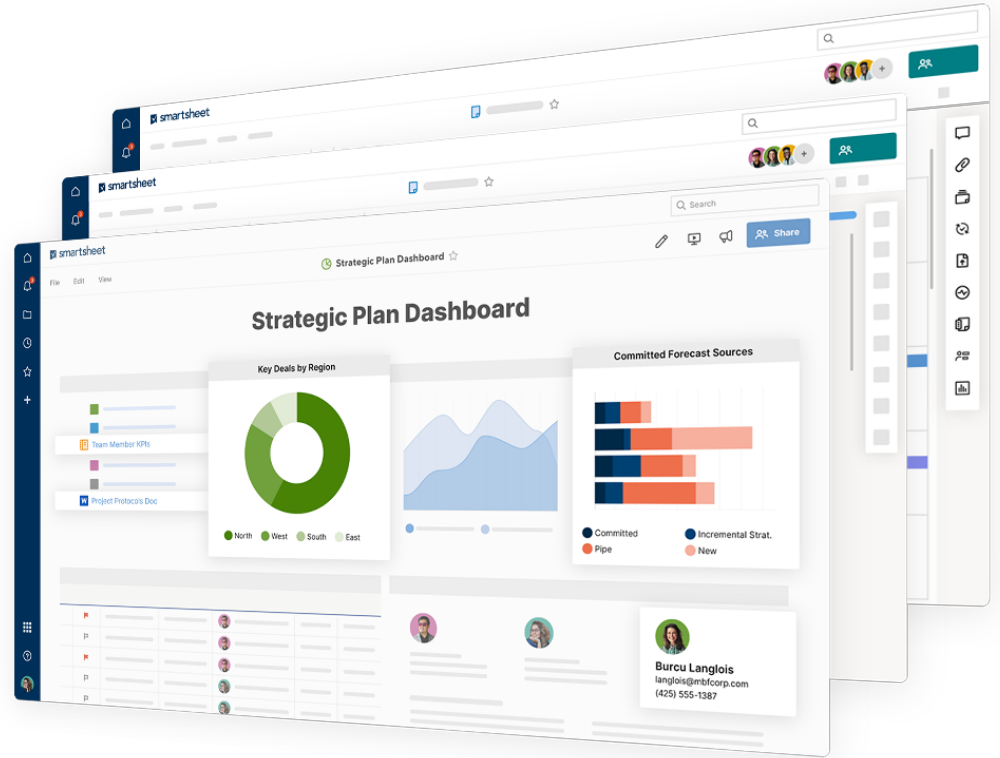


# Earnings Conference Call

Q2 Fiscal Year 2025

September 5, 2024



# Forward-Looking Statements

This presentation (including the accompanying oral presentation) contains forward-looking statements within the meaning of the federal securities laws, including statements regarding future financial performance, business strategy and objectives, potential market and growth opportunities, technological or market trends, and projected sales and customer retention rates.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations, and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, assumptions, and other factors including, but not limited to, those described in our SEC filings. Moreover, we operate in a competitive and rapidly changing environment in which new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results or performance to differ materially from those contained in any forward-looking statements we may make. Although we believe that the expectations reflected in the forward looking statements are reasonable, these and other factors may cause our actual results, performance, or achievements to differ materially and adversely from those anticipated or implied in our forward-looking statements.

All forward-looking statements contained herein are based on information available to us as of the date hereof and we do not assume any obligation to update these statements as a result of new information or future events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures, including non-GAAP gross margin, free cash flow, non-GAAP operating margin, and non-GAAP net income (loss) per share, basic and diluted. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Our non-GAAP financial measures may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in the Appendix to these slides.

Additional risks and uncertainties that could affect our financial results are included in filings we make with the SEC from time to time, including under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These filings are available on our Investor Relations website at <https://investors.smartsheet.com> and on the SEC website at [www.sec.gov](http://www.sec.gov).





