



INVESTOR DAY 2024

May 30, 2024



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Welcome

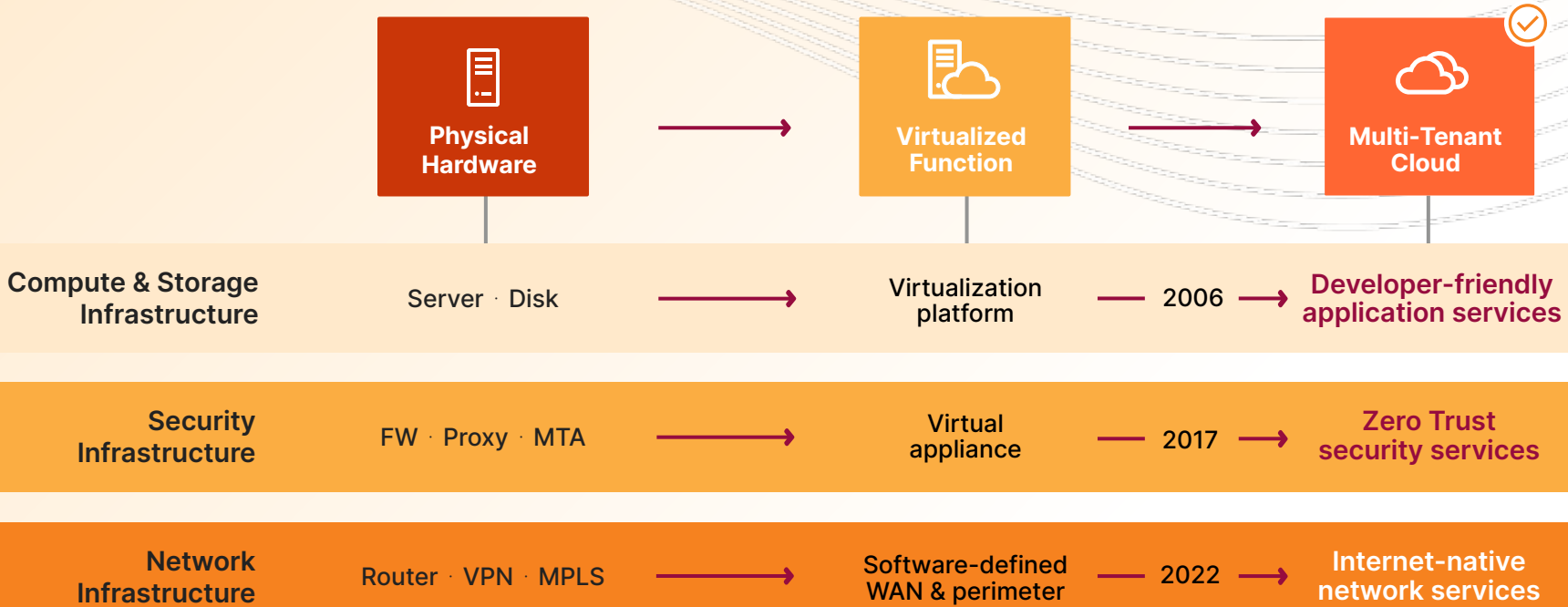


Phil Winslow

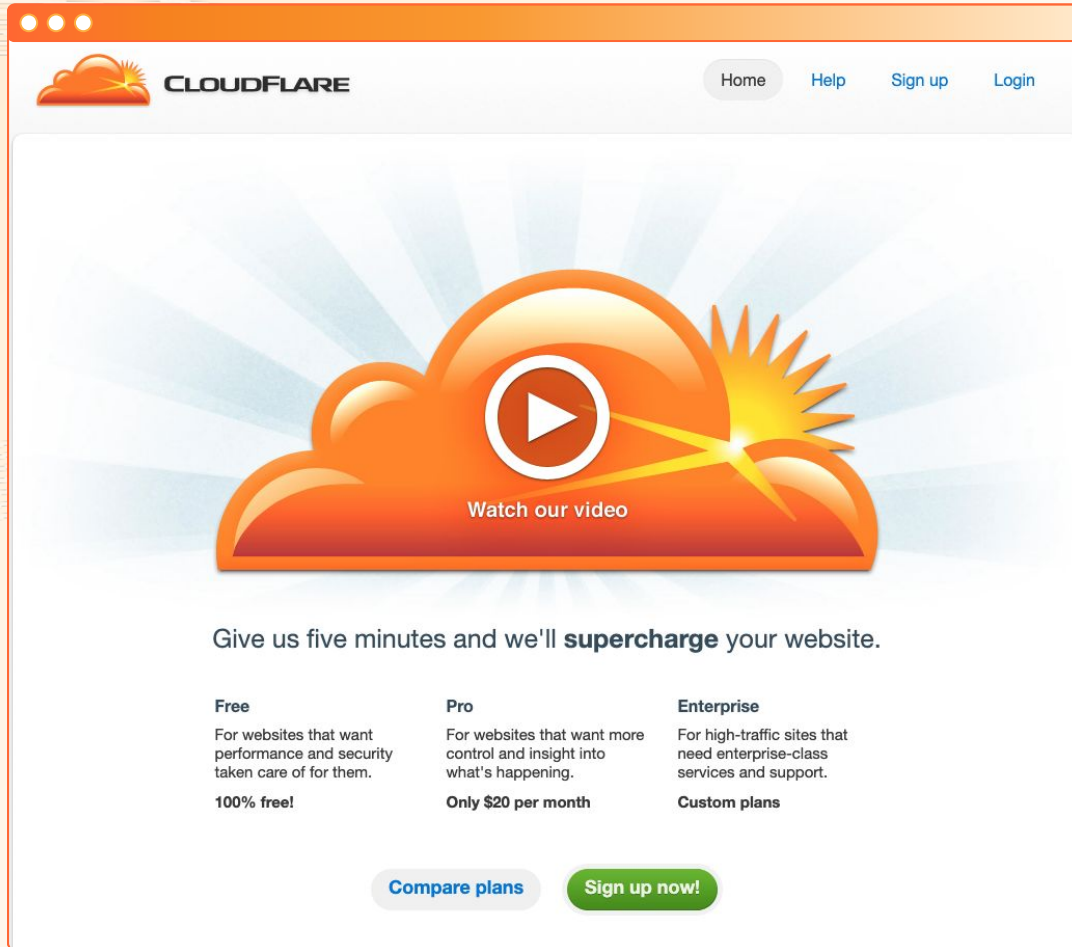
Vice President of Strategic
Finance, Treasury,
& Investor Relations

**We are helping build
a better Internet**





Cloudflare is built for what's next



The screenshot shows the Cloudflare homepage with a navigation bar at the top containing 'Home', 'Help', 'Sign up', and 'Login'. The main content area features a large orange play button icon with a sunburst effect, set against a background of light blue rays. Below the icon is the text 'Watch our video'. Underneath is a headline: 'Give us five minutes and we'll **supercharge** your website.' This is followed by three columns of pricing information: 'Free' (100% free!), 'Pro' (Only \$20 per month), and 'Enterprise' (Custom plans). At the bottom are two buttons: 'Compare plans' and 'Sign up now!'.

CLOUDFLARE

Home Help Sign up Login

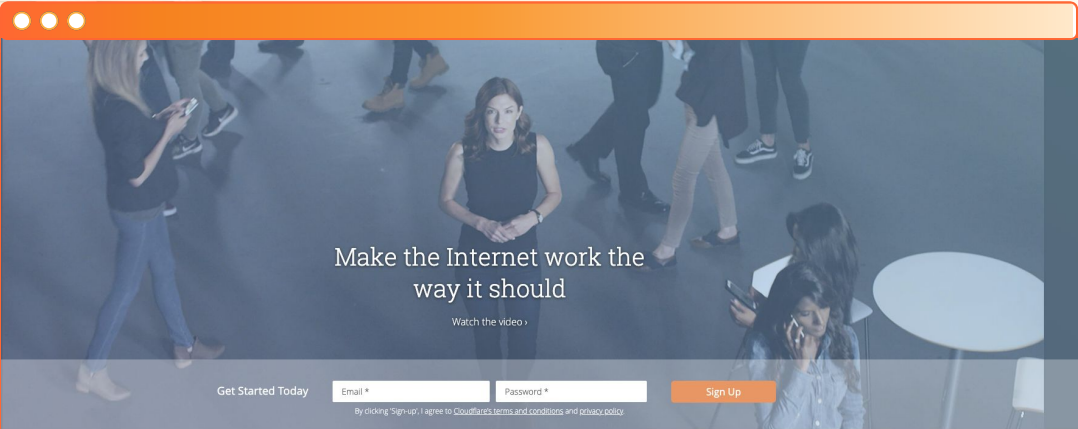
Watch our video

Give us five minutes and we'll **supercharge** your website.

Free For websites that want performance and security taken care of for them. 100% free!	Pro For websites that want more control and insight into what's happening. Only \$20 per month	Enterprise For high-traffic sites that need enterprise-class services and support. Custom plans
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[Compare plans](#) [Sign up now!](#)





Make the Internet work the way it should

[Watch the video](#)

Get Started Today

Email *

Password *

[Sign Up](#)

By clicking 'Sign up', I agree to [Cloudflare's terms and conditions](#) and [privacy policy](#).

A Growing Global Network Built for Scale

10 Tbps Capacity and 115 Data Center Global Footprint



Helping Build a Better Internet

Trusted by over 16 million Internet properties, Cloudflare is one of the world's largest cloud network platforms. Give your global users a faster, more secure, and more reliable internet experience.



[▶ Learn how Cloudflare works](#)

Get Started Today

[Sign Up](#)

[Contact Sales](#)

ON-DEMAND WEBINAR

Cloud-Jitsu: Migrating 23TB from AWS S3 to Backblaze B2 in 7 hours

Watch this webinar discussion about cloud storage, egress fees, and DDoS protection.

[WATCH NOW ▶](#)

ON-DEMAND WEBINAR

Building AMP experiences that drive results

Mobile is broadly accepted as the new benchmark for web performance, and leveraging AMP should definitely be in your toolkit. Join us for an informative session with the team from Google AMP and the Johnson Group as we explore real world AMP deployments.

[WATCH NOW ▶](#)

UPDATED

An Improved Cloudflare Workers Developer Experience

We've updated the CLI, docs, and more to make building serverless applications on Cloudflare's global cloud network spanning 180 cities even easier.

[START BUILDING ▶](#)

ANALYST REPORT

Cloudflare named a 2019 DDoS Prevention leader

Cloudflare has been named a 2019 leader for Worldwide DDoS Prevention Solutions by IDC MarketScape.

[DOWNLOAD REPORT ▶](#)

Trusted by:



Connect, protect and build everywhere

Put the connectivity cloud to work for you.

[Learn more](#)

[Start for free](#)

Control

Regain visibility and control of IT and security across on-prem, public cloud, SaaS, and the Internet

Security

Improve security and resilience while reducing your attack surface, vendor count, and tool sprawl



Speed

Accelerate application and network performance while rapidly developing new applications

Cost

Reduce cost and complexity to reinvest resources in your highest priorities





Application Security & Performance

- NEW LEADER** in KuppingerCole Leadership Compass for WAF (2024)
- NEW LEADER & OUTPERFORMER** in GigaOm Radar for CDN (2024)
- NEW CUSTOMER'S CHOICE** in Gartner Peer Insights 'Voice of the Customer' DDoS Mitigation Solutions (2023)
- NEW LEADER** in GigaOm Radar for Application & API (2023)
- LEADER** in Gartner Magic Quadrant for WAAP (2022)
- LEADER** in Forrester Wave for Web Application Firewalls (2022)
- LEADER** in IDC MarketScape for CDN (2022)
- STRONG PERFORMER** in Forrester Wave for Bot Management (2022)
- LEADER** in Forrester Wave for DDoS Mitigation Solutions (2021)



Zero Trust & Network Services

- NEW NICHE PROVIDER** in Gartner Magic Quadrant for SSE (2024)
- NEW STRONG PERFORMER** in Forrester Wave for SSE (2024)
- NEW CUSTOMER'S CHOICE** in Gartner Peer Insights 'Voice of the Customer' ZTNA (2024)
- NEW LEADER** in IDC MarketScape for ZTNA (2023)
- NEW LEADER** in IDC MarketScape for NESaaS (2023)
- NEW LEADER** in Forrester Wave for Email Security (2023)
- NEW STRONG PERFORMER** in Forrester Wave for Zero Trust Platforms (2023)
- LEADER** in KuppingerCole Leadership Compass for SASE (2023)



Developer Services

- NEW LEADER** in Forrester Wave for Edge Development Platforms (2023)
- NEW OUTPERFORMER & CHALLENGER** in GigaOm Radar for Alternatives to S3 (2023)
- LEADER** in Forrester New Wave for Edge Development Platforms (2021)
- STRONG PERFORMER** in Forrester New Wave for FaaS (2020)



Gartner®

Recognized in **35 reports**

FORRESTER®

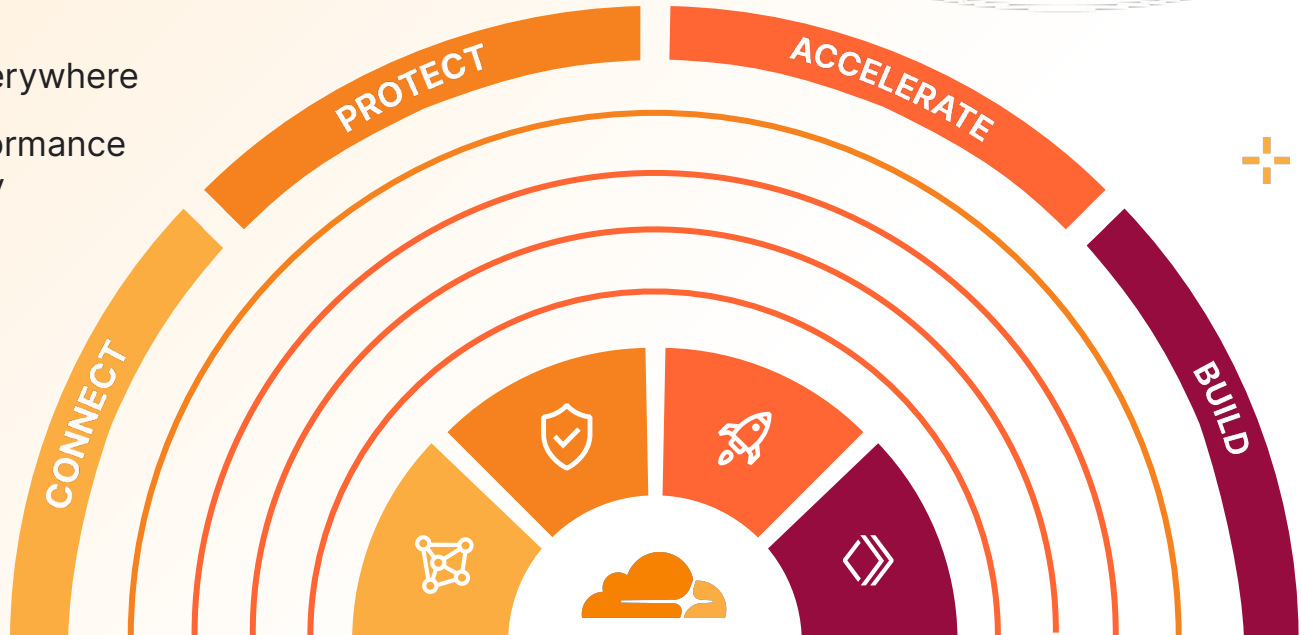
Recognized in **24 reports**

IDC

Recognized in **20 reports**

With Cloudflare, customers can:

- **Connect** users, networks, applications, and clouds globally
- **Protect** data, applications, infrastructure, and users everywhere
- **Accelerate** application performance and user experiences on any device, anywhere
- **Build** full-stack applications on a modern cloud platform with no vendor lock-in



Agenda

10:15 am - 10:20 am	Opening Remarks	Phil Winslow Vice President of Strategic Finance, Treasury, & Investor Relations
10:20 am - 10:40 am	Network-as-a-Service	Annika Garbers Director of Product
10:40 am - 11:00 am	AI	Rita Kozlov Vice President of Product
11:00 am - 11:20 am	Go-To-Market	Mark Anderson President of Revenue
11:20 am - 11:40 am	Financials	Thomas Seifert Chief Financial Officer
11:40 am - 12:15 pm	Q&A	Matthew Prince Co-founder & Chief Executive Officer Michelle Zatlyn Co-founder, President, & Chief Operating Officer Thomas Seifert Chief Financial Officer Mark Anderson President of Revenue

Network-as-a-Service



Annika Garbers
Director of Product for
Network Services

Current network & security infrastructure is not architected for the digital future



Transform customer & developer experience



Transform workforce experience



Business drivers

- | | Transform customer & developer experience | Transform workforce experience |
|------------------|--|---|
| Business drivers | <ul style="list-style-type: none">• New revenue streams• Faster innovation• Reduce data risk | <ul style="list-style-type: none">• Remote dev teams• Reduce threat exposure• Improve compliance |
| IT priorities | <ul style="list-style-type: none">• Cloud migration• Reduce BW costs• Agile branch access | <ul style="list-style-type: none">• Shadow IT visibility• Remediate SaaS config• Simplify remote access |

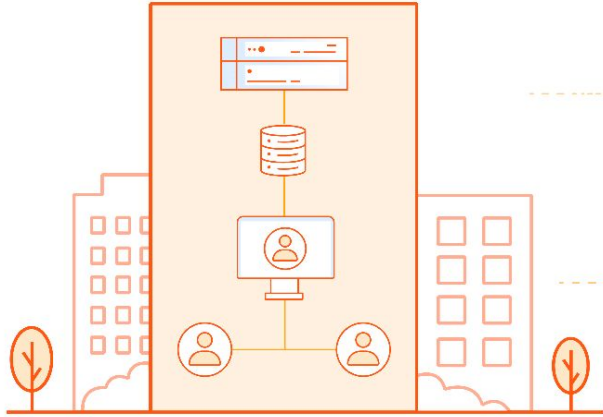


IT priorities

The network must adapt

But, why?

— A brief history of networking



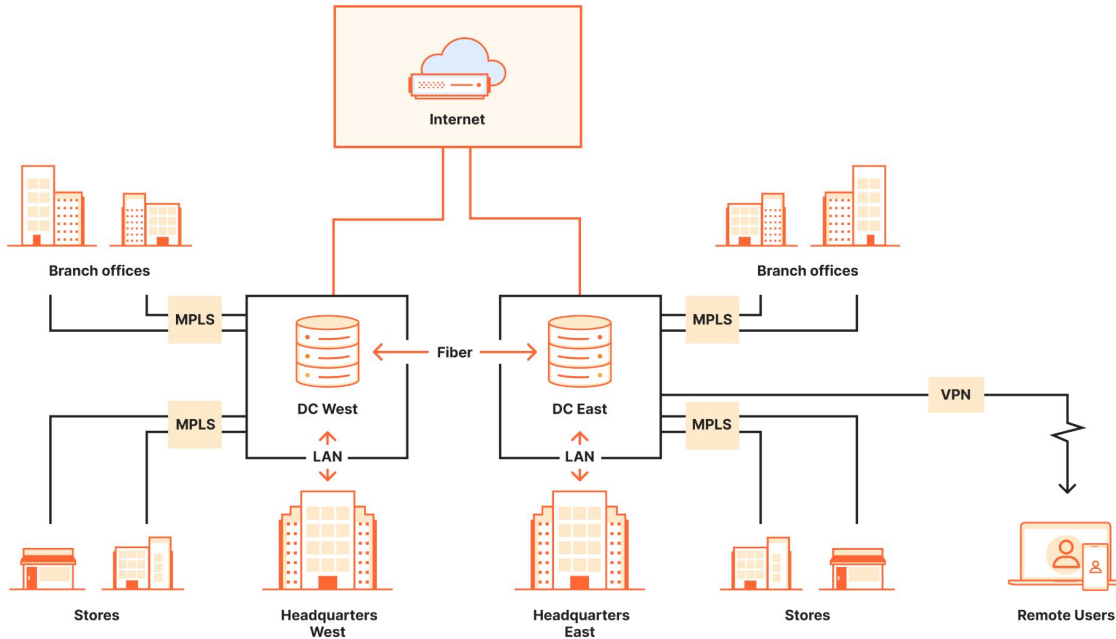
Centralized

Over 10 years



Distributed

Centralized networking & security in castle-and-moat architecture

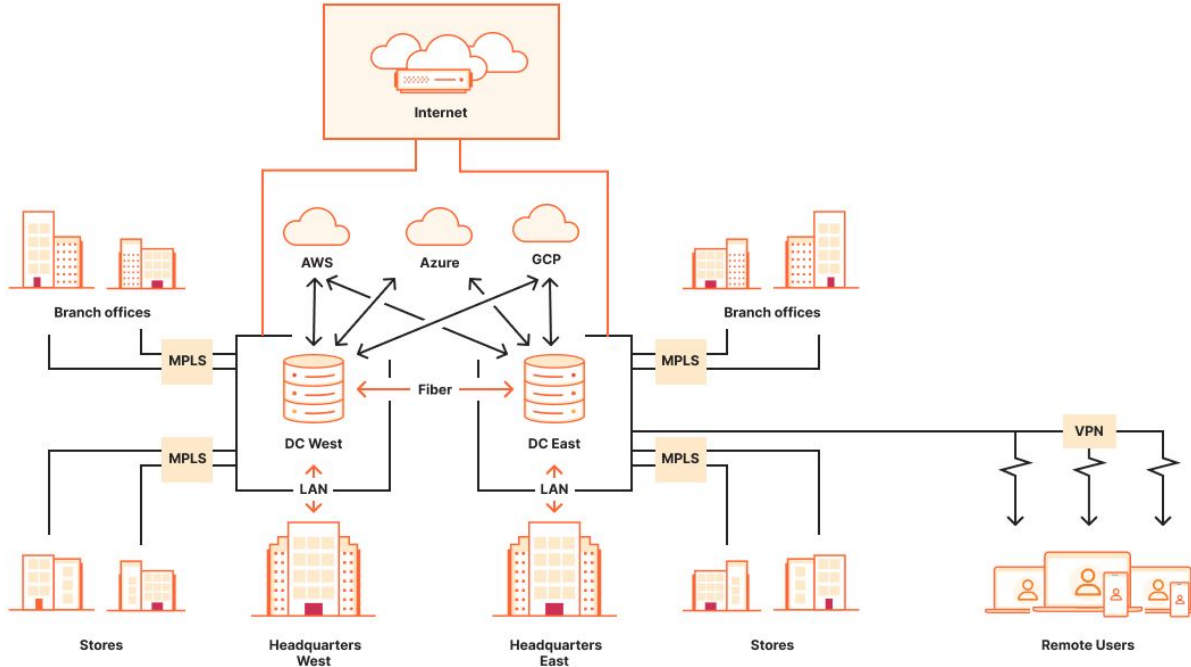


Employees, apps and data
within a walled castle

Dedicated connectivity
defined private network

Security enforced
at the perimeter

Users, data, and applications are **distributed** anywhere...

