

Earnings Presentation

Q3 2024

November 4, 2024

Safe Harbor

This presentation contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this presentation and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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 business, financial condition and results of operations.

We cannot assure you that the forward-looking statements in this presentation will prove to be accurate.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we file from time to time with the SEC.

This presentation includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties as well as our own estimates of potential market opportunities. All of the market data used involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data, industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our product candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and may fail to accurately reflect market opportunities. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. 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. The non-GAAP financial measures used by DigitalOcean Holdings, Inc. 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 our filings with the SEC.



Our mission

DigitalOcean **simplifies cloud computing** so builders can spend more time creating software that changes the world.

Key Performance Indicators

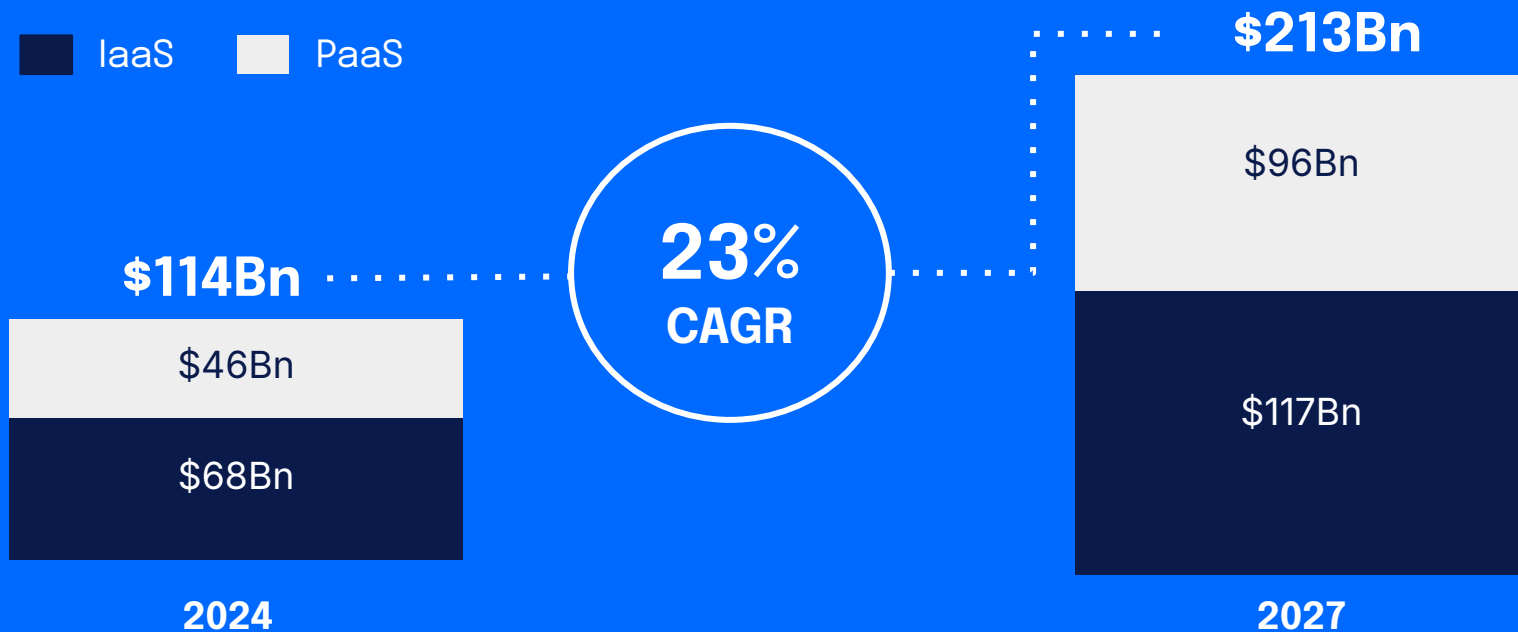
	Q3'23	Q3'24	Y-o-Y Growth
Revenue	\$177.1M	\$198.5M	12%
ARR	\$713.3M	\$798.3M	12%
Adjusted EBITDA Margin	43%	44%	+100 bps
ARPU	\$92.06	\$102.51	11%
Non-GAAP Diluted Net Income Per Share	\$0.44	\$0.52	18%

Note: Refer to the Appendix for definition of metrics.

