CLOUDFLARE®

Investor Presentation

Q4 2020

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Key Metrics

as of Q4 2020

2010
Launched

3.5M+
Free & Paying Customers

200+
Cities in Network

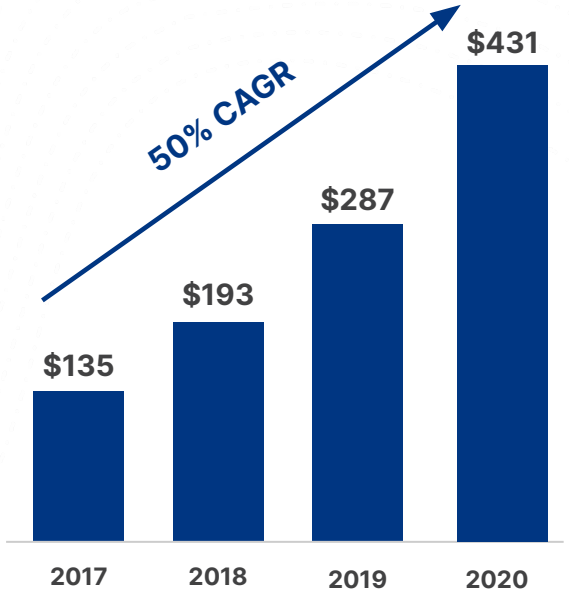
~17%
Of Fortune 1,000 are Paying Customers

1,788
Employees

77%
GAAP Gross Margin

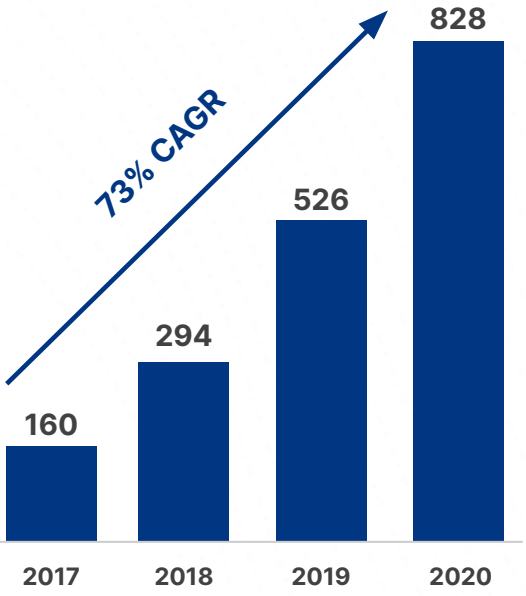
Cloudflare at a Glance

Annual Total Revenue ($M)



Large Customers

> $100,000 Annualized Revenue



Note: Q4 2020 data as of December 31, 2020, except GAAP Gross Margin is for the quarter ended December 31, 2020. See Appendix for Large Customers definition.

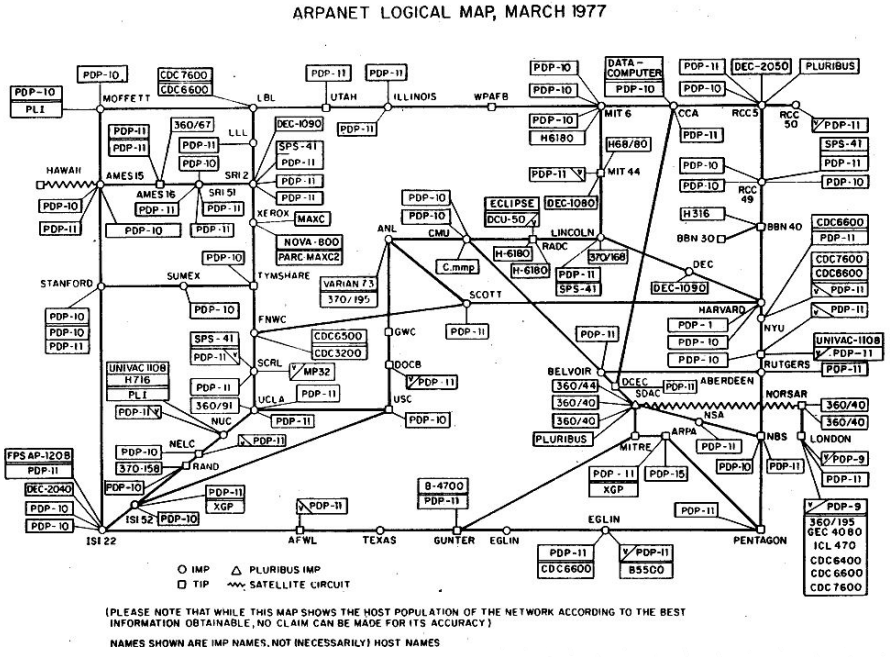
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Cloudflare’s mission is to

Help build a better Internet

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The Internet was not built for what it has become.

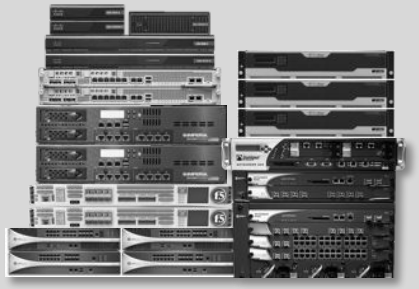


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From Endless Hardware to a Global Cloud Platform

