



# **8x8**

**Second Quarter Fiscal 2019 Earnings**

**October 29, 2018**

# Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. These statements relate to the release of new products, market demand for products, changing industry trends, business strategies, future operating performance and outlook. These forward-looking statements are predictions only, and actual events or results may differ materially from such statements depending on a variety of factors. These factors include, but are not limited to:

- Customer adoption and demand for our X-Series product line may be lower than we anticipate.
- Competitive dynamics of the UCaaS, CCaaS and other markets in which we compete may change in ways we are not anticipating.
- Third parties may assert ownership rights in our IP, which may limit or prevent our continued use of the core technologies behind our solutions.
- We may not achieve our target service revenue growth rate, or the revenue, earnings, bookings or other amounts we forecast in our guidance, for a particular quarter or for the full fiscal year of FY19.
- Our churn rate may be higher than we anticipate.
- The investments we make in increasing headcount, marketing X Series, and other areas of our business may not result in accelerated revenue growth.

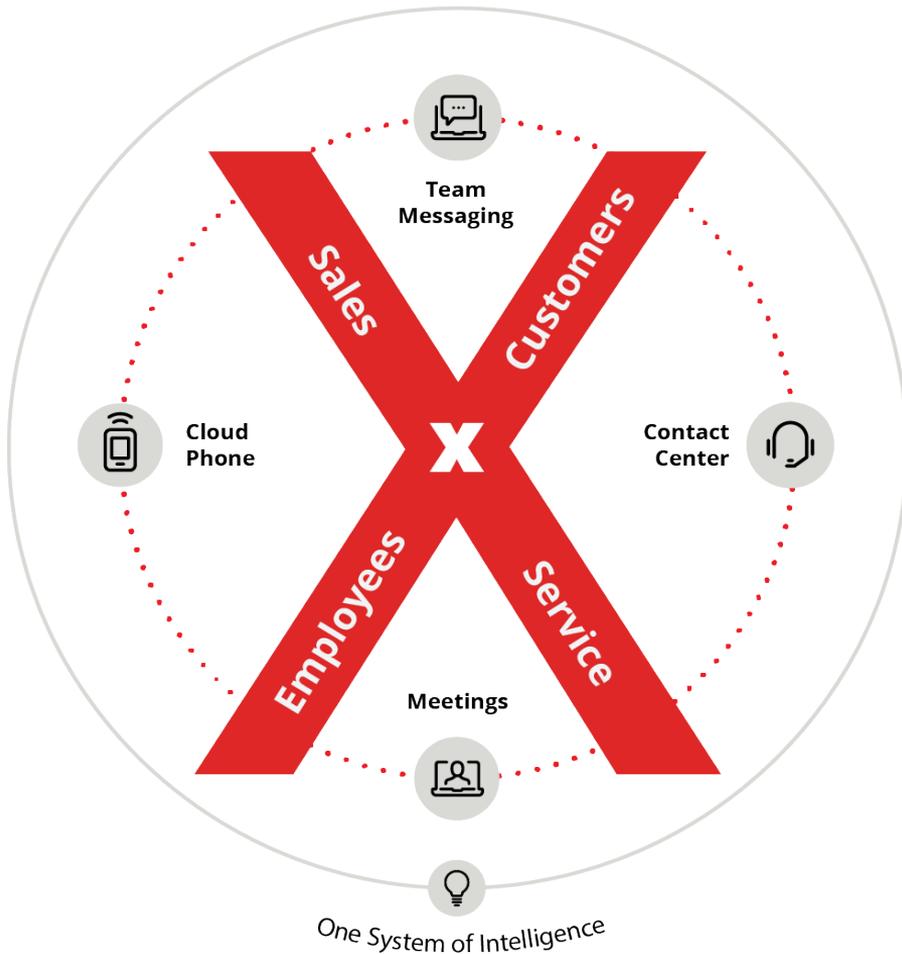
For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in the Forms 10-K and 10-Q filed by 8x8, Inc. with the Securities and Exchange Commission. All forward-looking statements are qualified in their entirety by this cautionary statement, and 8x8, Inc. undertakes no obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes available or other events occur in the future.