Large and Rapidly Growing Market Opportunity

Individuals and Companies
with <500 Employees

■ IaaS ■ PaaS



DigitalOcean Differentiators



Simplicity

Reduce time & effort needed to manage infrastructure



Affordable Pricing

Significantly reduce your cloud computing costs



Premium Support

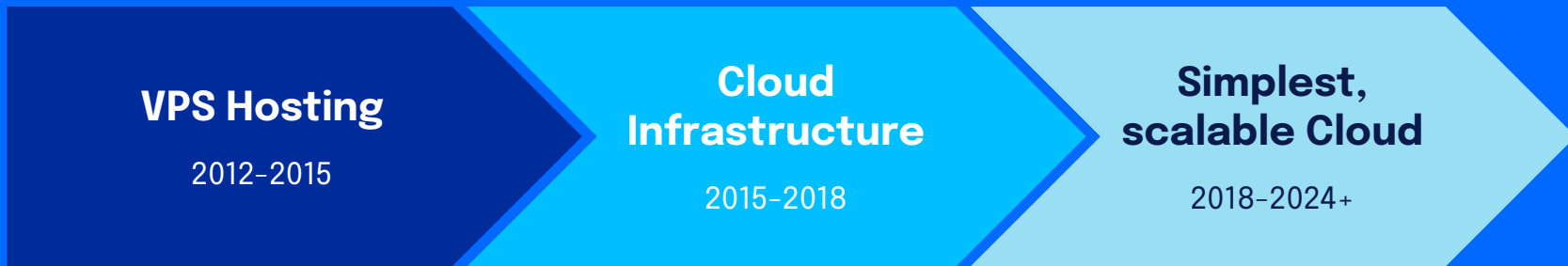
Fast response times & customized services



Reliability

A stable, reliable, globally distributed platform

DigitalOcean Offers a Cloud Platform Purpose Built for Developers at Startups and Growing Digital-Native Companies

