



# Investor Presentation

As of December 31, 2022

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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](http://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.

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**2010**  
Launched

**162K**  
Paying  
Customers

**275+**  
Cities in  
Network

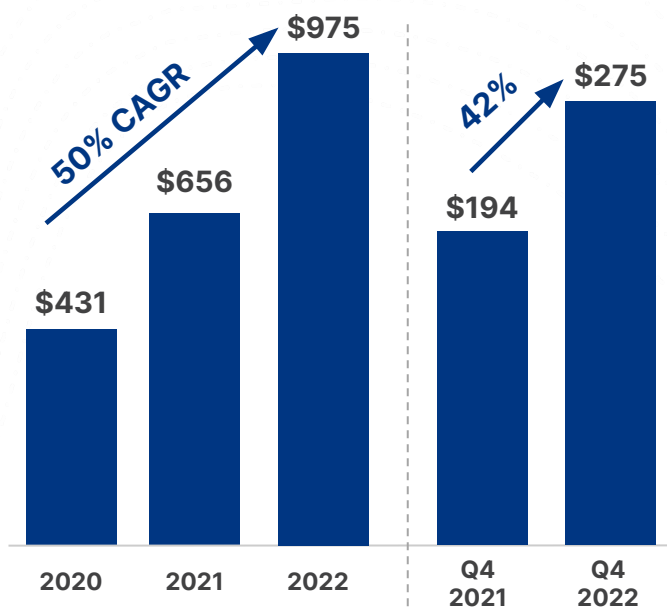
**>60%**  
Of Revenue from  
Large Customers

**3,217**  
Employees

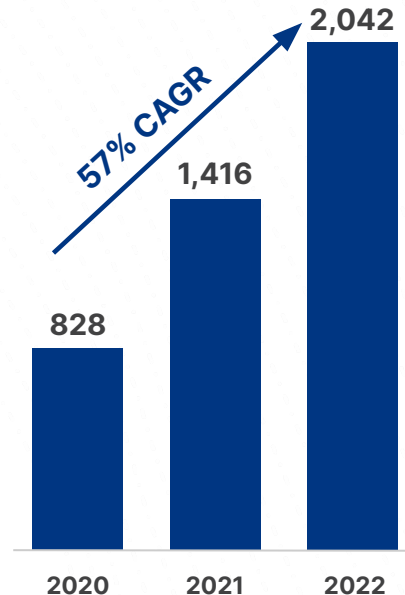
**76%**  
FY22 GAAP  
Gross Margin

# Cloudflare at a Glance

## Total Revenue (\$M)



## Large Customers > \$100,000 Annualized Revenue



Note: For additional information on the restatement of Paying Customers for the first quarter of 2022, please refer to Slide 23. Unless indicated otherwise, all data in orange shaded area of slide are as of December 31, 2022, except revenue from Large Customers and GAAP gross margin are for twelve months ended December 31, 2022. Large Customers data in white shaded area of slide are as of applicable year ends. See Appendix for "Large Customers" definition.

# Environmental, Social, Governance



## Building a Greener Internet

Recycling decommissioned hardware at 95% of Cloudflare data centers

70,000 Trees Donated

Coming Soon: Cloudflare vs. On-Prem Emissions Study



## Human Rights and Democracy

Helping Protect 2022 U.S. Midterm Elections (Athenian Project, Cloudflare for Campaigns)

Mandatory human rights training for all employees

Global Network Initiative (GNI), UN B-Tech



## Building Sustainable Communities

UN Global Compact Signatory

Diversity, Equity, Inclusion Report

Annual Impact Report (12/22)

1% Pledge Participant



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

Newsweek's 100 Most Loved Workplaces 2022 (#55)

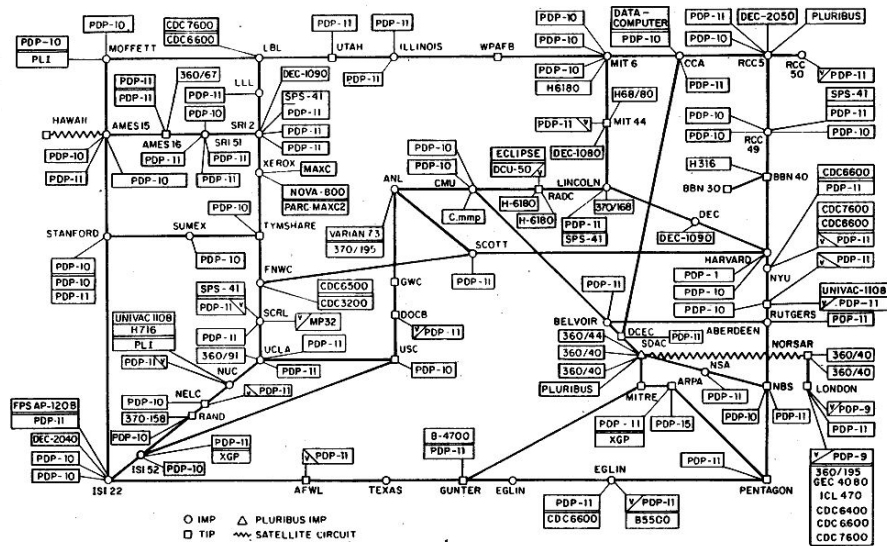
For more information, visit <https://www.cloudflare.com/impact/>

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

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The Internet  
was not  
built for  
what it has  
become.

ARPANET LOGICAL MAP, MARCH 1977



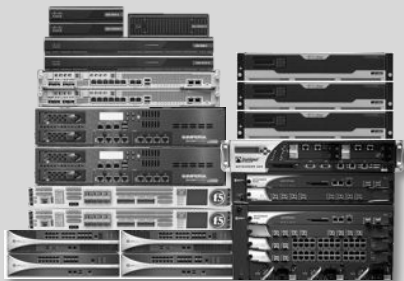
(PLEASE NOTE THAT WHILE THIS MAP SHOWS THE HOST POPULATION OF THE NETWORK ACCORDING TO THE BEST INFORMATION OBTAINABLE, NO CLAIM CAN BE MADE FOR ITS ACCURACY)  
NAMES SHOWN ARE IMP NAMES, NOT NECESSARILY HOST NAMES

# From Endless Hardware to a Global Cloud Platform

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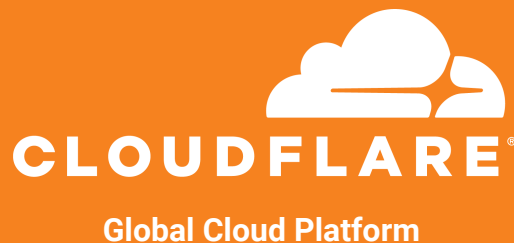
## BAND-AID BOXES