## Non-GAAP Measures

This presentation contains certain financial information that has not been prepared in accordance with Generally Accepted Accounting Principles (GAAP). Management uses these non-GAAP financial measures internally in analyzing the Company’s financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating the Company’s ongoing operational performance. Reconciliations of these non-GAAP financial measures to the most directly comparable information derived in accordance with GAAP are presented in the Appendix at the end of this presentation. This information should not be considered a substitute for any measures derived in accordance with GAAP.

In addition, this presentation includes financial measures that have been adjusted as follows:

- This presentation includes revenue figures adjusted to exclude revenue generated by DXI. As first reported in the third quarter of our 2018 fiscal year, we have de-emphasized the sale of DXI’s ContactNow as a stand-alone product, and management therefore believes it is useful to exclude this revenue from period-to-period comparisons to better depict the relative performance of our core business.
- This presentation includes revenue figures adjusted for comparison on a constant currency basis, when management concluded that the elimination of the impact of currency fluctuations between the periods being compared would assist with the evaluation of the underlying business performance.



# 8x8

One cloud technology platform  
phone x meetings x collaboration x contact center

1m+ business users

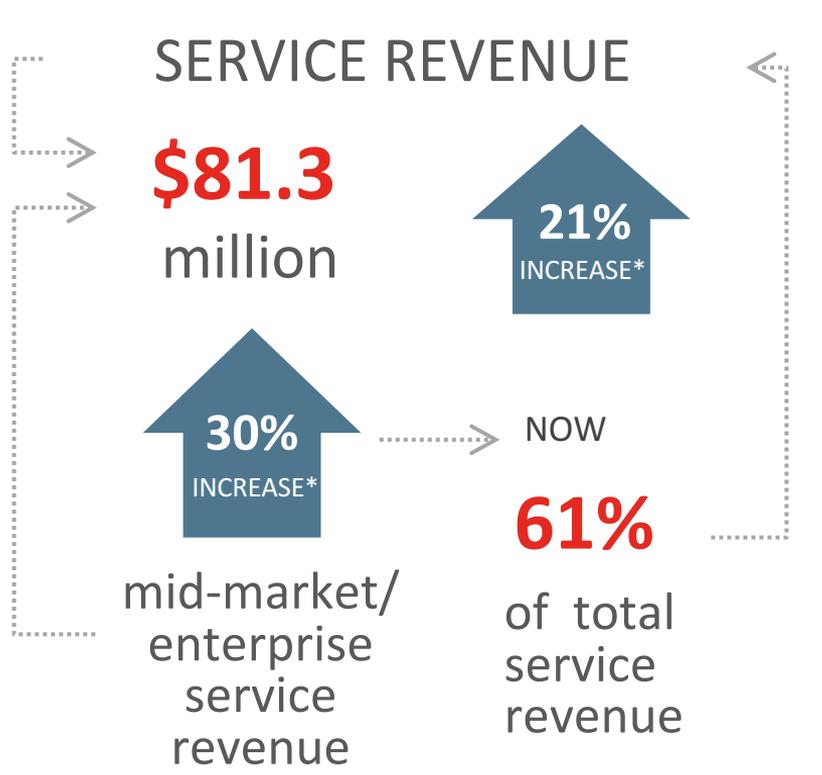
15 global data centers

Serving customers in 150+ countries

Global 24/7/365 follow-the-sun customer support

170 patents awarded

# Q2 Fiscal 2019 Financial Results



GAAP		NON-GAAP
<b>\$(21.5)</b>	Million Net loss	Million Pre-tax Net Income **
<b>75.2%</b>	Gross margin	<b>77.2%</b>
<b>80.5%</b>	Service margin	<b>82.6%</b>

\*Adjusting for constant currency and excluding DXI  
\*\* Non-GAAP Net Income is tax effected at (3%) tax rate.