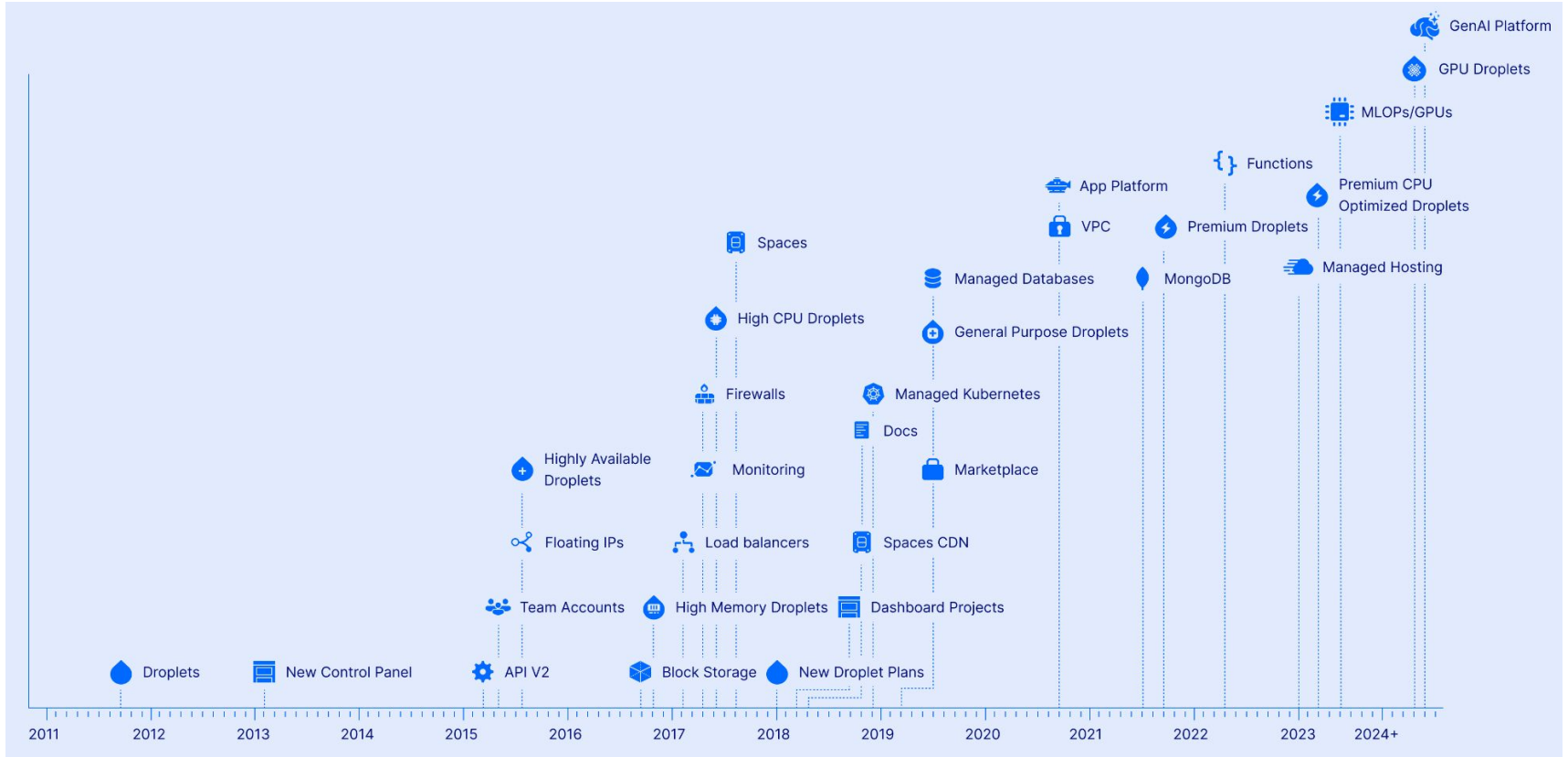


Droplets: Simple and scalable virtual machines

Key components underpinning cloud such as Volumes, Load Balancers, Spaces, and Firewalls

Essential elements to help developers and growing digital-native companies scale such as Managed Kubernetes, Managed Databases, Marketplace, App Platform, Functions, Managed Hosting and AI/ML offerings

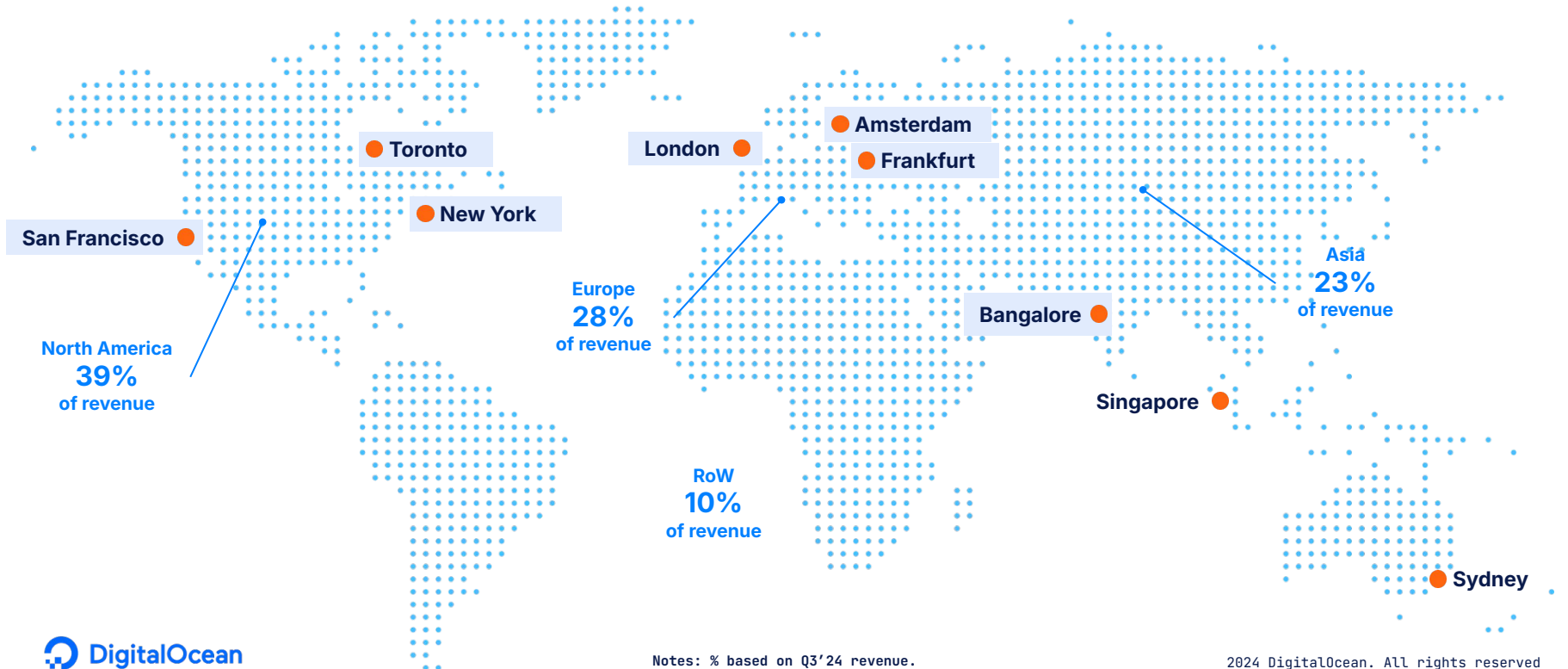
We Have a Comprehensive Product Portfolio.