BAND-AID BOXES

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



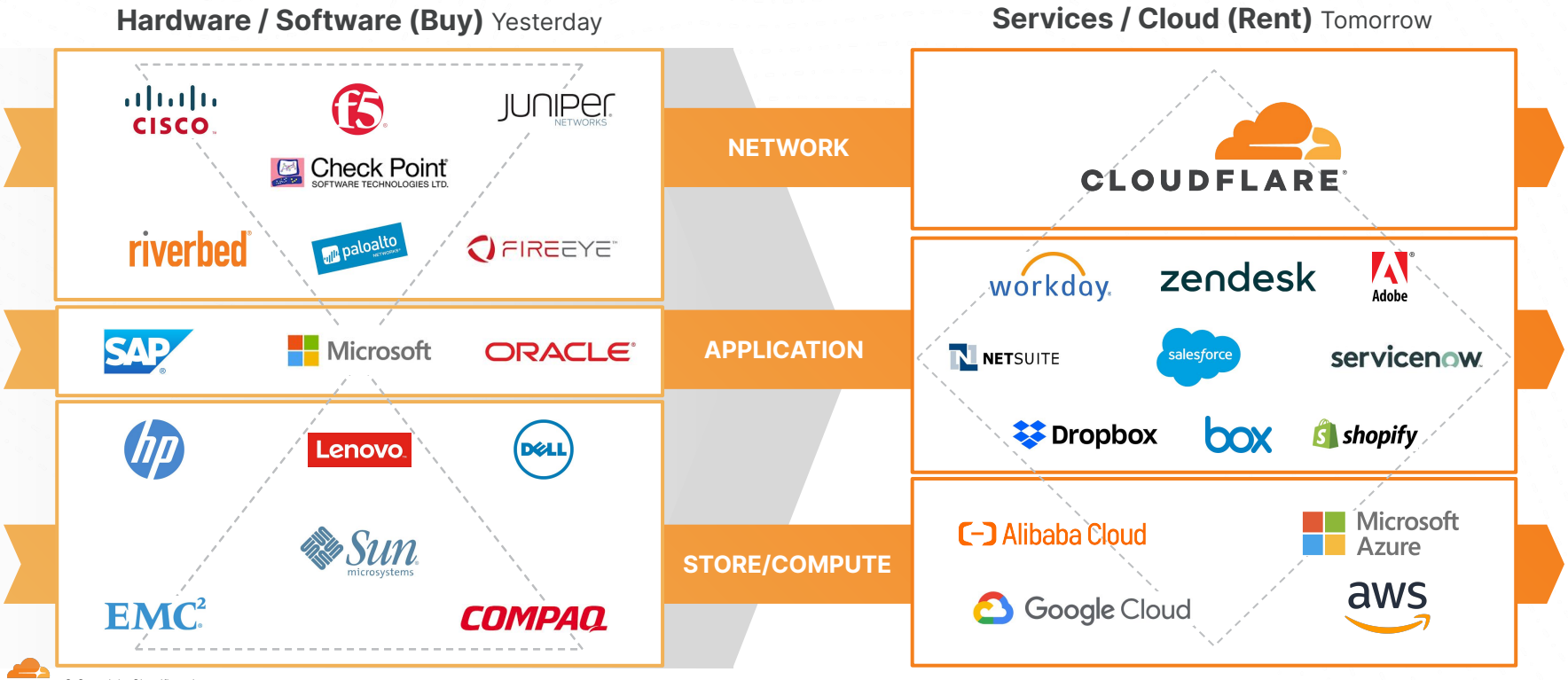
BETTER INTERNET

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

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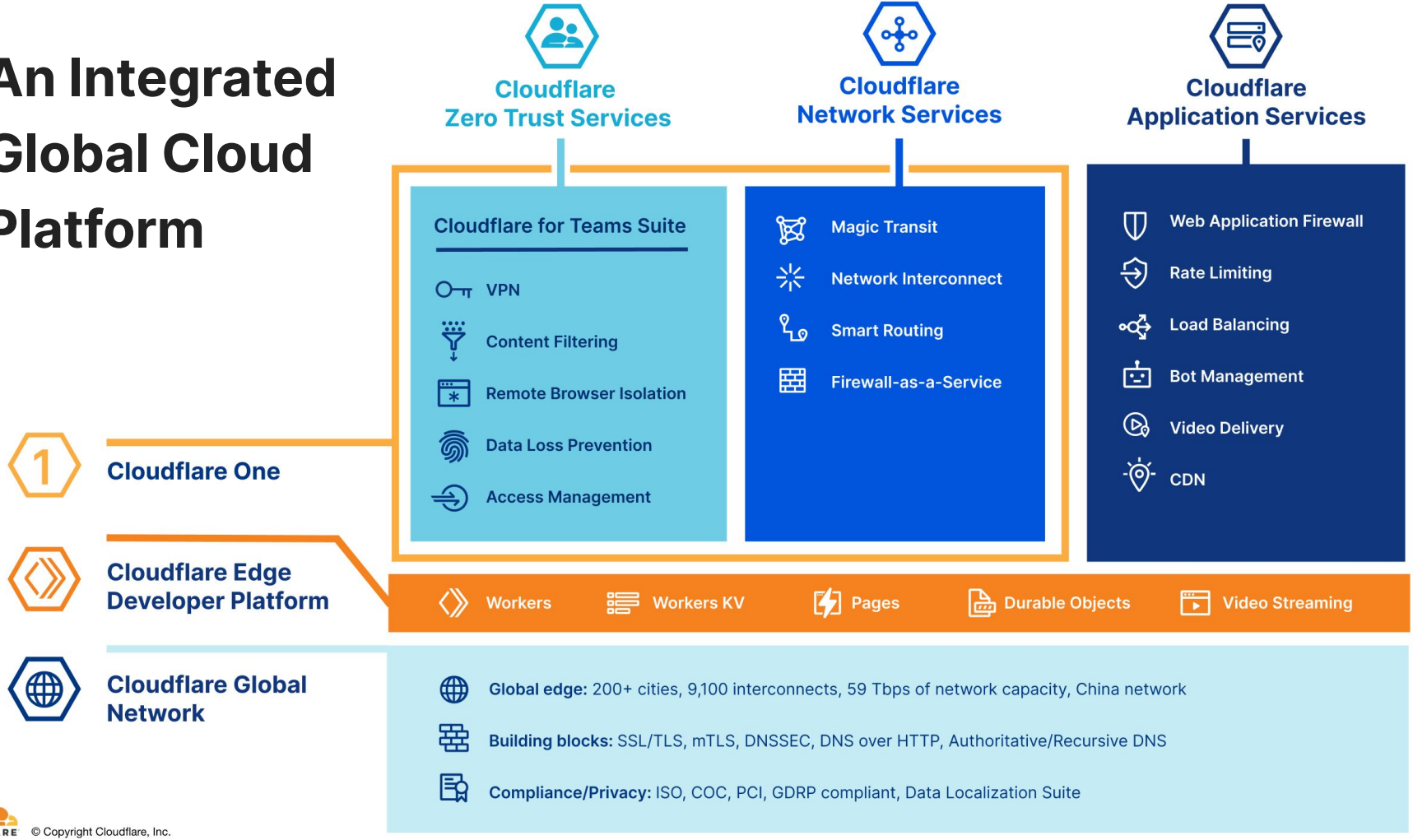
Global Cloud Platform

Evolution of Enterprise Stack



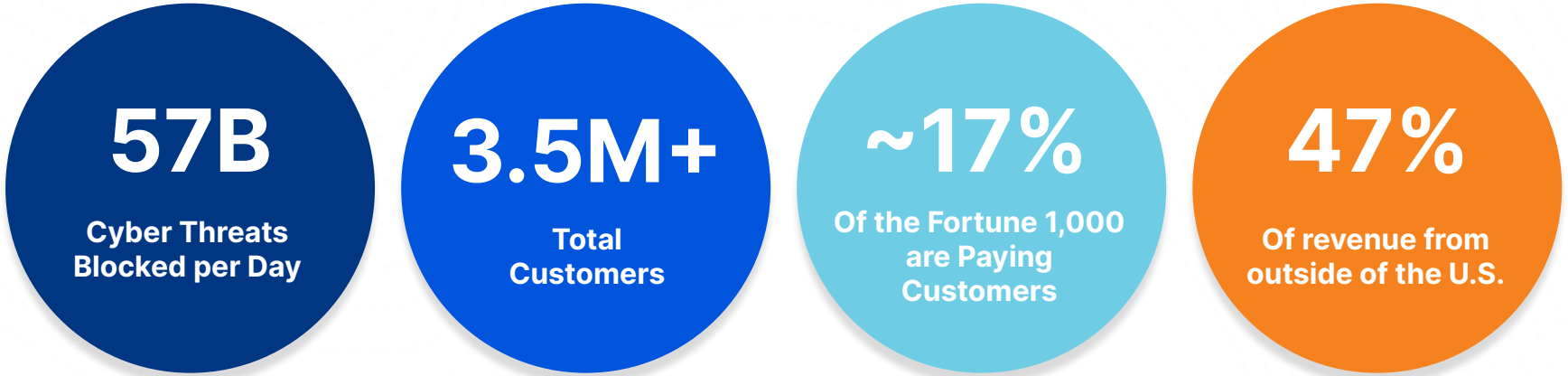
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An Integrated Global Cloud Platform



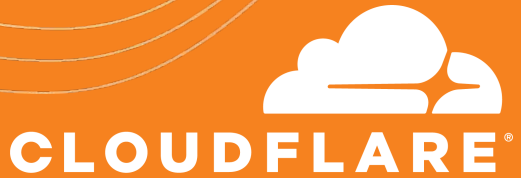
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We Operate at Massive Scale



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Note: Cyber threats blocked per day is approximate average over the three months ended December 31, 2020. Total Customer and Paying Customer data is as of December 31, 2020, and revenue is for the three months ended December 31, 2020. See Appendix for Paying Customers definition.

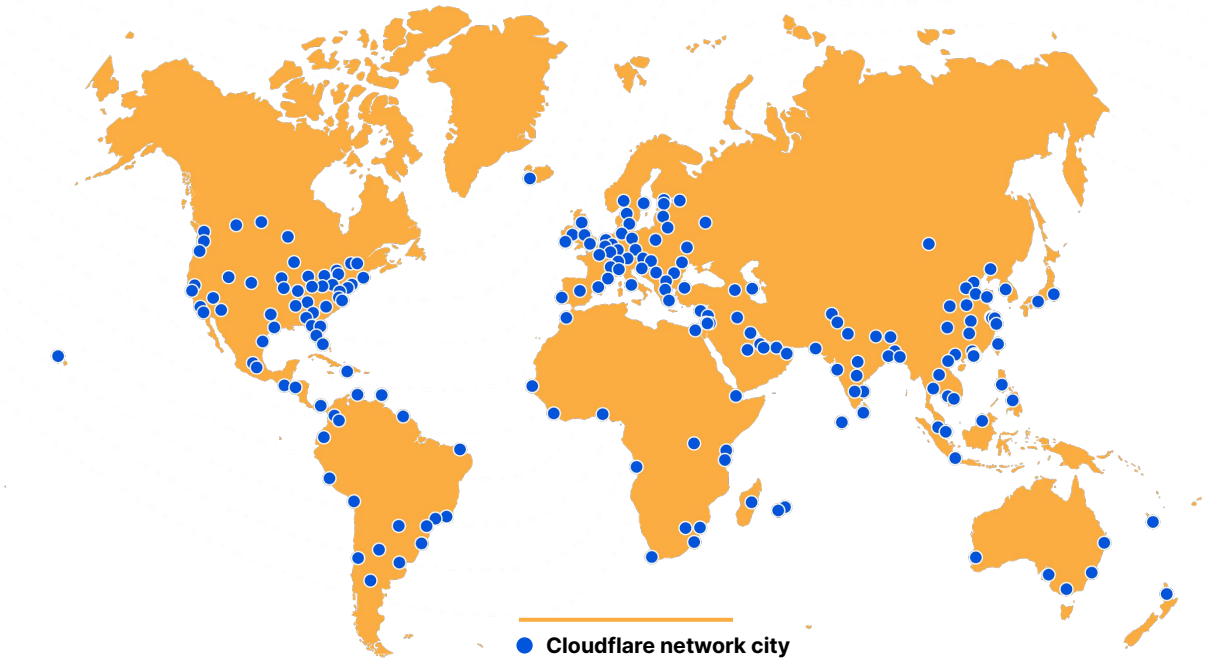


Our Flexible, Scalable, & Efficient Serverless Architecture

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

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A Global Network Powering Our Platform