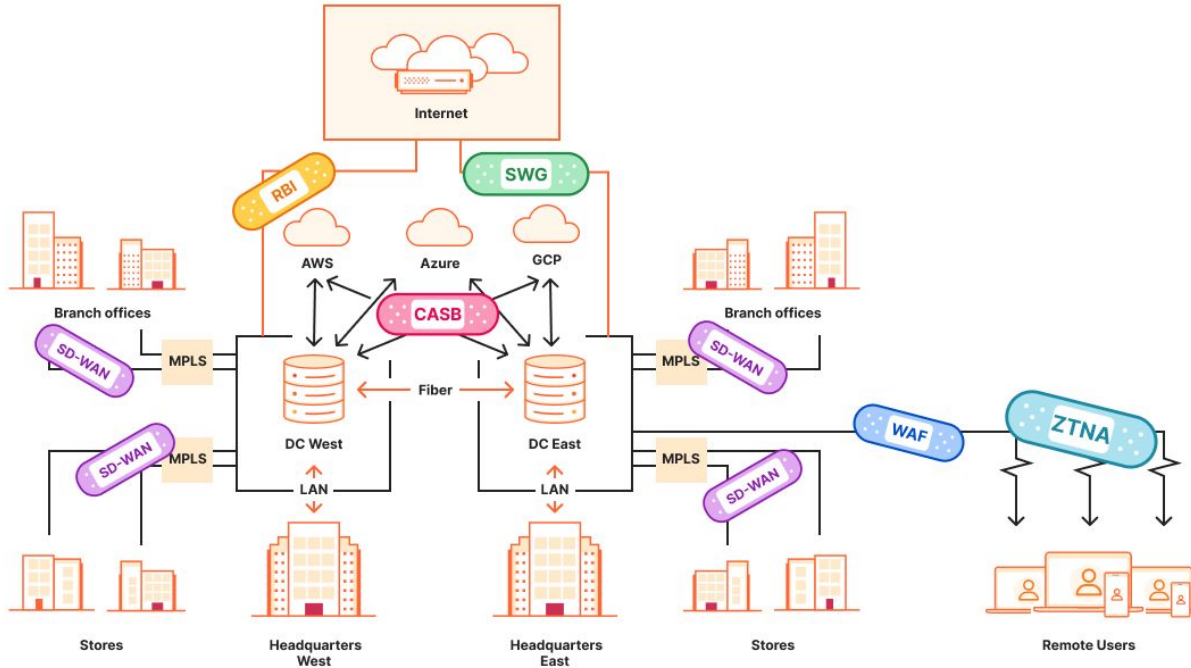


Storage and compute
migrating to cloud

Remote/hybrid work
as the new norm

Network and security
...were an afterthought

...Causing an explosion of point solutions



Disparate solutions
address specific problems
but don't integrate well

Sprawl creates gaps
in security and visibility

Costly overhead
in deploying and managing
patchwork of new and
legacy

The Internet is replacing the corporate network



Transform customer & developer experience



Transform workforce experience



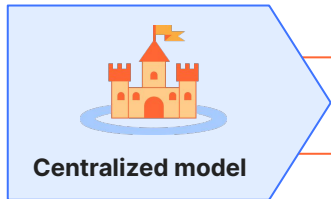
Business drivers impact how data is stored and transmitted over your network



IT priorities demand changes to both network connectivity and network security

Shift 1

Shift 2



MPLS · VPN · FW
SWG · DNS

Virtualize the network with Internet breakouts
Shift security to the cloud and bolt onto network



MPLS · VPN · FW · SD-WAN
SWG · DNS · CASB · ZTNA · RBI

Enable Internet to be your network
Modernize security to one cloud



Complete Network- & Security-as-a-Service



**How would you design the
network if you were starting
from scratch?**

Core principles in building a global network platform for a distributed world



Control Plane

Single user interface & API

for configuration and management



End-to-end visibility

for every traffic flow



Data Plane

Comprehensive on-ramps

for devices, branches, data centers, and clouds



Consistent security controls

across everything that's connected



Infrastructure

Be everywhere

because users, applications, and data are too



Be interconnected

so traffic gets where it's going quickly and reliably

A single network that delivers local capabilities with global scale



320+ cities

in 120+ countries, including mainland China



~50 ms

from ~95% of the world's Internet-connected population



~13,000 networks

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



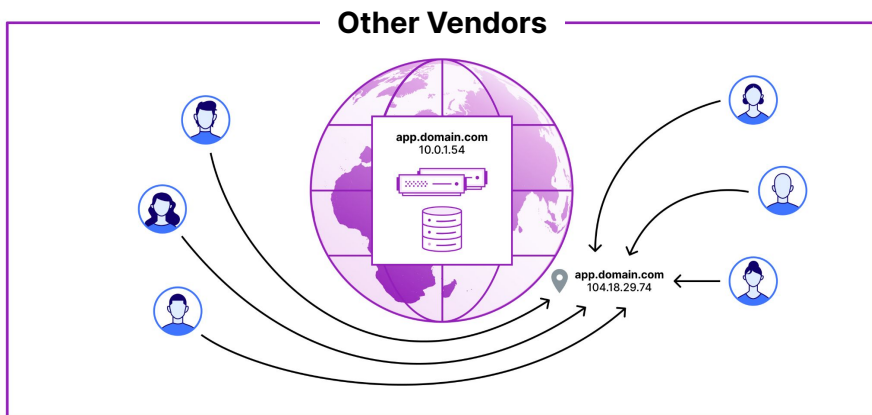
280 Tbps

of network capacity and growing

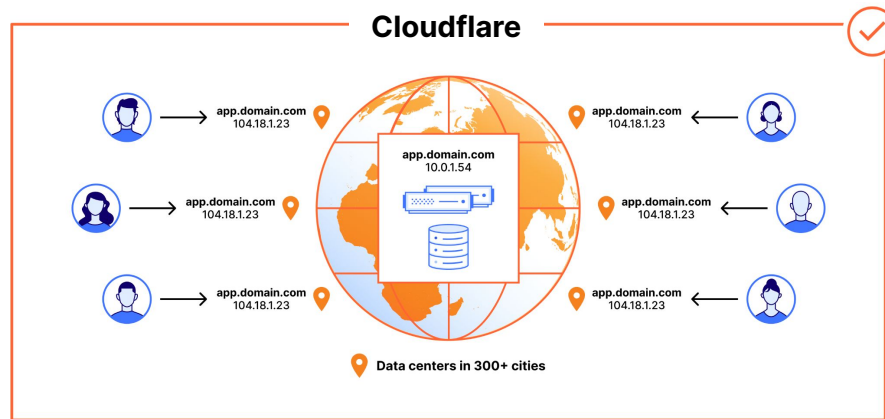


Note: Figures as of March 31, 2024, except for network capacity, which is as of April 30, 2024.

Anycast routing to secure close to the source and accelerate to the destination

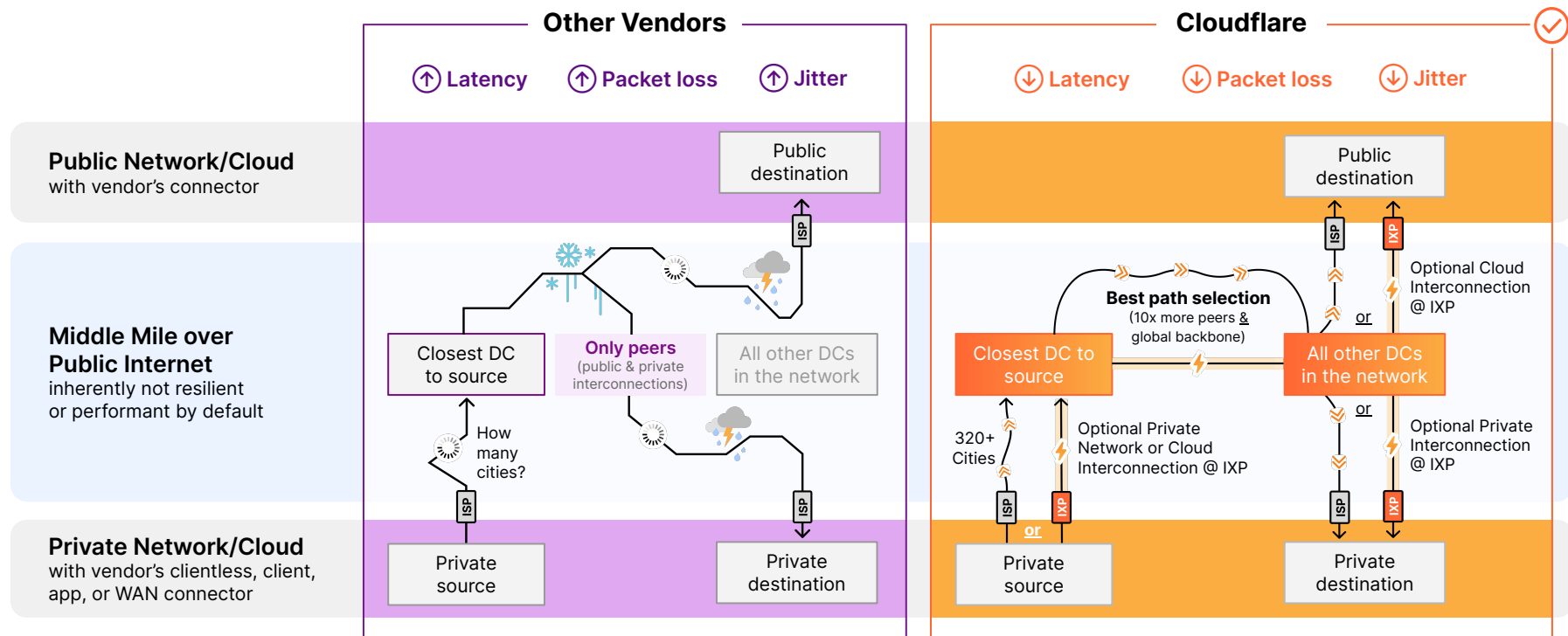


Unicast routing, in which a single IP address is associated with a single server, data center, and/or application, means requests to access that application may have very different routing experiences



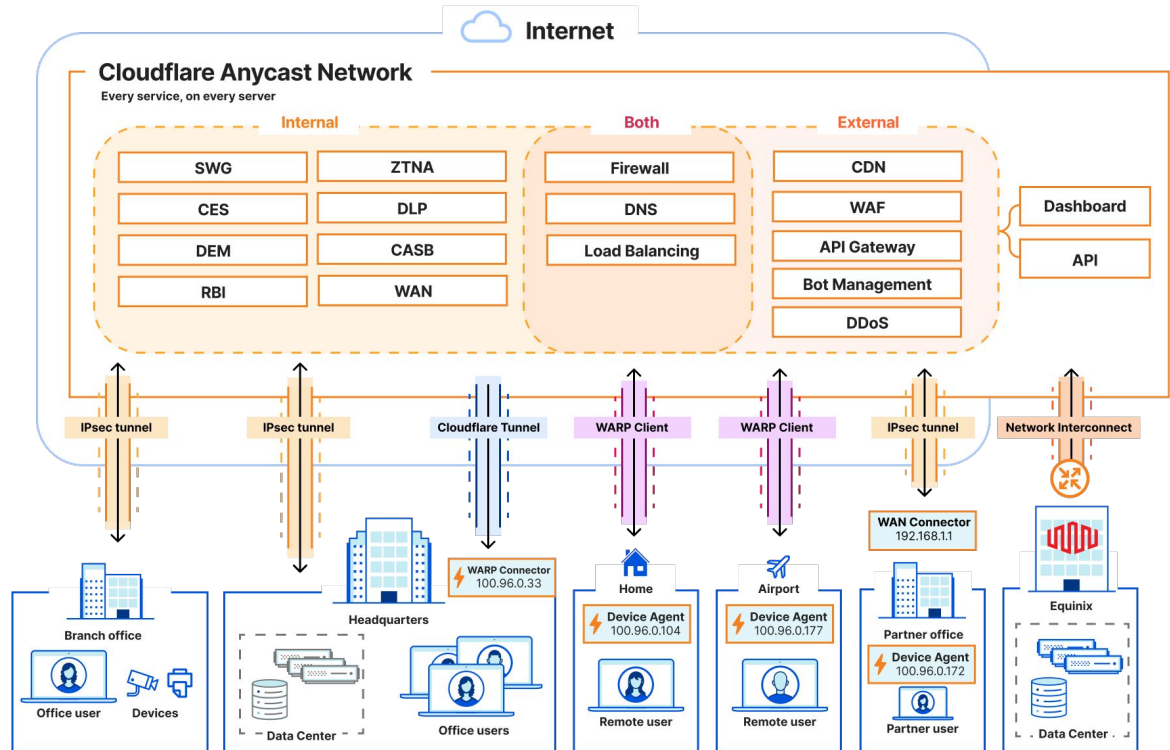
Anycast enables Cloudflare to announce the IP addresses of our services from every data center worldwide. Traffic is routed to the closest data center — with no backhauling or performance tradeoffs

A global backbone for private + public traffic transport to steer around problems on the public Internet

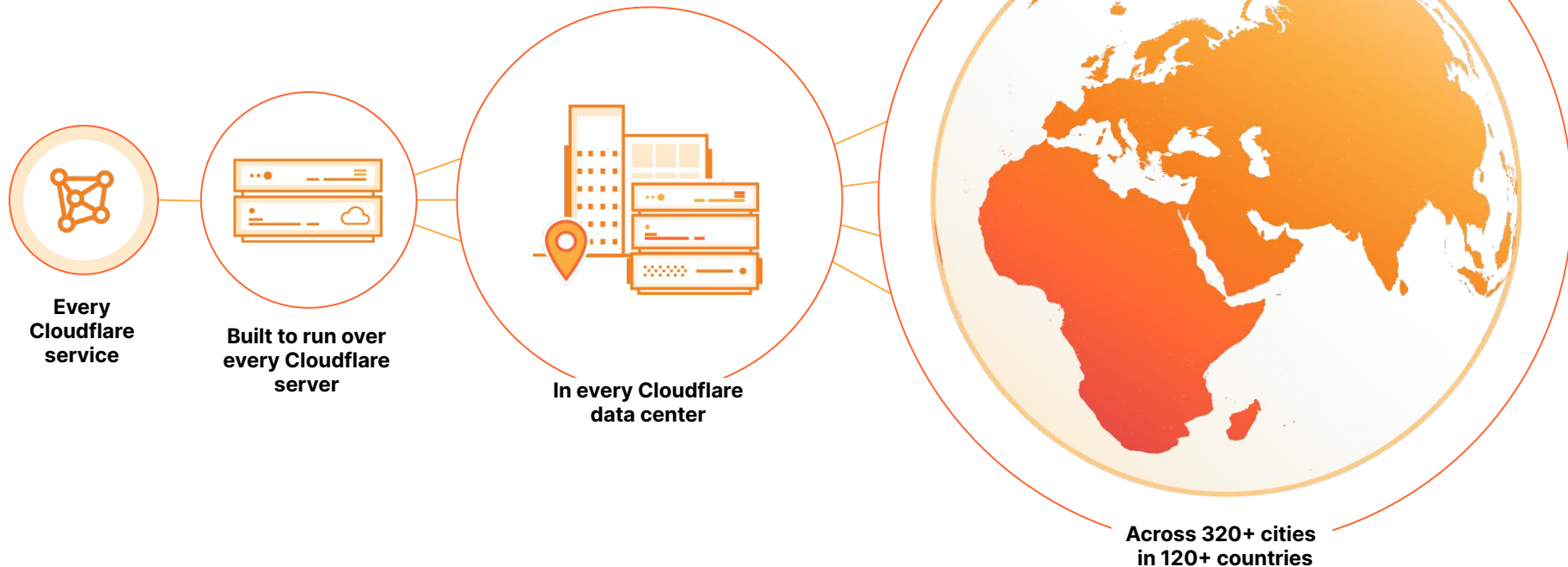


Comprehensive on-ramps to connect and secure users, branches, clouds, data centers, applications, and/or IoT to any resource

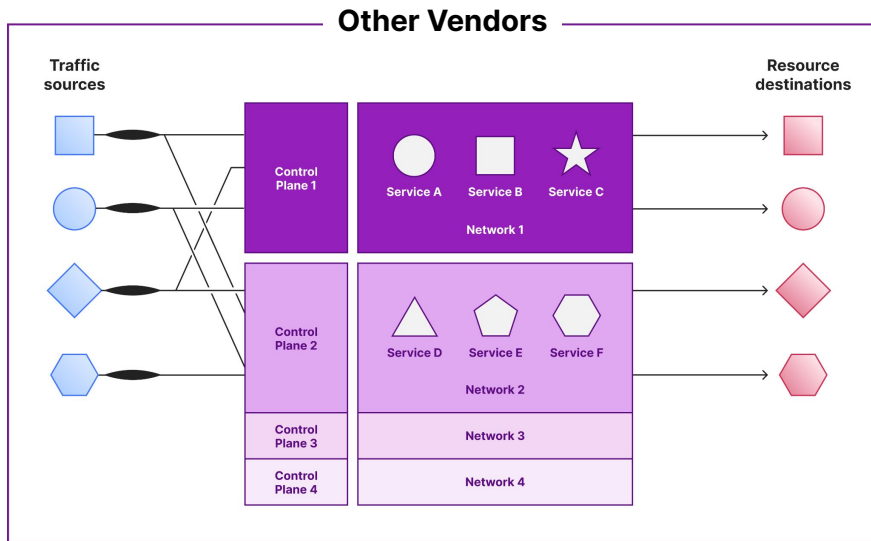
- Connecting **“any-to-any”** is not enough
- The future of networking is one **“end-to-end”** architecture – connecting *any* source to *any* destination from *anywhere* with commodity Internet as the underlay



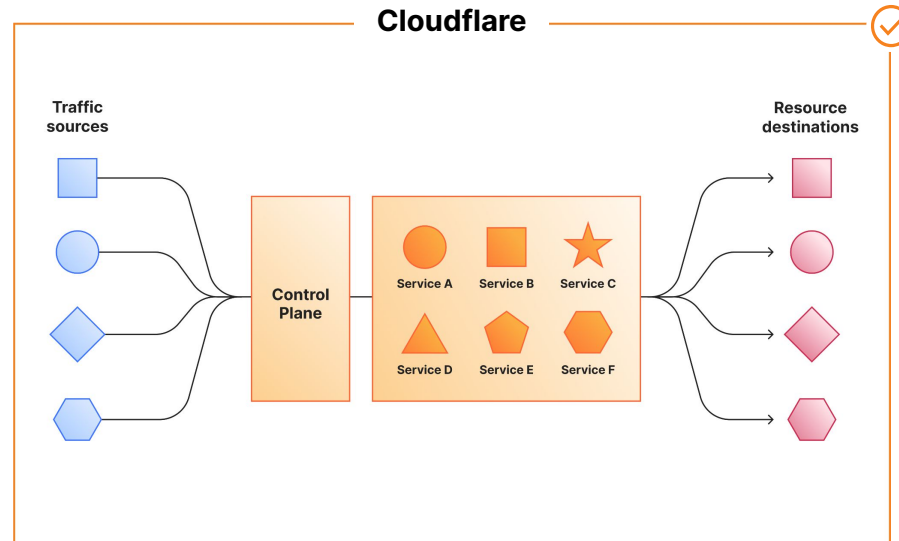
Every service built to run on every server in every data center



A unified control plane minimizes complexity, lowers IT overhead, and improves performance



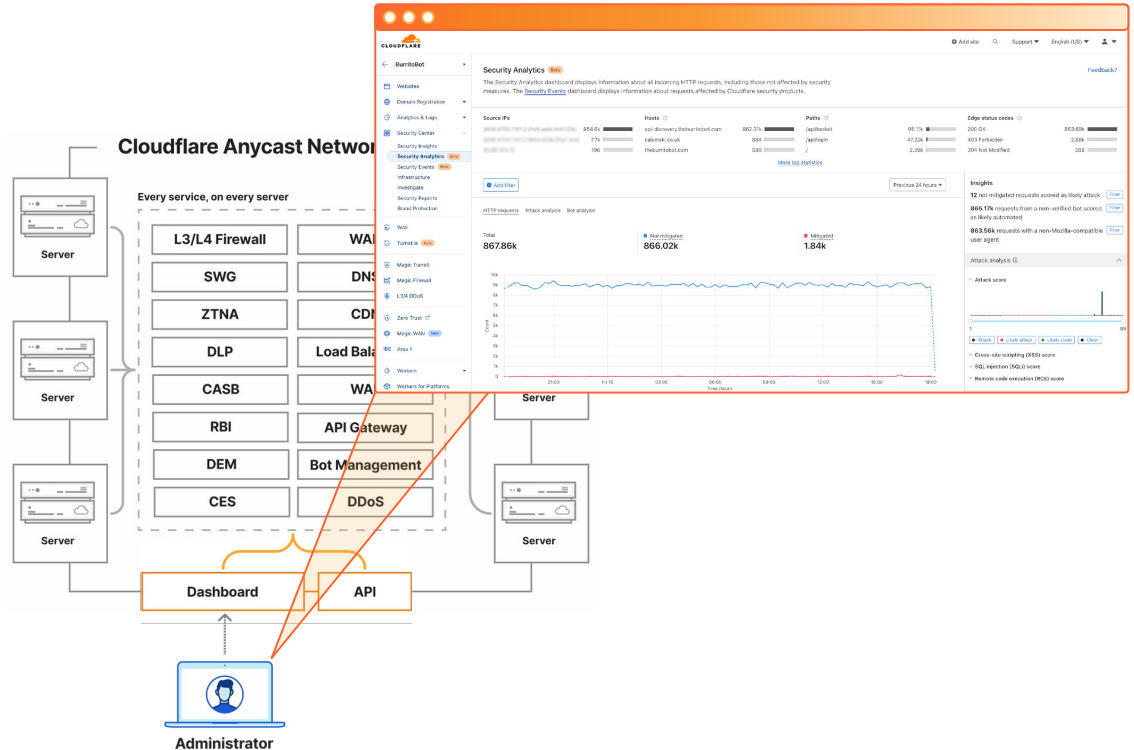
Locations only run a subset of services – leading to management and integration complexity while also constraining performance



Single control plane with single-pass inspection simplifies management and integration while also minimizing any impact to performance