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



## BETTER INTERNET

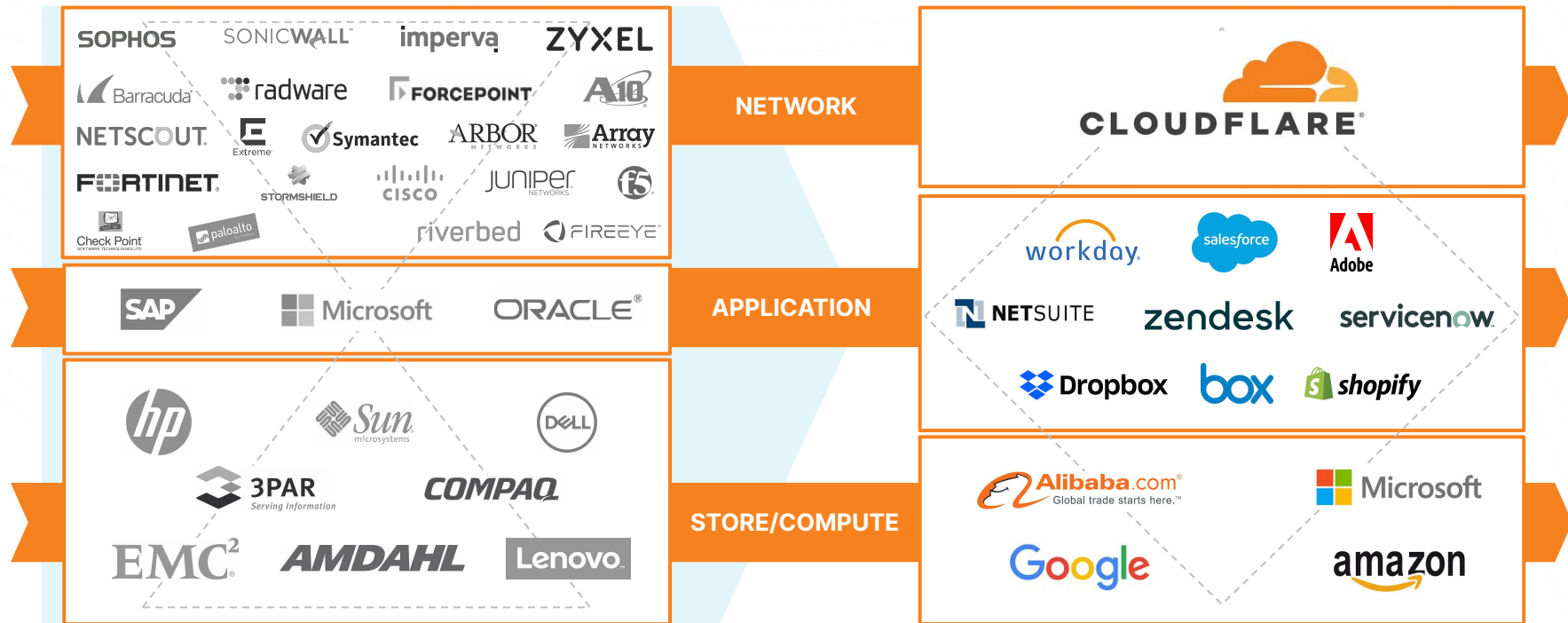
- Easy-to-use, flexible, and scalable
- Unified control plane
- Serverless cloud architecture
- Cloud, hybrid, on-premise, and SaaS
- Broad, integrated product platform



# Evolution of Enterprise Stack

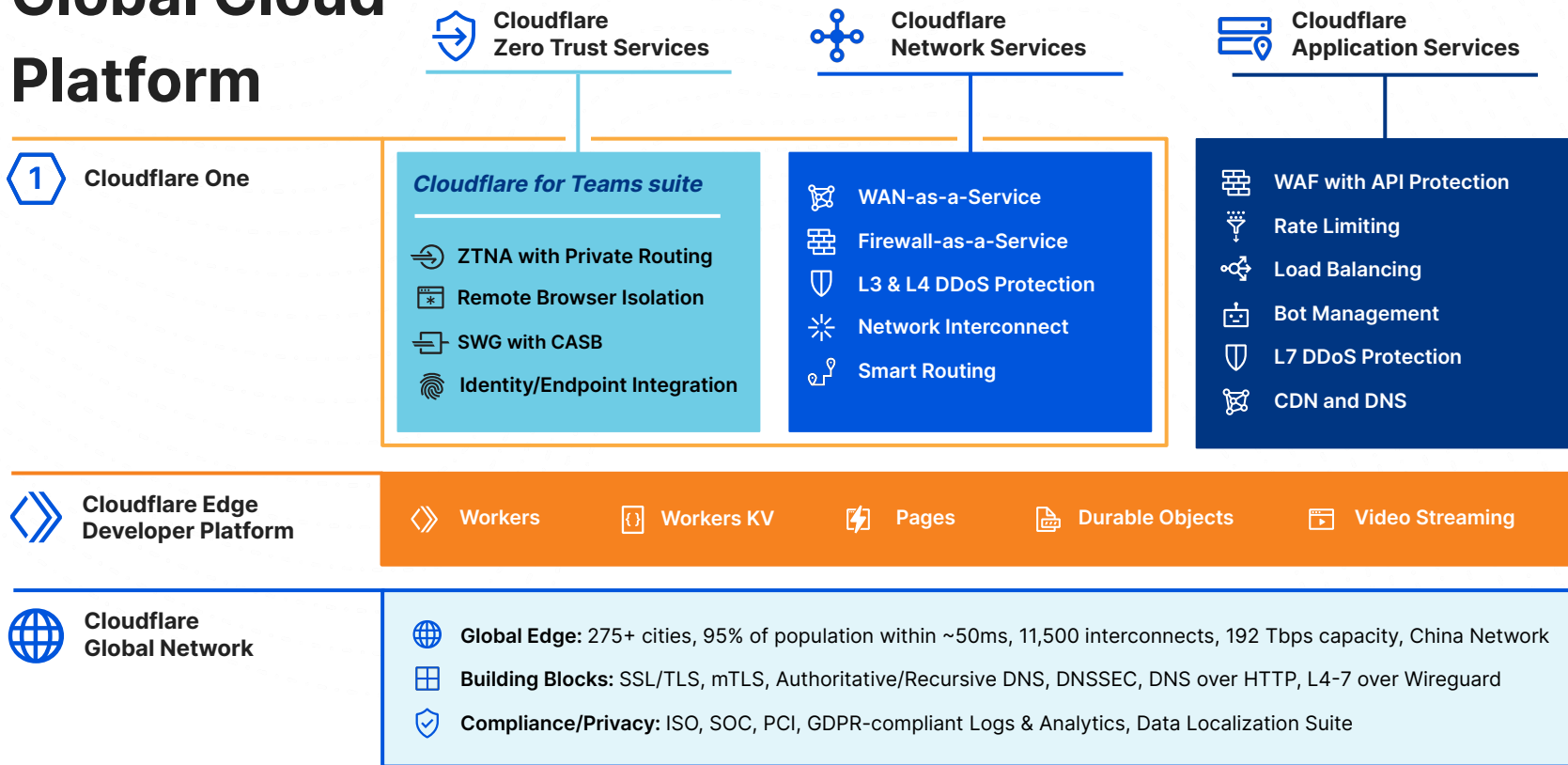
**Hardware / Software (Buy)** *Yesterday*