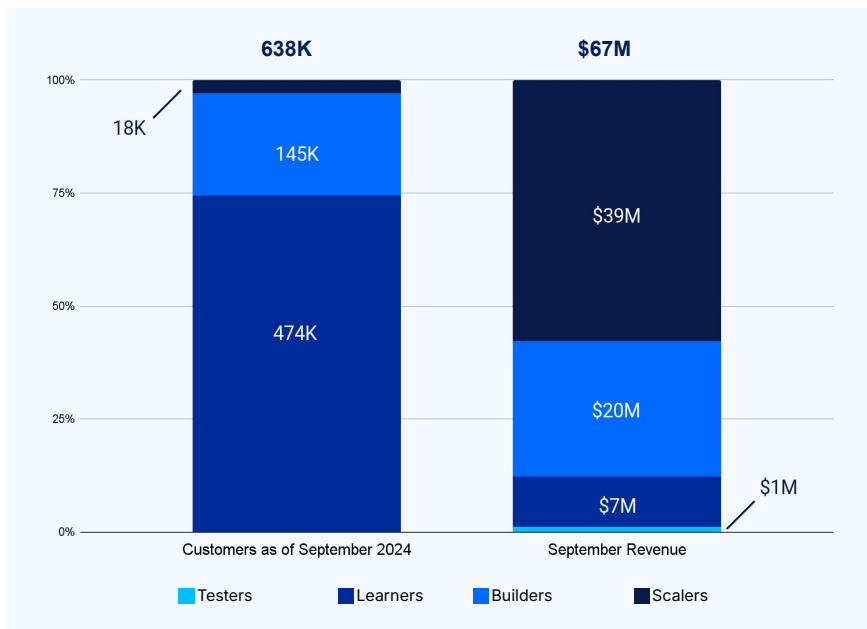
Global Infrastructure Supports Customers in approximately 190 Countries

16 Data Centers Across 9 Regions

Customers in ~190 Countries



Customer Concentration, Revenue Contribution and Growth



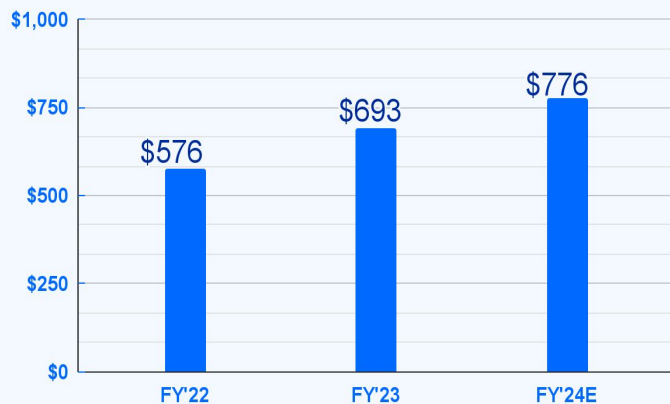
(figures as of September-24)	Customer Growth % y-o-y	ARPU	ARR Growth % y-o-y	Customer Growth q-o-q	Customer Growth% q-o-q
Total	1%	\$103	12%	74	0%
Scalers	10%	\$2,153	19%	274	2%
Builders	5%	\$138	7%	1,987	1%
Learners	-1%	\$15	0%	-2,187	0%

Note: Refer to the Appendix for definition of metrics.

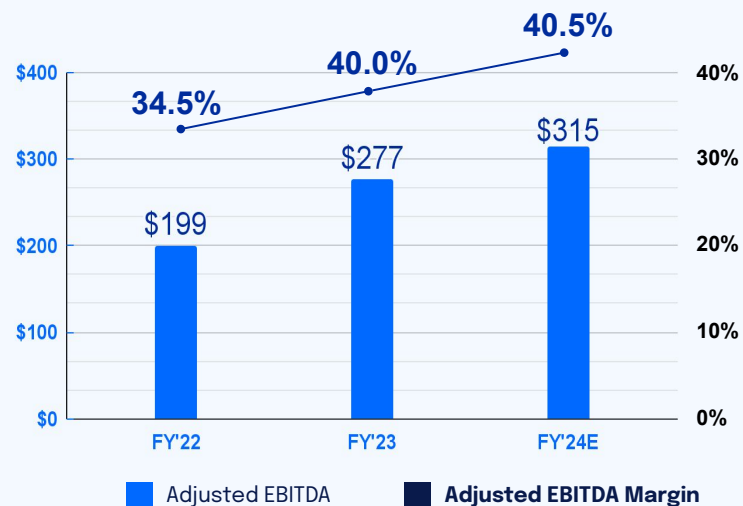
Financials

Balanced Profile of Growth and Profitability

Revenue (M)