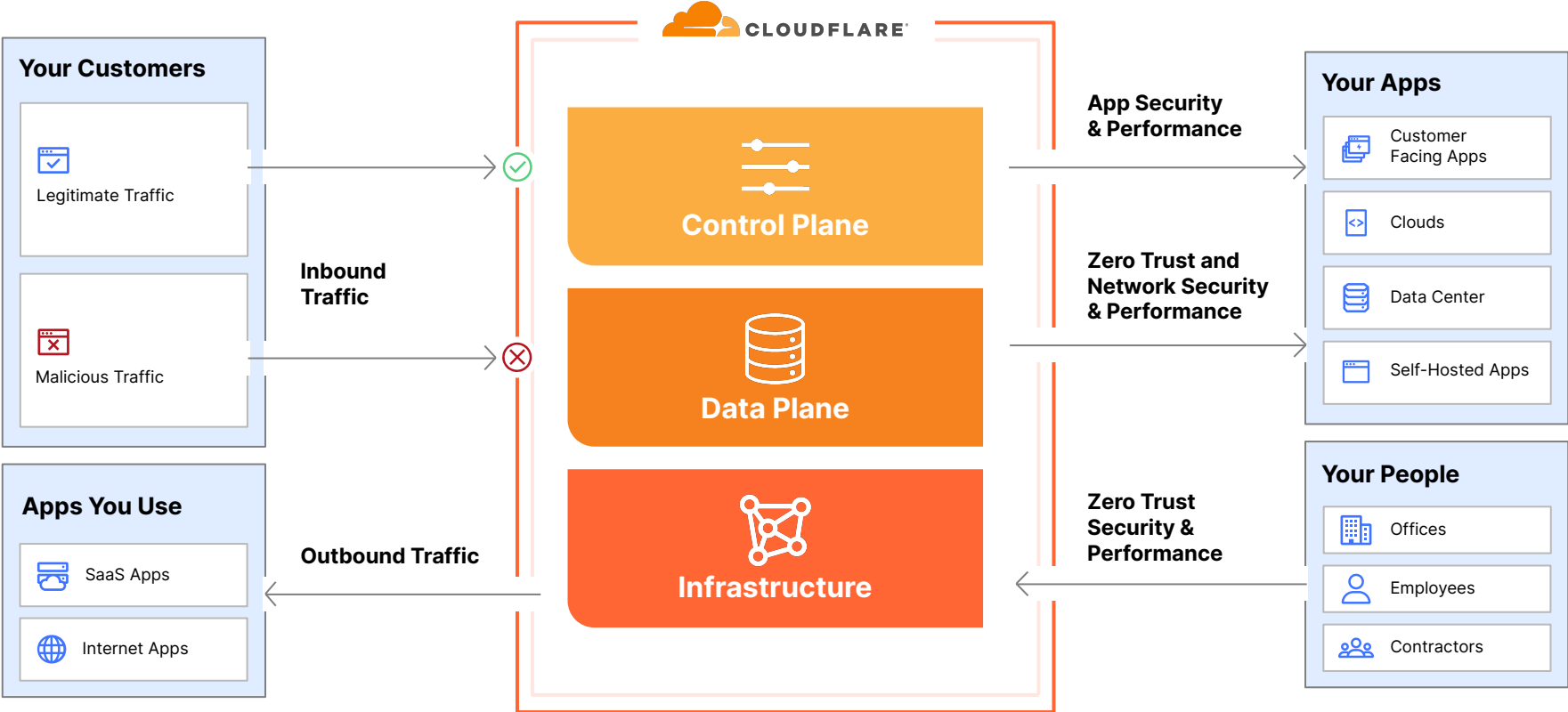
Visualize and manage every traffic flow with one user interface, one API, and one policy

- With **visibility** across the entire IT infrastructure, Cloudflare can aggregate signals from various sources — including users, devices, applications, and networks
- On the frontend for administrators, each service is **managed** from one interface with one policy for ease of operations



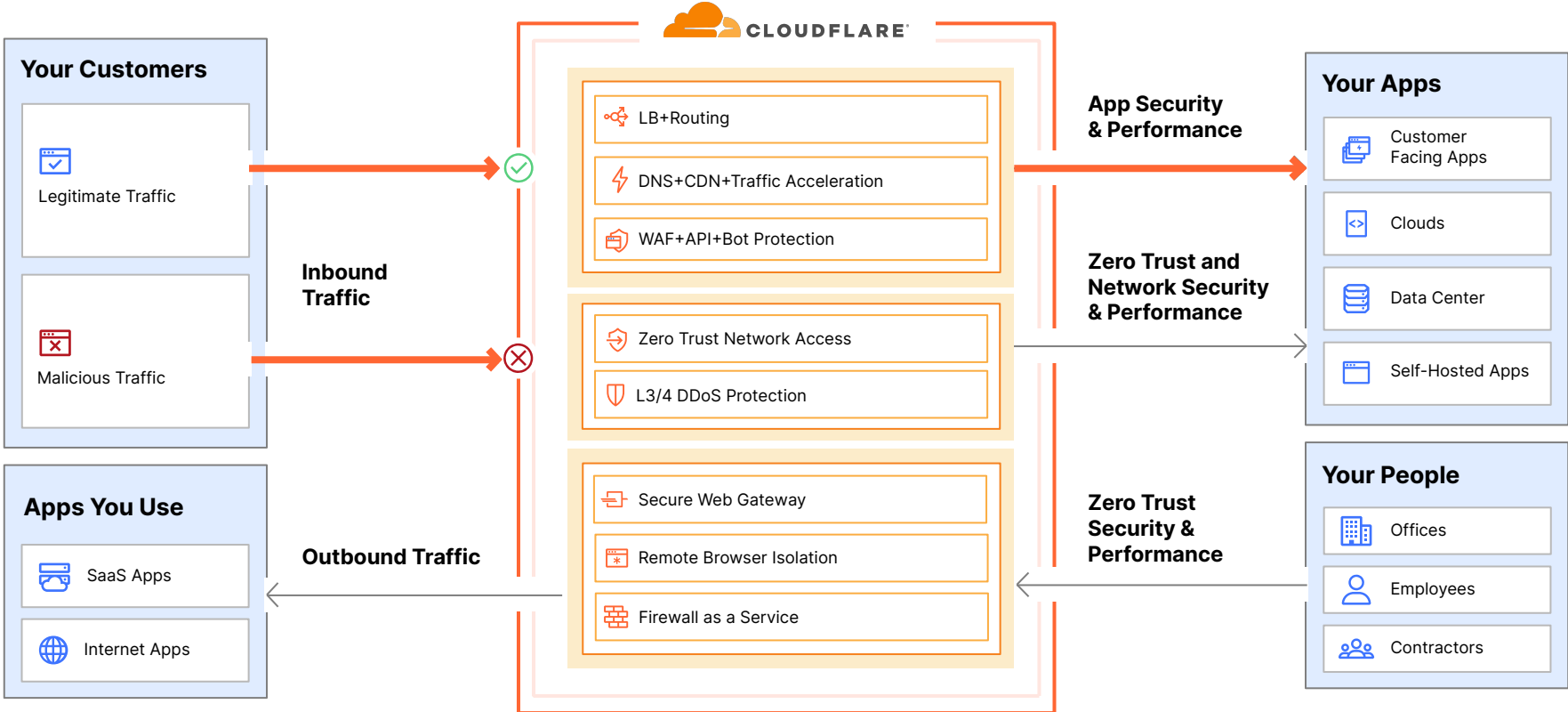
What's possible with these principles applied?

— Cloudflare is built for what's next



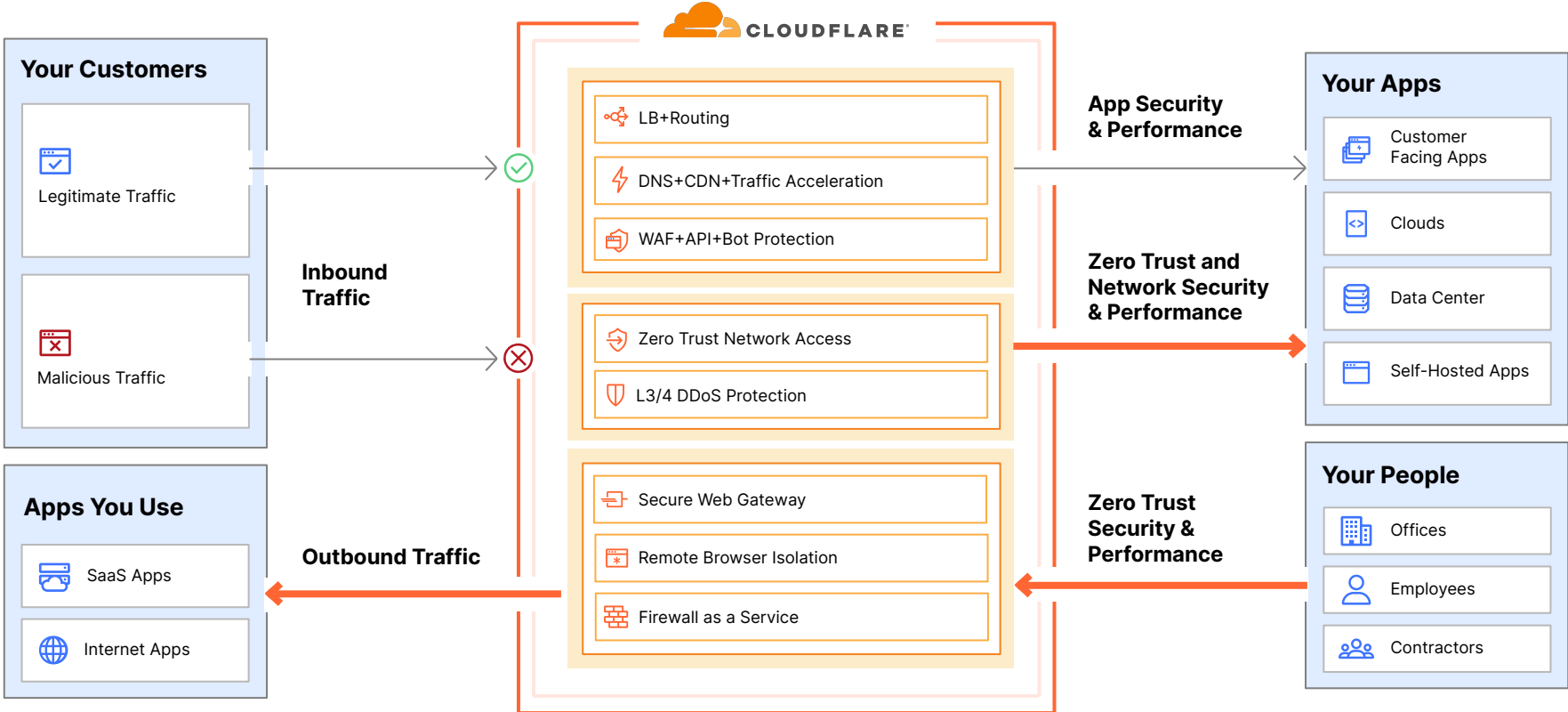
What's possible with these principles applied?

— Cloudflare is built for what's next



What's possible with these principles applied?

— Cloudflare is built for what's next



Bringing it all together



Network Perimeter











Hybrid Overlay



Internet-Native

Configuration	By MSP through service request	Simplified orchestration and management via centralized controller	Automated orchestration via single dashboard
Last-mile traffic control	Covered by MPLS SLAs	Best-path selection available in SD-WAN appliance	Minimal on-premises deployment to control local decision making
Middle-mile traffic control	Covered by MPLS SLAs	“Tunnel Spaghetti” and still no control over the middle mile	Integrated traffic management and private backbone controls in a unified dashboard
Cloud integration	Centralized breakout	Decentralized breakout	Native connectivity with Cloud Network Interconnect (CNI)
Security	Patchwork of hardware controls	Patchwork of hardware and/or software controls	Native integration with user, data, application, & network security tools
Cost	High cost for hardware and connectivity (e.g., MPLS)	Optimized connectivity costs at the expense of increased hardware and software costs	Decreased hardware and connectivity costs for maximized ROI

Competitors lack our underlying architecture advantages

	Infrastructure		Data plane		Control plane	
	Be everywhere	Be interconnected	Comprehensive on-ramps	Consistent security controls	Single user interface & API	End-to-end visibility
 CLOUDFLARE	✓	✓	✓	✓	✓	✓
 zscaler™	...	✗	...	✗	✗	✗
 netkope	✗	✗	✗
 CISCO	...	✗	...	✗	✗	✗
 paloalto®	✓	✗	✗
 vmware®	...	✗	✗	✗	✗	✗
 CATO NETWORKS	...	✓	✓	✓	✓	✓
 FORTINET.	✗	✗	✗	✗	✗	✗

✓ Strong
 ... Moderate
 ✗ Weak



**Cloudflare is built to solve
the problems of a distributed world
— now and for the future**

AI



Rita Kozlov

Vice President of Product for
Cloudflare Developer
Platform

Cloudflare's vision for developers

To help build a better Internet with a **modern cloud platform** that accelerates developer velocity and drives better end user experiences



Ecosystem of
foundational
technology



Automate
decision making



Reliable, scalable,
& secure by default



No surprise bills,
predictable costs

Building blocks to create a full-stack application

2018


Serverless Compute
Workers

 Lambda / Lambda at Edge/
Cloudfront Functions

Functions

Cloud Functions

Object Storage

S3

Blob Storage

Cloud Storage

Web Development

Amplify

App Service

Firebase

Queue

SQS

Queues

Cloud Tasks

Durable Execution

Step Function

Durable Functions

Workflows

Relational Database

RDS

Azure SQL Database

Google Cloud SQL

Database Proxy

RDS Proxy

Azure SQL Gateway

Cloud SQL Auth Proxy

NoSQL Database
Workers KV

DynamoDB / DocumentDB / Keyspaces

Azure Cosmos DB

Bigtable / Firestore / Firebase

Analytic Database

Redshift

Azure Synapse

BigQuery

Data Streaming

Kinesis

Azure Stream Analytics

Dataflow

API Gateway

API Gateway

API Gateway

API Gateway

Video Streaming
Stream

IVS

Azure Media Services

Live Streaming

Building blocks to create a full-stack application

2020


Serverless Compute
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Cloudfront Functions

Functions

Cloud Functions

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S3

Blob Storage

Cloud Storage

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Pages

Amplify

App Service

Firebase

Queue

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Azure Synapse

BigQuery

Data Streaming

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Azure Stream Analytics

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API Gateway

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API Gateway

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Stream

IVS

Azure Media Services

Live Streaming

Building blocks to create a full-stack application

2022



	Cloudflare	AWS	Microsoft Azure	Google Cloud
Serverless Compute	Workers	Lambda / Lambda at Edge / Cloudfront Functions	Functions	Cloud Functions
Object Storage	R2	S3	Blob Storage	Cloud Storage
Web Development	Pages	Amplify	App Service	Firebase
Queue		SQS	Queues	Cloud Tasks
Durable Execution		Step Function	Durable Functions	Workflows
Relational Database		RDS	Azure SQL Database	Google Cloud SQL
Database Proxy		RDS Proxy	Azure SQL Gateway	Cloud SQL Auth Proxy
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API Gateway	API Gateway	API Gateway	API Gateway	API Gateway
Video Streaming	Stream	IVS	Azure Media Services	Live Streaming





Building blocks to create a full-stack application

2023



	Cloudflare	AWS	Microsoft Azure	Google Cloud
Serverless Compute	Workers	Lambda / Lambda at Edge / Cloudfront Functions	Functions	Cloud Functions
Object Storage	R2	S3	Blob Storage	Cloud Storage
Web Development	Pages	Amplify	App Service	Firebase
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API Gateway	API Gateway	API Gateway	API Gateway	API Gateway
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Building blocks to create a **full-stack** application 2024

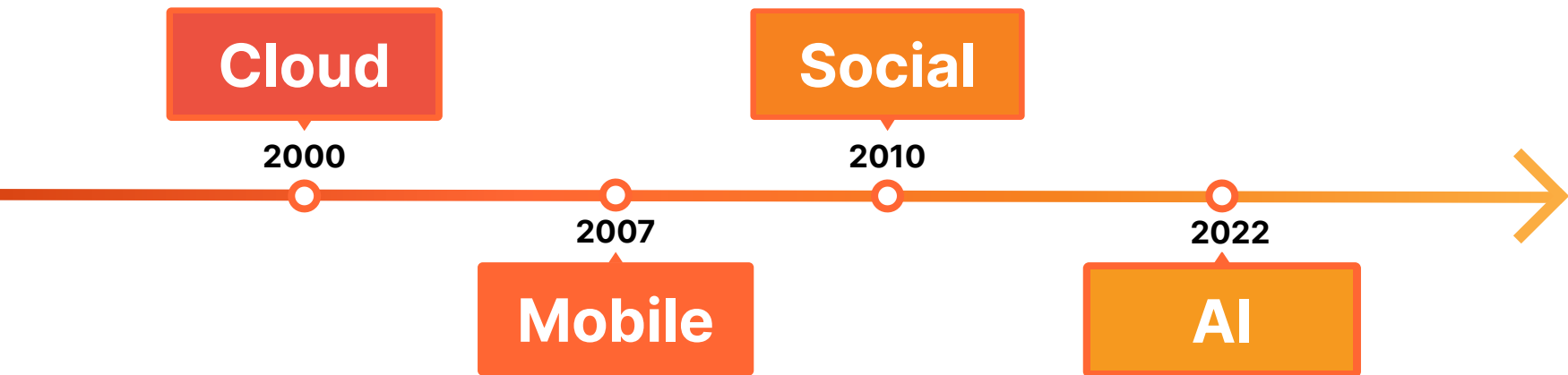
	 CLOUDFLARE	 aws	 Microsoft Azure	 Google Cloud
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Data Streaming	Pipelines	Kinesis	Azure Stream Analytics	Dataflow
API Gateway	API Gateway	API Gateway	API Gateway	API Gateway
Video Streaming	Stream	IVS	Azure Media Services	Live Streaming



2 MILLION

developers building on the
Cloudflare Workers platform

AI is the next paradigm shift in the way applications are built



“The ability to build a generative AI business without needing to invest significant dollars developing sophisticated models...significantly reduces (and even eliminates) the upfront costs previously associated with building an AI business.”

AI is reshaping how organizations work, and the shift is already in motion

Today...

44%

of developers are currently using AI in their development process¹

By 2026...

>80%

of enterprises will be using GenAI-enabled APIs, models, and/or apps deployed in production environments (up from 5% today)²

By 2030...

50%

of your knowledge workers' tasks will be augmented with GenAI to boost productivity or raise average quality of work (up from <1% today)³

1. Stack Overflow survey (May 2023), 90K respondents

2. Source: "A CTO's Guide to the Generative AI Technology Landscape", Gartner, Arun Chandrasekaran, Radu Miclaus, Eric Goodness, 09/18/2023

3. Source: "Emerging Tech: The Key Technology Approaches That Define Generative AI", Gartner, Alfonso Velosa, Annette Jump, Ray Valdes, Radu Miclaus, Eric Goodness, Anthony Bradley, 09/06/2023

When we say “AI,” what are the workloads involved in making that happen?



When we say “AI,” what are the workloads involved in making that happen?

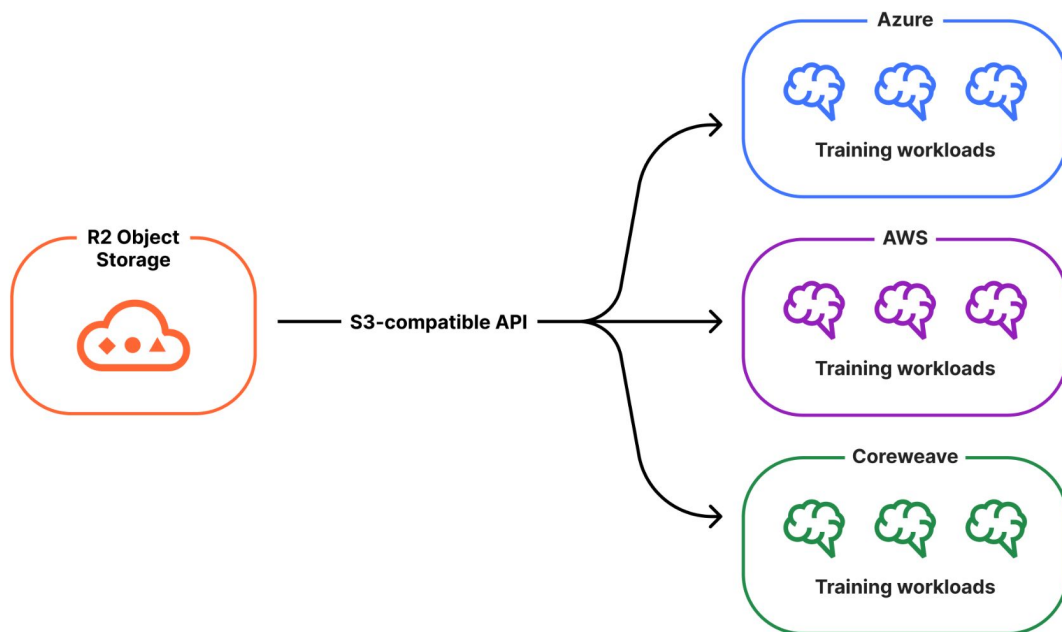
Where the focus of AI
has been...



Train

Infer

Unlock the best prices across cloud providers with R2



Train

Store training data in **R2** to move between clouds with zero egress fees

Eliminate the need for complex data transfers or duplication of data sets

Do more with your data through Cloudflare's partnerships

When we say “AI,” what are the workloads involved in making that happen?

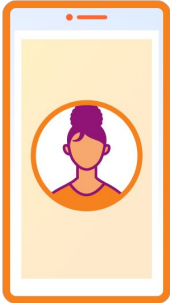
Where the focus of AI
is going...



Inference is the biggest AI opportunity

— But, where should it happen?

User's device

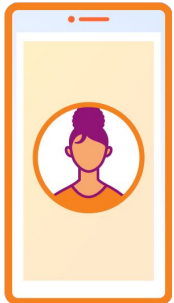


Centralized cloud



Inference on centralized clouds has problems...

