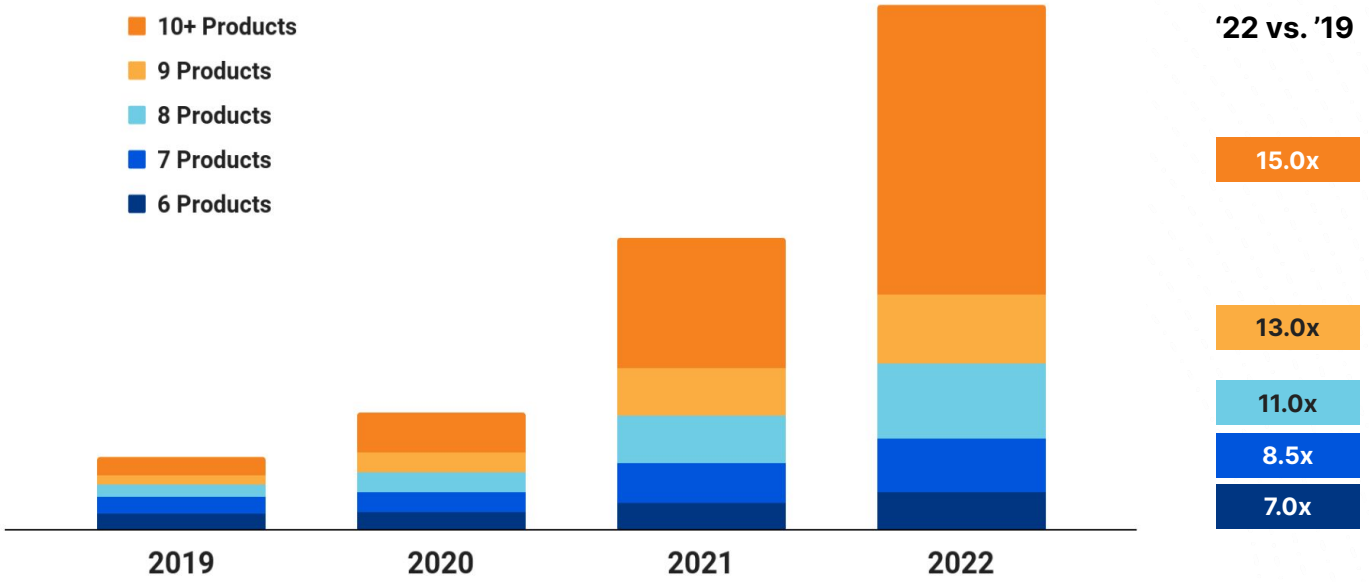


Note: Attach rates for 2019, 2020, 2021, and 2022 are as of the fiscal year ended December 31. Product attach rates are calculated based on the total installed base of contracted customers. Product attach rates are defined as the percentage of total contracted customers that purchased 8 or more products, 9 or more products, etc.

EXPANDING PRODUCT PORTFOLIO

Increasing Product Adoption & Revenue Contribution

Revenue Contribution by Product Attach Rate Cohorts ($M)



Note: Growth factors on the Revenue Contribution chart (e.g., 15.0x for 10+ Products) are calculated as Q4'22 revenue divided by Q4'19 revenue contribution from the respective cohort. Growth factors are rounded to the nearest 0.5x.

EXTENDING INTO ADJACENT MARKETS

A Multi-Act Play...