# Q2 Fiscal 2019 Business Highlights

- **Continued Success in Mid-Market and Enterprise:**
  - 27 Large Enterprise Deals (>\$10,000 in MRR) – more than doubled in new large deals closed year-over-year
  - Service revenue from customers billing (>\$1,000 in MRR) grew 30% year-over-year and represents 61% of total service revenue, excluding DXI and adjusted for constant currency
  - Service revenue from customers billing (>\$10,000 in MRR) grew 60% year-over-year and represents 28% of total MRR, excluding DXI and adjusted for constant currency
  - New monthly recurring revenue (MRR) booked from customers increased ~50% year-over-year and comprised 65% of total bookings
  - Marquee customer wins include Condé Nast and Toll Brothers
- **Integrated UCaaS & CCaaS (System of Engagement) Continues to Resonate:**
  - ~80 customer deals including 8 of the top 10 deals were combination deals

# Q2 Fiscal 2019 Business Highlights (Cont.)

- **Channel Momentum:**
  - Channel Bookings grew more than 50% year-over-year
  - 7 of Top 10 Deals Channel Driven
  - 250+ partners participating in Channel Enablement Program
  - New partnership with master-agent Planet One
- **Product Innovation:**
  - Launched the X Series Team Messaging solution including automated deployment capabilities for enterprise-wide adoption; public rooms for cross-organizational collaboration; private rooms for sharing confidential content; and interoperability with 23 third-party team messaging platforms, including Slack
- **Industry Recognition:**
  - Named Leader in Gartner Unified Communications-as-a-Service (UCaaS) Magic Quadrant for 7<sup>th</sup> Consecutive Year – only cloud provider awarded prestigious accolade
  - Named Challenger in Gartner Contact Center-as-a-Service (CCaaS) Magic Quadrant for 4<sup>th</sup> Consecutive Year

# 8x8 Technology Platform | Jitsi Acquisition

## *8x8 Acquires Jitsi Video Technology & Team from Atlassian*

- Jitsi's open source projects allow businesses to easily build and deploy secure video collaboration solutions
  - Jitsi Videobridge -- high scale video routing technology
  - Jitsi Meet -- full featured video collaboration application
- Robust open source community, including some of the most innovative WebRTC companies
- Strong team of video technology and application experts
- Enhances and expands our existing 8x8 Meetings solution
- Seamless integration into 8x8's leading technology platform