**Services / Cloud (Rent)** *Tomorrow*





# An Integrated Global Cloud Platform



# We Operate at Massive Scale

**136B**

**Cyber Threats  
Blocked per Day**

**162K**

**Total Paying  
Customers**

**>60%**

**Of Revenue from  
Large Customers**

**47%**

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





# Our Flexible, Scalable, & Efficient Serverless Architecture

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

# A Global Network Powering our Platform



**275+ cities**

in 100+ countries, including mainland China



**11,500 networks**

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

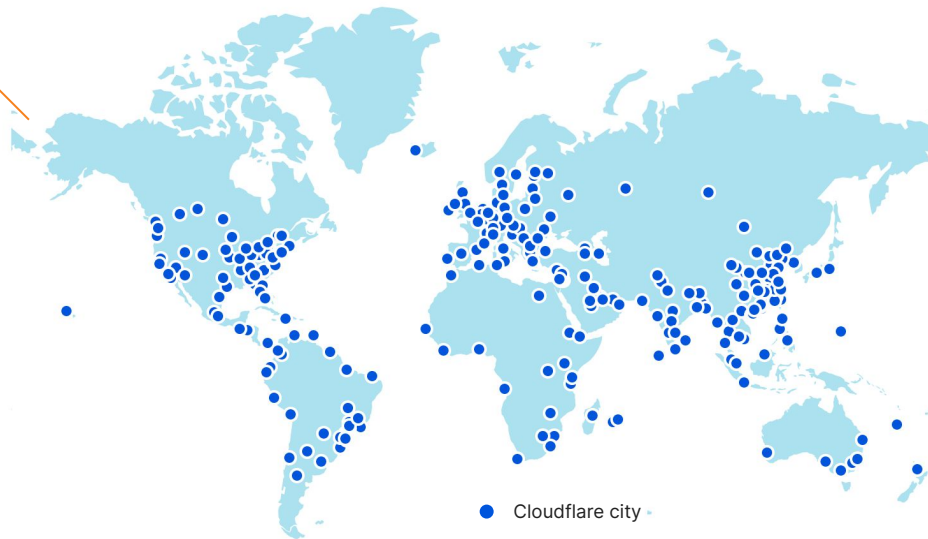


**192 Tbps**

of network capacity and growing



**162,000+ paying customers**



**30%**

of the Fortune 1,000 are Paying Customers as of December 31, 2022

**44%**

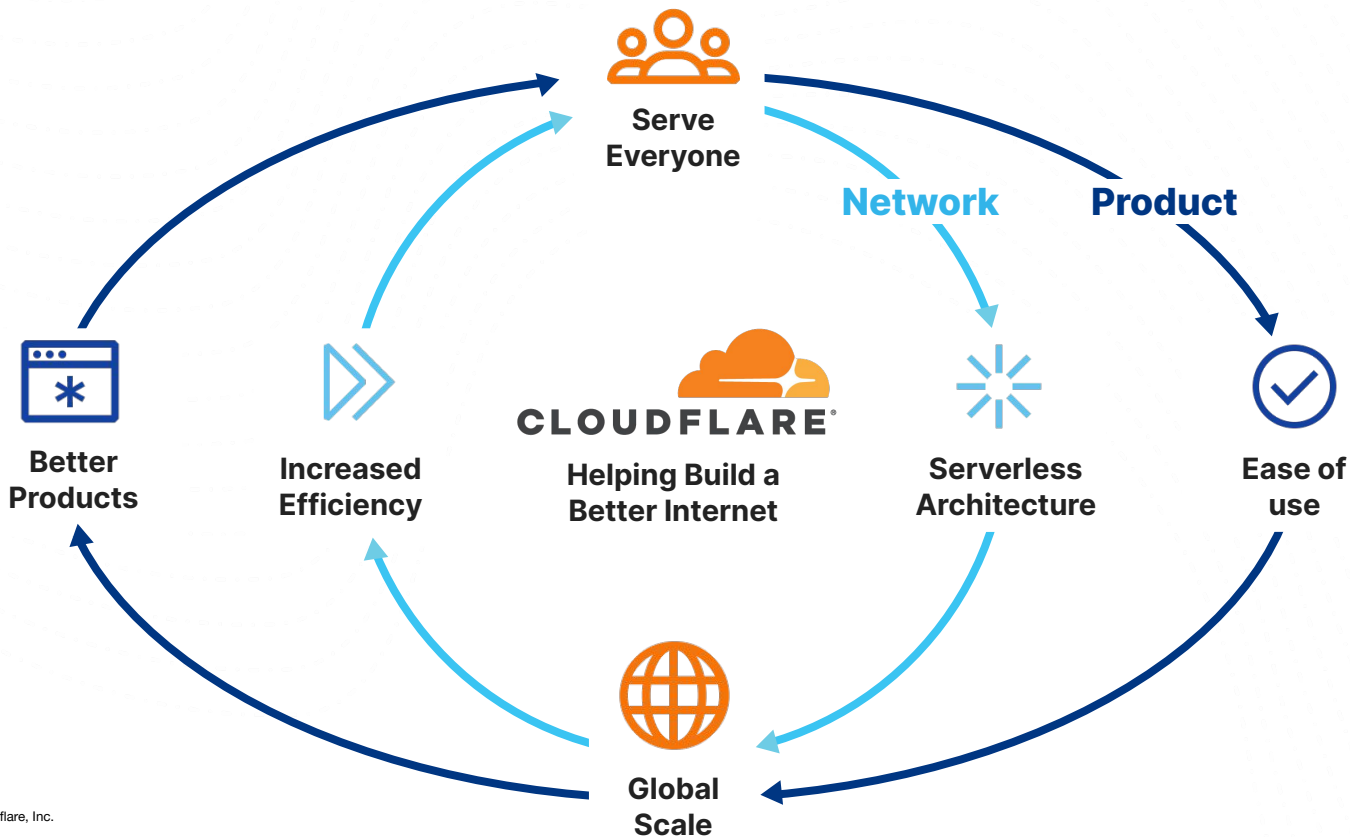
year-over-year Large Customer growth in Q4'22

**95%**

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

Note: Figures as of December 31, 2022, with the exception of network capacity, which is as of January 31, 2023. See Appendix for "Large Customers" definition.

# Our Product & Network Flywheels Drive Our Business



# Data Intelligence & Quality Assurance at Scale

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## **Global sensor network**

with paying customers in 180+ countries.