Product Attach Rates by Act in 2022

Act I



Application Services

90%+
of Contracted Customers

Act II



Zero Trust Services

20%+
of Contracted Customers



Network Services

15%+
of Contracted Customers

Act III



Developer Services

20%+
of Contracted Customers

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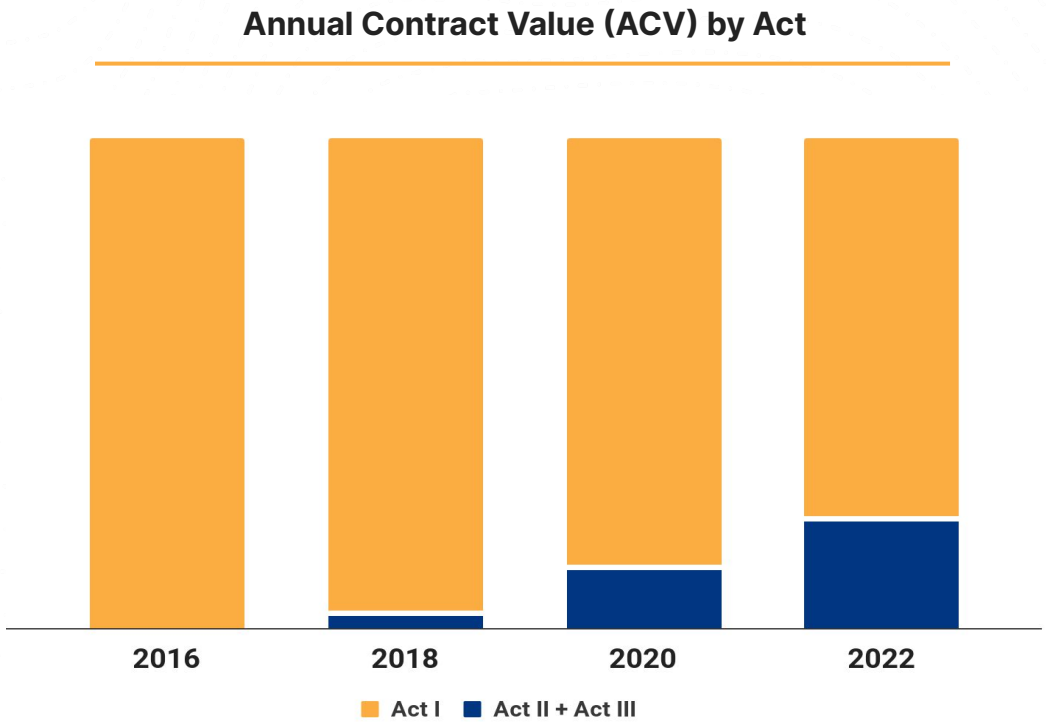
Note: Attach rates are calculated based on the total installed base of contracted customers. It is defined as the percentage of total contracted customers that purchased the product as of December 31, 2022.

EXTENDING INTO ADJACENT MARKETS

...That is Just Beginning



Note: Contribution by Act is calculated based on the annual contract value of contracted customers during the respective fiscal years for the 12 months ended as of December 31. See the Appendix for how we define "Annual Contract Value" or "ACV."

Compelling Unit Economics Driving Profitable Growth at Scale



Unit Economics



Long-term Operating Model

Unit Economic Margin

Cost to Book (CTB)

What does it "cost to book" $1 of incremental ARR? CTB = Sales & Marketing cost per dollar of incremental ARR

Cost to Serve (CTS)

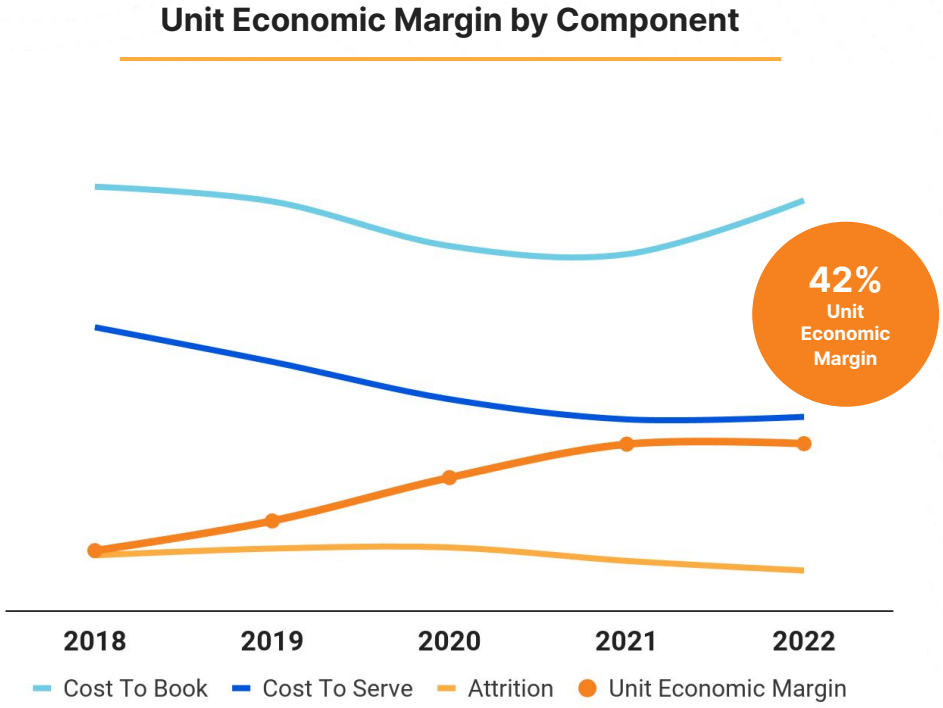
How much does it "cost to serve" the lifetime revenue? CTS = Delivery, R&D, Support & G&A cost as % of ARR

Attrition

What's the expected lifetime revenue from $1 ARR? Lifetime Revenue (LTR) = $1 ARR / attrition rate

Unit Economic Margin

What is the economic margin created by $1 ARR? Unit Economic Margin = [LTR - CTB - (CTS * LTR)] / LTR



Note: Unit economic margin in this and subsequent slides are calculations based on assumptions derived from Cloudflare's historical operations regarding unit lifetime revenue and subscription economics, including cost to book, cost to serve, and attrition dynamics. Unit economic margin is not operating margin. The calculations charted are as of fourth quarter of the respective years.