# 8x8 Market Leadership

# 8x8

**Superior** Voice Quality  
*Tolly Group*  
2017



**#1**

2018 Competitive  
Strategy **Innovations**  
& **Leadership Award**,  
Frost & Sullivan

**5-Star Rating** by CRN of  
8x8's Partner Program



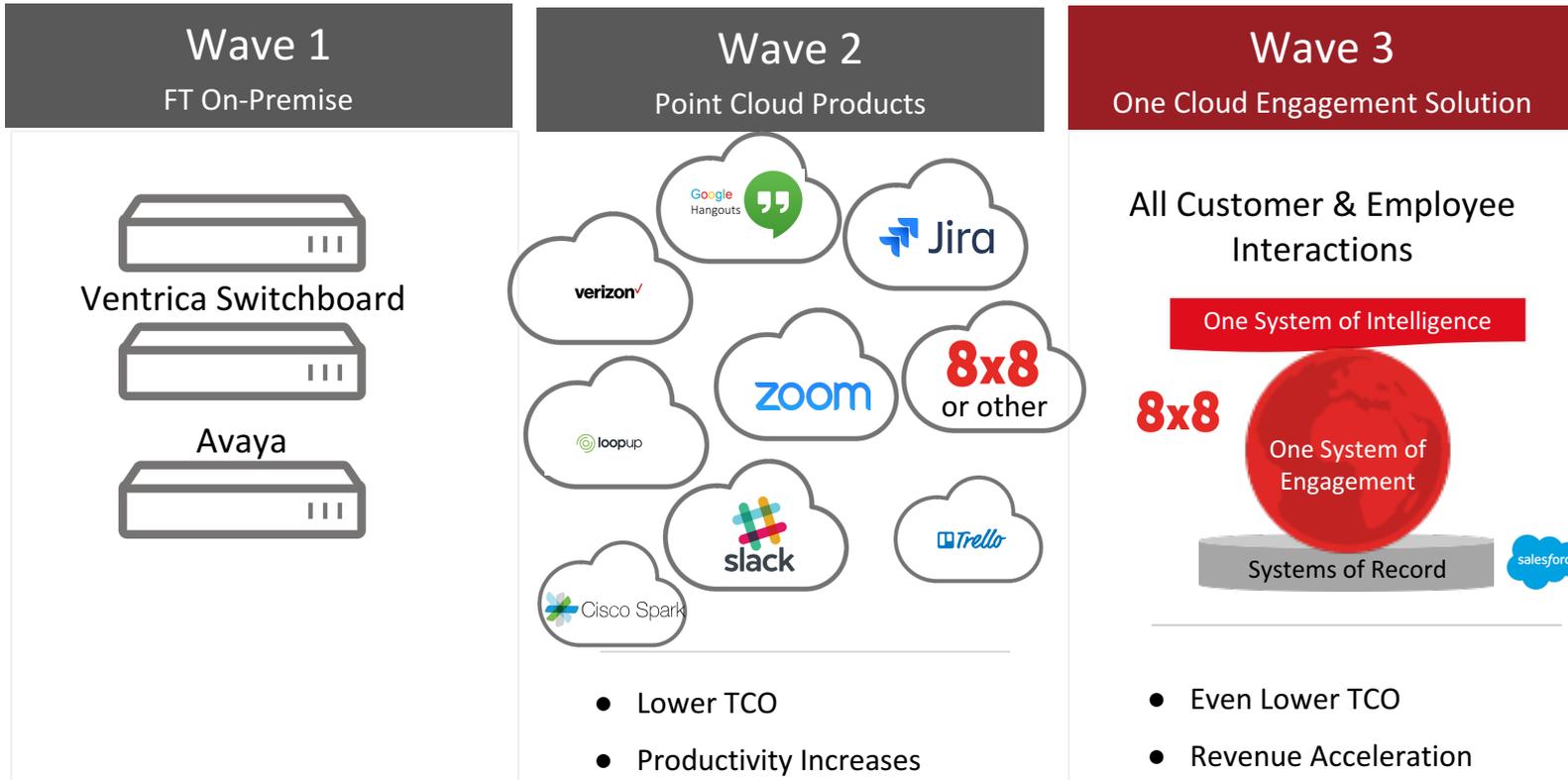
**7x**

UCaaS MQ **Leader**  
*Gartner*  
2012 to 2018



2018 **Winner**  
Call & Contact Center Expo  
*Best Communications Provider*

# Emergence of the 3<sup>rd</sup> Wave of Enterprise Communications



# Driving Employee and Customer Interactions, Data & Analytics From One Technology Platform

## Omni-Channel Solution



- Voice
- Chat
- Email/FAX
- Outbound
- Contact Center
- Conferencing/Recording
- Video

## Robust Reporting & Data Analytics



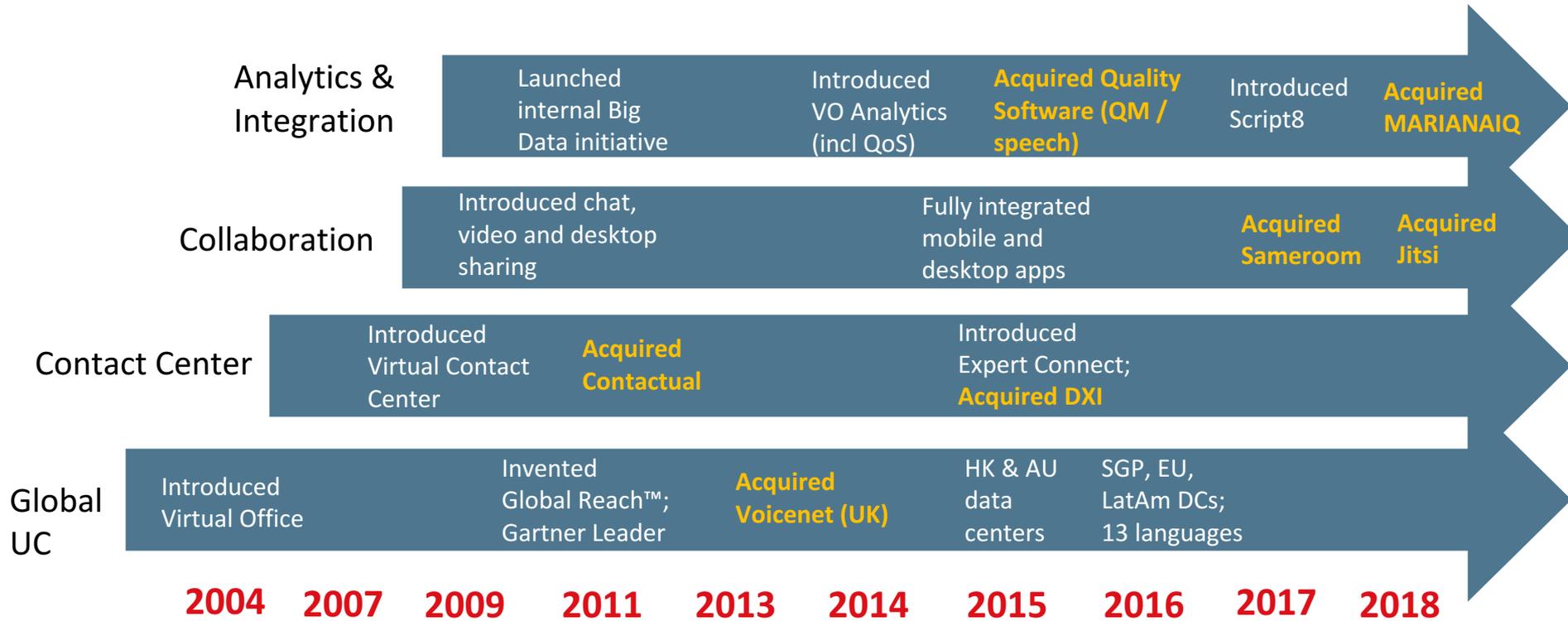
- Speech analytics
- Collaborative user experience
- Powerful, flexible reporting
- Simple setup and configuration