Machine learning systems

**improve products** with  
every customer's request.

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










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



# Our Competitive Advantages

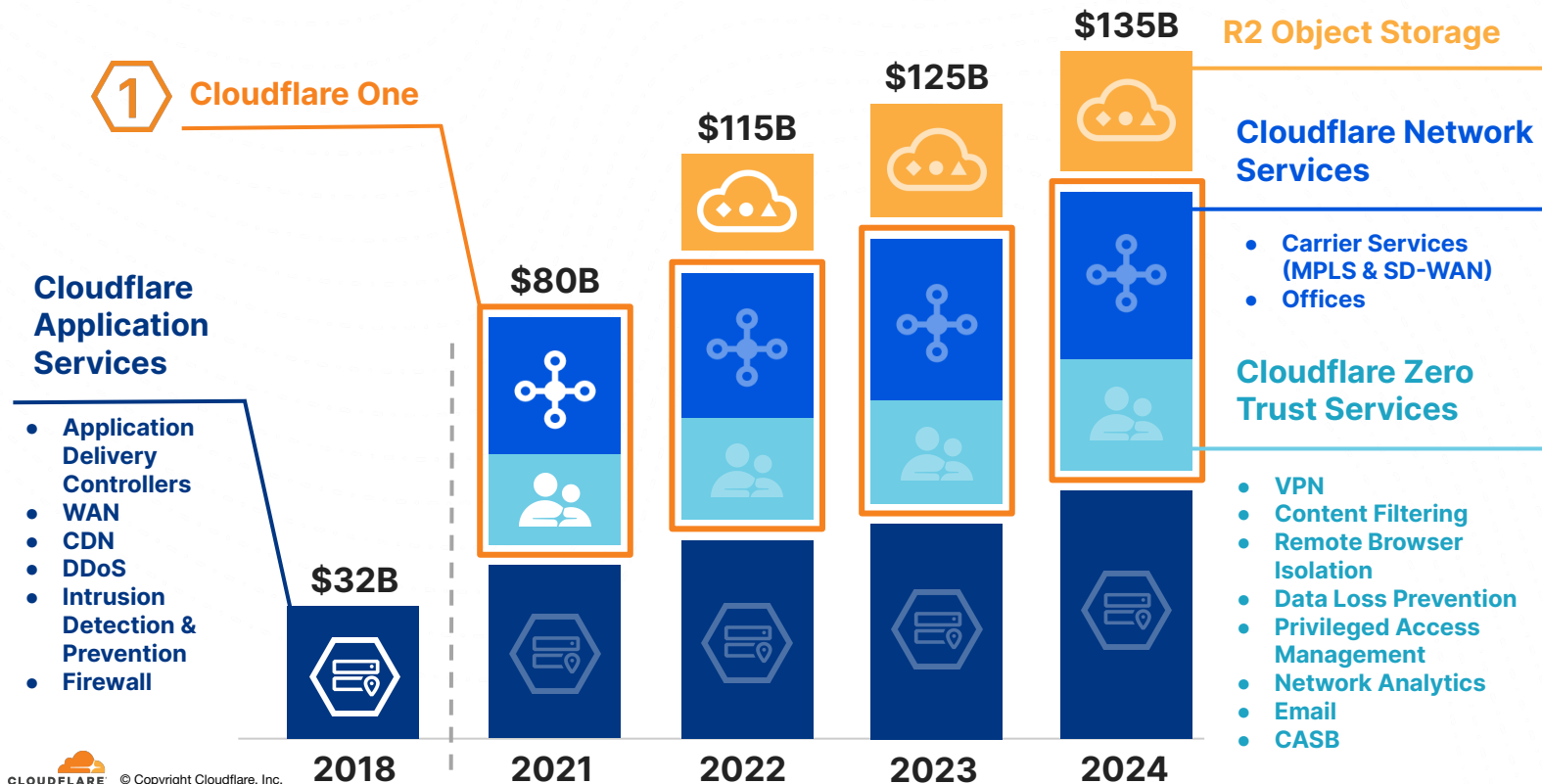


# Our Favorable Competitive Position

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



# Innovation Drives Massive TAM Expansion



## Areas for Potential Incremental Growth



Serverless



Database



Internet of Things



5G Cellular



Consumer

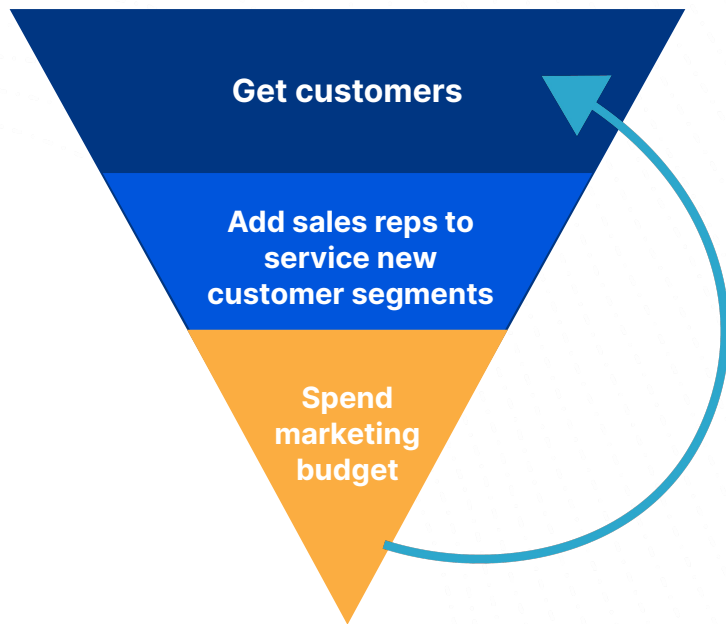
Note: Total Addressable Market figures are Cloudflare estimates based on IDC market forecasts. Figures reflect the markets addressed by our current product offerings.

# Traditional Go-To-Market Model Inverted

We don't build ahead of the curve.