200+
Cities

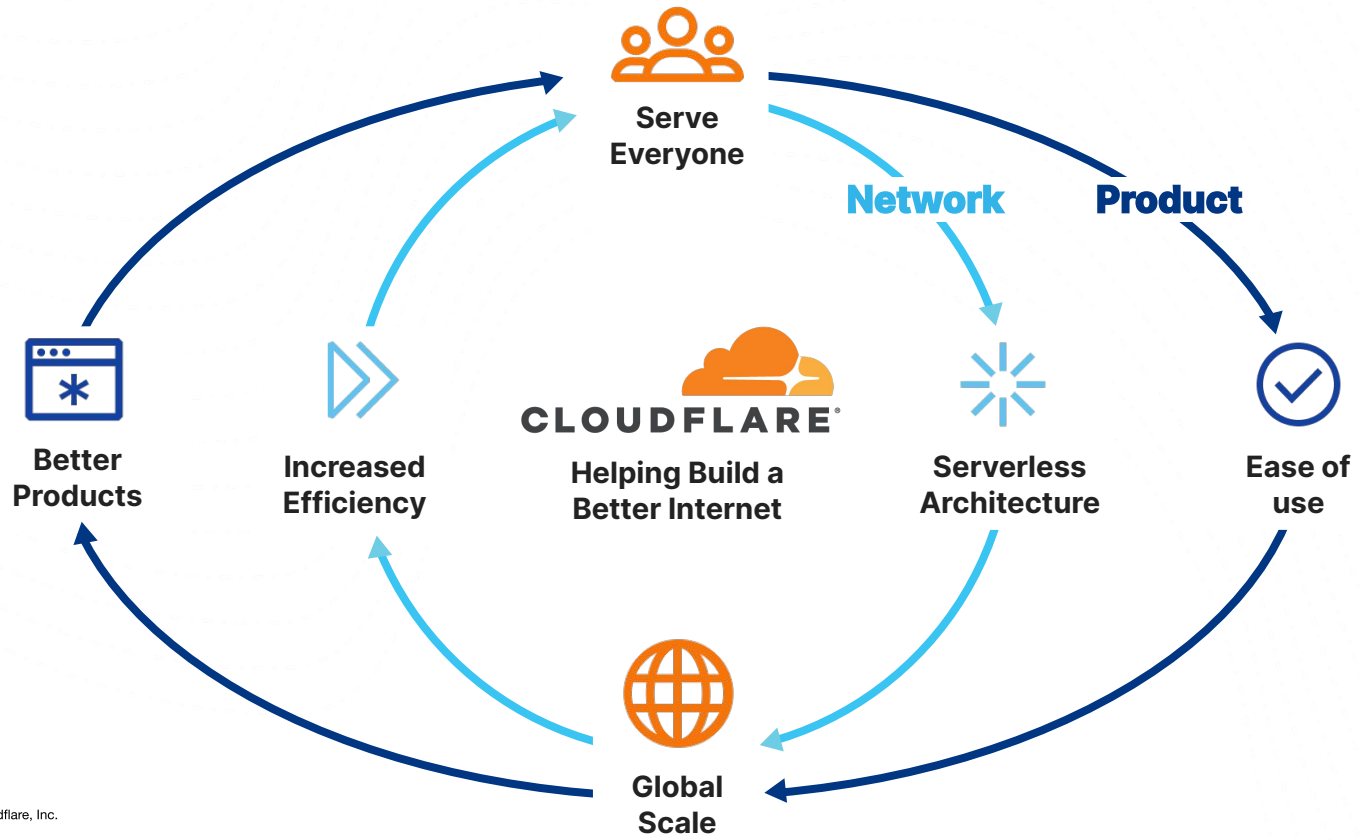
Paying Customers in
175+
Countries

9,100+
Interconnects

99%
Of the Internet-connected developed world population is located within 100 milliseconds of our network

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Our Product & Network Flywheels Drive Our Business



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Data Intelligence & Quality Assurance at Scale

Global sensor network
with paying customers in 175 countries.

Machine learning systems
improve products with
every customer's request.

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

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

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Our Competitive Advantages









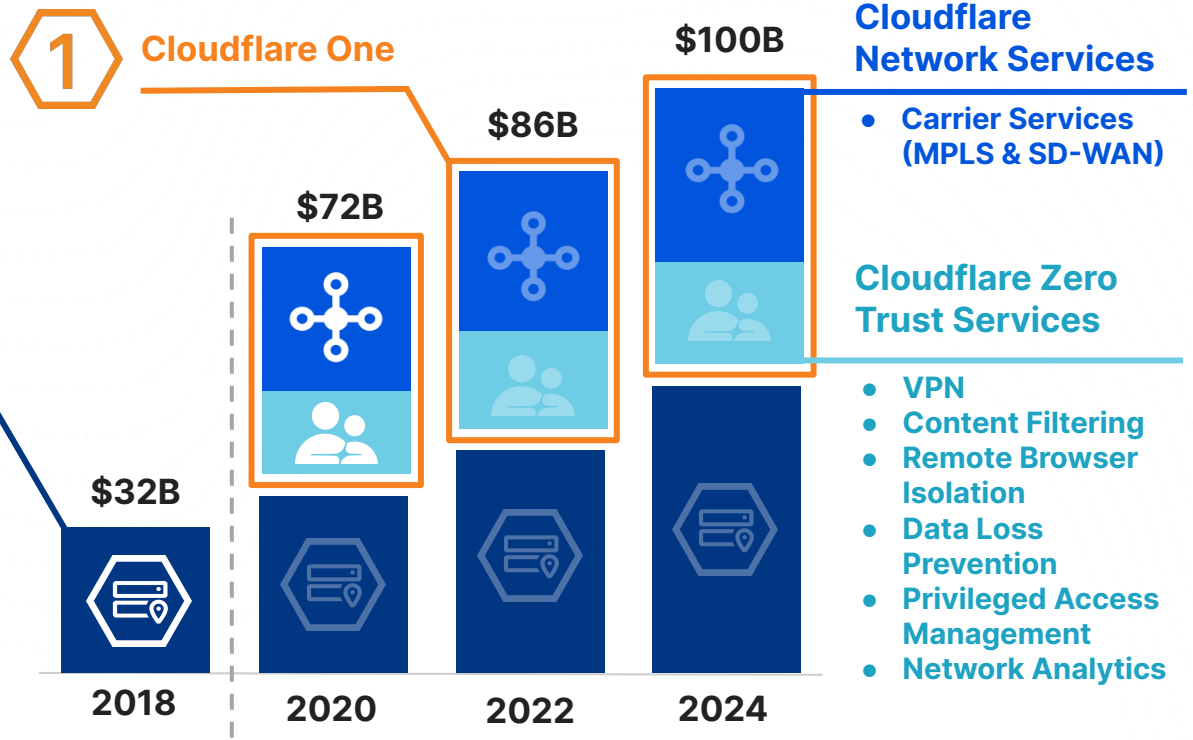
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Our Favorable Competitive Position

		Limitations
On-Premise		• Complex and expensive • Not suited to address cloud-based and hybrid deployments
Point Solutions		• Architected to deliver single point / more narrow product portfolio • Customers are increasingly looking for an integrated platform offering security, performance, and reliability through a single vendor
Public Cloud		• Inability to serve as a unified control plane across on-premise, cloud, hybrid, and SaaS infrastructure • Customer lock-in and competition concerns