Long-Term Operating Model

	2020	2021	2022	Q1 2023
Gross Margin	78 %	79 %	78 %	78 %
Sales & Marketing (% of revenue)	46 %	45 %	42 %	42 %
Research & Development (% of revenue)	21 %	20 %	19 %	18 %
General & Administrative (% of revenue)	18 %	15 %	14 %	12 %
Operating Margin	(8)%	(1)%	4%	7%
Free Cash Flow Margin	(21)%	(7)%	(4)%	5%

Unit economics support 20%+ long-term operating margins.

	Long-Term Model
Leverage efficiency and elasticity of our network and ingress/egress dynamics	75% - 77%
Scale go-to-market operations with a focus on improving productivity	27% - 29%
Continue to prioritize product innovation	18% - 20%
Benefit from economies of scale and automation	8% - 10%
	20%+
	~25%+

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

Summary



Innovation drives a massive and growing total addressable market



Significant enterprise traction yields robust large customer growth



Invest in go-to-market talent



Highly efficient business model with attractive unit economics



Multiple levers to scale free cash flow

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Q&A



Matthew Prince

Co-founder and Chief Executive Officer



Michelle Zatlyn

Co-founder, President and Chief Operating Officer



Thomas Seifert

Chief Financial Officer

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Appendix

GAAP to Non-GAAP Reconciliation (Annual)

	2019	2020	2021	2022
GAAP Cost of Revenue	**$63,423**	**$101,055**	**$147,134**	**$232,610**
Less: Stock-based Compensation Expense & Related Payroll Taxes	-$716	-$1,466	-$3,703	-$6,770
Less: Amortization of Acquired Intangible Assets	-$125	-$3,081	-$2,946	-$13,444
Non-GAAP Cost of Revenue	**$62,582**	**$96,508**	**$140,485**	**$212,396**
GAAP Gross Profit	**$223,599**	**$330,004**	**$509,292**	**$742,631**
Add: Stock-based Compensation & Related Payroll Taxes	$716	$1,466	$3,703	$6,770
Add: Amortization of Acquired Intangible Assets	$125	$3,081	$2,946	$13,444
Non-GAAP Gross Profit	**$224,440**	**$334,551**	**$515,941**	**$762,845**
GAAP Gross Margin	78%	77%	78%	76%
Non-GAAP Gross Margin	78%	78%	79%	78%
GAAP Sales and Marketing	**$159,298**	**$217,875**	**$328,065**	**$465,762**
Less: Stock-based Compensation & Related Payroll Taxes	-$8,709	-$17,678	-$32,869	-$53,692
Less: Amortization of acquired intangible assets	-	-	-	-$1,725
Less: Acquisition-related and other expenses	-	-	-	-$265
Non-GAAP Sales and Marketing	**$150,589**	**$200,197**	**$295,196**	**$410,080**
GAAP S&M Expense as a % of Revenue	56%	51%	50%	48%
Non-GAAP S&M Expense as a % of Revenue	52%	46%	45%	42%
GAAP Research and Development	**$90,669**	**$127,144**	**$189,408**	**$298,303**
Less: Stock-based Compensation & Related Payroll Taxes	-$13,037	-$30,497	-$61,056	-$112,277
Less: Acquisition-related and other expenses	-	-$5,725	-	-$3,682
Non-GAAP Research and Development	**$77,632**	**$90,922**	**$128,352**	**$182,344**
GAAP R&D Expense as a % of Revenue	32%	29%	29%	31%
Non-GAAP R&D Expense as a % of Revenue	27%	21%	20%	19%
GAAP General and Administrative	**$81,578**	**$91,753**	**$119,503**	**$179,769**
Less: Stock-based Compensation & Related Payroll Taxes	-$14,165	-$13,875	-$19,706	-$45,027
Less: Acquisition-related and other expenses	-	-$554	-$380	$0
Non-GAAP General and Administrative Expense	**$67,413**	**$77,324**	**$99,417**	**$134,742**
GAAP G&A Expense as a % of Revenue	28%	21%	18%	18%
Non-GAAP G&A Expense as a % of Revenue	23%	18%	15%	14%
GAAP Loss from Operations	**-$107,946**	**-$106,768**	**-$127,684**	**-$201,203**
Add: Stock-based Compensation & Related Payroll Taxes	$36,627	$63,516	$117,334	$217,766
Add: Amortization of Acquired Intangible Assets	$125	$3,081	$2,946	$15,169
Add: Acquisition-related and other expenses	-	$6,279	$380	$3,947
Non-GAAP Loss from Operations	**-$71,194**	**-$33,892**	**-$7,024**	**$35,679**
GAAP Operating Margin	-38%	-25%	-19%	-21%
Non-GAAP Operating Margin	**-25%**	**-8%**	**-1%**	**4%**