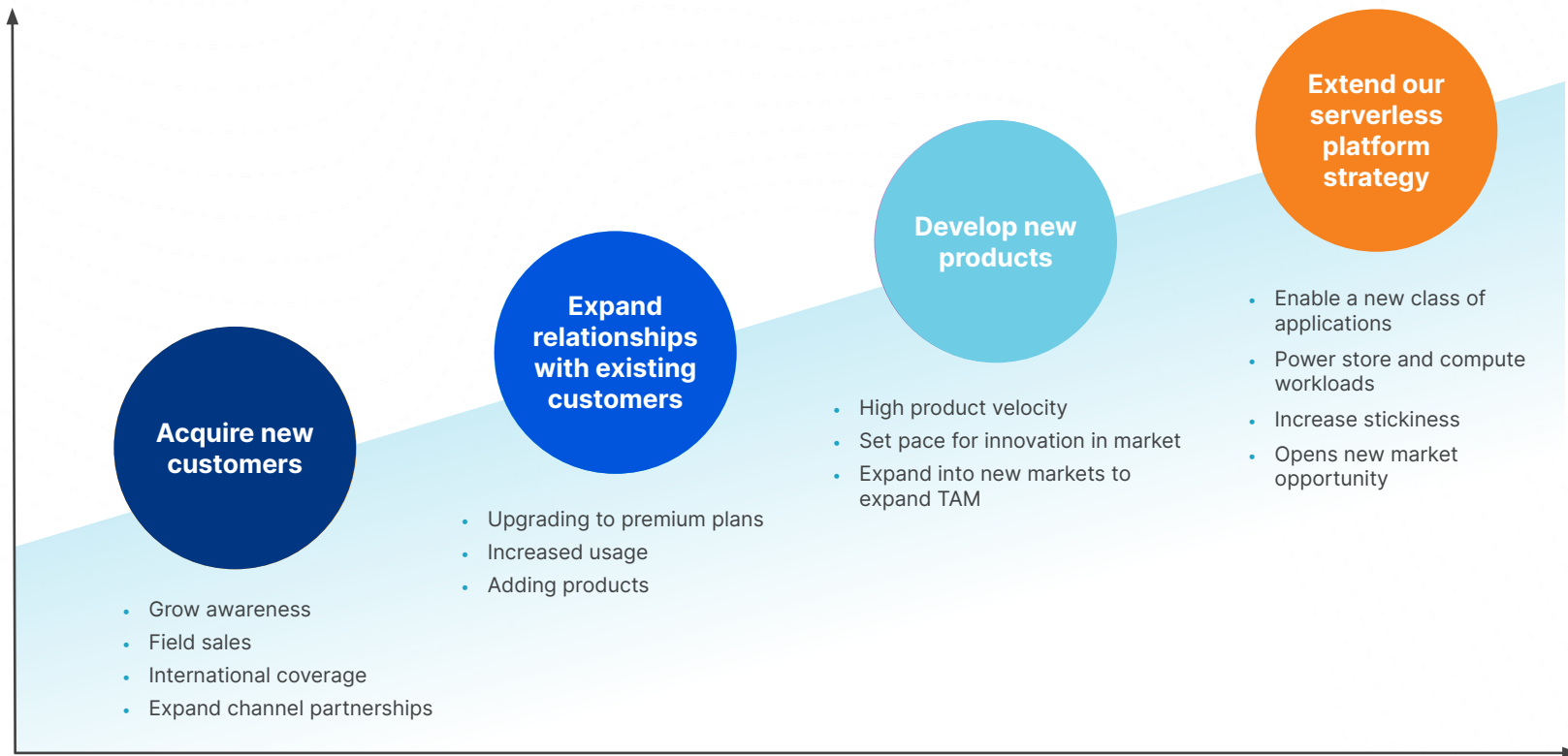
## Sources of Leverage

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



# Our Strategy for Growth

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# Financial Overview

# Key Financial Highlights

**\$125B**

Large  
Addressable  
Market in 2023

**49%**

Y/Y  
FY22 Revenue  
Growth

**76%**

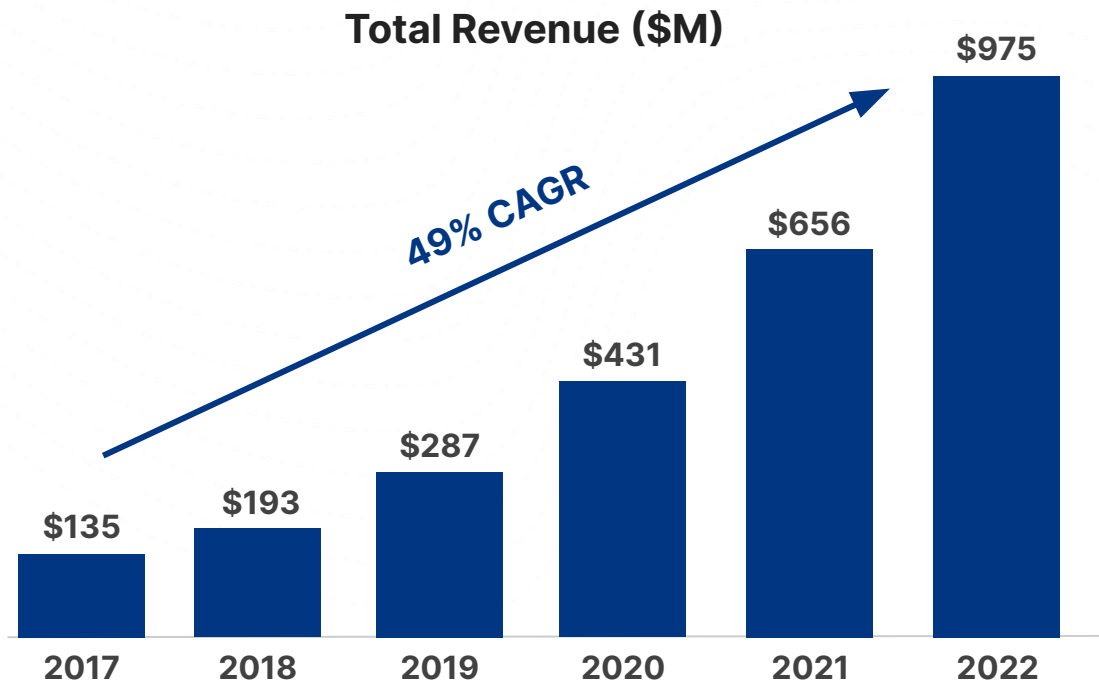
FY22 GAAP  
Gross  
Margin

**2,042**

Large  
Customers



# Track Record of Delivering Revenue Growth



Investment in  
enterprise sales



Large customer  
momentum



Land and expand  
strategy drives growth  
across cohorts

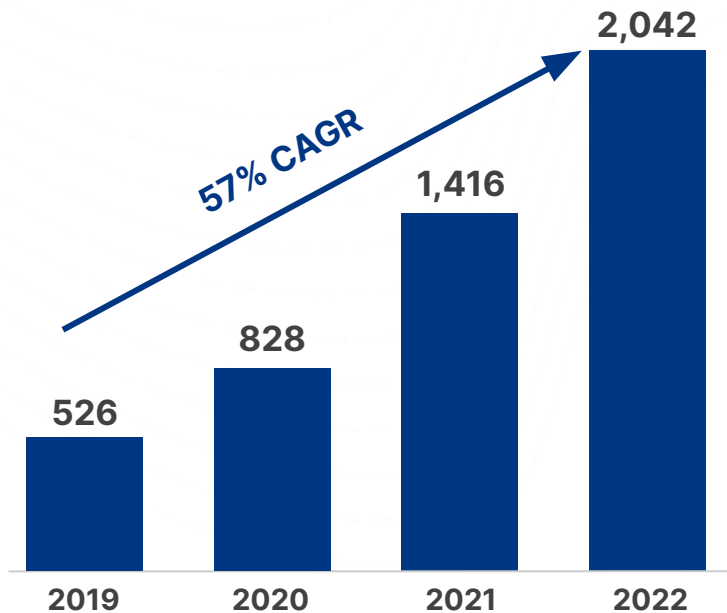


Strong penetration  
across the entire  
product portfolio

# Large Customer Growth

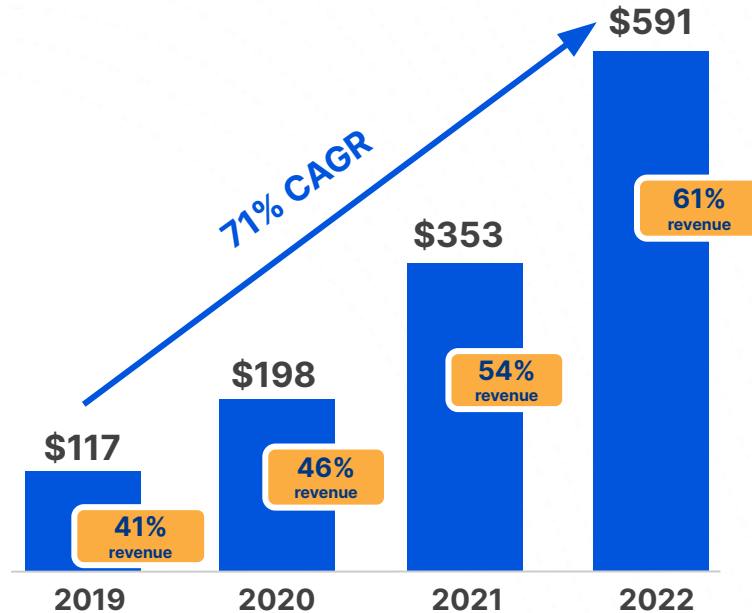
## Large Customers

>\$100,000 Annualized Revenue



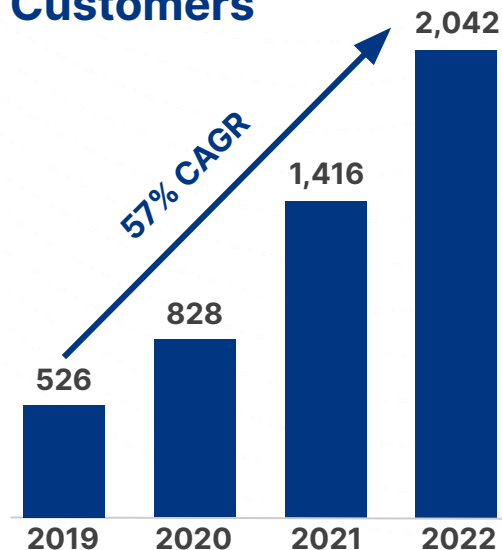
## Large Customers - Revenue Contribution