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Innovation Drives TAM Expansion



Cloudflare Application Services

- Application Delivery Controllers
- WAN
- CDN
- DDoS
- Intrusion Detection & Prevention
- Firewall

Cloudflare Network Services

- Carrier Services (MPLS & SD-WAN)

Cloudflare Zero Trust Services

- VPN
- Content Filtering
- Remote Browser Isolation
- Data Loss Prevention
- Privileged Access Management
- Network Analytics

Areas for Potential Incremental Growth

- Serverless
- Internet of Things
- 5G Cellular
- Consumer

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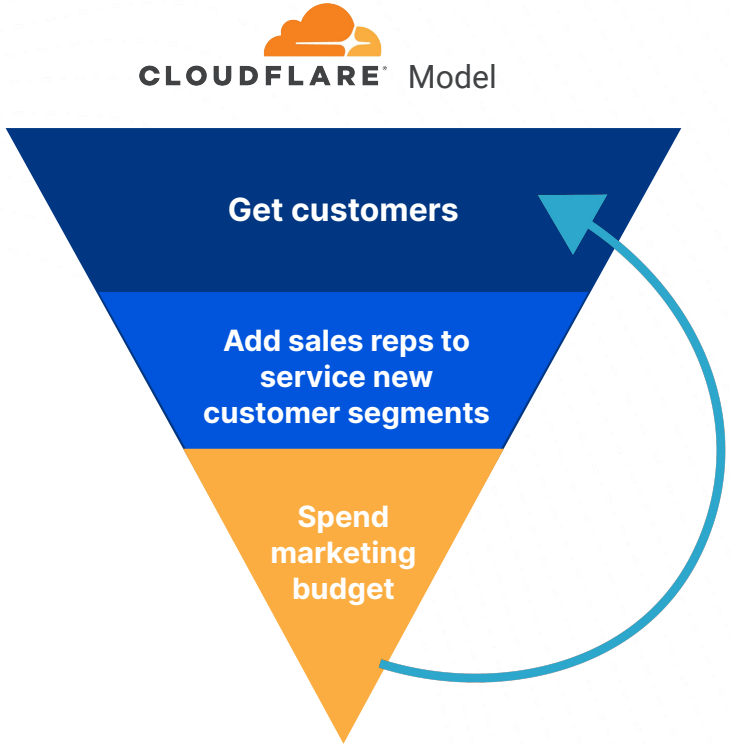
Note: Total Addressable Market represents expected spend for year from our analysis based on IDC data.

Traditional Go-To-Market Model Inverted

We don’t build ahead of the curve.

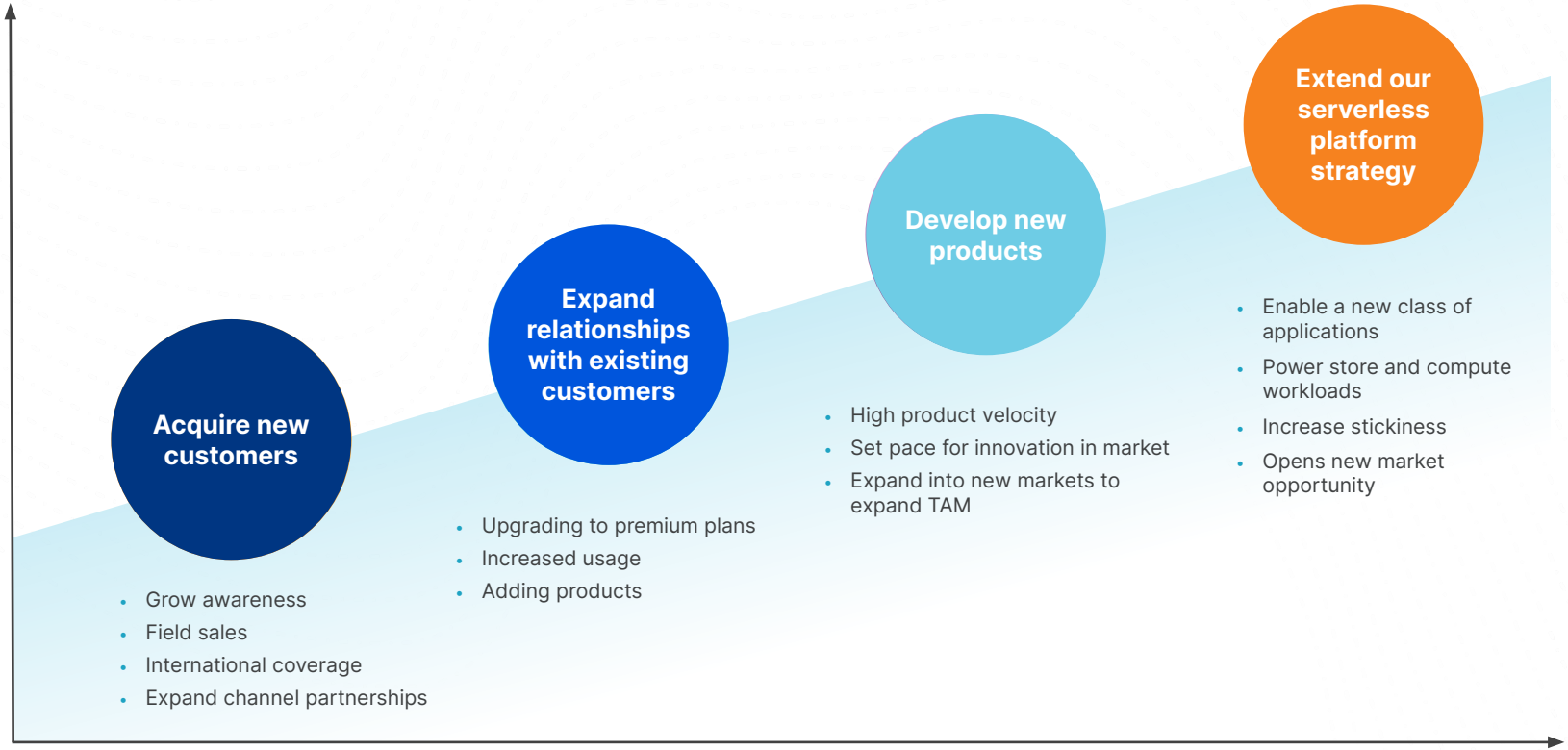
Sources of Leverage

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



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Our Strategy for Growth



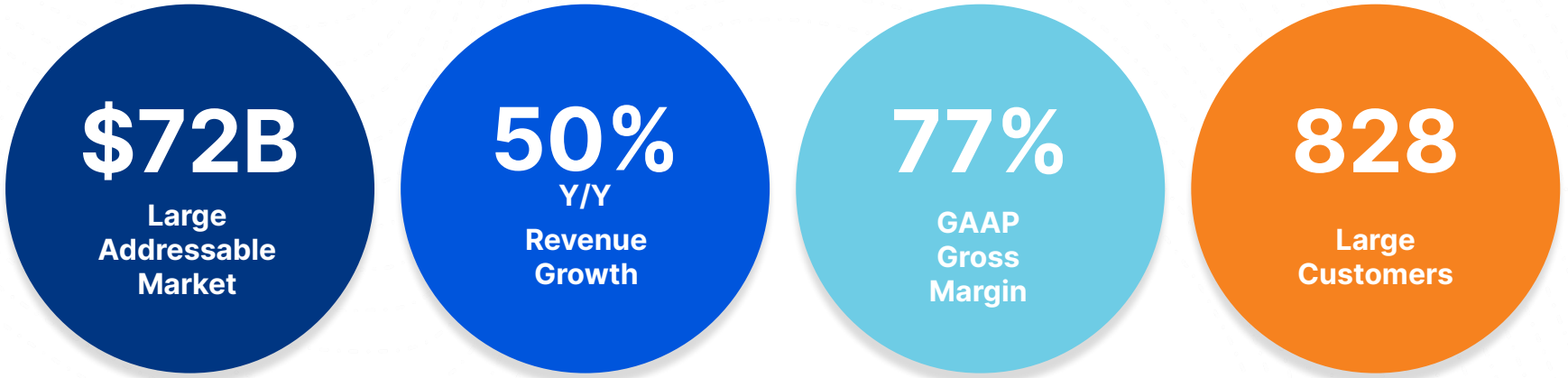
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Financial Overview