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GAAP to Non-GAAP Reconciliation (Quarterly)

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
GAAP Cost of Revenue	**$47,051**	**$55,804**	**$61,967**	**$67,788**	**$70,432**
Less: Stock-based Compensation Expense & Related Payroll Taxes	-$1,323	-$2,001	-$2,157	-$1,289	-$1,803
Less: Amortization of Acquired Intangible Assets	-$507	-$4,312	-$4,314	-$4,311	-$4,311
Non-GAAP Cost of Revenue	**$45,221**	**$49,491**	**$55,496**	**$62,188**	**$64,318**
GAAP Gross Profit	**$165,116**	**$178,713**	**$191,890**	**$206,912**	**$219,743**
Add: Stock-based Compensation & Related Payroll Taxes	$1,323	$2,001	$2,157	$1,289	$1,803
Add: Amortization of Acquired Intangible Assets	$507	$4,312	$4,314	$4,311	$4,311
Non-GAAP Gross Profit	**$166,946**	**$185,026**	**$198,361**	**$212,512**	**$225,857**
GAAP Gross Margin	78%	76%	76%	75%	76%
Non-GAAP Gross Margin	79%	79%	78%	77%	78%
GAAP Sales and Marketing	**$100,057**	**$117,622**	**$116,033**	**$132,050**	**$137,001**
Less: Stock-based Compensation & Related Payroll Taxes	-$10,379	-$12,907	-$11,919	-$18,487	-$15,868
Less: Amortization of acquired intangible assets	-	-$575	-$575	-$575	-$576
Less: Acquisition-related and other expenses	-	-$265	-	-	-
Non-GAAP Sales and Marketing	**$89,678**	**$103,875**	**$103,539**	**$112,988**	**$120,557**
GAAP S&M Expense as a % of Revenue	47%	50%	46%	48%	47%
Non-GAAP S&M Expense as a % of Revenue	42%	44%	41%	41%	42%
GAAP Research and Development	**$67,054**	**$75,114**	**$76,432**	**$79,703**	**$81,539**
Less: Stock-based Compensation & Related Payroll Taxes	-$24,079	-$27,873	-$30,049	-$30,276	-$30,216
Less: Acquisition-related and other expenses	-$2,639	-$1,043	-	-	-
Non-GAAP Research and Development	**$40,336**	**$46,198**	**$46,383**	**$49,427**	**$51,323**
GAAP R&D Expense as a % of Revenue	32%	32%	30%	29%	28%
Non-GAAP R&D Expense as a % of Revenue	19%	20%	18%	18%	18%
GAAP General and Administrative	**$38,029**	**$50,518**	**$45,372**	**$45,850**	**$48,475**
Less: Stock-based Compensation & Related Payroll Taxes	-$6,018	-$14,674	-$11,763	-$12,572	-$13,863
Non-GAAP General and Administrative Expense	**$32,011**	**$35,844**	**$33,609**	**$33,278**	**$34,612**
GAAP G&A Expense as a % of Revenue	18%	22%	18%	17%	17%
Non-GAAP G&A Expense as a % of Revenue	15%	15%	13%	12%	12%
GAAP Loss from Operations	**-$40,024**	**-$64,541**	**-$45,947**	**-$50,691**	**-$47,272**
Add: Stock-based Compensation & Related Payroll Taxes	$41,799	$57,455	$55,888	$62,624	$61,750
Add: Amortization of Acquired Intangible Assets	$507	$4,887	$4,889	$4,886	$4,887
Add: Acquisition-related and other expenses	$2,639	$1,308	-	-	-
Non-GAAP Loss from Operations	**$4,921**	**-$891**	**$14,830**	**$16,819**	**$19,365**
GAAP Operating Margin	-19%	-28%	-18%	-18%	-16%
Non-GAAP Operating Margin	**2%**	**0%**	**6%**	**6%**	**7%**