User's device



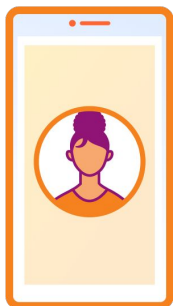
Centralized cloud



- Cost vs. reliability trade-off
- Too far from user
- Data locality concerns

...But, so too do end user devices

User's device



Centralized cloud



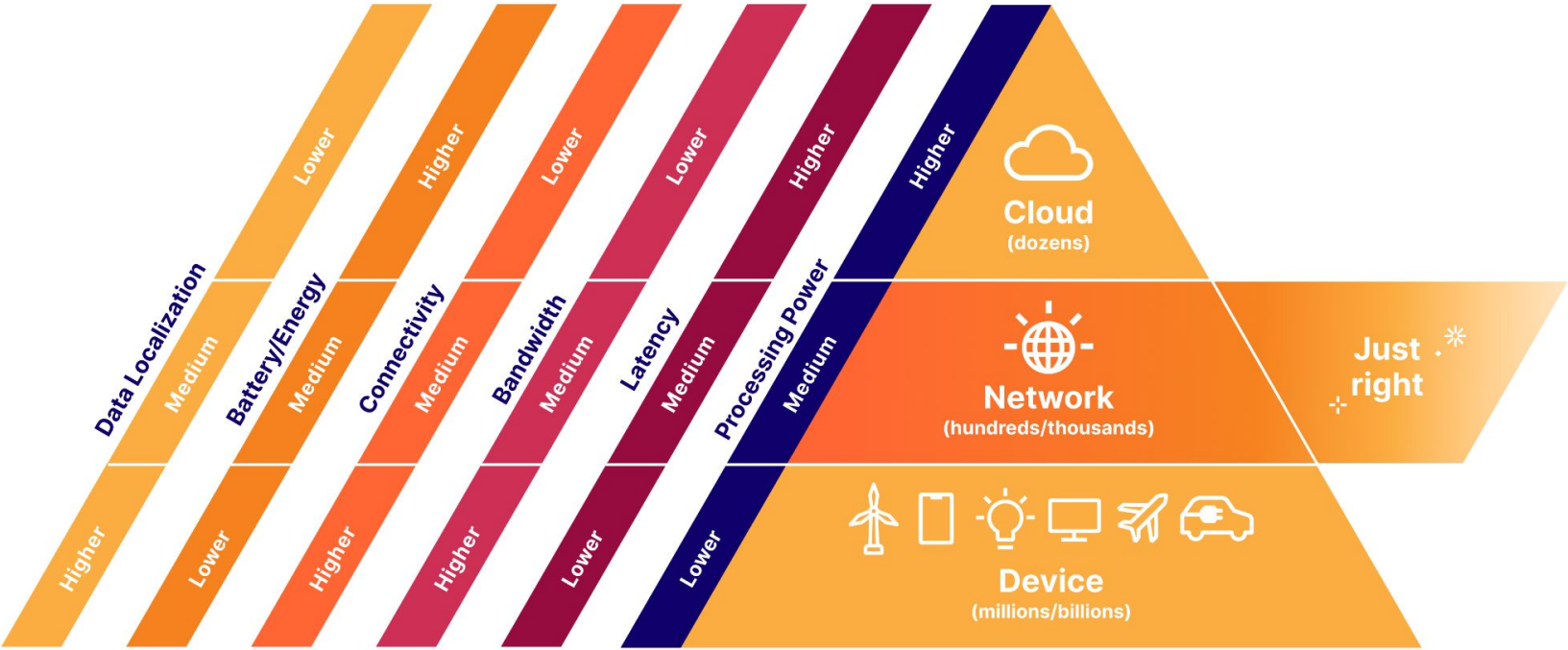
- Close to user
- Not powerful enough
- Some models are too large/complex

- Cost vs. reliability trade-off
- Too far from user
- Data locality concerns

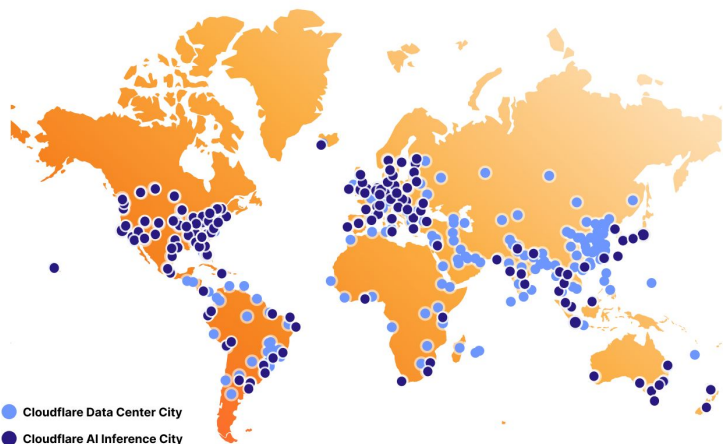
A globally distributed network helps developers scale AI inference, while staying close to the end user



Cloudflare is in the “Goldilocks Zone” for AI inferencing



Run inference tasks on **Workers AI**, the first serverless AI inference platform



**Cloudflare AI Inference
Locations Q1 2024**

- ✓ Don't need to worry about managing GPUs
- ✓ Pay only for what you use
- ✓ Automatically scale as you grow

Infer

Use built-in models from **Workers AI** to generate embeddings

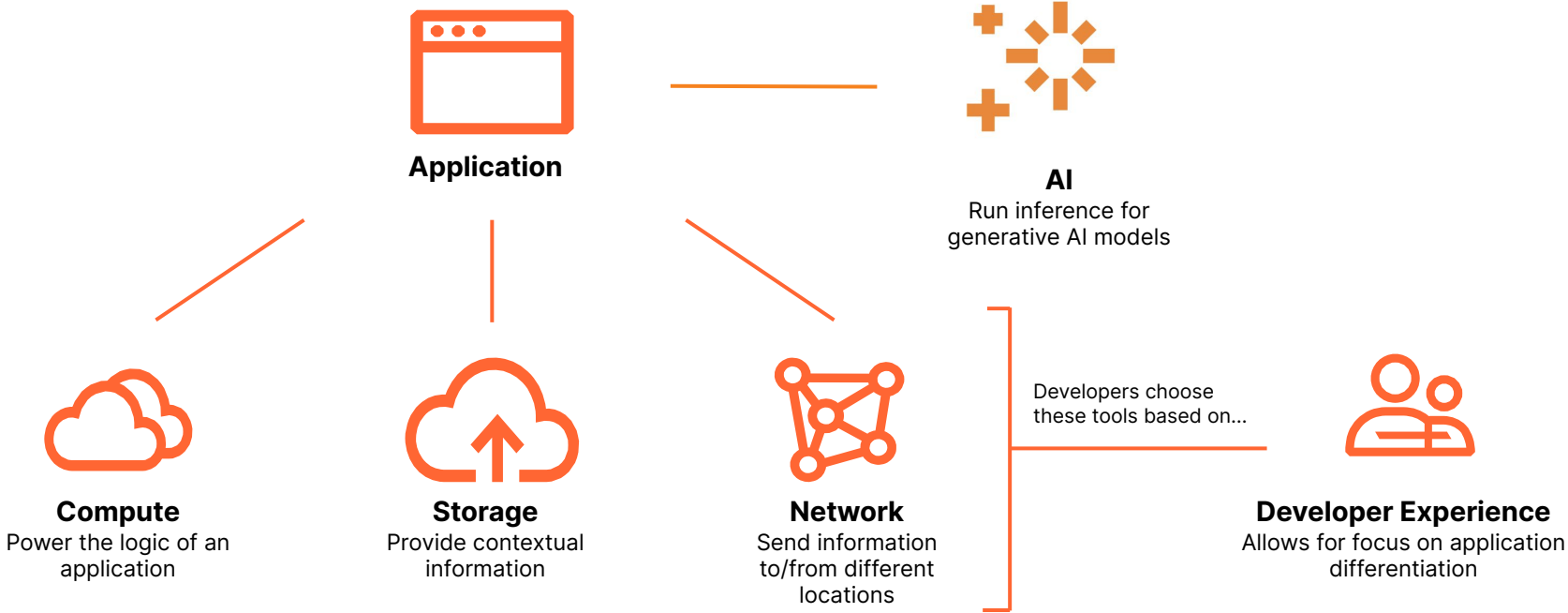
Store embeddings in **Vectorize**

Transform each query into an embedding with **Workers AI**

Query **Vectorize** for similar vectors

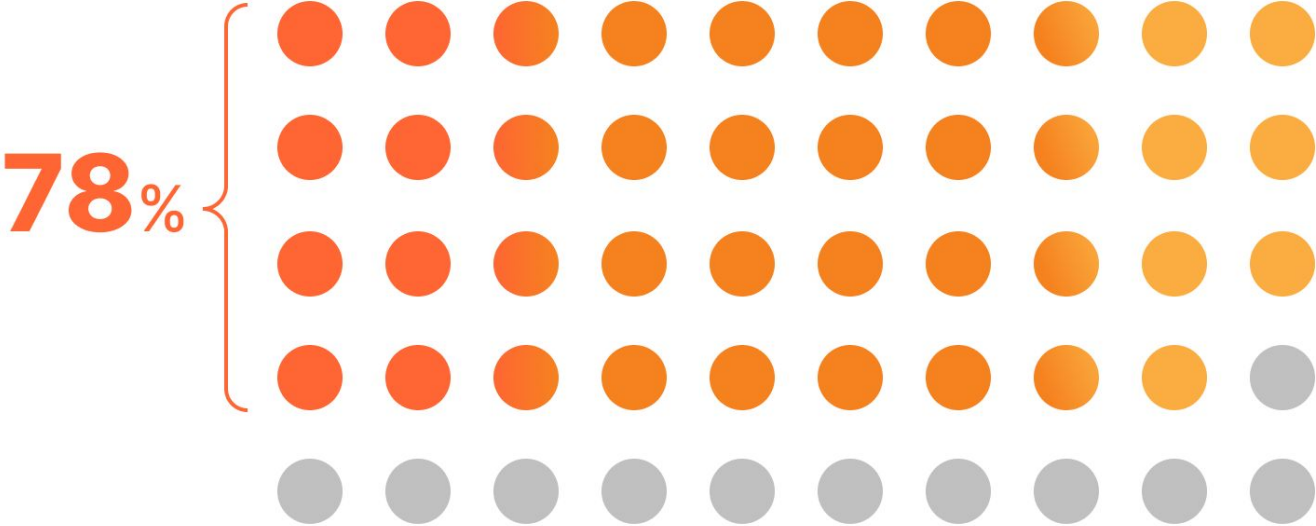
Retrieve source content from **R2** or **KV**

AI fits seamlessly into our developer platform



Leading AI companies **already** rely on Cloudflare

Top 50 generative AI Web products, by unique monthly visits



Source: Top 50 Generative AI Web Products based on a16z Consumer report as of March 2024. This includes generative AI Web products only and does not include mobile apps. Cloudflare customers as of April 2024.

There's more to inference than running models

Run AI on region: **Earth**



Data storage

Store your training data on **R2** to **avoid paying egress fees** and retain **flexibility for multi-cloud** architectures

Serverless development

Run and deploy models through **Workers AI**, powered by our **newly deployed GPUs**

Vector database

Store and query your embeddings for **faster (and cheaper!)** vector lookups with **Vectorize**

Data localization

Control **where** data is inspected with **Regional Services** and **Data Localization Suite**

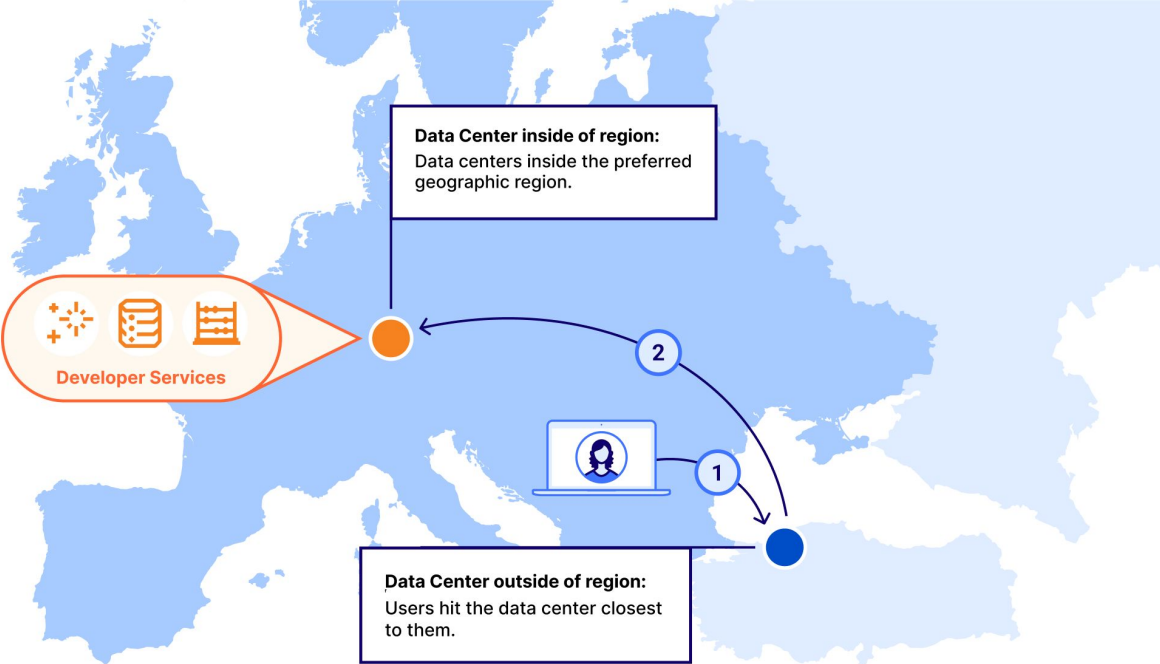
Web application, API, & DDoS protection

Protect AI services from bad actors with **easy to configure security** without performance impacts with **Firewall for AI**

Monitoring & controls

Connect your AI app to **AI Gateway** for **better observability** with **analytics** and **controlled scalability** via caching and rate limiting

Control where data is stored and inspected with a private-by-default approach

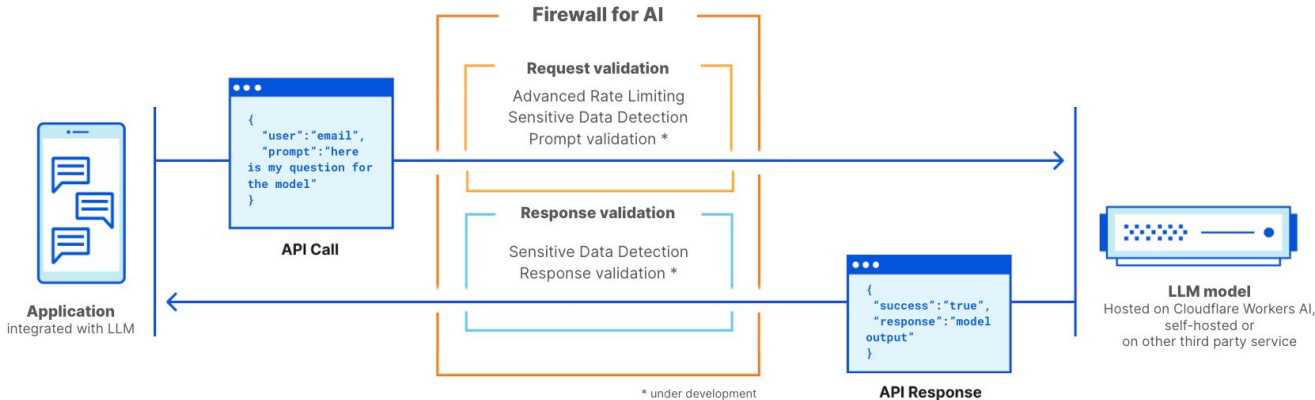


Comply

Control where data is stored and inspected with **Regional Services** and **Data Localization Suite**

Privacy-first approach means that your customer data will not be used for training purposes

Secure how AI resources are consumed

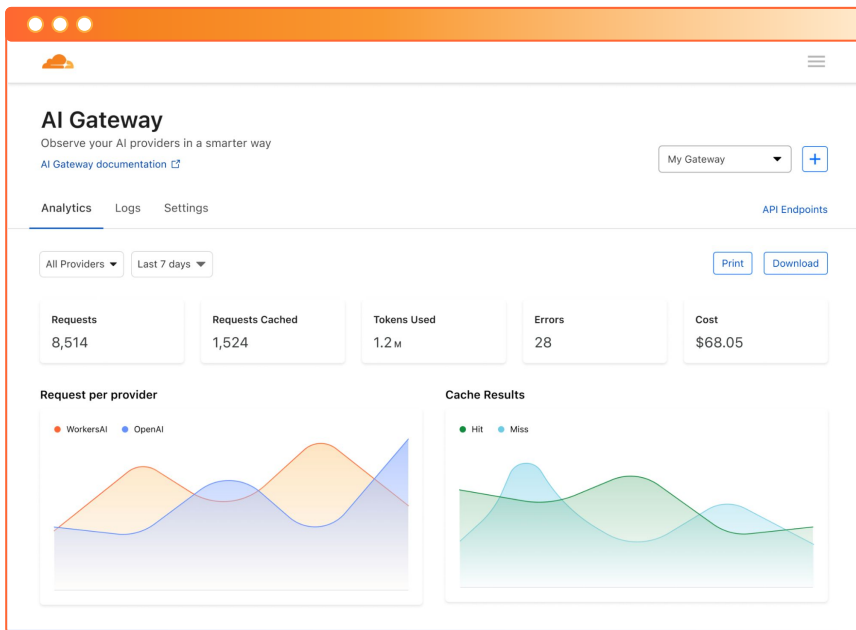


Secure

Identify abuse and attacks before they reach and tamper with Large Language Models (LLMs) with **Firewall for AI**

Scan every API request with an LLM prompt for patterns and signatures of possible attacks, deployed close to the end user to protect models from abuse almost immediately

Observe and control AI applications



Optimize

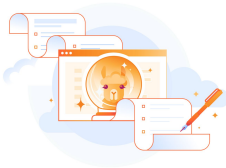
Observe traffic patterns, usage, logs, and cost with **AI Gateway**

Provide visibility into traffic & malicious actors

Alleviate the burden of cost & speed with caching and rate-limiting

AI Gateway is a full proxy with caching, rate limiting, request retries, analytics, and tracking of AI usage to mitigate data loss and AI integrity

Generative AI use cases on Workers



Text generation

Generative AI models can be employed for text generation tasks, including content creation, automatic text summarization, and chatbot responses.



Image synthesis

Generative Adversarial Networks (GANs) can create realistic images, contributing to applications such as art generation, image editing, and data augmentation for computer vision tasks.



Code generation

Automatically generate code snippets or entire programs based on natural language descriptions, thereby expediting software development processes.



Drug discovery

Generative AI can accelerate drug discovery by suggesting novel molecular structures for drugs compounds, providing researchers with potential candidates for further exploration.



Music compositions

AI models can generate music compositions based on learned patterns, assisting in music production, creating background scores, and inspiring musicians in the creative process.



Design and creativity

Generative AI can assist designers by suggesting new designs for products, logos, or others creative projects. This capability can be particularly useful for ideation and rapid prototyping.

Why Cloudflare for AI?



Network Scale

One global network

- Scale and enforce controls as you **consume** AI
- Accelerate inference, querying and caching as you **build** AI



Ease of use

One control plane

- Simple deployment and policies as you **consume** AI
- Templates to get onboarded quickly as you **build** AI



No trade-offs

One programmable architecture

- Layer new security without disrupting how you **consume** AI
- Built-in privacy and compliance as you **build** AI

Experiment with AI securely with partners



MANDIANT

PingIdentity®

DATADOG

sumo logic

Meta



databricks



Go-To-Market



Mark Anderson
President of Revenue



“Why did I join Cloudflare?”

- The market is coming to where Cloudflare is already

The C-Suite is navigating an uncertain economic outlook and a volatile geopolitical landscape

Challenge



Ever increasing
operational bills



Continuous
infrastructure sprawl



Vendor fatigue

Opportunity



Save costs



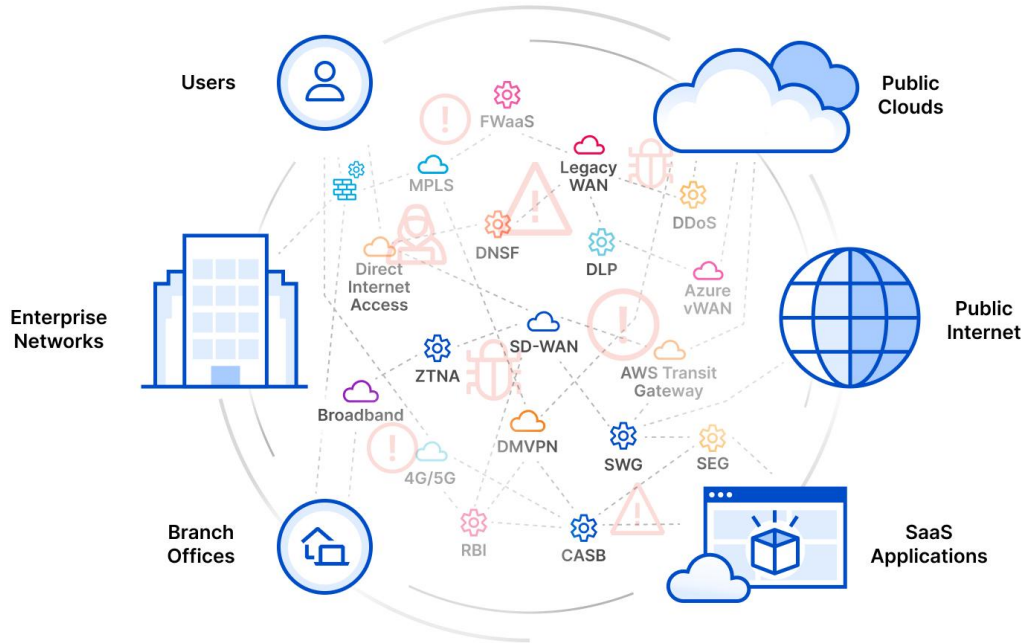
Generate greater
revenues

Legacy networks and products are only adding to the rising complexity and costs

No visibility or control of infrastructure sprawl

Silos of point network and security solutions

Lack of scale and flexibility



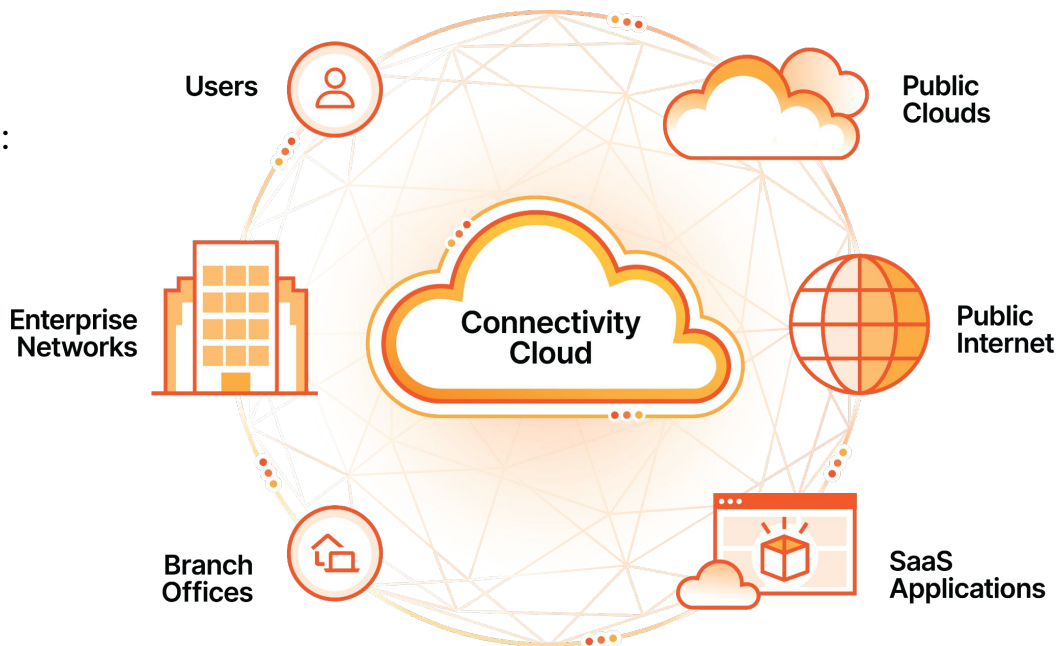
This complexity and loss of control increase costs, risk, and time to value

Introducing Connectivity Cloud

A radically different approach for customers to connect, protect, accelerate, and build their businesses – enabling everything and everyone to be everywhere, while retaining complete control

Businesses gain a competitive edge with:

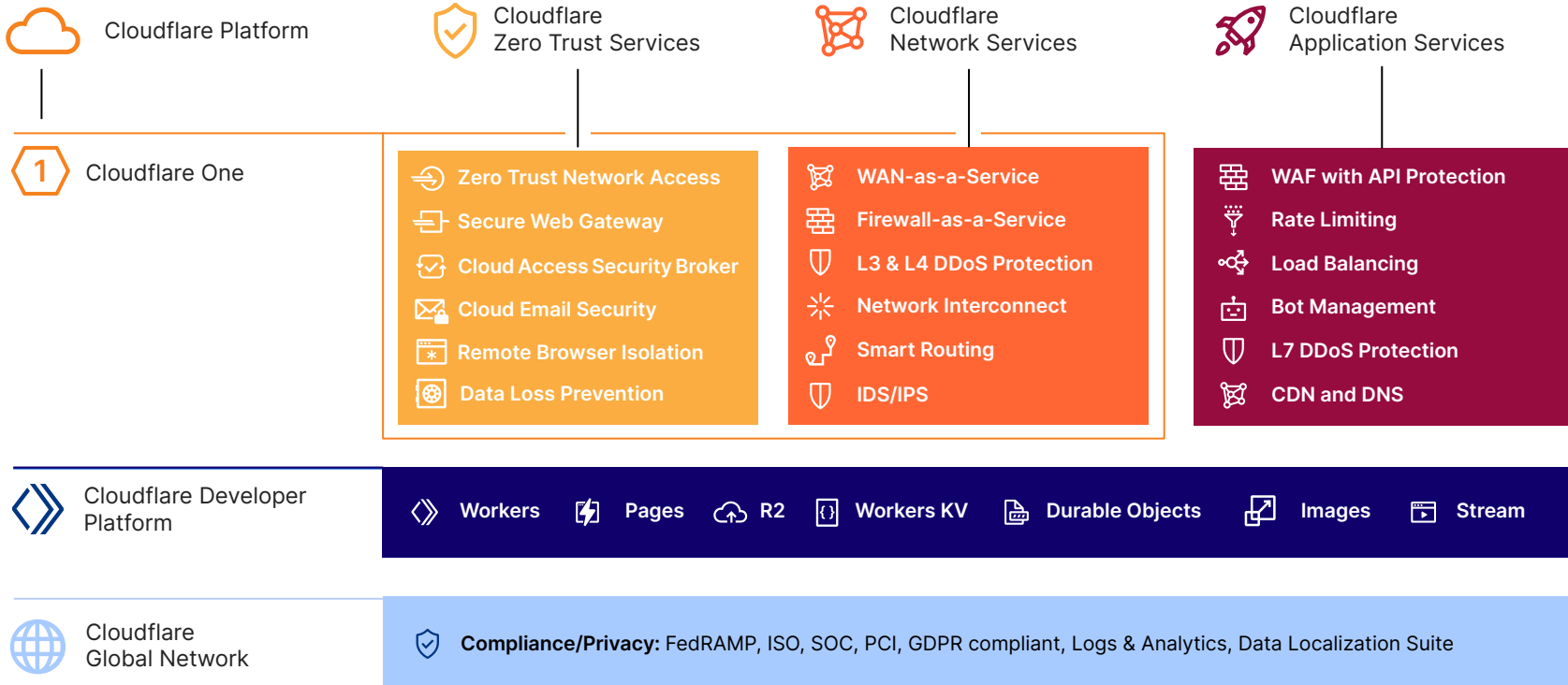
- ✓ Any-to-any connectivity
- ✓ AI and innovative apps
- ✓ Multi-cloud flexibility
- ✓ Secured workforce



Powered by a global network at scale

Cloudflare is the only composable, Internet-native platform...