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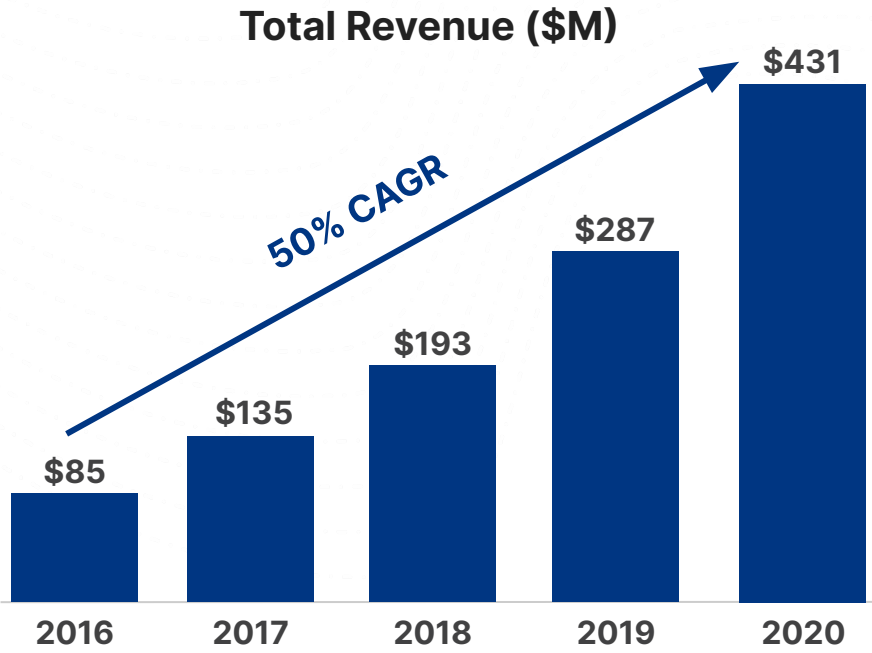
Key Financial Highlights



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Note: Total Addressable Market represents 2020 expected spend from our analysis based on IDC data. Year-over-year revenue growth is as of the year ended December 31, 2020. Gross margin is as of the twelve months ended December 31, 2020. Large Customers is as of December 31, 2020. See the Appendix for how we define “Large Customers.”

Delivering Sustained High Revenue Growth



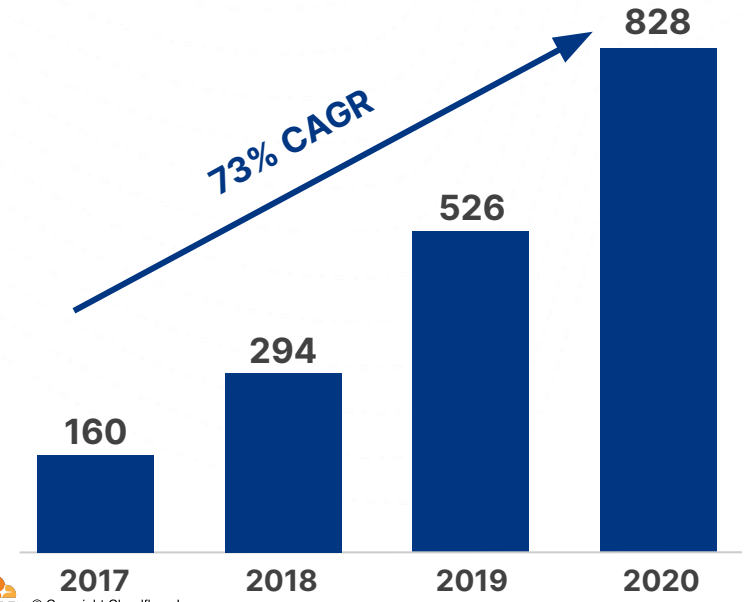
- Investment in enterprise sales
- Large customer momentum
- Land and expand strategy drives growth across cohorts
- 100% subscription-based revenue model

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Large Customer Growth

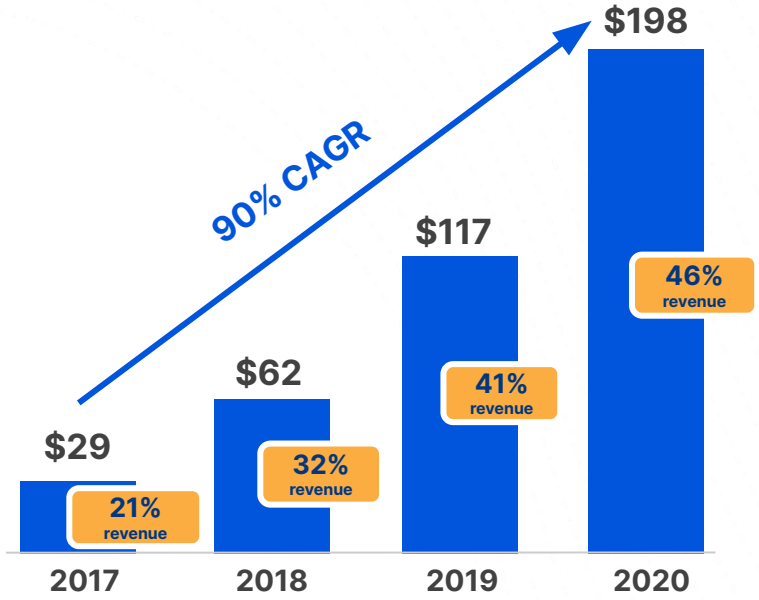
Large Customers

>$100,000 Annualized Revenue



Large Customers - Revenue Contribution

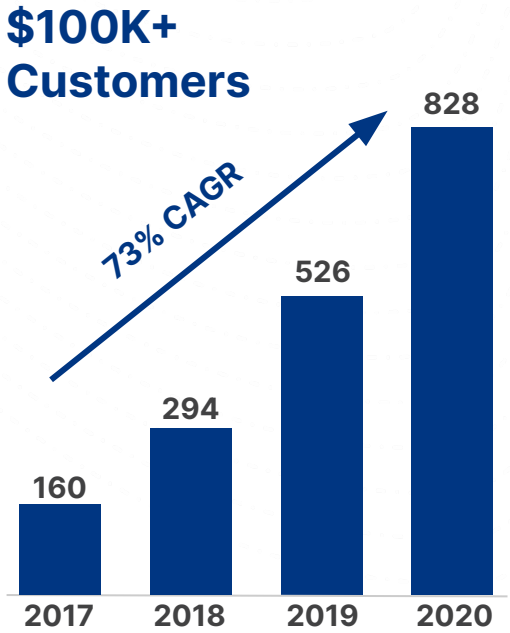
>$100,000 Annualized Revenue ($M)

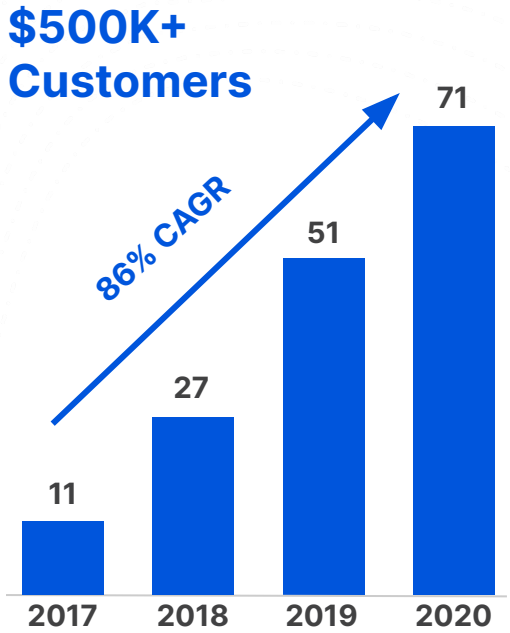


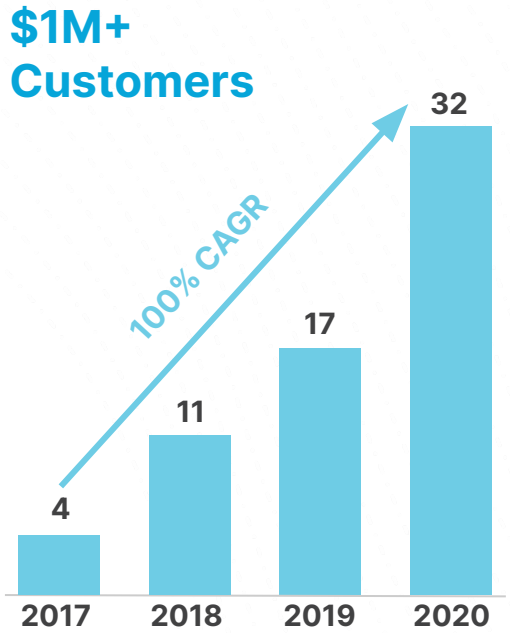
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Note: See the Appendix for how we define “Large Customers.”