## Business Highlights

# Mark Mader

President & CEO





## Financial Highlights

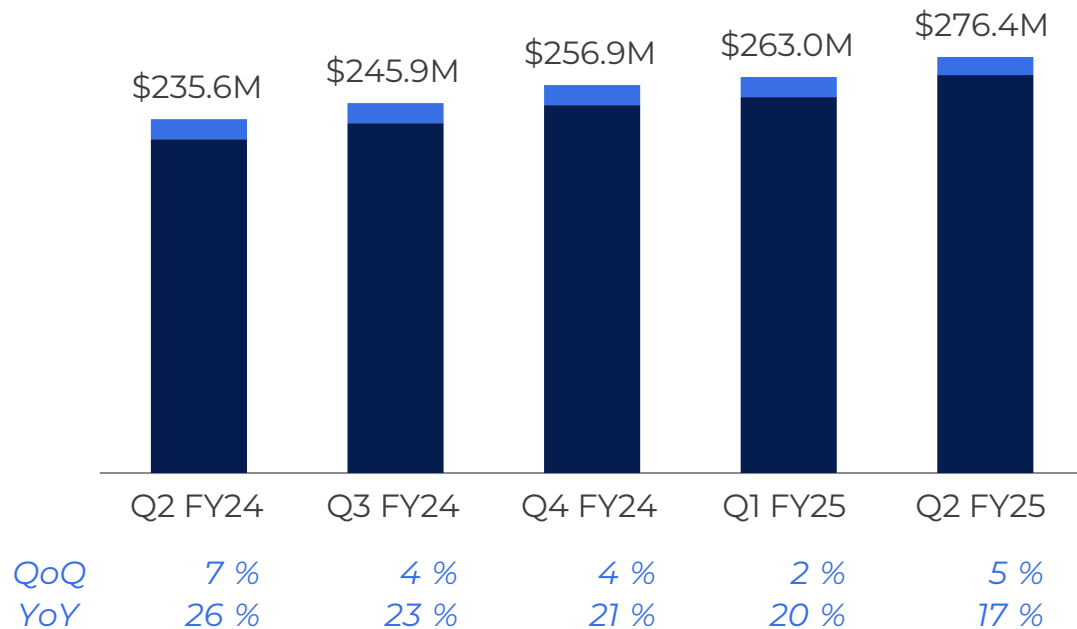
**Pete Godbole**

CFO



# Revenue

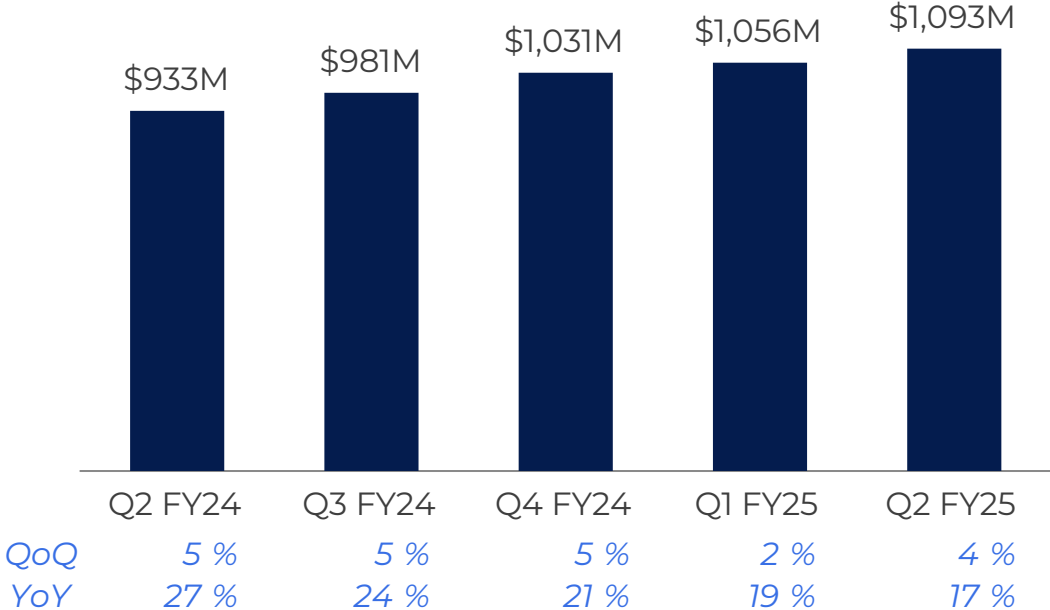
■ Subscription ■ Services



- Q2 FY25 Subscription revenue was \$263.5M, up 19% YoY
- Q2 FY25 Services revenue was \$12.9M