>\$100,000 Annualized Revenue (\$M)

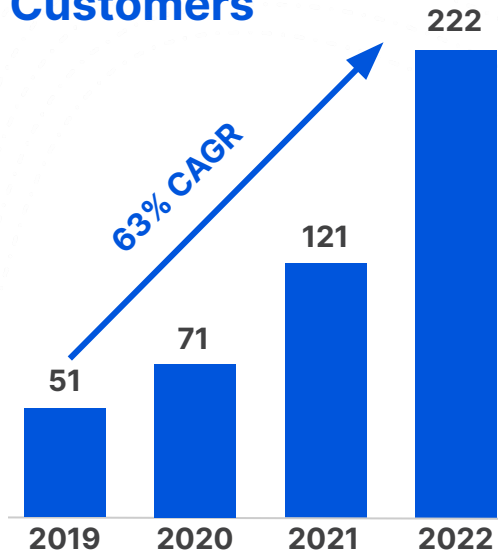


# Significant Growth in Large Customer Cohorts

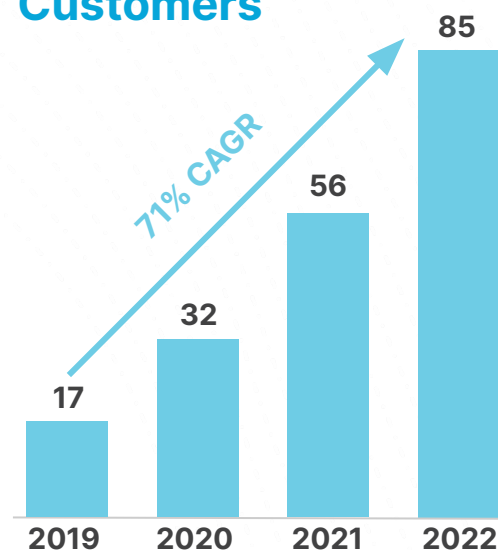
## \$100K+ Customers



## \$500K+ Customers

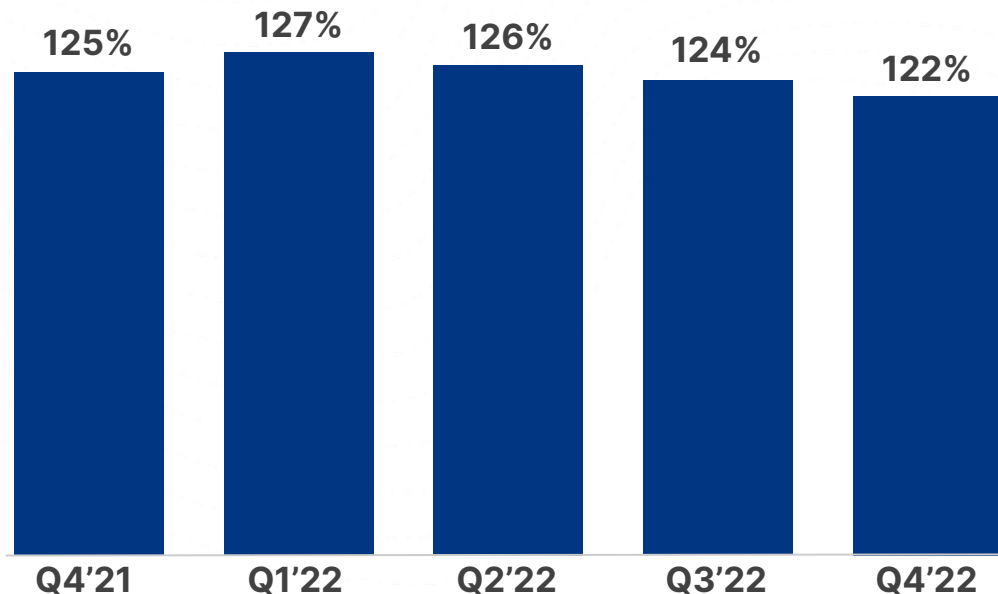


## \$1M+ Customers





# Strong Dollar-Based Net Retention



DNR includes all paying customers



Large customers are a tailwind to DNR

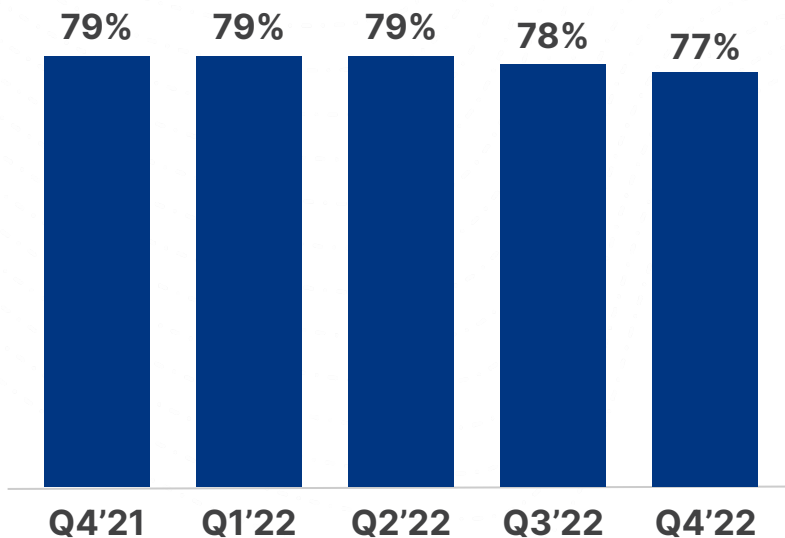


Gross retention above 90%



Continuous innovation offers expansion opportunities

## Non-GAAP Gross Margin



## Attractive & Consistent Gross Margin

Serverless architecture deployed on commodity hardware

Single software stack across the network

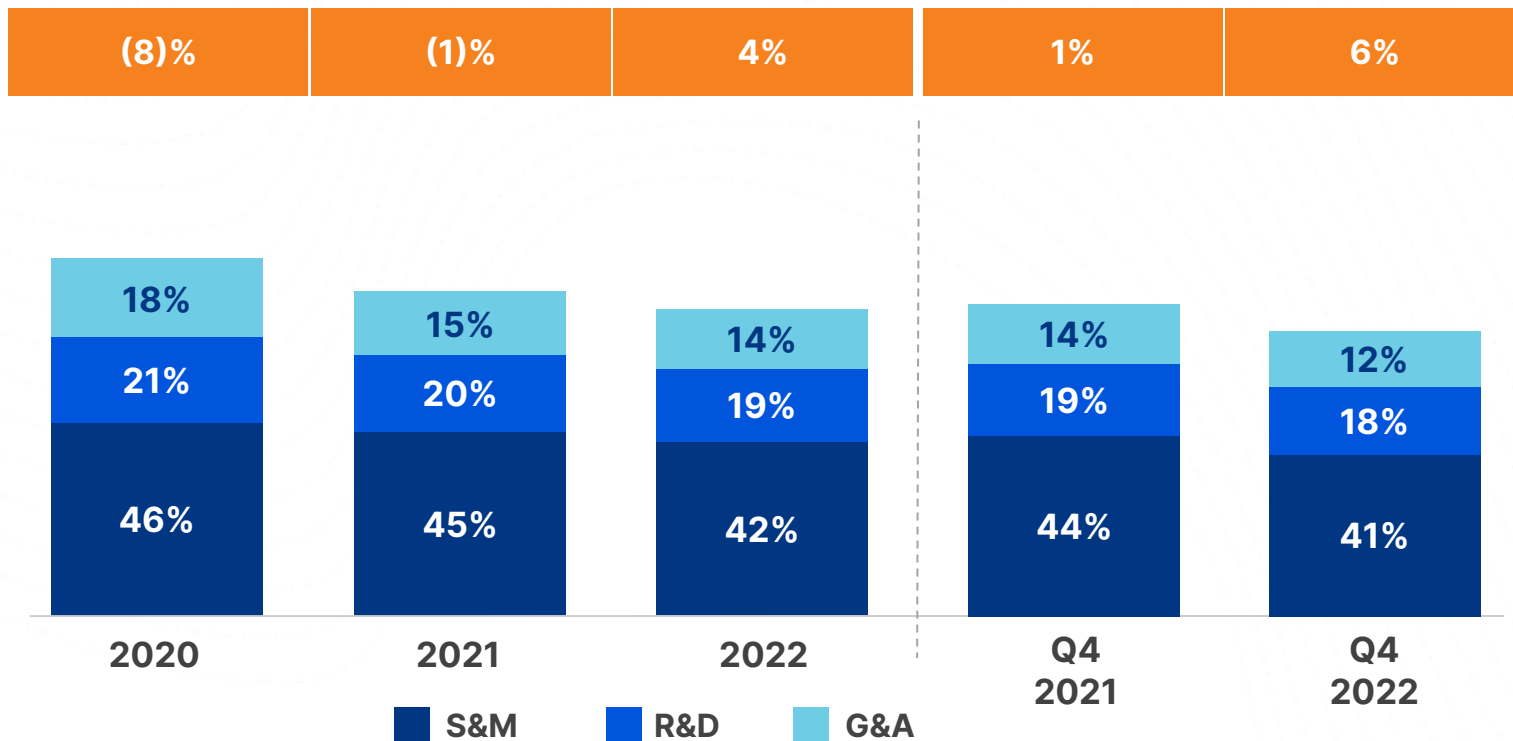
Symbiotic relationship with ISPs

Leverage idle capacity across network

# Leverage of Our Operating Model

Non-GAAP  
Operating  
Margin

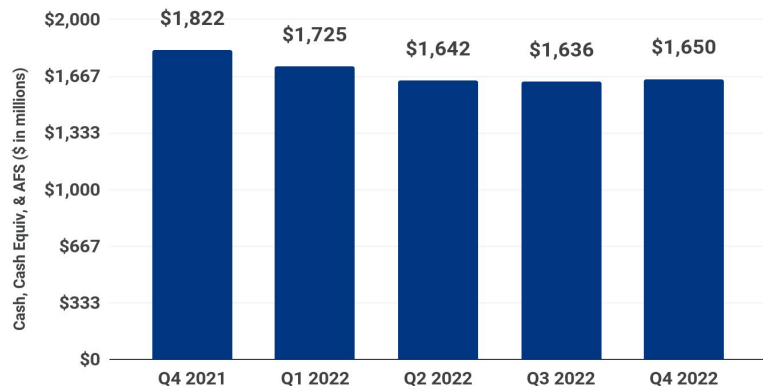
Operating Expense  