...that delivers local capabilities with global scale

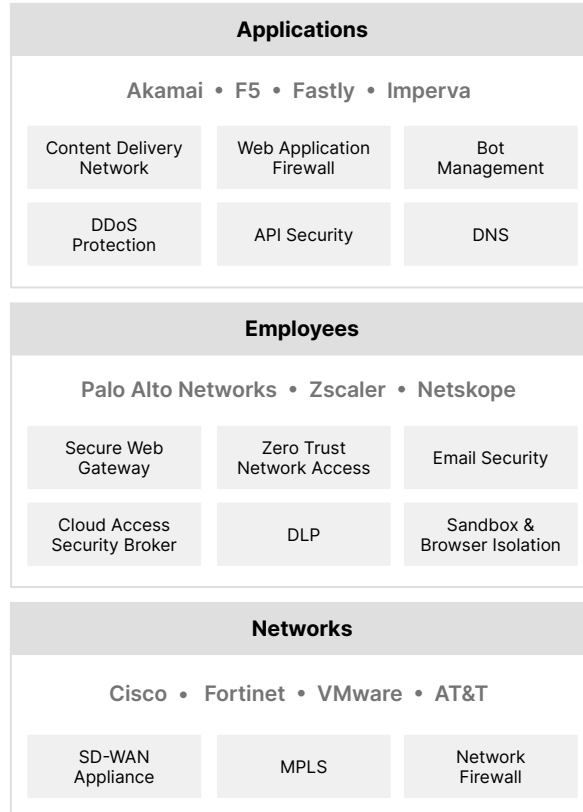


Customer perspective: simplify and consolidate on a single, unified platform

Total Cost of Ownership

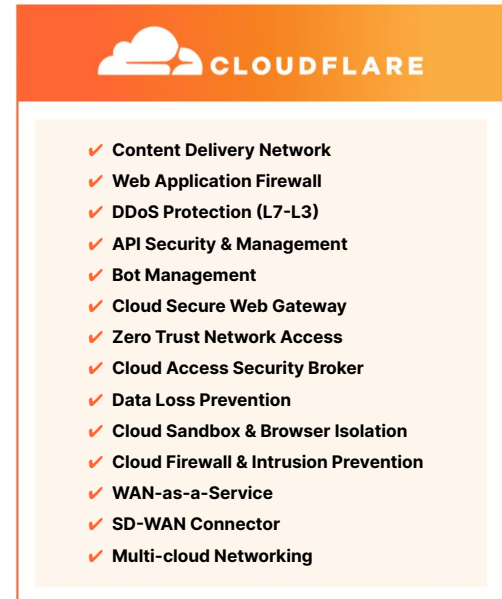
Current State

Loss of control, vendor sprawl



Future State

Cloudflare's connectivity cloud



TCO Reduction



Accelerating GTM Momentum

Physics 101

$$p = m v$$

Momentum, n.

the quantity of motion in a moving body, expressed as the product of its mass and velocity

Mass, n.

the quantity of matter within a given object

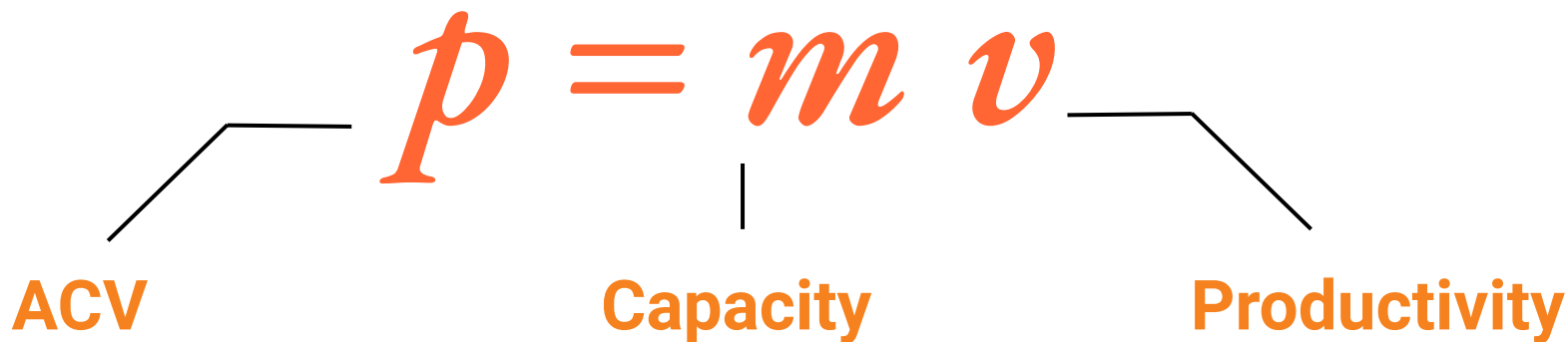
Velocity, n.

a quantity that designates speed together with the direction of movement

Physics 101...translated to B2B sales

$$p = m v$$

ACV Capacity Productivity



Last year...

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



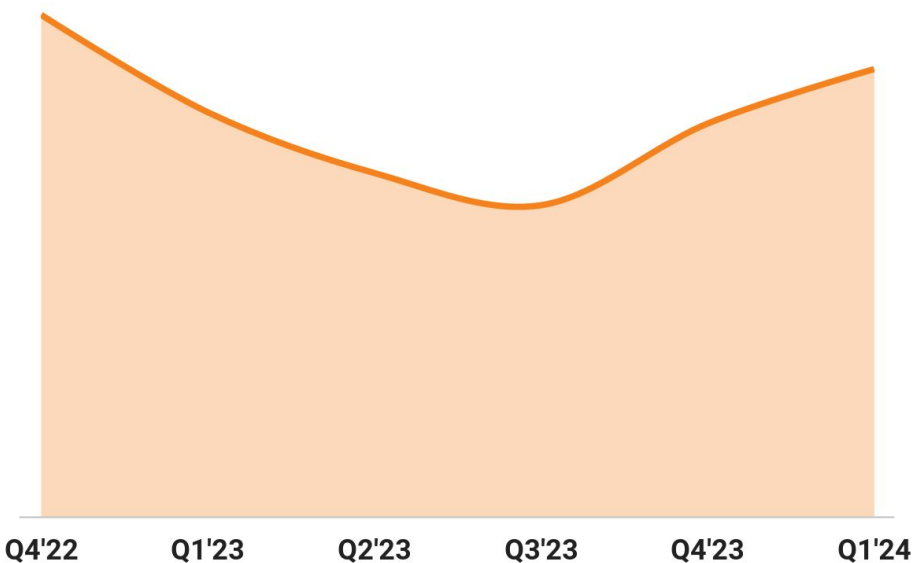
Note: Total Addressable Market figures are Cloudflare estimates based on IDC market forecasts. Figures reflect the markets addressed by our current product offerings. For markets not profiled by IDC forecasts, such as threat intelligence software and anti-fraud software, Cloudflare's estimates are based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

Last year,
we were
performance constrained and
have focused on
refining our go-to-market strategies and operations to
drive improved
productivity

p = m v

...Now

Rolling 4-Quarter ACV per Account Executive (Net)



We are encouraged by the **improvement in sales productivity** from the trough of last year toward productivity levels previously achieved



2024 Action Plan

Physics 102...translated to B2B sales

$$\underset{\substack{| \\ \text{Momentum, n.}}}{p} = m \frac{\overset{\Delta x}{\text{Direction, n.}}}{\underset{\substack{\text{Pace, n.} \\ \underbrace{\hspace{1.5cm}} \\ \text{Velocity, n.}}}{\Delta t}}$$

quantity that designates the distance moved in a specific direction divided by the time taken

Top 5 action items in 2024



Add stage-appropriate **talent**



Become more **systematic and targeted**



March towards the **Enterprise**

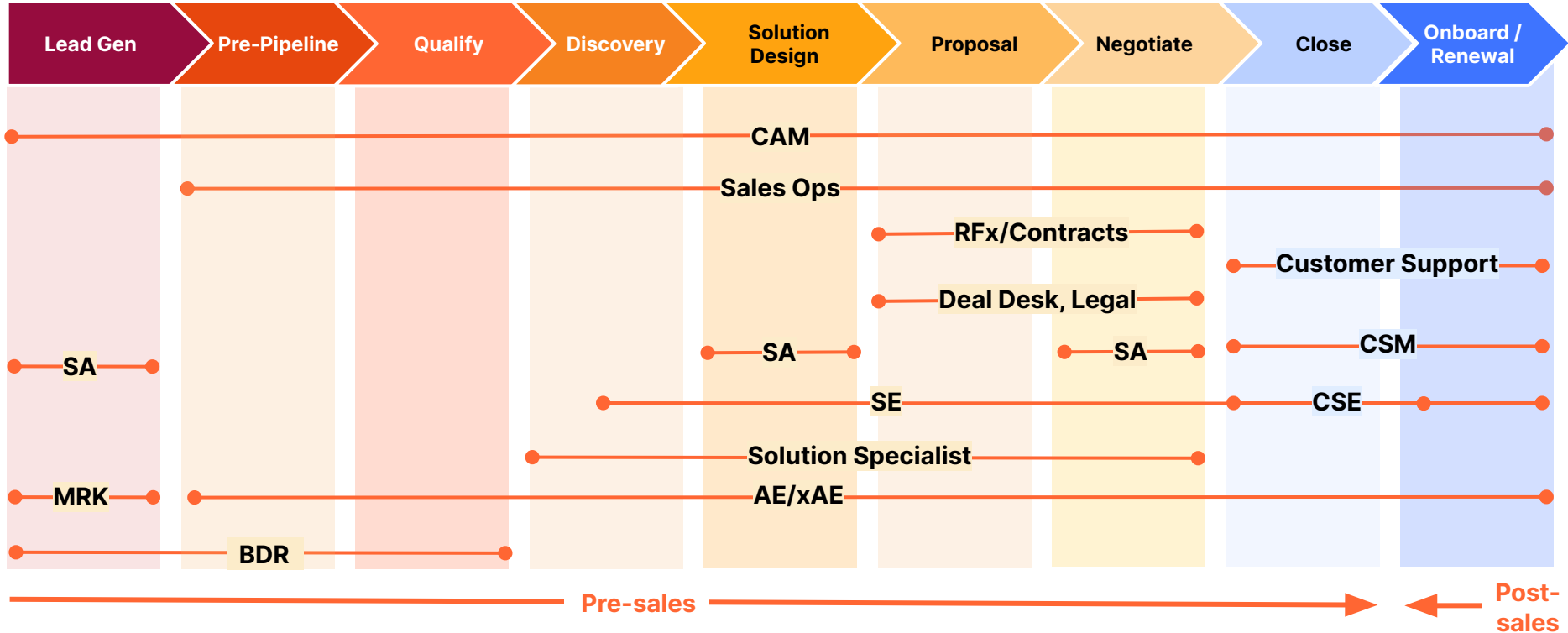


Sell **the platform,** sell **solutions**



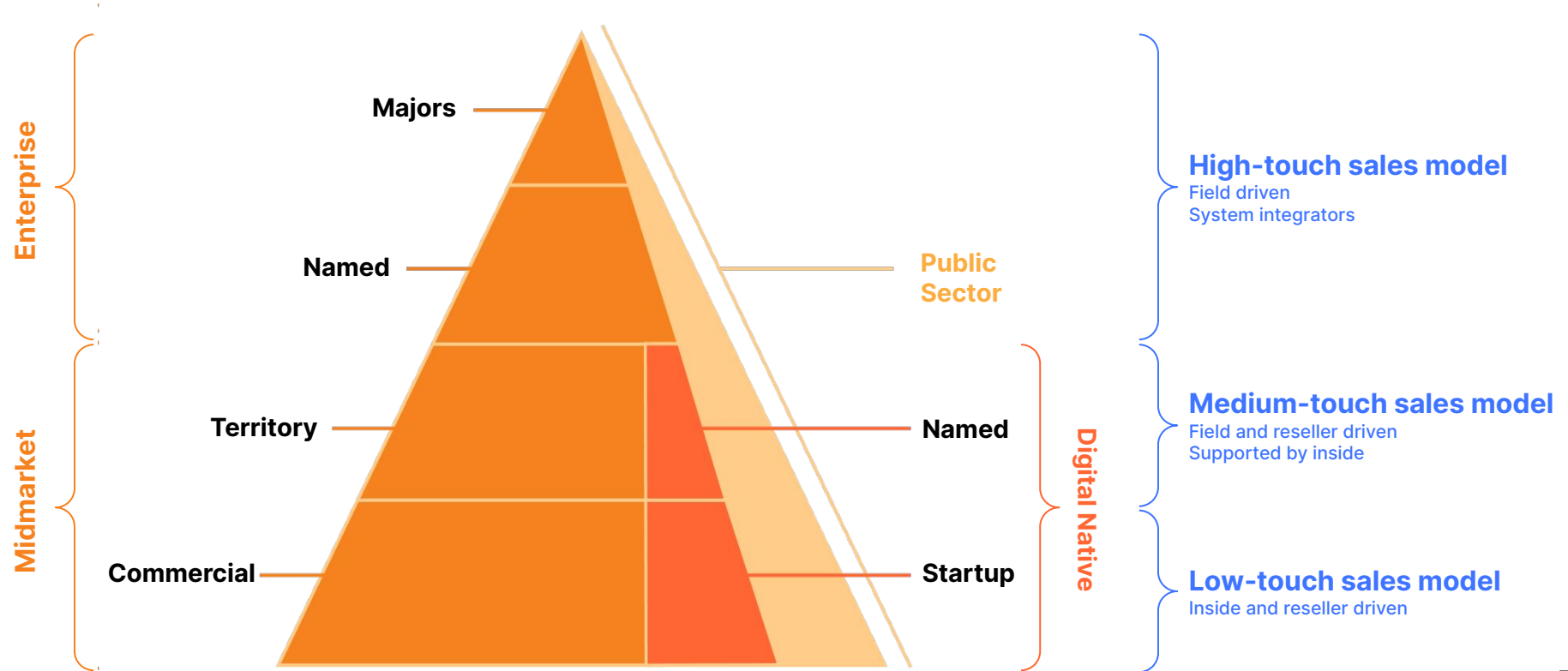
Power up with **partners**

Add stage-appropriate talent across the sales process



Repeat for continual upsell / expansion opportunities

Become more systematic and targeted



360-degree enterprise customer engagements



Focus on the Customer Lifetime Value (CLV) to maximize total account penetration

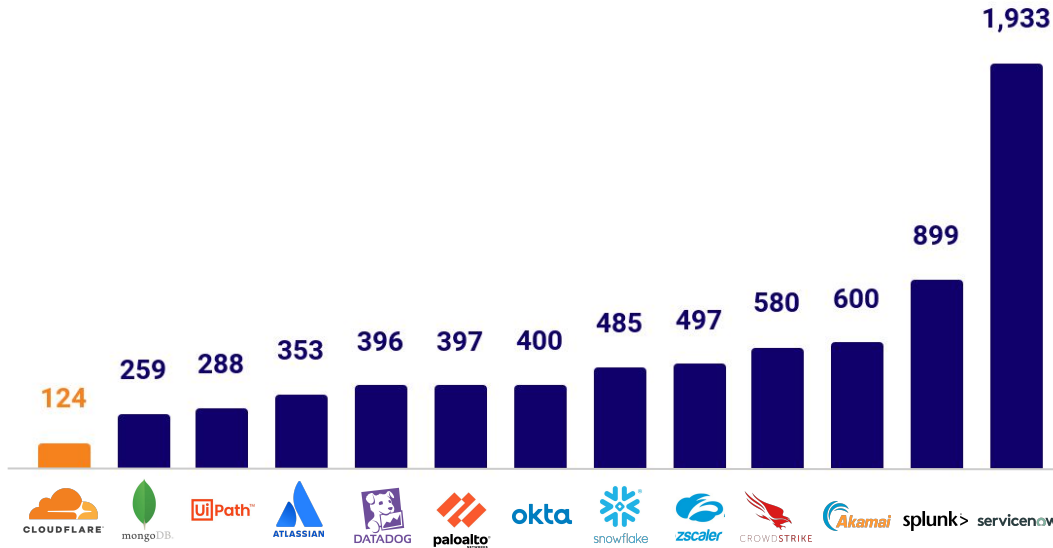
Facilitate high cross-functional coordination

Build intimate customer relationships

Increase focus on the customer journey

Just scratching the surface with enterprise accounts

Number of \$1M+ Customers



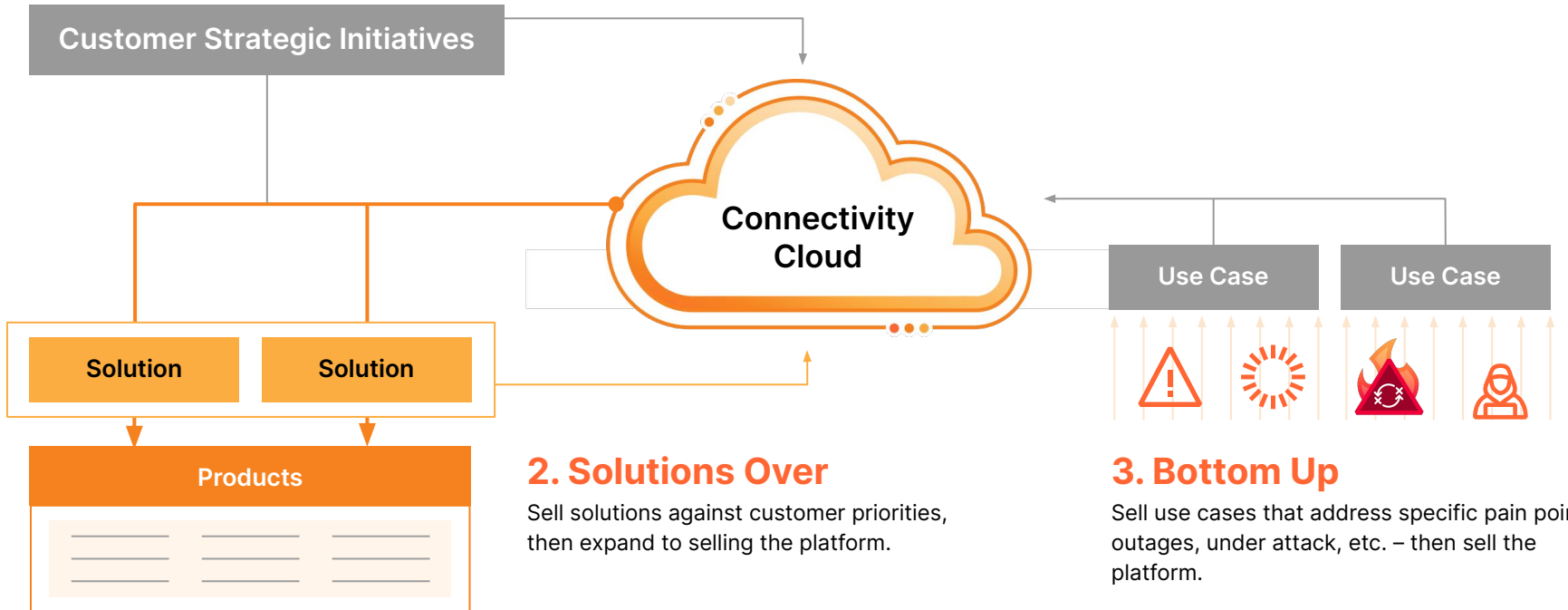
\$1M+ customers represent **less than 1%** of Cloudflare's total paying customers

Source: Latest company reports, filings, and investor presentations as of May 29, 2024. Cloudflare and ServiceNow are as of March 31, 2024. MongoDB, Okta, Zscaler, CrowdStrike, and Splunk are as of January 31, 2024. UiPath is as of April 30, 2024. Atlassian is as of June 30, 2023. Datadog is as of December 31, 2023. Palo Alto Networks and Snowflake are as of April 30, 2024. Akamai is as of May 19, 2022.

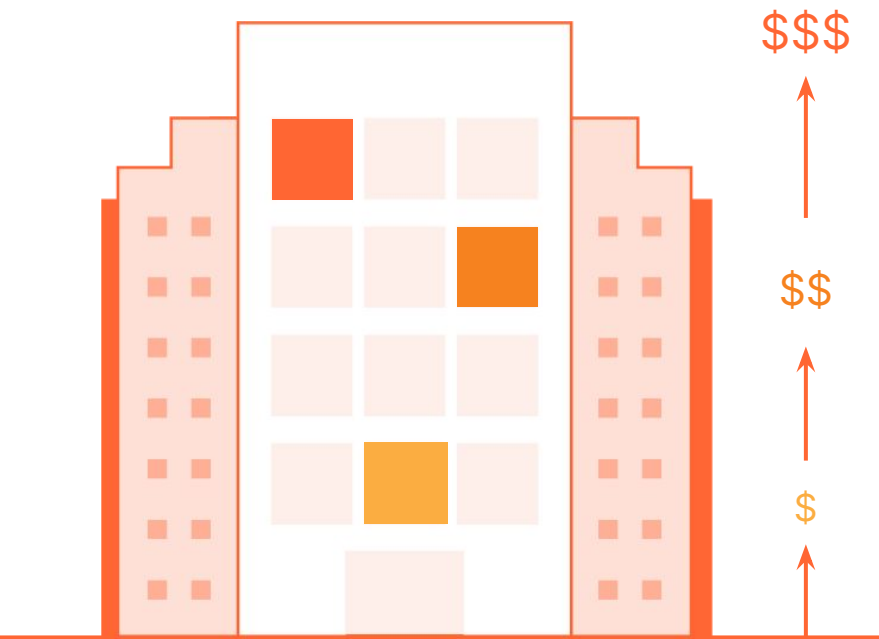
Engage customers with three sales motions

1. Top Down

Position the platform, deliver solutions.