Significant Growth in Large Customer Cohorts



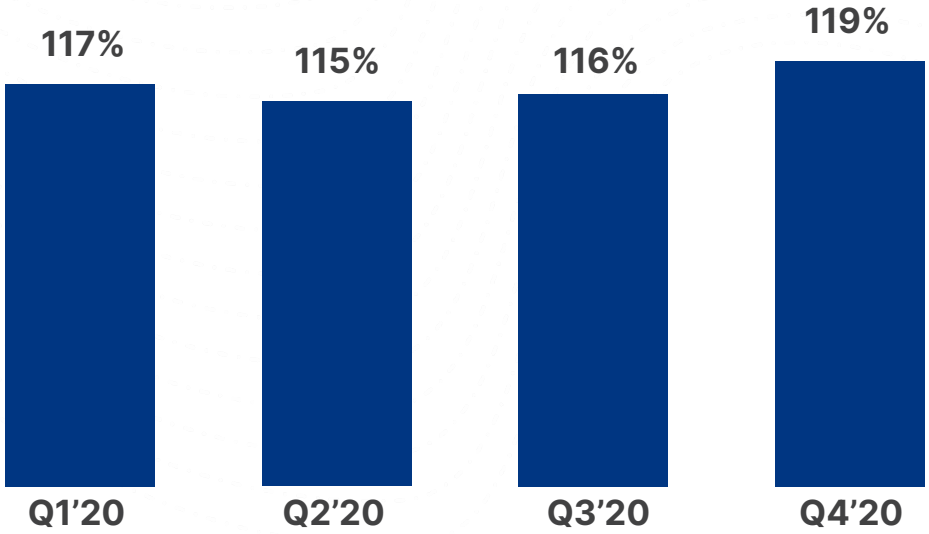




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Note: See the Appendix for how we define "Large Customers," which are the same as $100K+ customers. $500K+ and $1M+ customers are defined in the same manner, except we use $500K+ and $1M+, respectively, of Annualized Revenue instead of $100K+.

Strong Dollar-Based Net Retention



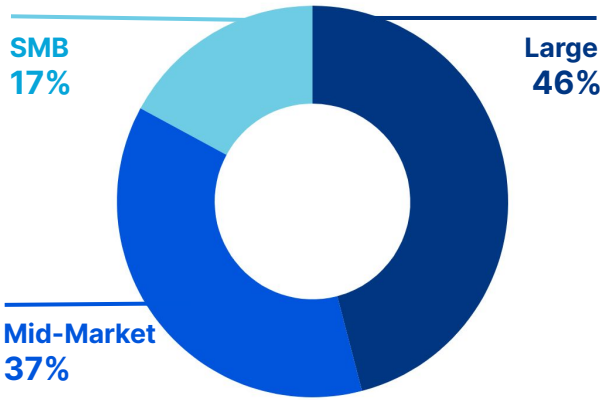
- DNR includes all paying customers
- Large customers are a tailwind to DNR
- Gross retention remained above 90% for Q4 and through 2020
- DNR benefits from strong upsell, expansion, and new product introductions
- Cloudflare One offers bundling opportunities

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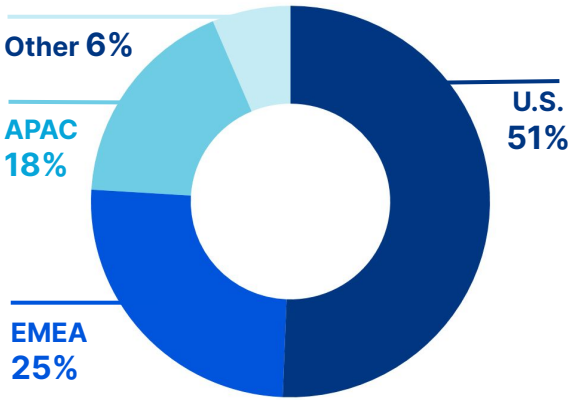
Note: See the Appendix for how we define "Dollar-Based Net Retention." Gross revenue retention is defined as 1 - gross revenue churn.

Broadly Diversified Customer Base

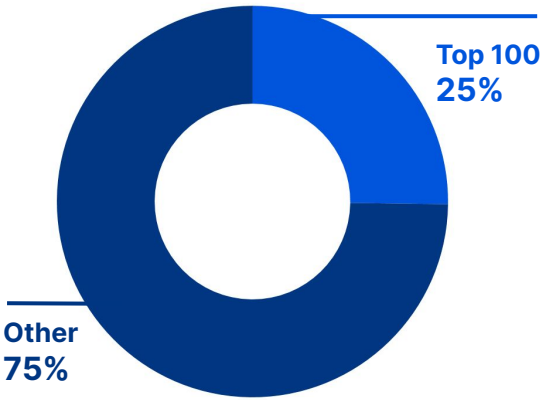
2020 Revenue Mix by **Customer Type**



2020 Revenue Mix by **Geography**



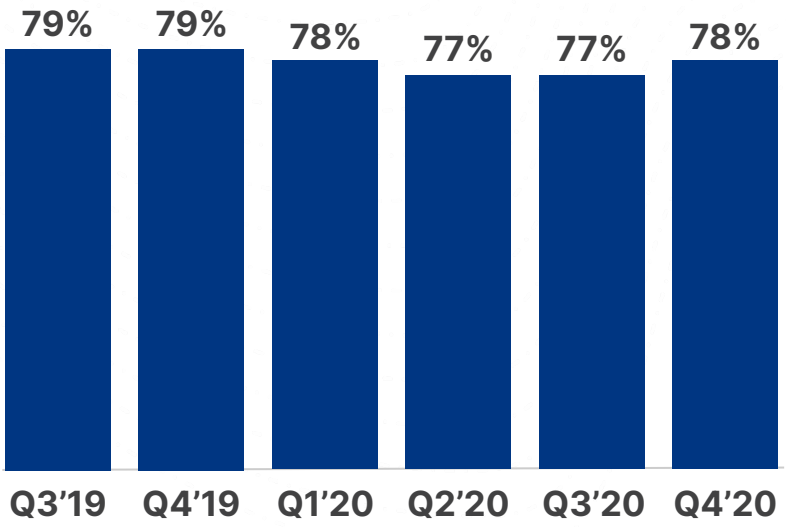
2020 Revenue Mix by **Top 100 Customers**



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Note: See the Appendix for how we define “Large Customers.” Mid-Market customers are defined as our contracted customers with less than $100,000 in Annualized Revenue, and SMB customers are defined as our Pay-As-You-Go customers less than $100,000 in Annualized Revenue, which also includes revenue from Registrar, Warp, and Apps. See the Appendix for how we defined “Annualized Revenue.” Other includes LATAM and NAMER regions, NAMER specifically includes Antarctica, Bermuda, Canada, Greenland, Saint Barth, Saint Martin, Saint Pierre and Miquelon, and Saint Maarten