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APPENDIX

Key Business Metrics

Paying Customers

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
	126,735	132,390	140,096	148,184	151,803	156,000	162,086	168,159
y/y growth	32%	31%	26%	24%	20%	18%	16%	13%

Paying Customers (> $100,000 Annualized Revenue)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
	1,088	1,260	1,416	1,537	1,749	1,908	2,042	2,156
y/y growth	71%	71%	71%	63%	61%	51%	44%	40%
% of revenue	53%	55%	57%	58%	60%	61%	63%	62%

Dollar-Based Net Retention

Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
124%	124%	125%	127%	126%	124%	122%	117%

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Note: See next slide for definitions of Paying Customers, Paying Customers (> $100,000 Annualized Revenue), and Dollar-Based Net Retention.

Guidance
(as of April 27, 2023)

Q2 2023		FY 2023	
Revenue	**$305.0 - 306.0**	**Revenue**	**$1,280.0 - 1,284.0**
Y/Y Growth	30%	Y/Y Growth	31 - 32%
Operating Income	**$14.0 - $15.0**	**Operating Income**	**$73.0 - $77.0**
Operating Margin	5%	Operating Margin	6%
EPS	**$0.07 - $0.08**	**EPS**	**$0.34 - $0.35**

FY 2023
Network Capex
as % of Revenue

11%-13%

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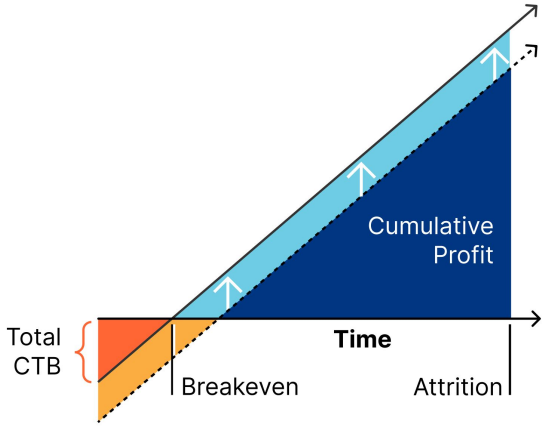
Note: These forward looking statements were provided by us on April 27, 2023. This forward looking guidance speaks only as of such date and the inclusion of such guidance in this presentation should not be interpreted as a confirmation or affirmation of such guidance as of any other date. Except as required 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.

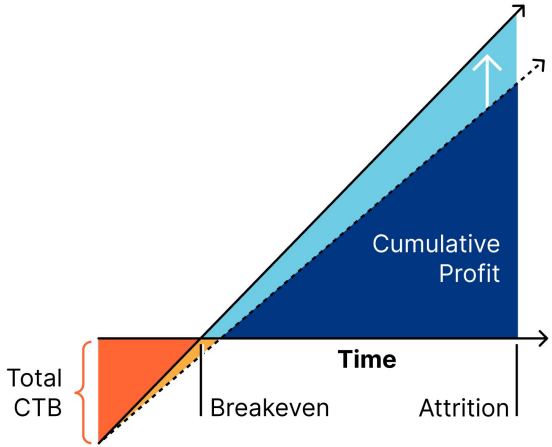
APPENDIX

Effects of Improving Unit Economic Margin KPIs

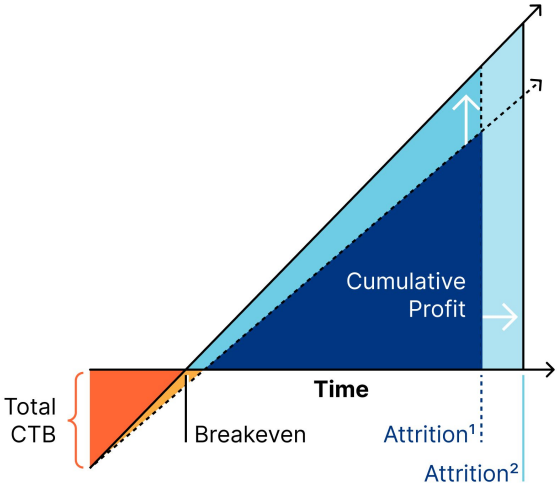
Effect of Lower Cost to Book



Effect of Lower Cost to Serve



Effects of Lower Attrition & Higher Expansion



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APPENDIX

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.

Annual Contract Value (ACV). Annual Contract Value, or ACV, is defined as the subscription revenue that we would contractually expect to recognize over the term of the contract divided by the term of the contract in years.