as a % of Revenue



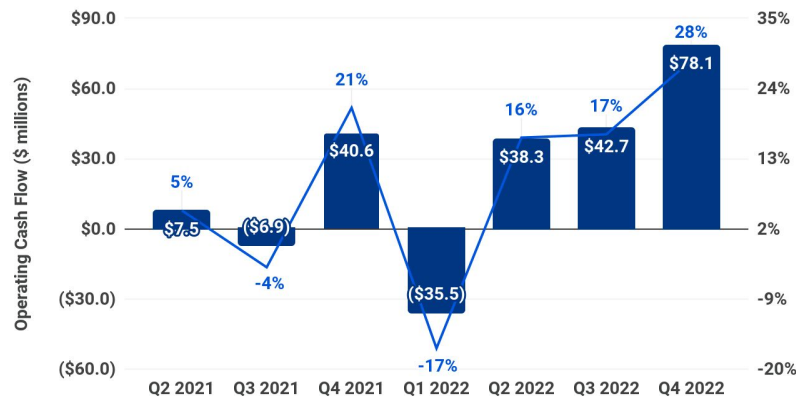
# Strong Cash Position

- 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



# Guidance

(as of Feb 09, 2023)

## Q1 2023

**Revenue** **\$290.0 - 291.0**  
Y/Y Growth 37%

**Operating Income** **\$11.5 - \$12.5**  
Operating Margin 4%

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

## FY 2023

**Revenue** **\$1,330.0 - 1,342.0**  
Y/Y Growth 36 - 38%

**Operating Income** **\$54.0 - \$58.0**  
Operating Margin 4%

**EPS** **\$0.15 - \$0.16**

FY 2023  
Network Capex  
as % of Revenue

**11%-13%**

# Long-Term Model

	2020	2021	2022	Q4 2022	Long-Term Model
Non-GAAP Gross Margin	78 %	79 %	78 %	77 %	75% - 77%
Sales & Marketing (% of revenue)	46 %	45 %	42 %	41 %	27% - 29%
Research & Development (% of revenue)	21 %	20 %	19 %	18 %	18% - 20%
General & Administrative (% of revenue)	18 %	15 %	14 %	12 %	8% - 10%
Non-GAAP Operating Margin	(8)%	(1)%	4%	6%	20% +