# Annualized Recurring Revenue (ARR)

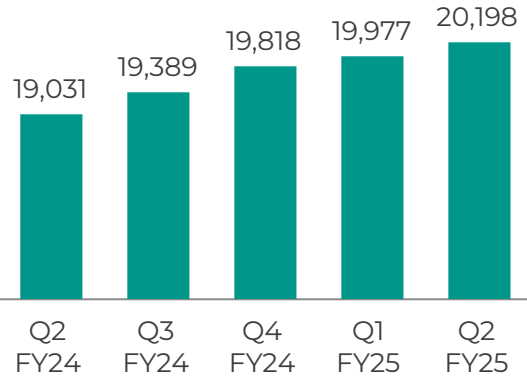


ARR is the annualized recurring value of all active subscription contracts at the end of a reporting period.



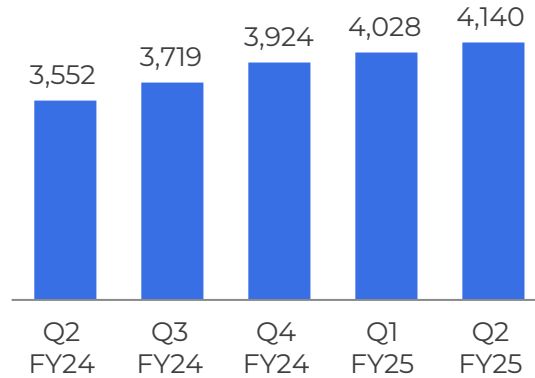
# Customers by ARR

≥\$5K Customers



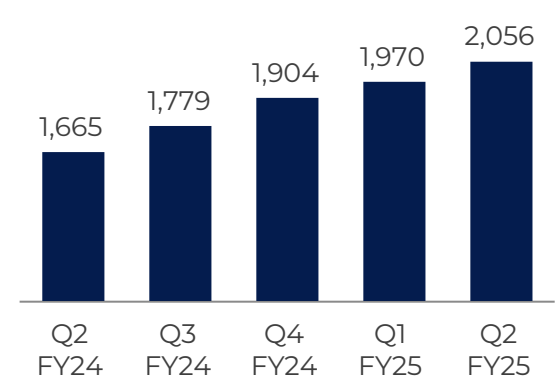
QoQ	3 %	2 %	2 %	1 %	1 %
YoY	14 %	11 %	10 %	8 %	6 %