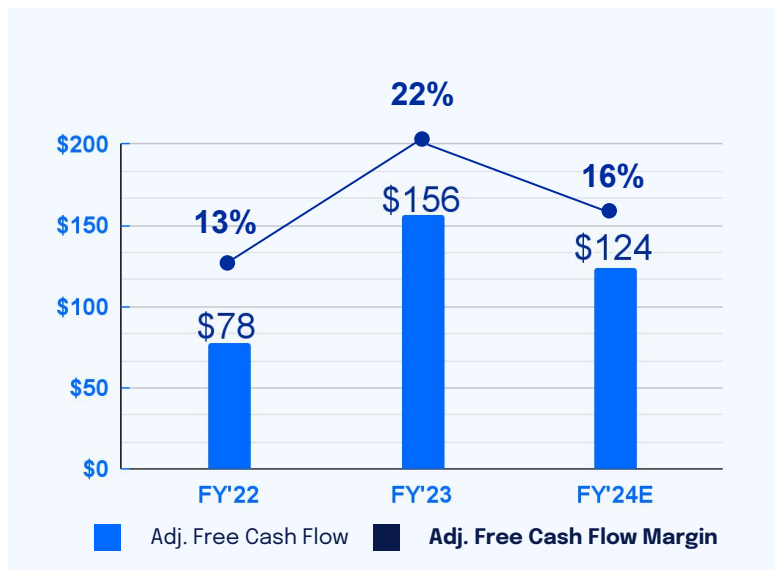


Adjusted EBITDA (M)



Return on Invested Capital Drivers

Adjusted Free Cash Flow (M)

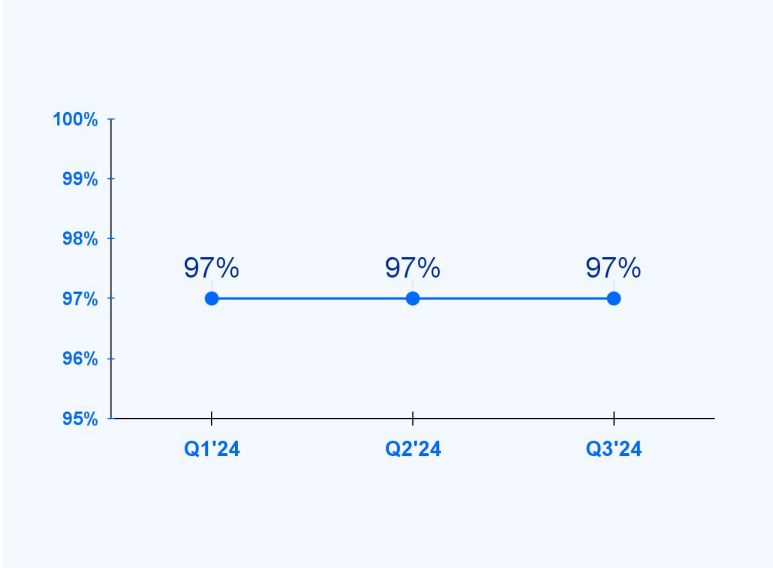


Non-GAAP Diluted Weighted Average Shares Outstanding



Healthy Customer Economics

Net Dollar Retention Rate



ARPU



Financial Outlook

Metric	Implied Q4 2024	FY 2024 (as of 8/8)	FY 2024 (as of 11/4)
Revenue	\$199-\$201M	\$770-\$775M	\$775-\$777M
Adjusted EBITDA Margin	34-38%	37-39%	40-41%
Non-GAAP Diluted Net Income Per Share	\$0.27-\$0.32	\$1.60-\$1.70	\$1.70-\$1.75
Adjusted Free Cash Flow Margin	NA	15-17%	15-17%
Non-GAAP Diluted Weighted Average Shares Outstanding	103-104M	102-103M	103-104M

Appendix

Key Business Metrics Definitions

Customers

We divide our customer population into the following categories:

- Testers: users that both (i) spend less than or equal to \$50 per month and (ii) utilize our platform for three months or less.
- Learners: users that both (i) spend less than or equal to \$50 for the month-end period and (ii) have been on our platform for more than three months.
- Builders: users that spend greater than \$50 and less than or equal to \$500 for the month-end period.
- Scalers: users that spend greater than \$500 for the month-end period.