Non-GAAP Gross Margin



Attractive & Consistent Gross Margin

Serverless architecture deployed on commodity hardware

Single software stack across the network

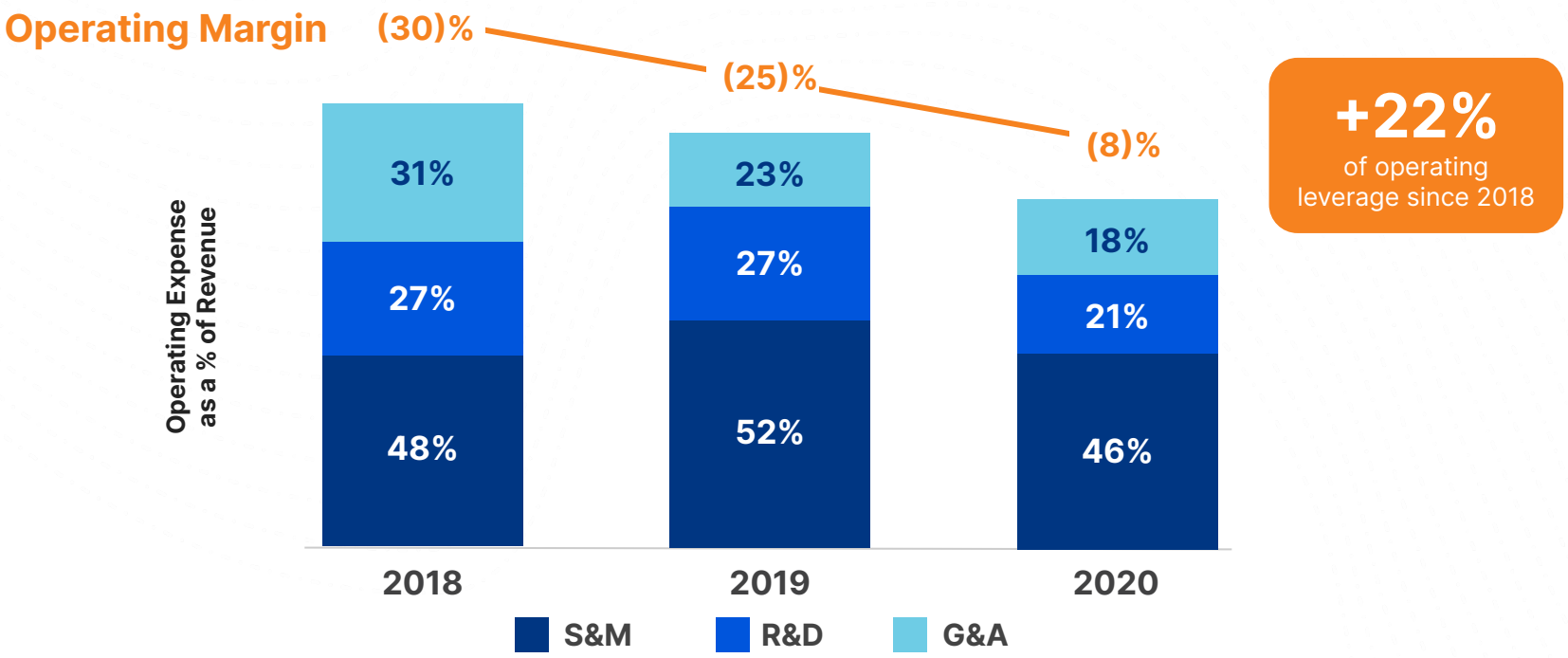
Symbiotic relationship with ISPs

Leverage idle capacity across network

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

Leverage of Our Platform

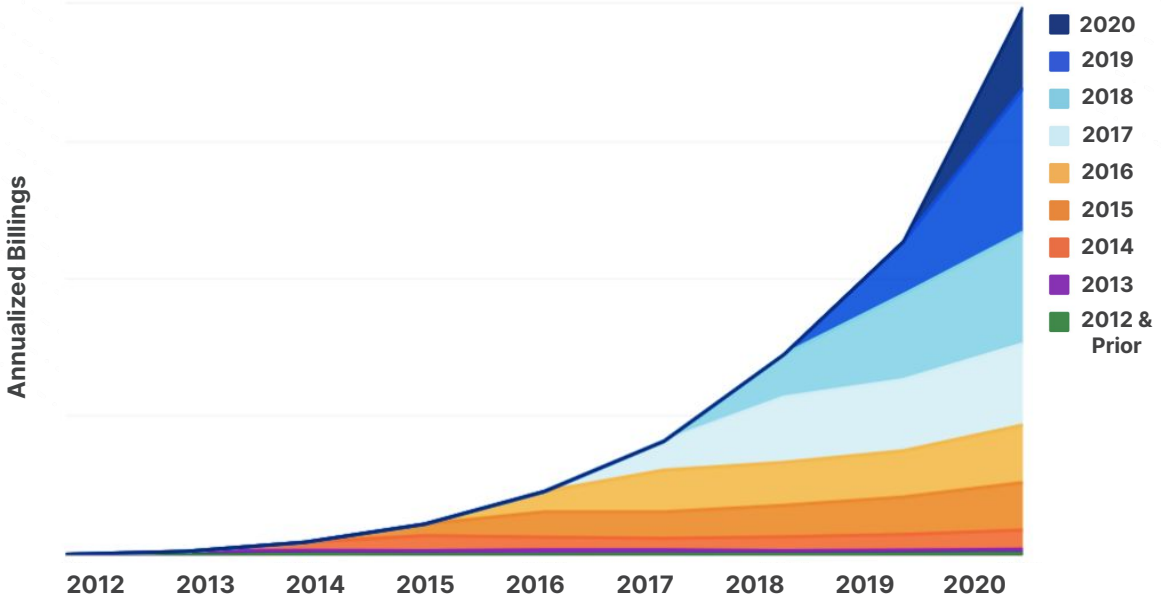


+22%
of operating leverage since 2018

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

Land and Expand Strategy Drives Growth Across Cohorts



At the IPO,

70%

of contracted customers used **4 or more** products

Today,

88%

of contracted customers use **4 or more** products

Today,

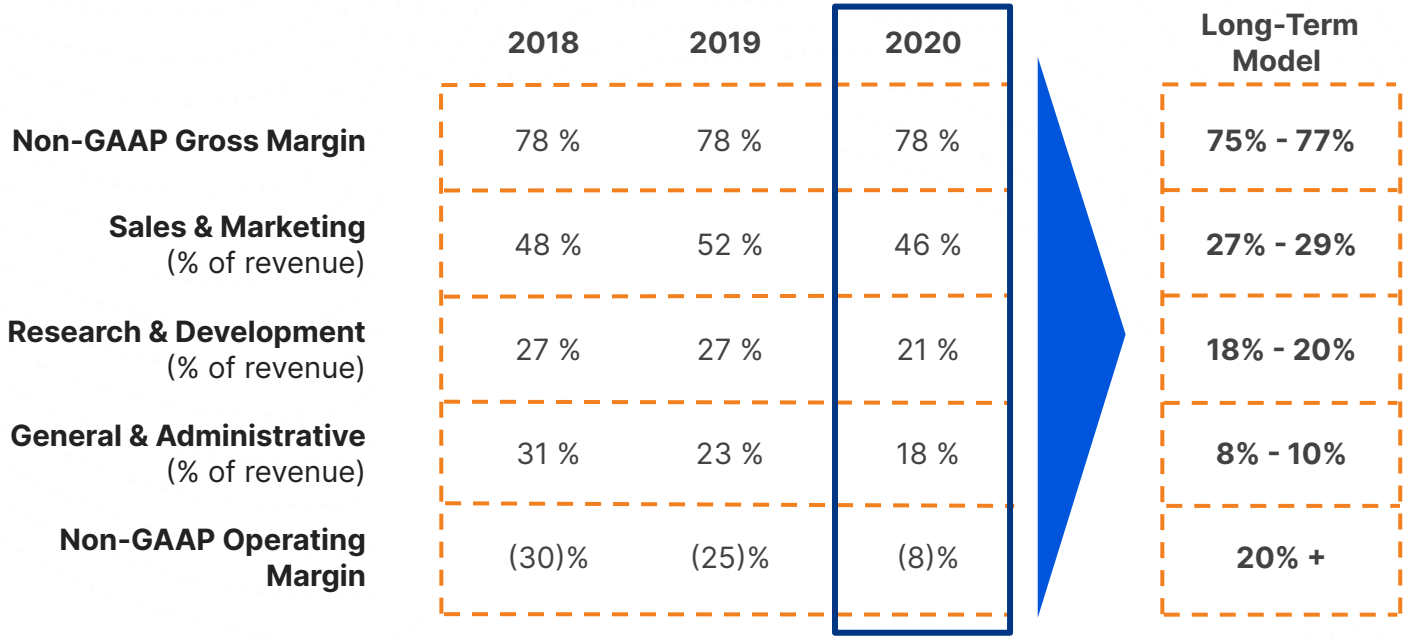
79%

of contracted customers use **5 or more** products

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Note: See the Appendix for how we define "Annualized Billings." Today period is as of December 31, 2020.