≥\$50K Customers



QoQ	6 %	5 %	6 %	3 %	3 %
YoY	30 %	26 %	22 %	20 %	17 %

≥\$100K Customers

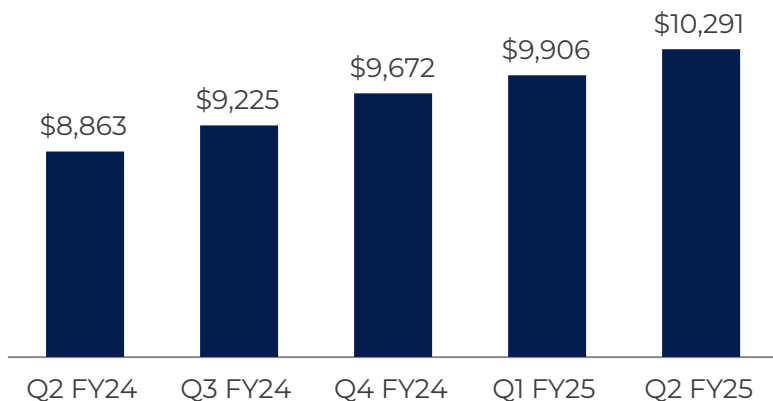


QoQ	6 %	7 %	7 %	3 %	4 %
YoY	36 %	32 %	28 %	26 %	23 %



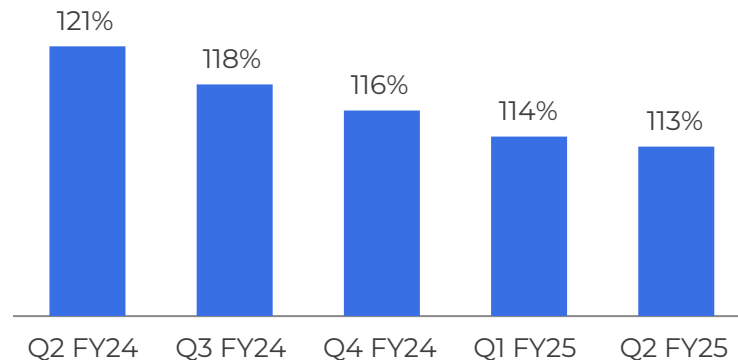
# Subscription Metrics

Average Domain ARR



Domain customers are all customers with a unique domain name.

Dollar-Based Net Retention Rate



Dollar-based net retention rate is calculated by dividing the aggregate ARR, inclusive of all customers, as of the end of the quarter (net of expansions, reductions and cancellations) by the same customer cohort's net aggregate ARR as of the end of the comparable year-ago quarter. This calculation excludes customers acquired within the previous 12 months.

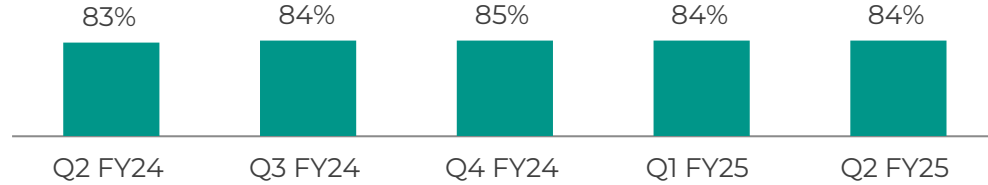




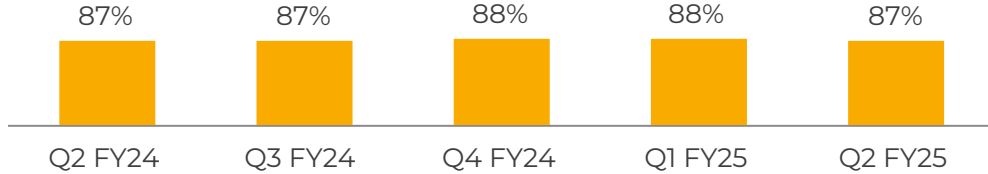
# Non-GAAP Gross Margin

**Q2 FY25 GAAP Total Gross Margin was 82%**

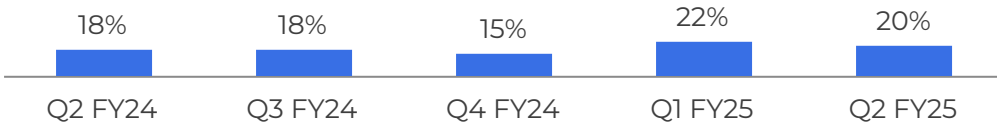
## Non-GAAP Total Gross Margin<sup>1</sup>