Top Down: Targeting the right audience with a platform pitch for bigger deals



CIO | CTO | CISO | CFO

Problems: Enable, scale, and protect an agile business in line with CEO strategy

Solutions: Cloudflare platform for Security, Connectivity, Privacy, Performance, and Agile Development

VP Security | VP Networking

Problems: Secure the enterprise; connect users, data and devices

Solutions: Zero Trust, Magic Transit, Magic WAN, Magic Firewall

Developer | IT Practitioner

Problems: Build and manage applications to execute against the strategy set by leadership

Solutions: Workers, Application Performance

Solutions Over: Unlocking solution/sales play combinations based on customer priorities



Customer Priorities

1 Secure Websites, applications, & APIs



WAF, API Shield, DNS Firewall, L7 DDoS, Bot Management, Rate Limiting, Page Shield, Firewall for AI, Spectrum

2 Protect the network



Magic Transit, Magic Firewall

3 Build innovative applications & augmenting with AI



Workers, KV, Durable Objects, Pages, R2, D1, Images, Stream, Workers AI, AI Gateway, Vectorize, Data Localization Suite

4 Accelerate application performance & improve customer experience



CDN, Cache Reserve, DNS, Argo Smart Routing, Images, Stream, Load Balancing, China Network

5 Secure access for your workforce



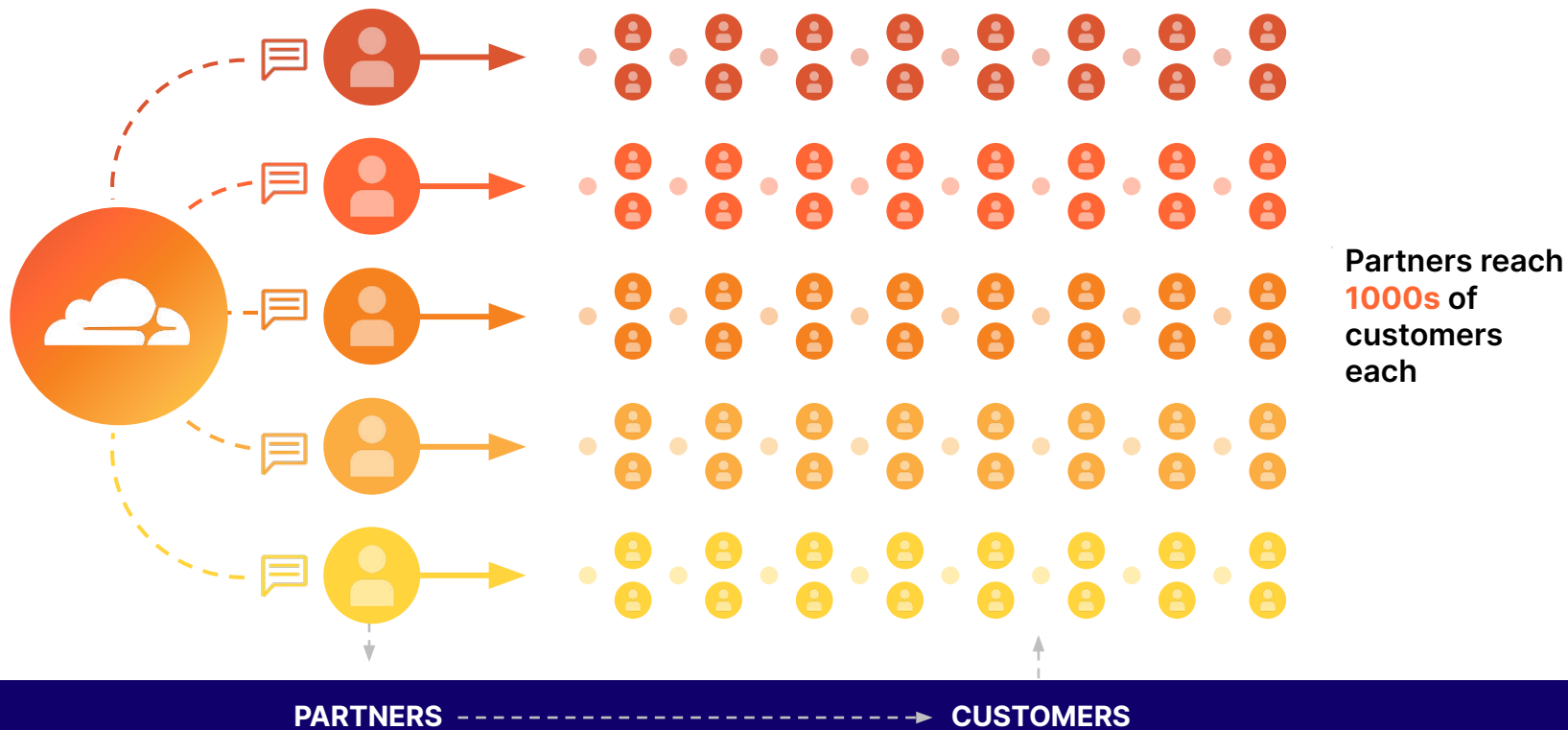
Access, Gateway, RBI, CASB, Area 1, DLP

6 Modernize WAN & replace MPLS



Magic WAN, Magic Cloud Networking, CNI Express, Argo Smart Routing

The power of partnership



New PowerUP partner program



One Simplified Global Partner Program

Revised tier structure driving transactional partners through distribution

Specializations based on partner type, business model or product orientation



Enhanced Partner Profitability Framework

Partner discounts and incentives based on Reward for Value

Transparent and predictable pricing



Improved Partner Experience

Improved tools and processes to simplify transacting with Cloudflare

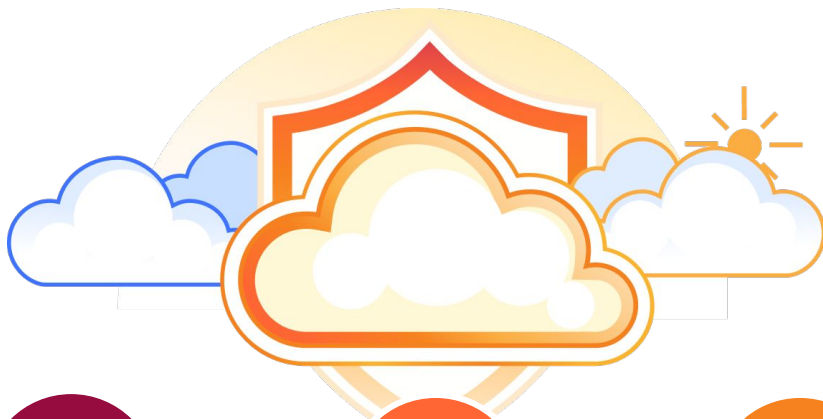


Strategic Planning

Align benefits and requirements with Select and Elite Tiers vs Focus Partners

Introduce Business Planning

The market is coming to **where Cloudflare is already**, and the time is **now**



*Data is the
new oil*



*Latency is the
new currency*



*Internet is the
new highway
to success*



*Zero Trust is the
new transportation*

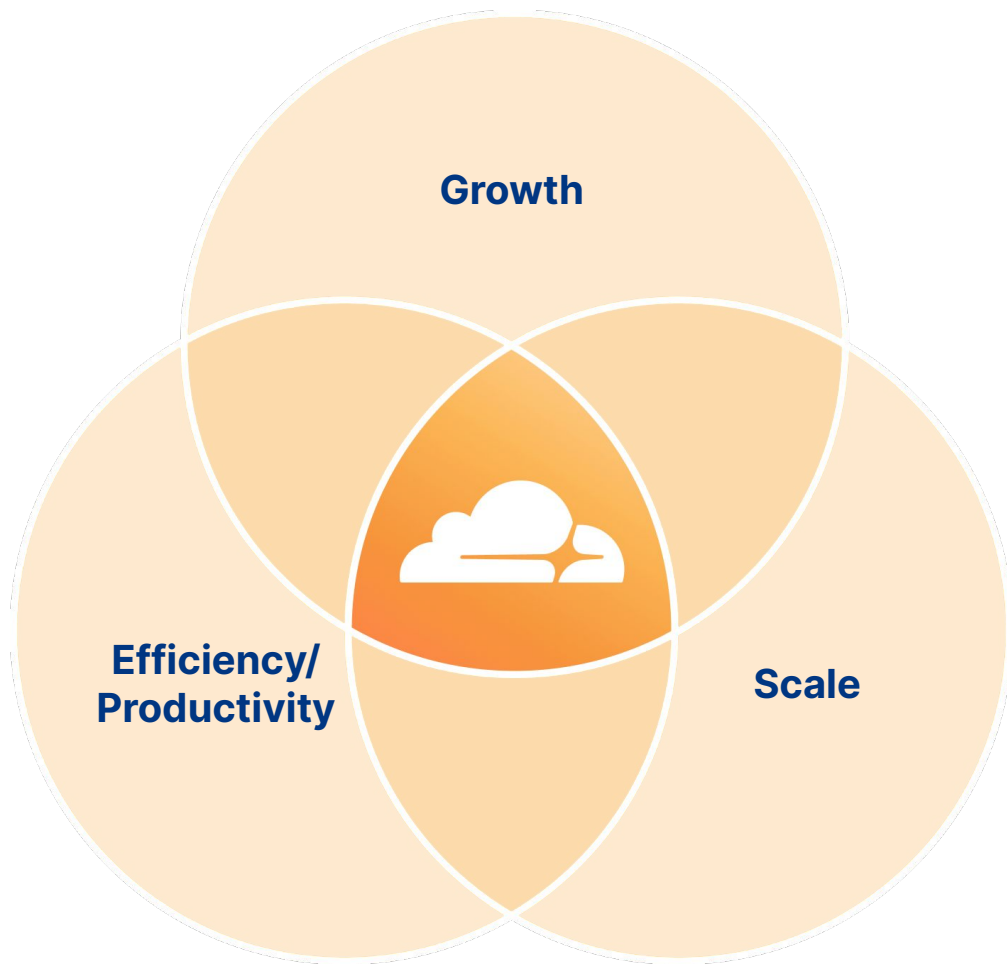


*Cloudflare is the
new fabric for
digital success*

Financials



Thomas Seifert
Chief Financial Officer



The ability to drive **efficient and productive growth at scale** separates the best technology companies in the world from all others



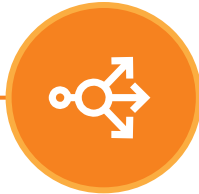
Growth



Growing large
customer cohort

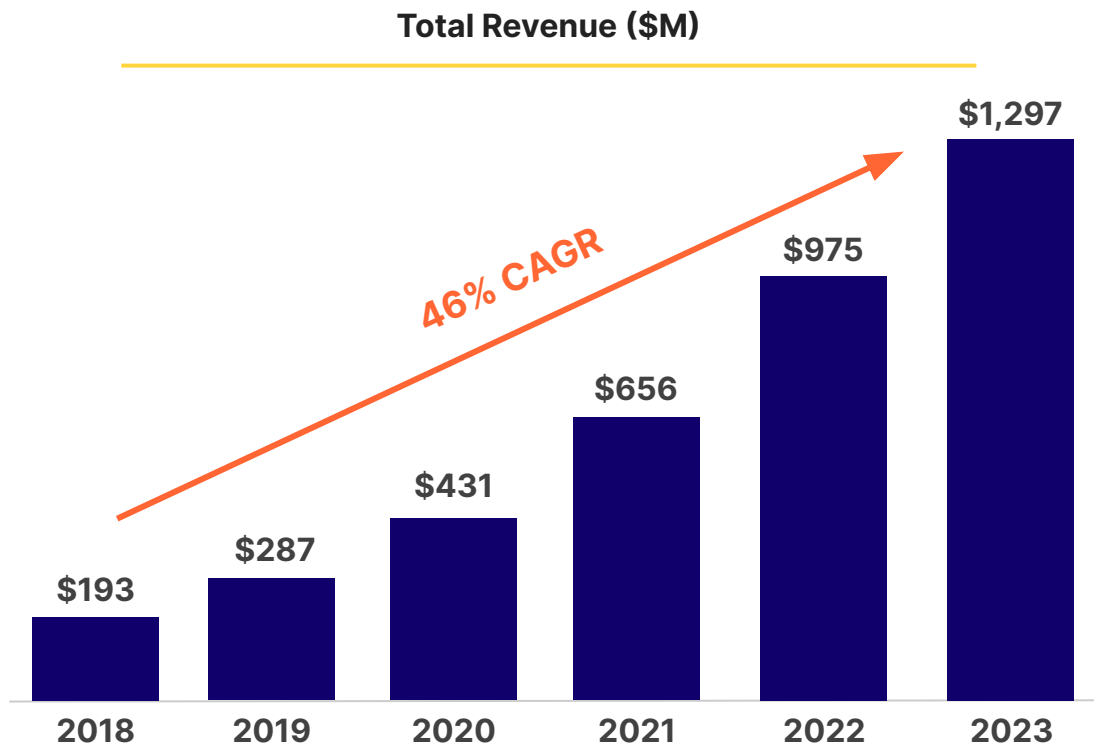


Expanding product
portfolio



Extending into
adjacent markets

Track record of delivering revenue growth



Investment in enterprise sales



Large customer momentum



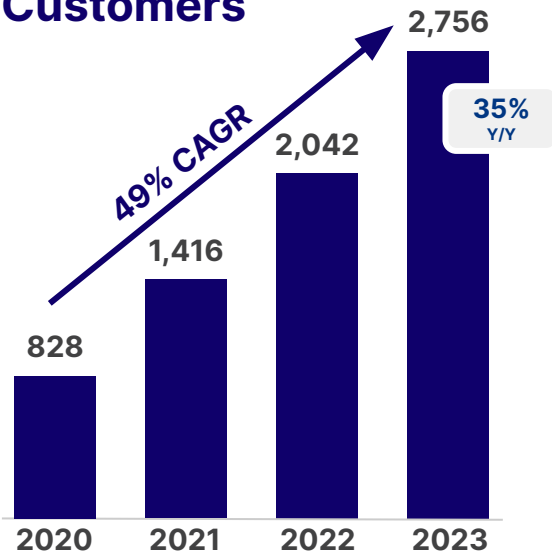
Land and expand strategy drives growth across cohorts



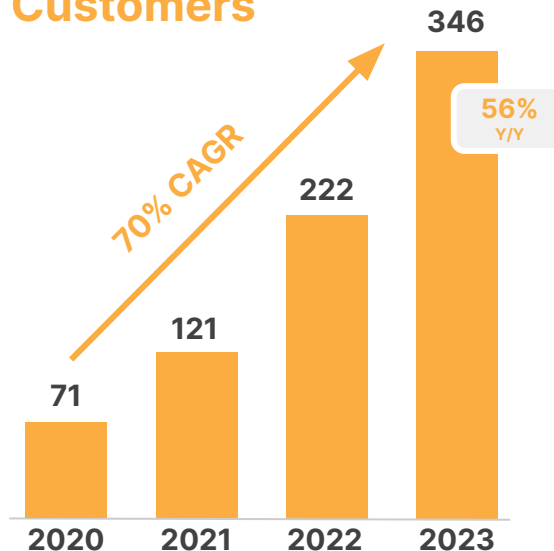
Increasing penetration across the entire product portfolio

Significant Growth in Large Customer Cohorts

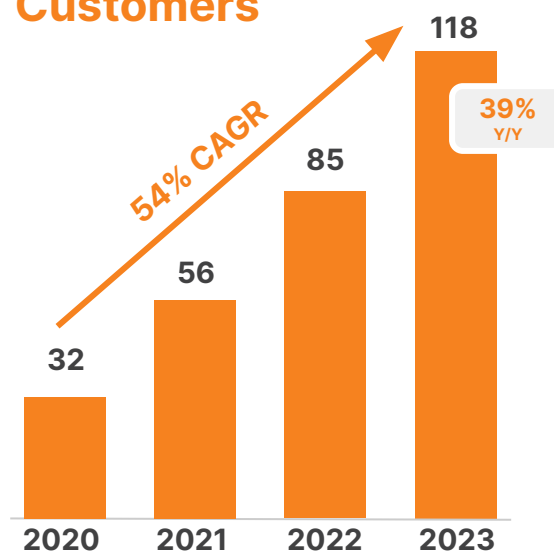
\$100K+ Customers



\$500K+ Customers



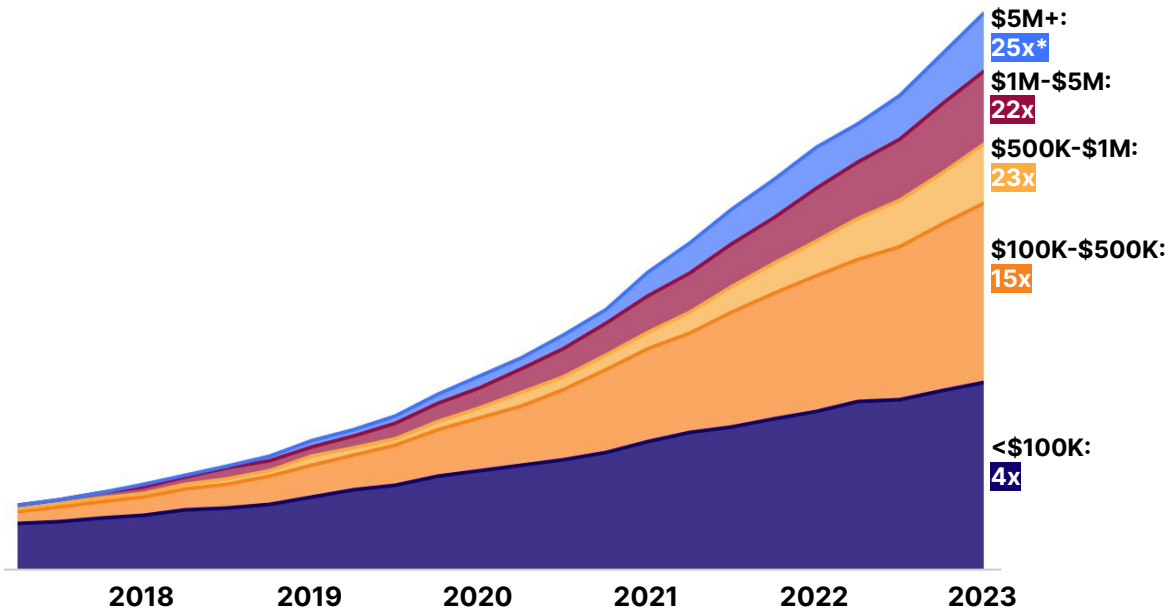
\$1M+ Customers



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+.

Rapid enterprise expansion

Revenue (\$M) by All Customers



~32% of Fortune 1,000, and 7 of the Top 10 are paying customers



Large enterprise go-to-market additions



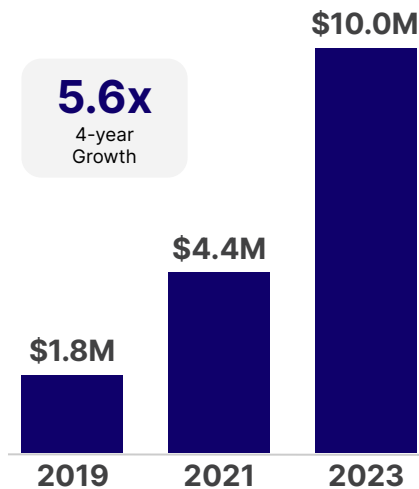
Enterprise-grade product portfolio

Note: Growth factors (e.g., 4x for <\$100K) are calculated as Q4'23 revenue divided by Q1'18 revenue, except for \$5M+, which compares Q4'23 to Q4'18. Fortune 1,000 figures are as of March 31, 2024.

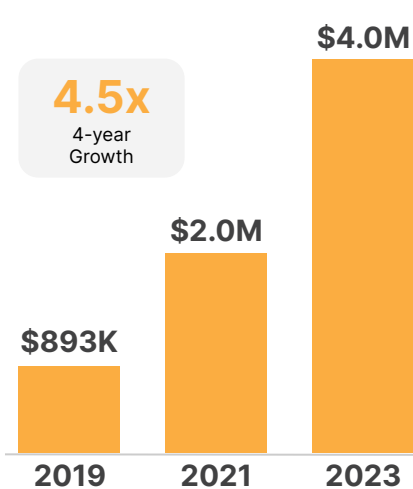
Increasing enterprise volume + scale

Minimum ARR Required to be a Top Account

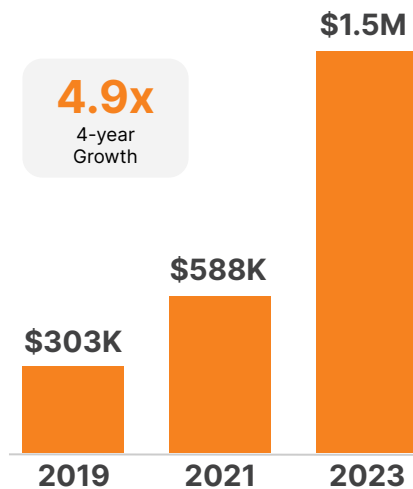
Top 10 Customer



Top 25 Customer



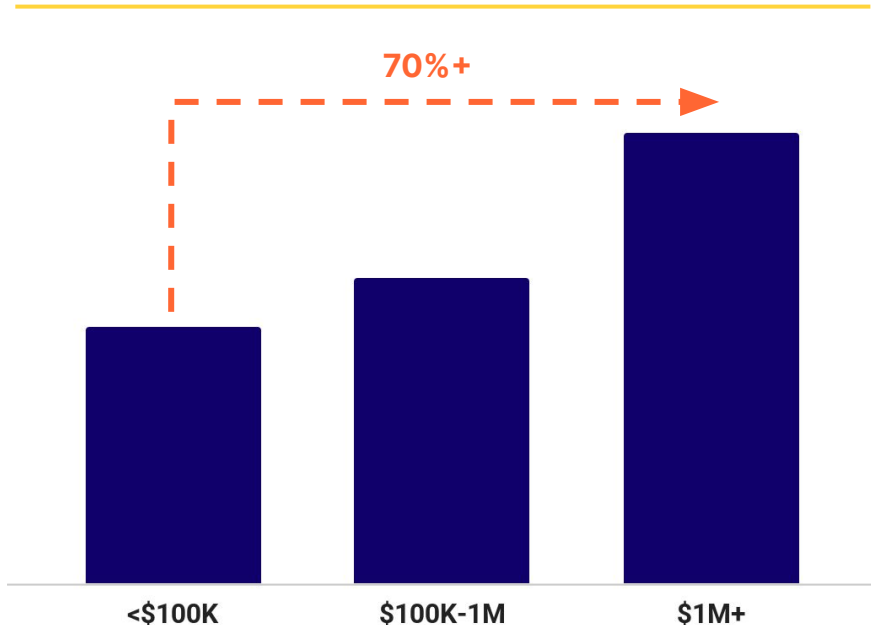
Top 100 Customer



Note: See Appendix for definition of Annual Recurring Revenue (ARR).