We view Learners, Builders and Scalers as the most appropriate measure of our customer population, and Testers have therefore been excluded from the total customer population count. While we believe the total number of these customers is an important indicator of the growth of our business and future revenue opportunity, the trends relating to our Builders and Scalers is of particular importance to us as these customers represent a significant majority of our revenue and revenue growth, and they are representative of the SMB customers that grow on our platform and use multiple products.

ARPU

We calculate ARPU on a monthly basis as our total revenue from Learners, Builders and Scalers in that period divided by the total number of Learner, Builder and Scaler customers determined as of the last day of the reported period. For a quarterly or annual period, ARPU is determined as the weighted average monthly ARPU over such three or 12-month period.

Key Business Metrics Definitions

ARR

We calculate ARR at a point in time by multiplying the revenue of the last month of the reported period by 12. For our ARR calculations, we include the total revenue from all customers, including Testers, Learners, Builders and Scalers.

Net Dollar Retention Rate

We calculate net dollar retention rate monthly by starting with the revenue from customers, including Testers, Learners, Builders and Scalers, for our IaaS, PaaS and SaaS offerings during the corresponding month 12 months prior, or the Prior Period Revenue. We then calculate the revenue from these same customers as of the current month, or the Current Period Revenue, including any expansion and net of any contraction or attrition from these customers over the last 12 months. The calculation also includes revenue from customers that generated revenue before, but not in, the corresponding month 12 months prior, but subsequently generated revenue in the current month and are therefore reflected in the Current Period Revenue. We include this group of re-engaged customers in this calculation because our customers frequently use our platform for projects that stop and start over time. We then divide the total Current Period Revenue by the total Prior Period Revenue to arrive at the net dollar retention rate for the relevant month. For our net dollar retention rate calculations, we include the total revenue from customers, including Testers, Learners, Builders and Scalers, for our IaaS, PaaS and SaaS offerings. For a quarterly or annual period, the net dollar retention rate is determined as the average monthly net dollar retention rates over such three or 12-month period.

Financial Highlights and Key Business Metrics

	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Revenue (M)	\$152.1	\$163.0	\$165.1	\$169.8	\$177.1	\$180.9	\$184.7	\$192.5	\$198.5
Revenue Growth Year-over-year	37%	36%	30%	27%	16%	11%	12%	13%	12%
ARR (M)	\$641	\$659	\$669	\$682	\$713	\$730	\$749	\$781	\$798
ARR Increase (M)	\$97	\$18	\$10	\$12	\$32	\$17	\$19	\$32	\$17
Adj. EBITDA (M)¹	\$61.5	\$54.7	\$55.7	\$72.2	\$75.8	\$73.5	\$74.3	\$81.6	\$86.7
Net Dollar Retention Rate (NDR)	118%	112%	107%	104%	96%	96%	97%	97%	97%
Average Revenue Per Customer (ARPU)	\$86.54	\$87.52	\$88.35	\$90.84	\$92.06	\$92.63	\$95.13	\$99.45	\$102.51
Builders and Scalars (Customers that spend more than \$50 per month)	142.1K	144.2k	146.5k	150.1k	154.3k	156.2k	157.5K	161.0K	163.3K
Builders and Scalars % of total company revenue	86%	86%	86%	86%	86%	86%	87%	87%	88%
Capex as % of Revenue	22%	18%	15%	15%	12%	30%	24%	18%	30%

Non-GAAP Net Income

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
GAAP Net income attributable to common stockholders	\$ 32,949	\$ 19,175	\$ 66,226	\$ 3,470
Stock-based compensation ⁽¹⁾	22,949	28,731	67,512	92,754
Acquisition related compensation	3,193	7,995	11,439	22,576
Amortization of acquired intangible assets	5,571	5,651	17,041	13,231
Acquisition and integration related costs	—	2,366	—	5,113
Restructuring and other charges ⁽¹⁾	—	(441)	—	20,862
Restructuring related charges ⁽¹⁾⁽²⁾	162	(29,484)	4,025	(26,757)
Impairment of long-lived assets	—	587	356	1,140
Non-GAAP income tax adjustment ⁽³⁾	(13,150)	9,011	(24,573)	(14,393)
Non-GAAP Net income	\$ 51,674	\$ 43,591	\$ 142,026	\$ 117,996
Non-cash charges related to convertible notes ⁽⁴⁾	\$ 1,590	\$ 1,563	\$ 4,764	\$ 4,684
Non-GAAP Net income used to compute net income per share, diluted	\$ 53,264	\$ 45,154	\$ 146,790	\$ 122,680