## Non-GAAP Subscription Gross Margin<sup>1</sup>



## Non-GAAP Services Gross Margin<sup>1</sup>

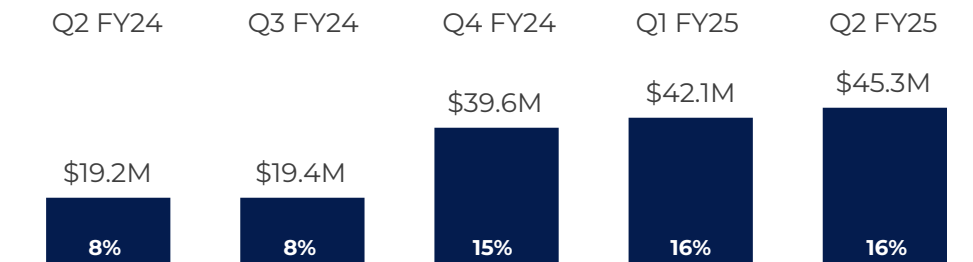


1. See appendix for non-GAAP reconciliation

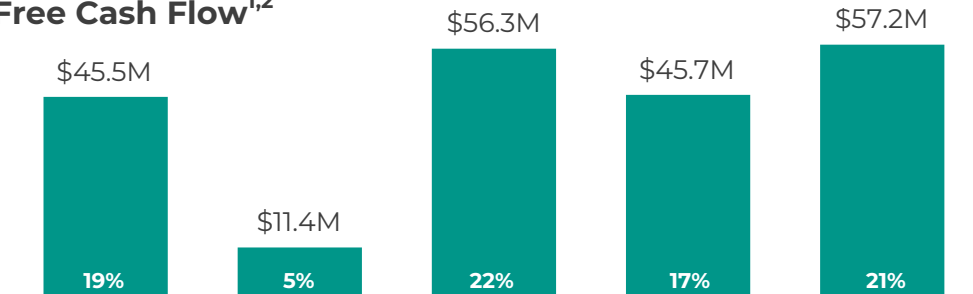
# Non-GAAP Operating & Free Cash Flow Margins

Q2 FY25 GAAP Operating Loss was \$(8.5)M (-3% Margin) and Operating Cash Flow was \$59.1M

## Non-GAAP Operating Income<sup>1,2</sup>



## Free Cash Flow<sup>1,2</sup>



- 69% of Q2 FY25 non-GAAP expenses driven by personnel
- Q2 FY25 CAPEX and capitalized IUS payments were \$2.0M, or 1% of revenue

Free cash flow is defined as net cash provided by operating activities less cash used for purchases of property and equipment (including internal-use software) and principal payments on finance lease obligations.

1. Percentage figures in chart represent percentage of revenue

2. See appendix for non-GAAP reconciliation



# Q3 and Full Year FY25 Guidance

Non-GAAP In millions, except per share data	FY25			
	Q3		Full Year	
	Low	High	Low	High
<b>ARR</b>			<b>\$1,177</b>	<b>\$1,180</b>
<i>YoY Change</i>			14.2%	14.5%
<b>Total Revenue</b>	<b>\$282</b>	<b>\$285</b>	<b>\$1,116</b>	<b>\$1,121</b>
<i>YoY Change</i>	15%	16%	16%	17%
<b>Operating Income<sup>1</sup></b>	<b>\$42</b>	<b>\$44</b>	<b>\$177</b>	<b>\$182</b>
<i>Operating Margin</i>	15%	15%	16%	16%
<b>Net Income<sup>1</sup> per Share</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$1.36</b>	<b>\$1.39</b>
<b>Diluted WASO</b>	142.5		141.9	

- FY25 Free Cash Flow: \$240M, 21% margin
- FY25 Services Revenue: 4.5% of total revenue
- FY25 Basic WASO: 139.0M