Long-Term Model



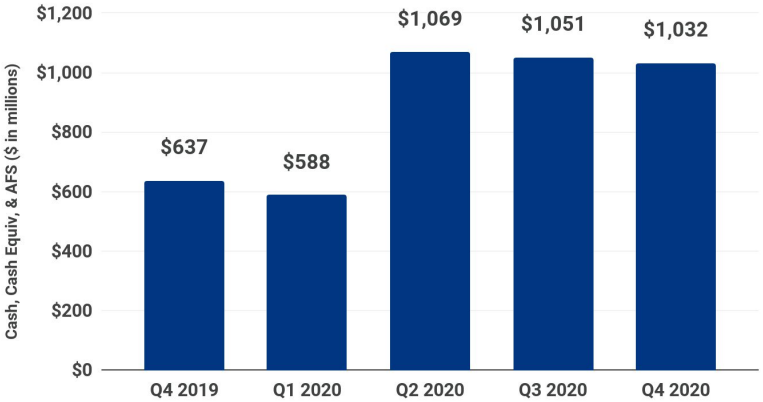
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Note: Metrics shown are Non-GAAP. See Appendix for GAAP financial measures and GAAP to Non-GAAP reconciliation.

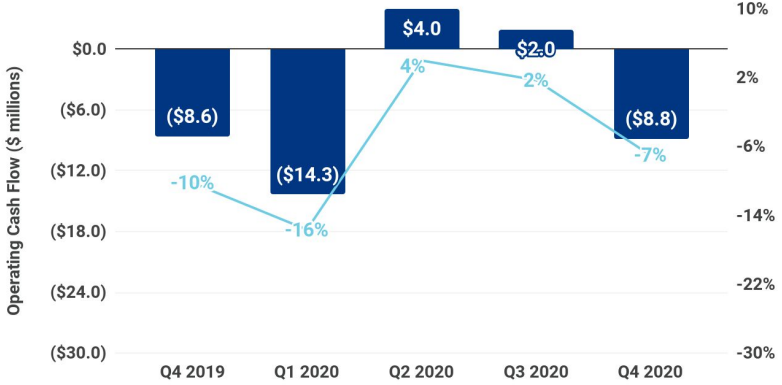
Strong Cash Position

- Raised $565 million, net of fees and expenses, in our IPO that priced on September 12th, 2019
- Raised $562 million, net of fees and expenses, in our Convertible Note that priced on May 13th, 2020

Cash Balance



Operating Cash Flow & Margin



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Our Business Model

- Disrupting a large and growing total addressable market
- Widely distributed Global Cloud Platform
- Expansive product portfolio; open to developer innovation
- Highly efficient business model and low fundamental cost structure
- High growth subscription revenue model with attractive gross margin

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Appendix

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GAAP to Non-GAAP Reconciliation

	2018	2019	2020	Q4 2019	Q4 2020
GAAP Cost of Revenue	**$43,537**	**$63,423**	**$101,055**	**$18,198**	**$29,065**
Less: Stock-based Compensation Expense & Related Payroll Taxes	-$119	-$716	-$1,466	-$253	-$478
Less: Amortization of Acquired Intangible Assets	-$517	-$125	-$3,081	-$31	-$950
Non-GAAP Cost of Revenue	**$42,901**	**$62,582**	**$96,508**	**$17,914**	**$27,637**
GAAP Gross Profit	**$149,137**	**$223,599**	**$330,004**	**$65,732**	**$96,861**
Add: Stock-based Compensation & Related Payroll Taxes	$119	$716	$1,466	$253	$478
Add: Amortization of Acquired Intangible Assets	$517	$125	$3,081	$31	$950
Non-GAAP Gross Profit	**$149,773**	**$224,440**	**$334,551**	**$66,016**	**$98,289**
GAAP Gross Margin	77%	78%	77%	78%	77%
Non-GAAP Gross Margin	78%	78%	78%	79%	78%
GAAP Sales and Marketing	**$94,394**	**$159,298**	**$217,875**	**$47,107**	**$63,552**
Less: Stock-based Compensation & Related Payroll Taxes	-$979	-$8,709	-$17,678	-$3,275	-$5,363
Non-GAAP Sales and Marketing	**$93,415**	**$150,589**	**$200,197**	**$43,832**	**$58,189**
GAAP S&M Expense as a % of Revenue	49%	56%	51%	56%	50%
Non-GAAP S&M Expense as a % of Revenue	48%	52%	46%	52%	46%
GAAP Research and Development	**$54,463**	**$90,669**	**$127,144**	**$26,289**	**$34,757**
Less: Stock-based Compensation & Related Payroll Taxes	-$1,532	-$13,037	-$30,497	-$4,413	-$9,080
Less: Acquisition-related and other expenses			-$5,725		
Non-GAAP Research and Development	**$52,931**	**$77,632**	**$90,922**	**$21,876**	**$25,677**
GAAP R&D Expense as a % of Revenue	28%	32%	29%	31%	28%
Non-GAAP R&D Expense as a % of Revenue	27%	27%	21%	26%	20%
GAAP General and Administrative	**$85,179**	**$81,578**	**$91,753**	**$22,278**	**$23,293**
Less: Stock-based Compensation & Related Payroll Taxes	-$24,717	-$14,165	-$13,875	-$3,674	-$3,404
Less: Acquisition-related and other expenses			-$554		
Non-GAAP General and Administrative Expense	**$60,462**	**$67,413**	**$77,324**	**$18,604**	**$19,889**
GAAP G&A Expense as a % of Revenue	44%	28%	21%	27%	18%
Non-GAAP G&A Expense as a % of Revenue	31%	23%	18%	22%	16%
GAAP Loss from Operations	**-$84,899**	**-$107,946**	**-$106,768**	**-$29,942**	**-$24,741**
Add: Stock-based Compensation & Related Payroll Taxes	$27,347	$36,627	$63,516	$11,615	$18,325
Add: Amortization of Acquired Intangible Assets	$517	$125	$3,081	$31	$950
Add: Acquisition-related and other expenses			$6,279		
Non-GAAP Loss from Operations	**-$57,035**	**-$71,194**	**-$33,892**	**-$18,296**	**-$5,466**
GAAP Operating Margin	-44%	-38%	-25%	-36%	-20%
Non-GAAP Operating Margin	**-30%**	**-25%**	**-8%**	**-22%**	**-4%**

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Definitions

Paying Customers. We believe our ability to grow the number of paying customers on our platform provides a key indicator of growth of our business and our future business opportunities. We define a paying customer as a person or entity who has generated revenue during the quarter, excluding (i) customers that were not acquired through ordinary sales channels, (ii) customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and Warp, which agreements and customers together represent an insignificant amount of our revenue. An entity is defined as a company, a government institution, a non-profit organization, or a distinct business unit of a large company that has an active contract with us or one of our partners.

Large Customers. 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, 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 $600 of revenue in the quarter, that customer would account for $2,400 of Annualized Revenue for that year. Our Annualized Revenue calculation excludes (i) agreements that were not entered into through our ordinary sales channels, (ii) revenue generated from customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and Warp, which agreements and customers together represent an insignificant amount of our revenue. Our Annualized Revenue metric also includes any usage charges by a customer during a period, which represents a small portion of our total revenue and may not be recurring. As a result, Annualized Revenue may be higher than actual revenue over the course of the year.

Dollar-Based Net Retention. Our ability to maintain long-term revenue growth and achieve profitability is dependent on our ability to retain and grow revenue generated from our existing paying customers. We believe that we will achieve these objectives by continuing to focus on customer loyalty and adding additional products and functionality to our platform. 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 period, 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.

Annualized Revenue: To measure Annualized Revenue, 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 $600 of revenue in the quarter, that customer would account for $2,400 of Annualized Revenue for that year. Our Annualized Revenue calculation excludes (i) agreements that were not entered into through our ordinary sales channels, (ii) revenue generated from customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and Warp, which agreements and customers together represent an insignificant amount of our revenue. Our Annualized Revenue metric also includes any usage charges by a customer during a period, which represents a small portion of our total revenue and may not be recurring. As a result, Annualized Revenue may be higher than actual revenue over the course of the year.

Annualized Billings: To measure Annualized Billings, we take the billings for each customer in the final month of a period and multiply that amount by 12. This measure provides us a view of what our billings would be had the customer been using our platform for an entire calendar year. Our Annualized Billings calculation excludes (i) our strategic agreement with Baidu, (ii) other agreements that were not entered into through our ordinary sales channels, and (iii) customers using our consumer products, such as 1.1.1.1 and Warp, and that together represent an insignificant amount of our revenue. We include both month-to-month subscriptions and longer-term agreements with our contracted customers in the calculation of Annualized Billings. Our Annualized Billings metric also includes any usage charges by a customer during a period, which represent a small portion of our total billings and may not be recurring. As a result, Annualized Billings may be higher than actual billings over the course of the year.

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