1) For the nine months ended September 30, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. There were no reclassifications of stock-based compensation for the three months ended September 30, 2024. For the three and nine months ended September 30, 2023, non-GAAP stock-based compensation excludes \$31.3 million, reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges.

2) For the three and nine months ended September 30, 2024, primarily consists of executive reorganization charges. For the three and nine months ended September 30, 2023, primarily consists of the \$31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs.

3) For the three and nine months ended September 30, 2024, we used a tax rate of 16%, which we believe is a reasonable estimate of our long-term effective tax rate applicable to non-GAAP pre-tax income for 2024. For the three and nine months ended September 30, 2023, we used a tax rate of 17%, which we believe was a reasonable estimate of our long-term effective tax rate applicable to non-GAAP pre-tax income for 2023.

4) Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

Adjusted EBITDA and Adjusted EBITDA Margin

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
GAAP Net income attributable to common stockholders	\$ 32,949	\$ 19,175	\$ 66,226	\$ 3,470
Adjustments:				
Depreciation and amortization	35,810	30,554	100,825	87,085
Stock-based compensation ⁽¹⁾	22,949	28,731	67,512	92,754
Interest expense	2,262	2,333	6,887	6,634
Acquisition related compensation	3,193	7,995	11,439	22,576
Acquisition and integration related costs	—	2,366	—	5,113
Income tax expense	(3,308)	17,939	2,479	9,774
Restructuring and other charges ⁽¹⁾	—	(441)	—	20,862
Restructuring related charges ⁽¹⁾⁽²⁾	162	(29,484)	4,025	(26,757)
Impairment of long-lived assets	—	587	356	1,140
Other income, net ⁽³⁾	(7,297)	(3,979)	(17,120)	(18,967)
Adjusted EBITDA	<u>\$ 86,720</u>	<u>\$ 75,776</u>	<u>\$ 242,629</u>	<u>\$ 203,684</u>
As a percentage of revenue:				
Net income margin	17 %	11 %	12 %	1 %
Adjusted EBITDA margin	44 %	43 %	42 %	40 %

1) For the nine months ended September 30, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. There were no reclassifications of stock-based compensation for the three months ended September 30, 2024. For the three and nine months ended September 30, 2023, non-GAAP stock-based compensation excludes \$31.3 million, reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges.

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3) For the three and nine months ended September 30, 2024 and 2023, primarily consists of interest and accretion income from our cash and cash equivalents and marketable securities.

Non-GAAP Diluted Net Income per Share

<i>(In thousands, except per share amounts)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
GAAP Net income per share attributable to common stockholders, diluted	\$ 0.33	\$ 0.20	\$ 0.70	\$ 0.04
Stock-based compensation ⁽¹⁾	0.22	0.27	0.66	0.87
Acquisition related compensation	0.03	0.07	0.11	0.21
Amortization of acquired intangible assets	0.05	0.05	0.16	0.12
Acquisition and integration related costs	—	0.02	—	0.05
Restructuring and other charges ⁽¹⁾	—	—	—	0.20
Restructuring related charges ⁽¹⁾⁽²⁾	—	(0.28)	0.03	(0.25)
Impairment of long-lived assets	—	—	—	0.01
Non-cash charges related to convertible notes ⁽⁴⁾	0.02	0.02	0.04	0.04
Non-GAAP income tax adjustment ⁽³⁾	(0.13)	0.09	(0.27)	(0.13)
Non-GAAP Net income per share, diluted*	<u>\$ 0.52</u>	<u>\$ 0.44</u>	<u>\$ 1.43</u>	<u>\$ 1.16</u>
GAAP Weighted-average shares used to compute net income per share, diluted	102,591	102,674	102,678	97,747
Weighted-average dilutive effect of potentially dilutive securities	—	—	—	8,403
Non-GAAP Weighted-average shares used to compute net income per share, diluted	<u>102,591</u>	<u>102,674</u>	<u>102,678</u>	<u>106,150</u>

*May not foot due to rounding

1) For the nine months ended September 30, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. There were no reclassifications of stock-based compensation for the three months ended September 30, 2024. For the three and nine months ended September 30, 2023, non-GAAP stock-based compensation excludes \$31.3 million, reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges.