1. See appendix for non-GAAP reconciliation





# Q&A

 smartsheet





# Appendix

 smartsheet

# Share-Based Compensation Expense

<i>(In thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Cost of subscription revenue	\$ 3,020	\$ 3,357	\$ 6,072	\$ 6,816
Cost of professional services revenue	1,511	1,915	3,249	3,825
Research and development	18,217	17,611	36,273	35,043
Sales and marketing	14,424	18,989	31,019	38,043
General and administrative	10,197	10,151	20,676	20,075
<b>Total share-based compensation expense</b>	<b>\$ 47,369</b>	<b>\$ 52,023</b>	<b>\$ 97,289</b>	<b>\$ 103,802</b>

Table above excludes amortization related to share-based compensation that was capitalized in internal-use software in previous periods.



# Reconciliation from GAAP to Non-GAAP Gross Profit and Gross Margin

(\$ in thousands)	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Gross profit	\$ 226,561	\$ 188,547	\$ 441,223	\$ 362,552
Add:				
Share-based compensation expense <sup>(1)</sup>	5,349	5,776	10,685	11,544
Amortization of acquisition-related intangible assets <sup>(2)</sup>	1,023	1,425	2,448	2,851
<b>Non-GAAP gross profit</b>	<b>\$ 232,933</b>	<b>\$ 195,748</b>	<b>\$ 454,356</b>	<b>\$ 376,947</b>
<b>Gross margin</b>	<b>82%</b>	<b>80%</b>	<b>82%</b>	<b>80%</b>
<b>Non-GAAP gross margin</b>	<b>84%</b>	<b>83%</b>	<b>84%</b>	<b>83%</b>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.



# Reconciliation from GAAP to Non-GAAP Operating Income (Loss) and Operating Margin

(\$ in thousands)	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Loss from operations	\$ (8,480)	\$ (36,147)	\$ (19,609)	\$ (68,262)
Add:				
Share-based compensation expense <sup>(1)</sup>	48,194	52,549	98,669	104,749
Amortization of acquisition-related intangible assets <sup>(2)</sup>	2,305	2,707	5,012	5,416
Lease restructuring costs <sup>(3)</sup>	3,279	110	3,319	116
<b>Non-GAAP operating income</b>	<b>\$ 45,298</b>	<b>\$ 19,219</b>	<b>\$ 87,391</b>	<b>\$ 42,019</b>
<b>Operating margin</b>	<b>(3)%</b>	<b>(15)%</b>	<b>(4)%</b>	<b>(15)%</b>
<b>Non-GAAP operating margin</b>	<b>16%</b>	<b>8%</b>	<b>16%</b>	<b>9%</b>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.





# Reconciliation from GAAP to Non-GAAP Net Income (Loss) and Per Share Data

<i>(In thousands, except per share data)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Net income (loss)	\$ 7,858	\$ (33,357)	\$ (1,000)	\$ (63,227)
Add:				
Share-based compensation expense <sup>(1)</sup>	48,194	52,549	98,669	104,749
Amortization of acquisition-related intangible assets <sup>(2)</sup>	2,305	2,707	5,012	5,416
Lease restructuring costs <sup>(3)</sup>	3,279	110	3,319	116
<b>Non-GAAP net income</b>	<b>\$ 61,636</b>	<b>\$ 22,009</b>	<b>\$ 106,000</b>	<b>\$ 47,054</b>
<b>Non-GAAP net income per share, basic</b>	<b>\$ 0.45</b>	<b>\$ 0.16</b>	<b>\$ 0.77</b>	<b>\$ 0.35</b>
<b>Non-GAAP net income per share, diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.16</b>	<b>\$ 0.75</b>	<b>\$ 0.34</b>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.