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

# Our Business Model



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



**Widely distributed global cloud platform**



**Expansive product portfolio; open to developer innovation**



**Highly efficient business model and low fundamental cost structure**



**High growth subscription revenue model with attractive gross margin**



# Appendix



# GAAP to Non-GAAP Reconciliation (Annual)

	2019	2020	2021	2022
<b>GAAP Cost of Revenue</b>	<b>\$63,423</b>	<b>\$101,055</b>	<b>\$147,134</b>	<b>\$232,610</b>
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
<b>Non-GAAP Cost of Revenue</b>	<b>\$62,582</b>	<b>\$96,508</b>	<b>\$140,485</b>	<b>\$212,396</b>
<b>GAAP Gross Profit</b>	<b>\$223,599</b>	<b>\$330,004</b>	<b>\$509,292</b>	<b>\$742,631</b>
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
<b>Non-GAAP Gross Profit</b>	<b>\$224,440</b>	<b>\$334,551</b>	<b>\$515,941</b>	<b>\$762,845</b>
GAAP Gross Margin	78%	77%	78%	76%
Non-GAAP Gross Margin	78%	78%	79%	78%
<b>GAAP Sales and Marketing</b>	<b>\$159,298</b>	<b>\$217,875</b>	<b>\$328,065</b>	<b>\$465,762</b>
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
<b>Non-GAAP Sales and Marketing</b>	<b>\$150,589</b>	<b>\$200,197</b>	<b>\$295,196</b>	<b>\$410,080</b>
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%
<b>GAAP Research and Development</b>	<b>\$90,669</b>	<b>\$127,144</b>	<b>\$189,408</b>	<b>\$298,303</b>
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
<b>Non-GAAP Research and Development</b>	<b>\$77,632</b>	<b>\$90,922</b>	<b>\$128,352</b>	<b>\$182,344</b>
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%
<b>GAAP General and Administrative</b>	<b>\$81,578</b>	<b>\$91,753</b>	<b>\$119,503</b>	<b>\$179,769</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$14,165	-\$13,875	-\$19,706	-\$45,027
Less: Acquisition-related and other expenses	-	-\$554	-\$380	\$0
<b>Non-GAAP General and Administrative Expense</b>	<b>\$67,413</b>	<b>\$77,324</b>	<b>\$99,417</b>	<b>\$134,742</b>
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%
<b>GAAP Loss from Operations</b>	<b>-\$107,946</b>	<b>-\$106,768</b>	<b>-\$127,684</b>	<b>-\$201,203</b>
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
<b>Non-GAAP Loss from Operations</b>	<b>-\$71,194</b>	<b>-\$33,892</b>	<b>-\$7,024</b>	<b>\$35,679</b>
GAAP Operating Margin	-38%	-25%	-19%	-21%
<b>Non-GAAP Operating Margin</b>	<b>-25%</b>	<b>-8%</b>	<b>-1%</b>	<b>4%</b>

# GAAP to Non-GAAP Reconciliation (Quarterly)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
<b>GAAP Cost of Revenue</b>	<b>\$42,496</b>	<b>\$47,051</b>	<b>\$55,804</b>	<b>\$61,967</b>	<b>\$67,788</b>
Less: Stock-based Compensation Expense & Related Payroll Taxes	-\$1,337	-\$1,323	-\$2,001	-\$2,157	-\$1,289
Less: Amortization of Acquired Intangible Assets	-\$846	-\$507	-\$4,312	-\$4,314	-\$4,311
<b>Non-GAAP Cost of Revenue</b>	<b>\$40,313</b>	<b>\$45,221</b>	<b>\$49,491</b>	<b>\$55,496</b>	<b>\$62,188</b>
<b>GAAP Gross Profit</b>	<b>\$151,100</b>	<b>\$165,116</b>	<b>\$178,713</b>	<b>\$191,890</b>	<b>\$206,912</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$1,337	\$1,323	\$2,001	\$2,157	\$1,289
Add: Amortization of Acquired Intangible Assets	\$846	\$507	\$4,312	\$4,314	\$4,311
<b>Non-GAAP Gross Profit</b>	<b>\$153,283</b>	<b>\$166,946</b>	<b>\$185,026</b>	<b>\$198,361</b>	<b>\$212,512</b>
GAAP Gross Margin	78%	78%	76%	76%	75%
Non-GAAP Gross Margin	79%	79%	79%	78%	77%
<b>GAAP Sales and Marketing</b>	<b>\$96,219</b>	<b>\$100,057</b>	<b>\$117,622</b>	<b>\$116,033</b>	<b>\$132,050</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$10,184	-\$10,379	-\$12,907	-\$11,919	-\$18,487
Less: Amortization of acquired intangible assets	-	-	-\$575	-\$575	-\$575
Less: Acquisition-related and other expenses	-	-	-\$265	-	-
<b>Non-GAAP Sales and Marketing</b>	<b>\$86,035</b>	<b>\$89,678</b>	<b>\$103,875</b>	<b>\$103,539</b>	<b>\$112,988</b>
GAAP S&M Expense as a % of Revenue	50%	47%	50%	46%	48%
Non-GAAP S&M Expense as a % of Revenue	44%	42%	44%	41%	41%
<b>GAAP Research and Development</b>	<b>\$61,762</b>	<b>\$67,054</b>	<b>\$75,114</b>	<b>\$76,432</b>	<b>\$79,703</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$24,747	-\$24,079	-\$27,873	-\$30,049	-\$30,276
Less: Acquisition-related and other expenses	-	-\$2,639	-\$1,043	-	-
<b>Non-GAAP Research and Development</b>	<b>\$37,015</b>	<b>\$40,336</b>	<b>\$46,198</b>	<b>\$46,383</b>	<b>\$49,427</b>
GAAP R&D Expense as a % of Revenue	32%	32%	32%	30%	29%
Non-GAAP R&D Expense as a % of Revenue	19%	19%	20%	18%	18%
<b>GAAP General and Administrative</b>	<b>\$34,183</b>	<b>\$38,029</b>	<b>\$50,518</b>	<b>\$45,372</b>	<b>\$45,850</b>
Less: Stock-based Compensation & Related Payroll Taxes	-\$5,830	-\$6,018	-\$14,674	-\$11,763	-\$12,572
Less: Acquisition-related and other expenses	-\$380	-	-	-	-
<b>Non-GAAP General and Administrative Expense</b>	<b>\$27,973</b>	<b>\$32,011</b>	<b>\$35,844</b>	<b>\$33,609</b>	<b>\$33,278</b>
GAAP G&A Expense as a % of Revenue	18%	18%	22%	18%	17%
Non-GAAP G&A Expense as a % of Revenue	14%	15%	15%	13%	12%
<b>GAAP Loss from Operations</b>	<b>-\$41,064</b>	<b>-\$40,024</b>	<b>-\$64,541</b>	<b>-\$45,947</b>	<b>-\$50,691</b>
Add: Stock-based Compensation & Related Payroll Taxes	\$42,098	\$41,799	\$57,455	\$55,888	\$62,624
Add: Amortization of Acquired Intangible Assets	\$846	\$507	\$4,887	\$4,889	\$4,886
Add: Acquisition-related and other expenses	\$380	\$2,639	\$1,308	-	-
<b>Non-GAAP Loss from Operations</b>	<b>\$2,260</b>	<b>\$4,921</b>	<b>-\$891</b>	<b>\$14,830</b>	<b>\$16,819</b>
GAAP Operating Margin	-21%	-19%	-28%	-18%	-18%
<b>Non-GAAP Operating Margin</b>	<b>1%</b>	<b>2%</b>	<b>0%</b>	<b>6%</b>	<b>6%</b>

# Definitions

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**Paying Customers.** We believe our ability to grow the number of paying customers on our network provides a key indicator of growth of our business and our future business opportunities. We define a paying customer at the end of the quarter as a person or entity who has generated revenue and has an active contract with us or one of our partners 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. An active contract is defined as a customer relationship for which we have provided services during the quarter.

**Paying 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 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 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. We believe this provides a more meaningful representation of our ability to add incremental business from existing paying customers as they renew and expand their contracts.