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4) Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
<i>(In thousands)</i>	2024	2023	2024	2023
GAAP Net cash provided by operating activities	\$ 73,353	\$ 54,050	\$ 211,386	\$ 154,426
Adjustments:				
Capital expenditures - property and equipment	(57,352)	(20,229)	(132,886)	(67,077)
Capital expenditures - internal-use software development	(2,446)	(1,180)	(6,492)	(4,075)
Restructuring and other charges	—	848	61	16,774
Restructuring related charges ⁽¹⁾	289	1,231	4,919	3,958
Acquisition related compensation	12,386	16,851	20,712	16,851
Acquisition and integration related costs	—	4,506	302	6,067
Adjusted free cash flow	<u>\$ 26,230</u>	<u>\$ 56,077</u>	<u>\$ 98,002</u>	<u>\$ 126,924</u>
As a percentage of revenue:				
GAAP Net cash provided by operating activities	37 %	31 %	37 %	30 %
Adjusted free cash flow margin	13 %	32 %	17 %	25 %

1) For the three and nine months ended September 30, 2024, primarily consists of executive reorganization charges. For the three and nine months ended September 30, 2023, primarily consists of salary continuation charges and executive reorganization charges, including CEO search firm fees and other legal and professional service costs.

Non-GAAP Operating Expenses

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP cost of revenue	\$ 79,043	\$ 70,329	\$ 226,826	\$ 209,562
Amortization of acquired intangible assets	(3,089)	(3,129)	(9,451)	(6,804)
Stock-based compensation	(506)	(499)	(1,583)	(1,351)
Acquisition and integration related costs	—	(15)	—	(15)
Impairment of long-lived assets	—	(587)	(356)	(1,129)
Non-GAAP cost of revenue	<u>\$ 75,448</u>	<u>\$ 66,099</u>	<u>\$ 215,436</u>	<u>\$ 200,263</u>
GAAP research and development	\$ 37,377	\$ 32,627	\$ 105,388	\$ 109,468
Amortization of acquired intangible assets	—	—	—	(275)
Stock-based compensation	(10,828)	(9,502)	(29,099)	(35,280)
Acquisition related compensation	—	(250)	—	(750)
Acquisition and integration related costs	—	(412)	—	(571)
Restructuring related charges	—	(315)	—	(2,704)
Impairment of long-lived assets	—	—	—	(11)
Non-GAAP research and development	<u>\$ 26,549</u>	<u>\$ 22,148</u>	<u>\$ 76,289</u>	<u>\$ 69,877</u>
GAAP sales and marketing	\$ 17,036	\$ 19,015	\$ 57,970	\$ 53,346
Amortization of acquired intangible assets	(2,482)	(2,522)	(7,590)	(6,152)
Stock-based compensation	(2,063)	(4,701)	(9,105)	(11,759)
Acquisition and integration related costs	—	(100)	—	(100)
Restructuring related charges	—	(11)	—	(381)
Non-GAAP sales and marketing	<u>\$ 12,491</u>	<u>\$ 11,681</u>	<u>\$ 41,275</u>	<u>\$ 34,954</u>

Non-GAAP Operating Expenses (cont.)

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP general and administrative	\$ 40,422	\$ 20,064	\$ 127,034	\$ 117,861
Stock-based compensation ⁽¹⁾	(9,552)	(14,029)	(27,724)	(44,362)
Acquisition related compensation	(3,193)	(7,746)	(11,439)	(21,827)
Acquisition and integration related costs	—	(1,839)	—	(4,427)
Restructuring related charges ⁽¹⁾	(162)	29,810	(4,025)	29,841
Non-GAAP general and administrative	\$ 27,515	\$ 26,260	\$ 83,846	\$ 77,086
GAAP restructuring and other charges	\$ —	\$ (441)	\$ —	\$ 20,862
Restructuring and other charges	—	441	—	(20,862)
Non-GAAP restructuring and other charges	\$ —	\$ —	\$ —	\$ —

1) For the nine months ended September 30, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. For the nine months ended September 30, 2023, non-GAAP stock-based compensation excludes \$3.9 million, as it is presented in Restructuring and other charges. There were no reclassifications of stock-based compensation for the three months ended September 30, 2024 and 2023.