# Non-GAAP Reconciling Items by Functional Area

<i>(In thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
<b>Share-based compensation expense<sup>(1)</sup></b>				
Cost of subscription revenue	\$ 3,837	\$ 3,861	\$ 7,435	\$ 7,718
Cost of professional service revenue	1,512	1,915	3,250	3,826
Research and development	18,218	17,613	36,277	35,047
Sales and marketing	14,428	19,002	31,028	38,068
General and administrative	10,199	10,158	20,679	20,090
<b>Total share-based compensation expense</b>	<b>\$ 48,194</b>	<b>\$ 52,549</b>	<b>\$ 98,669</b>	<b>\$ 104,749</b>
<b>Amortization of acquisition-related intangible assets<sup>(2)</sup></b>				
Cost of subscription revenue	\$ 1,023	\$ 1,425	\$ 2,448	\$ 2,851
Sales and marketing	1,282	1,282	2,564	2,565
<b>Total amortization of acquisition-related intangible assets</b>	<b>\$ 2,305</b>	<b>\$ 2,707</b>	<b>\$ 5,012</b>	<b>\$ 5,416</b>
<b>Lease restructuring costs<sup>(3)</sup></b>				
General and administrative	\$ 3,279	\$ 110	\$ 3,319	\$ 116
<b>Total lease restructuring costs</b>	<b>\$ 3,279</b>	<b>\$ 110</b>	<b>\$ 3,319</b>	<b>\$ 116</b>

Note: Functional areas not listed are zero for all periods presented.

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.



# Non-GAAP Reconciliation from Basic to Diluted Weighted-Average Shares Outstanding

<i>(In thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Weighted-average shares outstanding; basic	138,408	133,829	137,923	133,196
Effect of dilutive securities:				
Shares subject to outstanding common stock awards	2,749	3,541	2,715	3,864
Weighted-average common shares outstanding; diluted	<u>141,157</u>	<u>137,370</u>	<u>140,638</u>	<u>137,060</u>



# Reconciliation from Net Operating Cash Flow to Free Cash Flow

<i>(In thousands)</i>	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Net cash provided by operating activities	\$ 59,144	\$ 48,459	\$ 109,222	\$ 83,030
Less:				
Purchases of property and equipment	(410)	(542)	(1,023)	(1,395)
Capitalized internal-use software development costs	(1,566)	(2,418)	(5,317)	(4,815)
Principal payments of finance leases	(18)		(52)	—
Free cash flow	<u>\$ 57,150</u>	<u>\$ 45,499</u>	<u>\$ 102,830</u>	<u>\$ 76,820</u>



# Reconciliation from GAAP Operating Loss to Non-GAAP Operating Income Guidance

<i>(In millions)</i>	Q3 FY 2025		FY 2025	
	Low	High	Low	High
Loss from operations	\$ (9.9)	\$ (7.9)	\$ (41.8)	\$ (36.8)
Add:				
Share-based compensation expense <sup>(1)</sup>	49.5	49.5	205.0	205.0
Amortization of acquisition-related intangible assets <sup>(2)</sup>	2.3	2.3	9.6	9.6
Lease restructuring costs <sup>(3)</sup>	0.1	0.1	4.2	4.2
<b>Non-GAAP operating income</b>	<b>\$ 42.0</b>	<b>\$ 44.0</b>	<b>\$ 177.0</b>	<b>\$ 182.0</b>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.



# Reconciliation from GAAP Net Loss to Non-GAAP Net Income Guidance

<i>(In millions)</i>	Q3 FY 2025		FY 2025	
	Low	High	Low	High
Net loss	\$ (10.1)	\$ (8.1)	\$ (26.8)	\$ (21.8)
Add:				
Share-based compensation expense <sup>(1)</sup>	49.5	49.5	205.0	205.0
Amortization of acquisition-related intangible assets <sup>(2)</sup>	2.3	2.3	9.6	9.6
Lease restructuring costs <sup>(3)</sup>	0.1	0.1	4.2	4.2
<b>Non-GAAP net income</b>	<b>\$ 41.8</b>	<b>\$ 43.8</b>	<b>\$ 192.0</b>	<b>\$ 197.0</b>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.





**Thank you**

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