Increasing enterprise volume + customer lifetime

Average Customer Lifetime (Years)
by Revenue Contribution Cohort



The average lifetime of \$1M+ customers is **more than 70% higher** than that of <\$100K customers

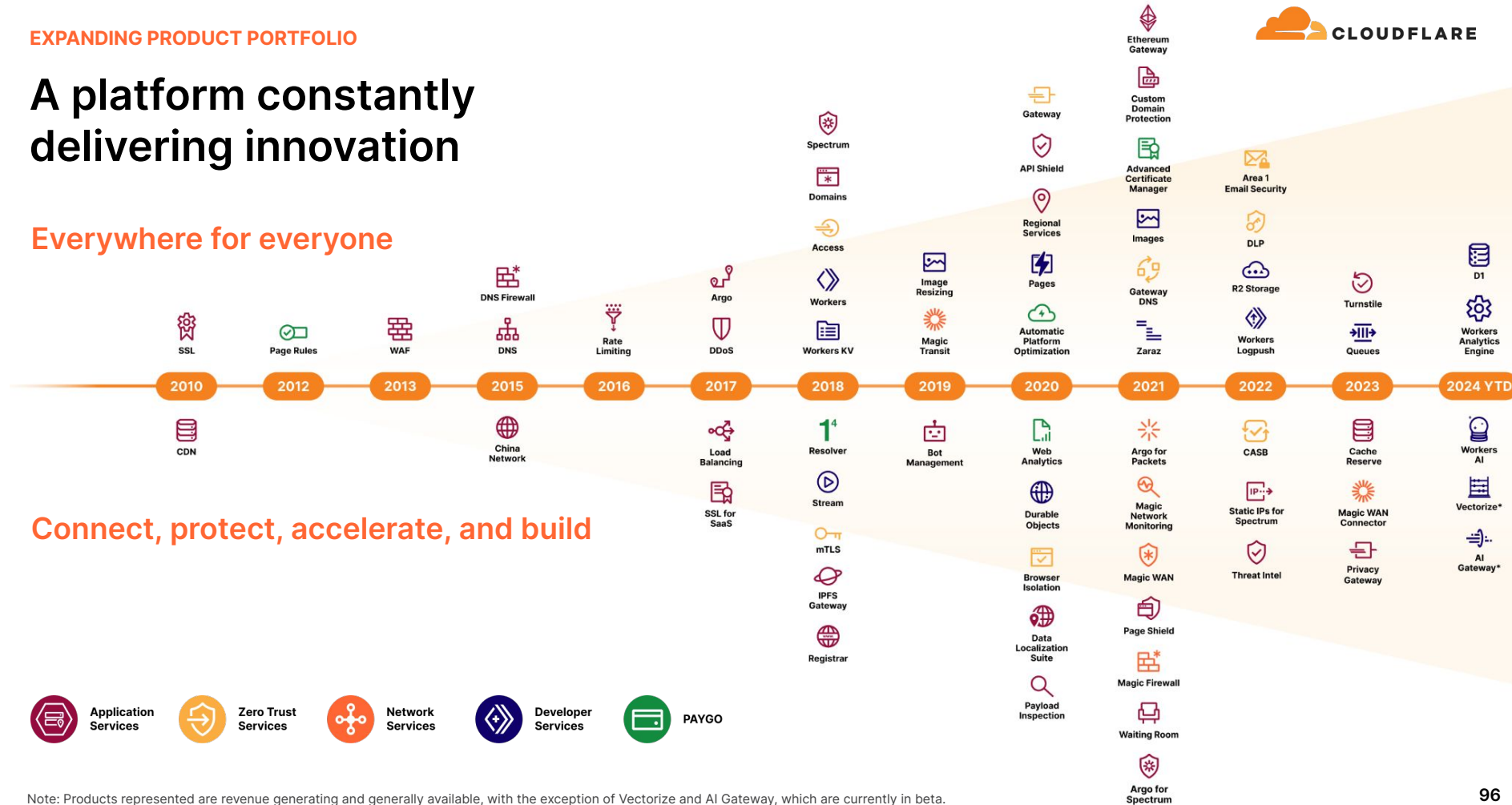
Note: For three months ended December 31, 2023. Average customer lifetime (years) is calculated by $1 / (\text{Churn \%} + \text{Contraction \%} + \text{Downgrade \%})$ for each respective cohort.

EXPANDING PRODUCT PORTFOLIO



A platform constantly delivering innovation

Everywhere for everyone

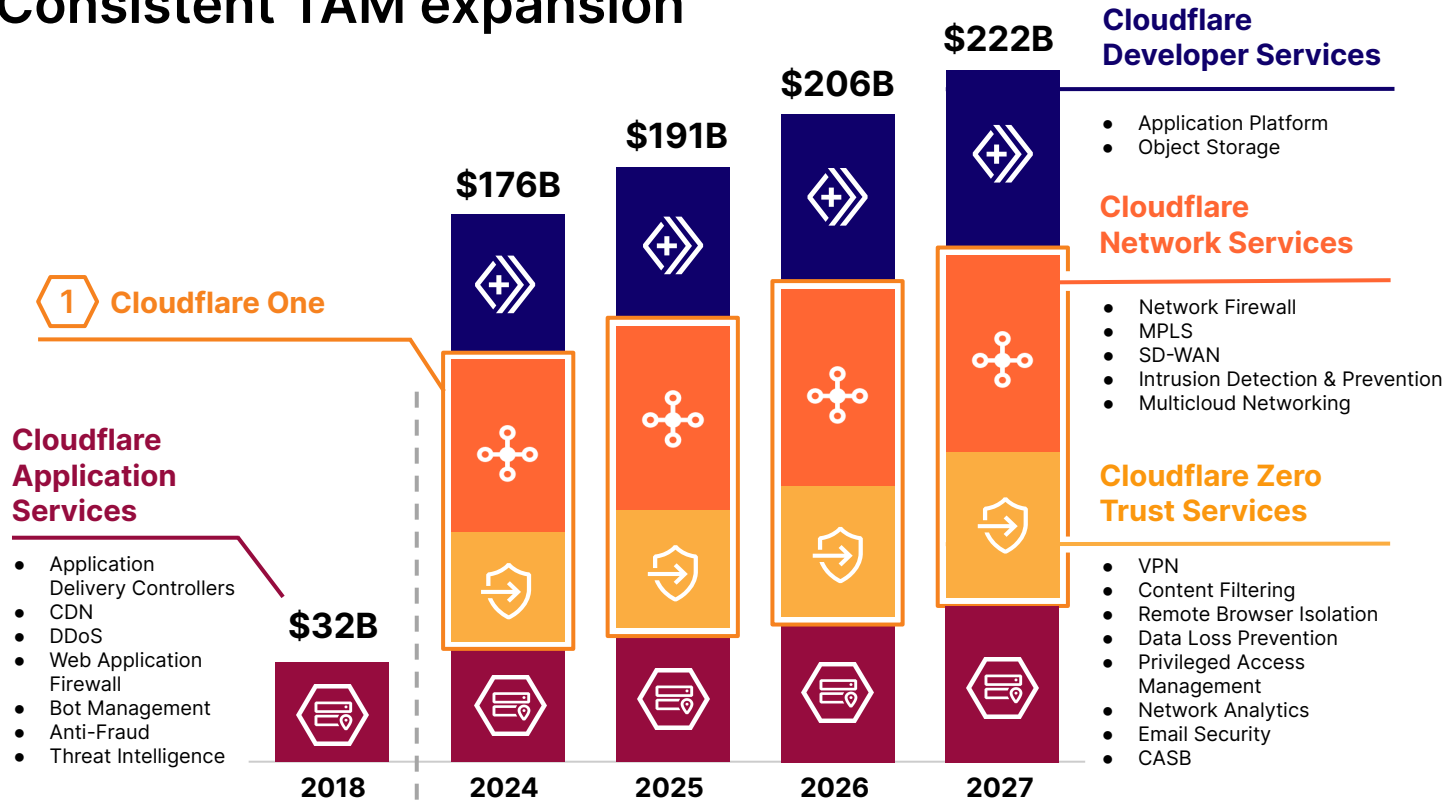


Connect, protect, accelerate, and build

- Application Services
- Zero Trust Services
- Network Services
- Developer Services
- PAYGO

Note: Products represented are revenue generating and generally available, with the exception of Vectorize and AI Gateway, which are currently in beta.

Consistent TAM expansion



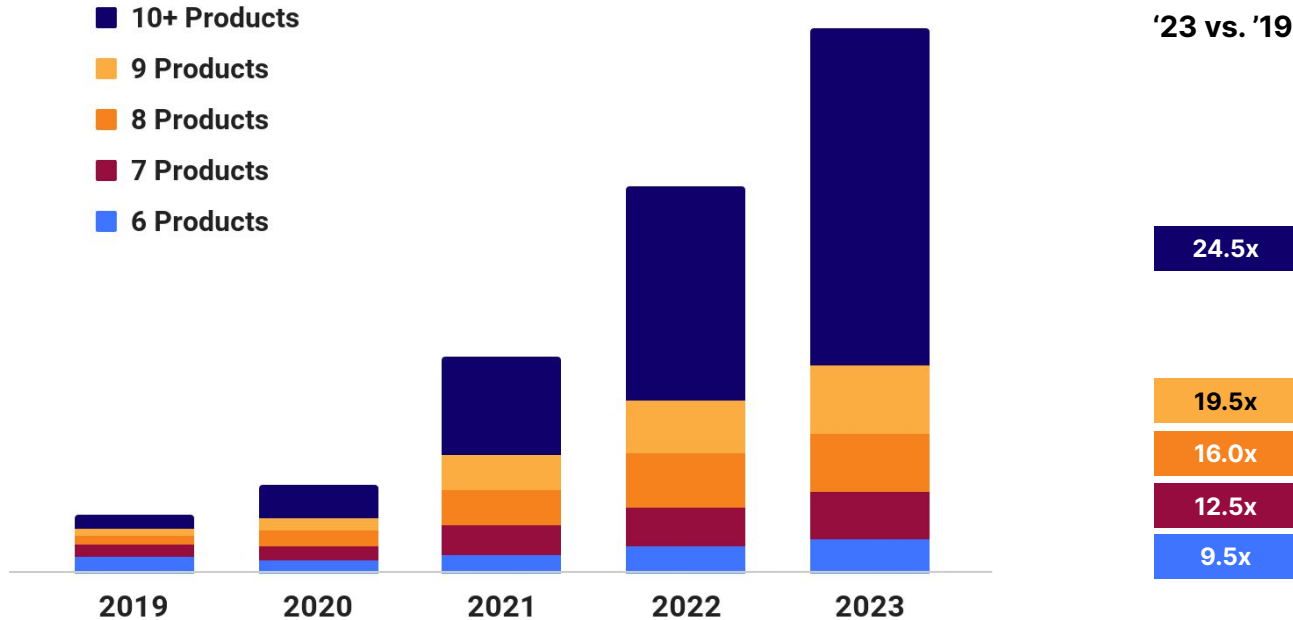
Areas for Potential Incremental Growth

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

Note: Graphic is prepared by Cloudflare. Total Addressable Market figures are Cloudflare estimates based on Gartner and IDC market forecasts. Figures reflect the markets addressed by our current product offerings. IDC markets covered include DDoS protection services, CDN, Bot Management, and API Security. All other markets are covered by Gartner forecasts. For full citation details on the Gartner forecasts used in Cloudflare's estimations, see the Appendix.

Land-and-expand strategy drives growth

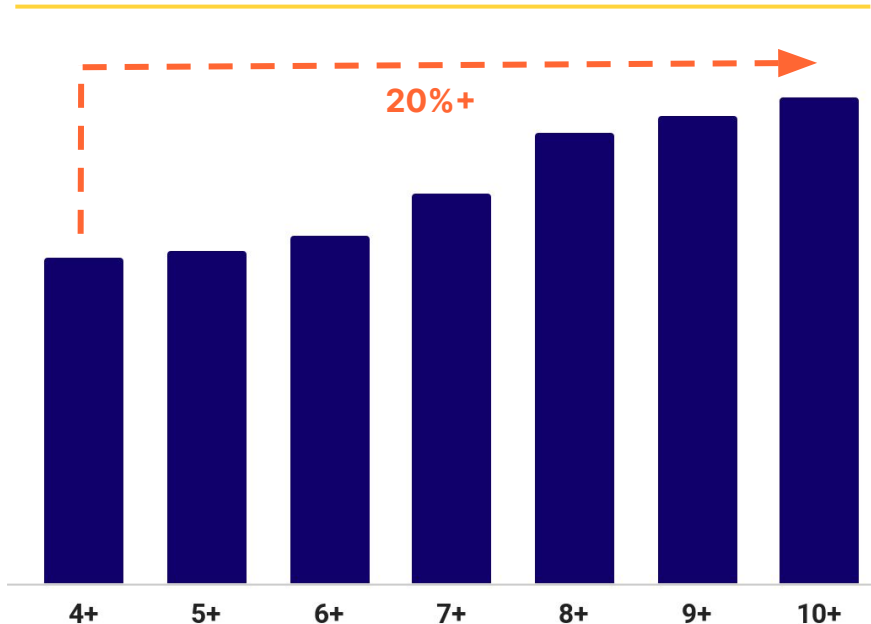
Revenue Contribution by Product Attach Rate Cohorts (\$M)



Note: Growth factors on the Revenue Contribution chart (e.g., 15.0x for 10+ Products) are calculated as Q4'23 revenue divided by Q4'20 revenue contribution from the respective cohort. Growth factors are rounded to the nearest 0.5x.

Increasing product adoption + customer lifetime

Average Customer Lifetime (Years)
by Product Attach Rate Cohort



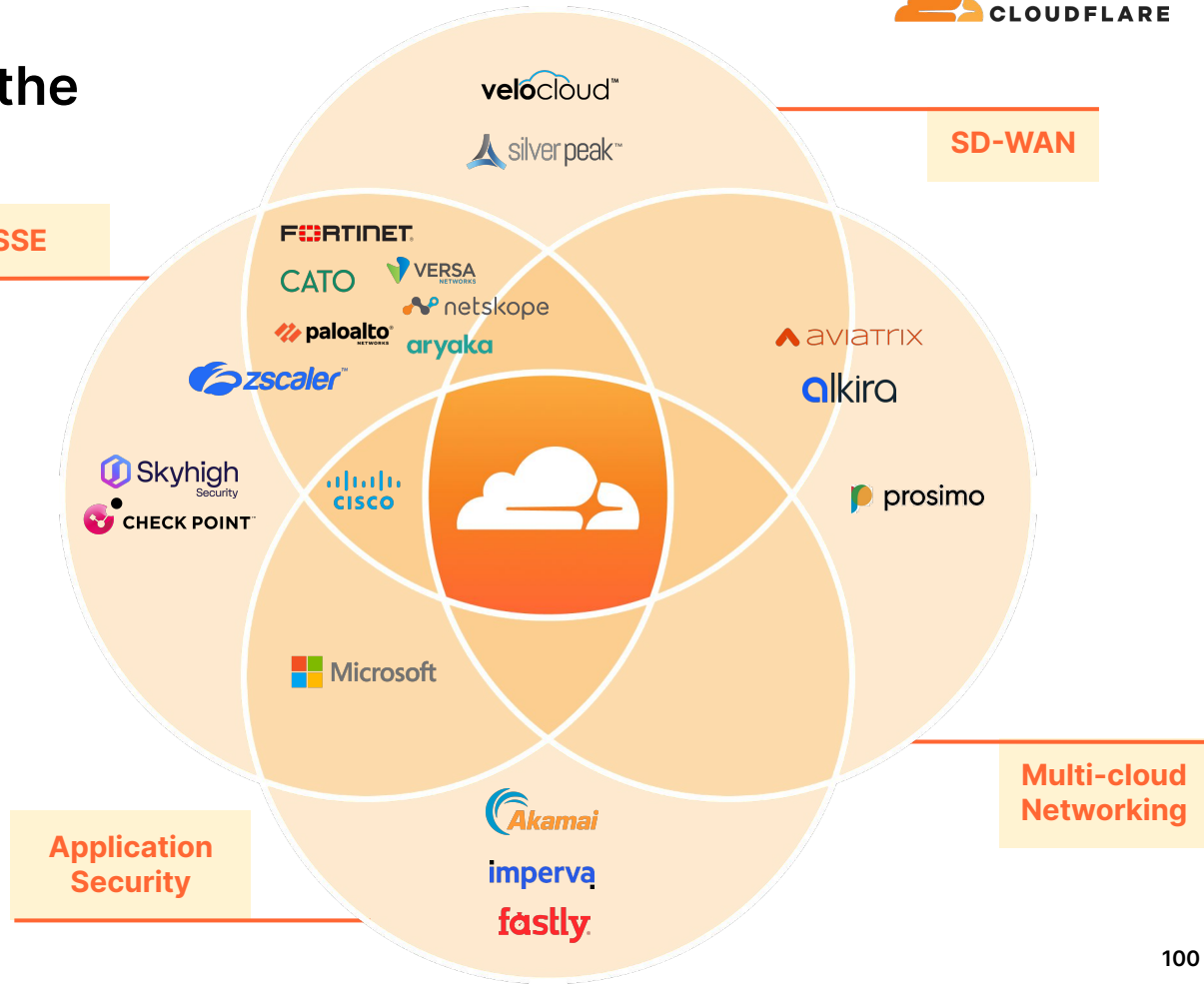
The average lifetime of customers adopting 10+ products is **more than 20% higher** than customers adopting 4+ products

Note: For three months ended December 31, 2023. Average customer lifetime (years) is calculated by $1 / (\text{Churn \%} + \text{Contraction \%} + \text{Downgrade \%})$ for each respective cohort.

There's a reason we use the term "Acts"...

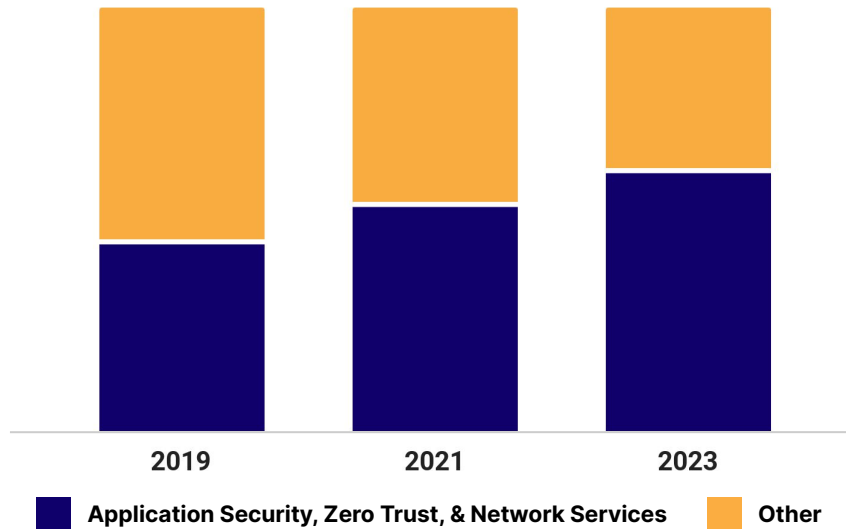
Cloudflare is uniquely positioned:

- CIOs, CTOs, CSOs, and production engineers trust us from our Act I products — Application Services
- Our network infrastructure is already in-place and ready to handle scale
- We natively developed Act II products — Zero Trust, Magic Transit, WAN-as-a-Service, etc. — on the same infrastructure, platform, and control plane as our Act I products



...Because acts in a play build on each other

Annual Contract Value (ACV) by Product Area



Note: Contribution by product area 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 (ACV) and contracted customers.

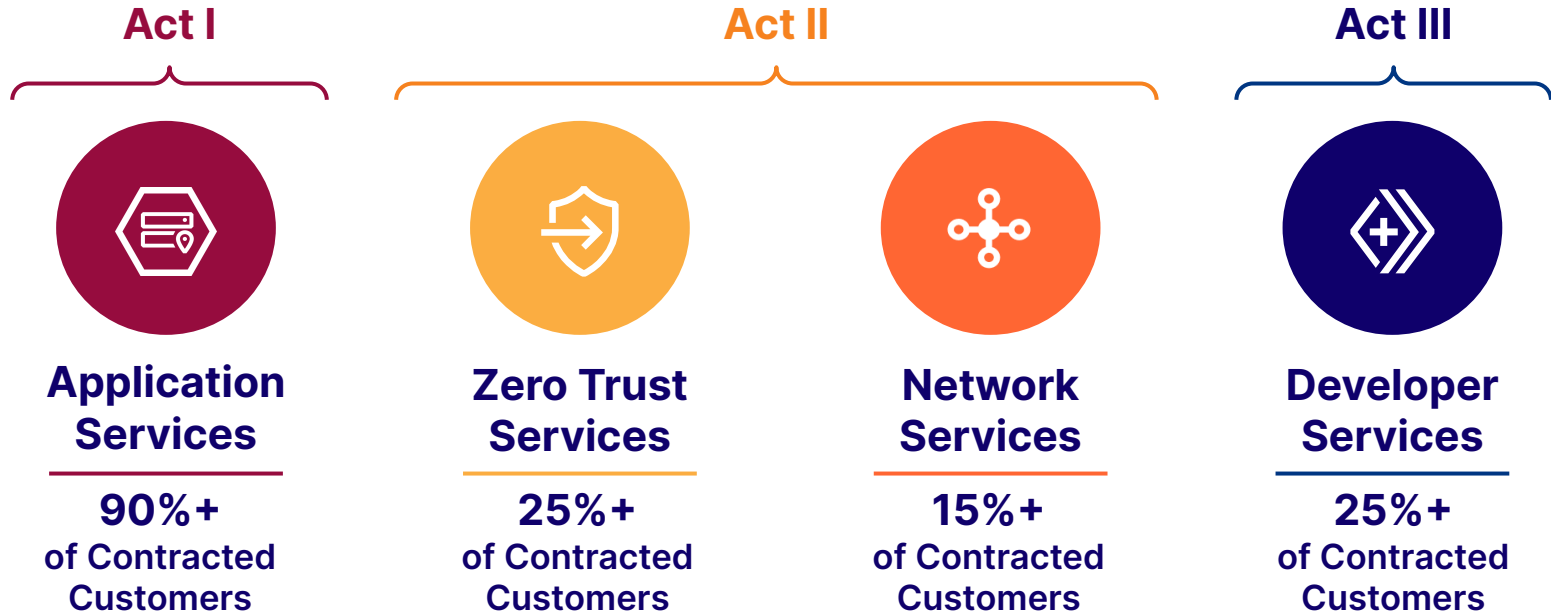
Connect and **protect** customers' *external, public-facing* systems and infrastructure



Connect and **protect** customers' *internal, private* systems and infrastructure

A multi-act play...

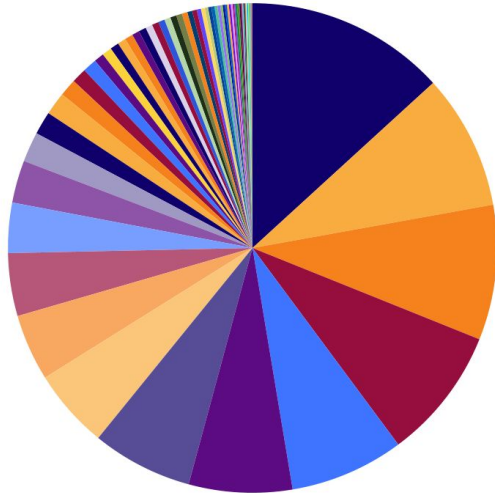
Product Attach Rates by Act in 2023



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, 2023. See the Appendix for how we define contracted customers.

...That is just getting started

Annualized Recurring Revenue (ARR) by Product SKU



Potential Opportunity of Current Products within Existing Customer Base

\$7.0 Billion
Total Potential

\$5.6 Billion
Potential Whitespace

\$1.4 Billion
ARR ending 2023

Note: Annualized Recurring Revenue by Product SKU as of December 31, 2023 for contracted customers. See the Appendix for how we define Annualized Recurring Revenue (ARR) and contracted customers. Potential Opportunity of Current Products within Existing Customer Base is determined as of September 30, 2023. See the Appendix for the methodology we use to determine the Potential Opportunity of Current Products within Existing Customer Base.



Profitability



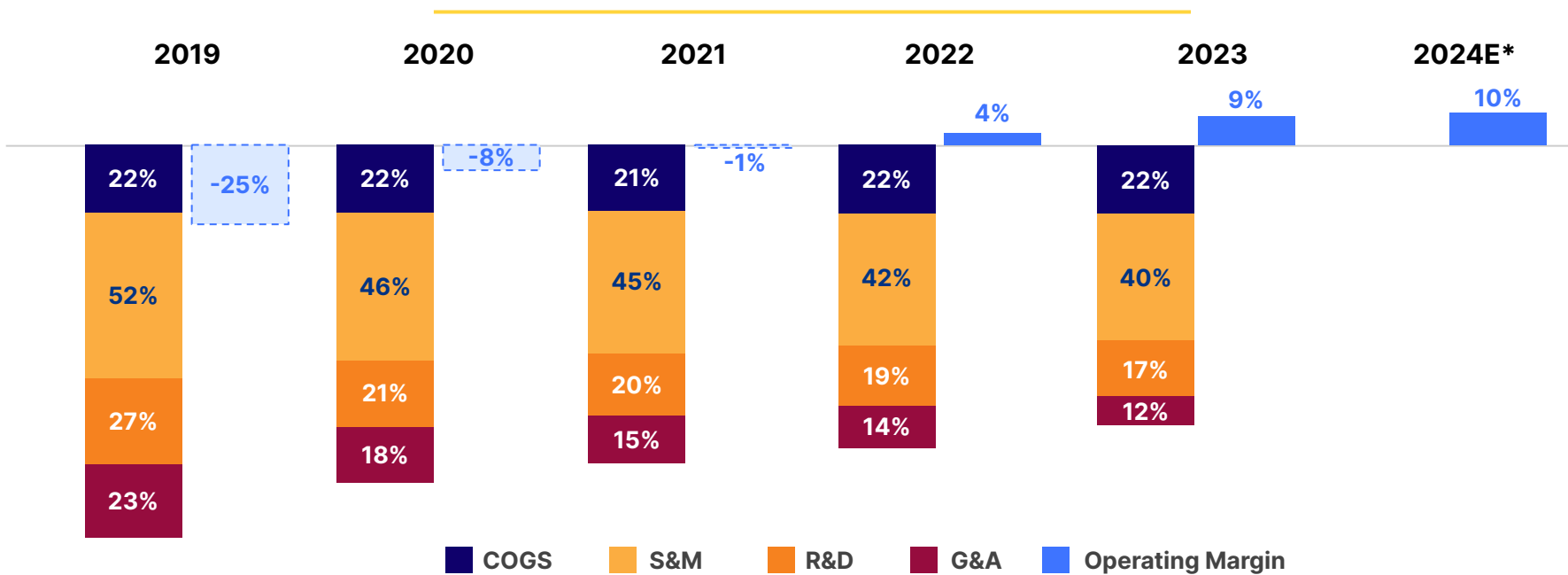
Unit
economics



Long-term
operating model

Elasticity and leverage in our operating model

Non-GAAP Operating Expenses & Operating Margin (% of Revenue)



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

*2024E is based on full-year mid-point guidance provided by Cloudflare on May 2, 2024. 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.

Unit economics

**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

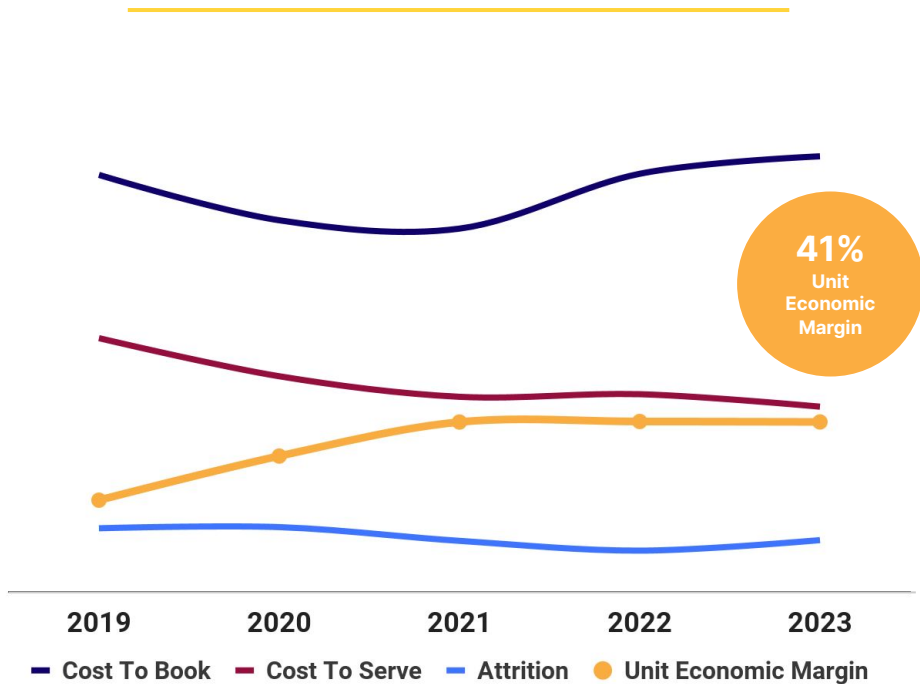
Attrition

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 = $[LTR - CTB - (CTS * LTR)] / LTR$

Unit Economic Margin by Component

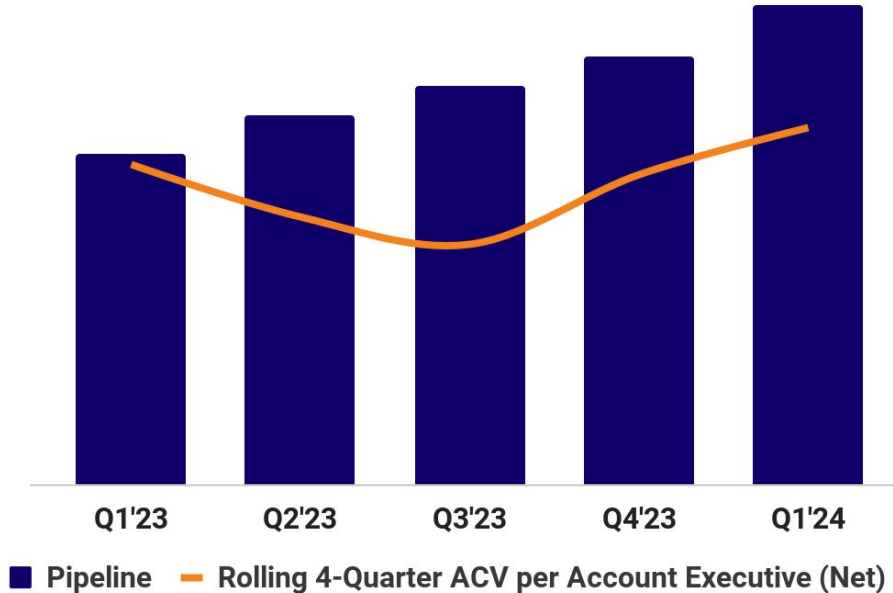


Note: Unit economic margin in this and subsequent slides are calculations based on assumptions derived from Cloudflare’s historical operations regarding unit lifetime revenue and subscription economics, including cost to book, cost to serve, and attrition dynamics. Unit economic margin is not operating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

Cost to book

Pipeline (\$M) vs. Rolling 4-Quarter ACV per Account Executive (Net)

Reaccelerating sales productivity improves cost to book – combined with growing pipeline – give us confidence to invest in (1) further performance improvements and (2) expand capacity



Note: See the Appendix for how we define Annual Contract Value (ACV).



Increase sales team specialization, focusing on different customer segments, buyer personas, and industries



Invest in comprehensive sales training and ongoing enablement programs



Leverage data analytics to make informed decisions on resource allocation and prioritize high-value opportunities



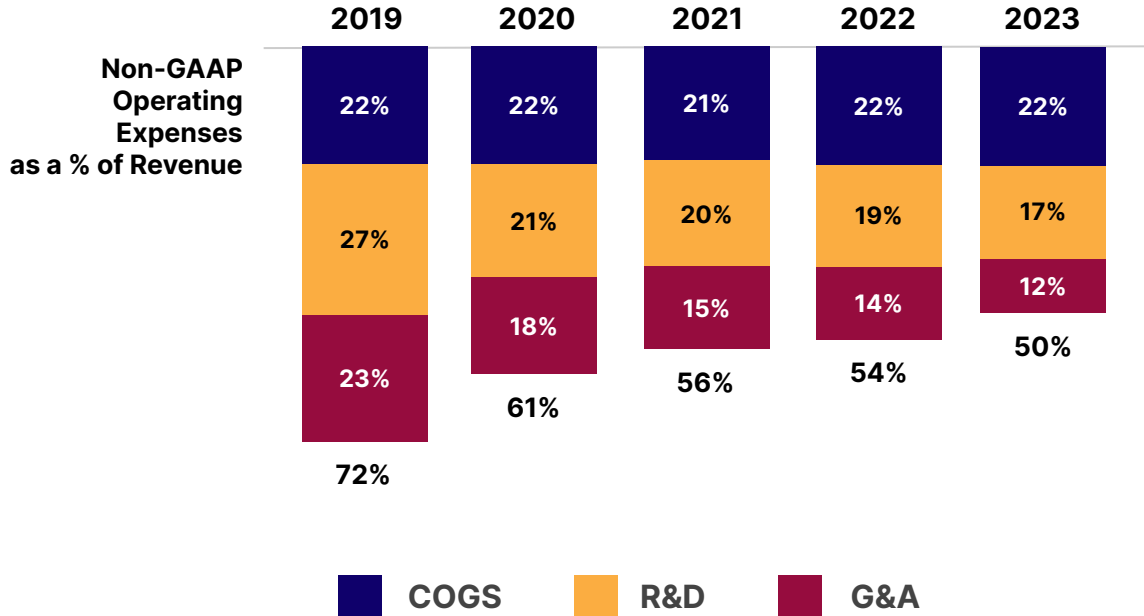
Emphasize consultative selling and prioritize customer success to drive repeat business, referrals, and upsell opportunities



Closely partner with product development to better address customer needs and close deals more efficiently

Cost to serve

Cost to Serve by Component



Note: See Appendix for GAAP to Non-GAAP reconciliation. Calculations are based on fiscal year. Percentages may not sum due to rounding. Figures are calculated based upon the respective underlying non-rounded data.



Gross margin is a reflection of the efficiency and elasticity of our network architecture



Continue to prioritize product innovation that can be monetized across our growing customer base



Benefit from economies of scale, as well as opportunities for AI and automation, in G&A

Long-term operating model

Unit economics support 20%+ long-term operating margins

	2021	2022	2023	Q1 2024		Long-Term Model
Gross Margin	79 %	78 %	78 %	80 %	<p>Leverage efficiency and elasticity of our network and ingress/egress dynamics</p> <p>Scale go-to-market operations with a focus on improving productivity</p> <p>Continue to prioritize product innovation</p> <p>Benefit from economies of scale and automation</p>	75% - 77%
Sales & Marketing (% of revenue)	45 %	42 %	40 %	41 %		27% - 29%
Research & Development (% of revenue)	20 %	19 %	17 %	16 %		18% - 20%
General & Administrative (% of revenue)	15 %	14 %	12 %	11 %		8% - 10%
Operating Margin	(1)%	4%	9%	11%		20%+
Free Cash Flow Margin	(7)%	(4)%	9%	9%		~25%+

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

Cloudflare's business...



Short-term

- Accelerating our initiatives to build a world-class go-to-market organization — people, processes, and systems
- Operating in an uncertain macroeconomic and geopolitical landscape




Medium-term

- Expanding sales capacity with stage-appropriate talent while also making additional go-to-market improvements
- Investing in great engineering and product to deliver incredible value to our customers with new and existing solutions



Long-term

- Capturing the large and growing market opportunity that is increasingly moving to where Cloudflare is already uniquely positioned 
- Enhancing and expanding our product portfolio built on a single, global cloud platform
- Continuing to leverage a highly-efficient business model to disrupt markets and deliver profitable growth at scale

Q&A



Matthew Prince

Co-founder & Chief
Executive Officer



Michelle Zatlyn

Co-founder, President, &
Chief Operating Officer



Thomas Seifert

Chief Financial Officer



Mark Anderson

President of Revenue

Appendix

The background features a gradient from dark orange on the left to light yellow on the right. A large, semi-transparent orange arc is positioned on the left side. A thin, bright yellow curved line starts near the bottom left and arcs towards the top right.

GAAP to Non-GAAP Reconciliation (Annual)

	2019	2020	2021	2022	2023
GAAP Cost of Revenue	\$63,423	\$101,055	\$147,134	\$232,610	\$307,005
Less: Stock-based Compensation Expense & Related Payroll Taxes	-\$716	-\$1,466	-\$3,703	-\$6,770	-\$8,360
Less: Amortization of Acquired Intangible Assets	-\$125	-\$3,081	-\$2,946	-\$13,444	-\$17,702
Non-GAAP Cost of Revenue	\$62,582	\$96,508	\$140,485	\$212,396	\$280,943
GAAP Gross Profit	\$223,599	\$330,004	\$509,292	\$742,631	\$989,740
Add: Stock-based Compensation & Related Payroll Taxes	\$716	\$1,466	\$3,703	\$6,770	\$8,360
Add: Amortization of Acquired Intangible Assets	\$125	\$3,081	\$2,946	\$13,444	\$17,702
Non-GAAP Gross Profit	\$224,440	\$334,551	\$515,941	\$762,845	\$1,015,802
GAAP Gross Margin	78%	77%	78%	76%	76%
Non-GAAP Gross Margin	78%	78%	79%	78%	78%
GAAP Sales and Marketing	\$159,298	\$217,875	\$328,065	\$465,762	\$599,117
Less: Stock-based Compensation & Related Payroll Taxes	-\$8,709	-\$17,678	-\$32,869	-\$53,692	-\$76,711
Less: Amortization of acquired intangible assets	-	-	-	-\$1,725	-\$2,300
Less: Acquisition-related and other expenses	-	-	-	-\$265	\$0
Non-GAAP Sales and Marketing	\$150,589	\$200,197	\$295,196	\$410,080	\$520,106
GAAP S&M Expense as a % of Revenue	56%	51%	50%	48%	46%
Non-GAAP S&M Expense as a % of Revenue	52%	46%	45%	42%	40%
GAAP Research and Development	\$90,669	\$127,144	\$189,408	\$298,303	\$358,143
Less: Stock-based Compensation & Related Payroll Taxes	-\$13,037	-\$30,497	-\$61,056	-\$112,277	-\$140,074
Less: Acquisition-related and other expenses	-	-\$5,725	-	-\$3,682	\$0
Non-GAAP Research and Development	\$77,632	\$90,922	\$128,352	\$182,344	\$218,069
GAAP R&D Expense as a % of Revenue	32%	29%	29%	31%	28%
Non-GAAP R&D Expense as a % of Revenue	27%	21%	20%	19%	17%
GAAP General and Administrative	\$81,578	\$91,753	\$119,503	\$179,769	\$217,965
Less: Stock-based Compensation & Related Payroll Taxes	-\$14,165	-\$13,875	-\$19,706	-\$45,027	-\$62,355
Less: Acquisition-related and other expenses	-	-\$554	-\$380	\$0	\$0
Non-GAAP General and Administrative Expense	\$67,413	\$77,324	\$99,417	\$134,742	\$155,610
GAAP G&A Expense as a % of Revenue	28%	21%	18%	18%	17%
Non-GAAP G&A Expense as a % of Revenue	23%	18%	15%	14%	12%
GAAP Loss from Operations	-\$107,946	-\$106,768	-\$127,684	-\$201,203	-\$185,485
Add: Stock-based Compensation & Related Payroll Taxes	\$36,627	\$63,516	\$117,334	\$217,766	\$287,500
Add: Amortization of Acquired Intangible Assets	\$125	\$3,081	\$2,946	\$15,169	\$20,002
Add: Acquisition-related and other expenses	-	\$6,279	\$380	\$3,947	\$0
Non-GAAP Loss from Operations	-\$71,194	-\$33,892	-\$7,024	\$35,679	\$122,017
GAAP Operating Margin	-38%	-25%	-19%	-21%	-14%
Non-GAAP Operating Margin	-25%	-8%	-1%	4%	9%

GAAP to Non-GAAP Reconciliation (Quarterly)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
GAAP Cost of Revenue	\$70,432	\$75,221	\$78,069	\$83,283	\$85,038
Less: Stock-based Compensation Expense & Related Payroll Taxes	-\$1,803	-\$2,126	-\$2,367	-\$2,064	-\$2,822
Less: Amortization of Acquired Intangible Assets	-\$4,311	-\$4,314	-\$4,313	-\$4,764	-\$4,691
Non-GAAP Cost of Revenue	\$64,318	\$68,781	\$71,389	\$76,455	\$77,525
GAAP Gross Profit	\$219,743	\$233,273	\$257,534	\$279,190	\$293,564
Add: Stock-based Compensation & Related Payroll Taxes	\$1,803	\$2,126	\$2,367	\$2,064	\$2,822
Add: Amortization of Acquired Intangible Assets	\$4,311	\$4,314	\$4,313	\$4,764	\$4,691
Non-GAAP Gross Profit	\$225,857	\$239,713	\$264,214	\$286,018	\$301,077
GAAP Gross Margin	76%	76%	77%	77%	78%
Non-GAAP Gross Margin	78%	78%	79%	79%	80%
GAAP Sales and Marketing	\$137,001	\$146,688	\$150,214	\$165,214	\$194,102
Less: Stock-based Compensation & Related Payroll Taxes	-\$15,868	-\$20,734	-\$20,674	-\$19,435	-\$21,775
Less: Amortization of acquired intangible assets	-\$576	-\$574	-\$575	-\$575	-\$575
Less: Acquisition-related and other expenses	-	-	-	-	-
Less: One-time compensation charge	-	-	-	-	-\$15,000
Non-GAAP Sales and Marketing	\$120,557	\$125,380	\$128,965	\$145,204	\$156,752
GAAP S&M Expense as a % of Revenue	47%	48%	45%	46%	51%
Non-GAAP S&M Expense as a % of Revenue	42%	41%	38%	40%	41%
GAAP Research and Development	\$81,539	\$89,610	\$90,593	\$96,401	\$87,703
Less: Stock-based Compensation & Related Payroll Taxes	-\$30,216	-\$36,573	-\$36,353	-\$36,932	-\$28,980
Less: Acquisition-related and other expenses	-	-	-	-	-
Non-GAAP Research and Development	\$51,323	\$53,037	\$54,240	\$59,469	\$58,723
GAAP R&D Expense as a % of Revenue	28%	29%	27%	27%	23%
Non-GAAP R&D Expense as a % of Revenue	18%	17%	16%	16%	16%
GAAP General and Administrative	\$48,475	\$53,147	\$55,939	\$60,404	\$66,309
Less: Stock-based Compensation & Related Payroll Taxes	-\$13,863	-\$12,156	-\$17,463	-\$18,873	-\$23,150
Non-GAAP General and Administrative Expense	\$34,612	\$40,991	\$38,476	\$41,531	\$43,159
GAAP G&A Expense as a % of Revenue	17%	17%	17%	17%	18%
Non-GAAP G&A Expense as a % of Revenue	12%	13%	11%	11%	11%
GAAP Loss from Operations	-\$47,272	-\$56,172	-\$39,212	-\$42,829	-\$54,550
Add: Stock-based Compensation & Related Payroll Taxes	\$61,750	\$71,589	\$76,857	\$77,304	\$76,727
Add: Amortization of Acquired Intangible Assets	\$4,887	\$4,888	\$4,888	\$5,339	\$5,266
Add: Acquisition-related and other expenses	-	-	-	-	-
Add: One-time compensation charge	-	-	-	-	\$15,000
Non-GAAP Loss from Operations	\$19,365	\$20,305	\$42,533	\$39,814	\$42,443
GAAP Operating Margin	-16%	-18%	-12%	-12%	-14%
Non-GAAP Operating Margin	7%	7%	13%	11%	11%

Definitions & Methodologies

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 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 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.

Contracted Customers. Our contracted customers, which consist of customers that enter into contracts for our Enterprise subscription plan, have contracts that typically range from one to three years and are typically billed on a monthly or annual basis. Our agreements with contracted customers are tailored and priced to meet their varying needs and requirements. Enterprise subscription plan agreements for our contracted customers generally include a base subscription and a smaller portion based on usage or per seat.

Definitions & Methodologies

Annualized Recurring Revenue (ARR). Annual Recurring Revenue, or 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.

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.

Total Addressable Market. Total Addressable Market figures are Cloudflare estimates based on Gartner and IDC market forecasts. Figures reflect the markets addressed by our current product offerings. IDC markets covered include DDoS protection services, CDN, Bot Management, and API Security. All other markets are covered by Gartner forecasts and include the following Gartner sources: (1) Forecast: Information Security and Risk Management, Worldwide, 2022-2028, 1Q24 Update, Shailendra Upadhyay, Christian Canales, et.al., 03/29/2023; (2) Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2022-2028, 1Q24 Update, Christian Canales, Naresh Singh, et.al., 03/27/2024, and (3) Forecast: Enterprise Infrastructure Software, Worldwide, 2022-2028, 1Q24 Update, Arunasree Cheparthi, Robin Schumacher, et.al., 03/22/2024.

Methodology of Potential Opportunity of Current Products within Existing Customer Base. The analysis begins with the reported or estimated revenue of each Cloudflare existing customer on the measurement date. If reported customer revenue is not available, a proxy customer revenue is estimated based on various factors, including the customer's last outside funding date, amount, and implied valuation. An IT spend % of revenue (based on a third party estimate) is then applied to the customer's reported or estimated revenue based on the customer's industry and size, followed by a TAM (Total Addressable Market) % of Global IT Spend (as obtained from a third party estimate), and SAM (Serviceable Addressable Market) % to TAM at the country level, to get to the potential opportunity from the existing Cloudflare customer. However, if the customer's current ARR is greater than that number, then the customer's current ARR with a multiplier of 1.5x or less is used for the potential opportunity from that existing customer.