## Cloud Quality Management



- Easy, out-of-the-box reporting
- Multi-channel coverage
- Data extensibility via REST APIs

# Anticipated Market and Built Technology Platform to Capture It



# X Series

## One System of Intelligent Engagement

X2

### Efficient, intelligent engagement

- One click from voice to chat to video
- Google integration
- Mobile to desk/conference phones to desktop

X4

### Integrated global engagement suite with analytics

- Unlimited global calling across 14 countries
- Cross-platform team messaging
- Interaction analytics

X6

### Speed to resolution

- One-click subject matter expert access
- CRM integration
- Customer engagement analytics

X8

### More intelligent customer interactions

- Integrated voice, email, webchat and social
- Advanced speech and interaction analytics
- Predictive outbound campaigns
- Quality, collaborative performance mgmt

# Investment Summary

---

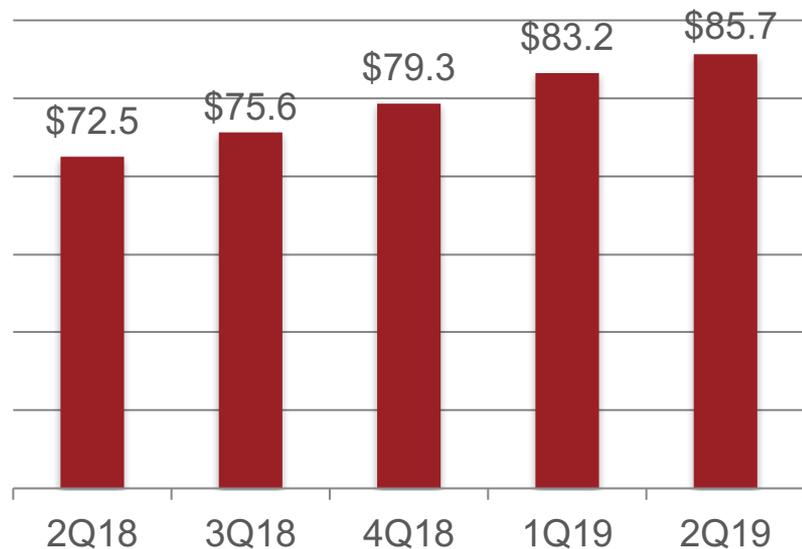
- \$50+ billion market cloud opportunity according to IDC
- Market entering 3<sup>rd</sup> wave of enterprise communications – moving beyond efficiencies to accelerating revenue growth
- Uniquely qualified to capture this opportunity – own core technology platform – cloud phone, contact center, conferencing and collaboration
- Well defined go-to-market strategy and solutions tailored by market segments
- Disciplined investment spend in FY 2019 to grow service revenue in fiscal 2020 and beyond

# Q2 Fiscal Year 2019 Financials



# Strong Revenue Growth

**Total Revenue Growth**  
*(\$ in millions)*

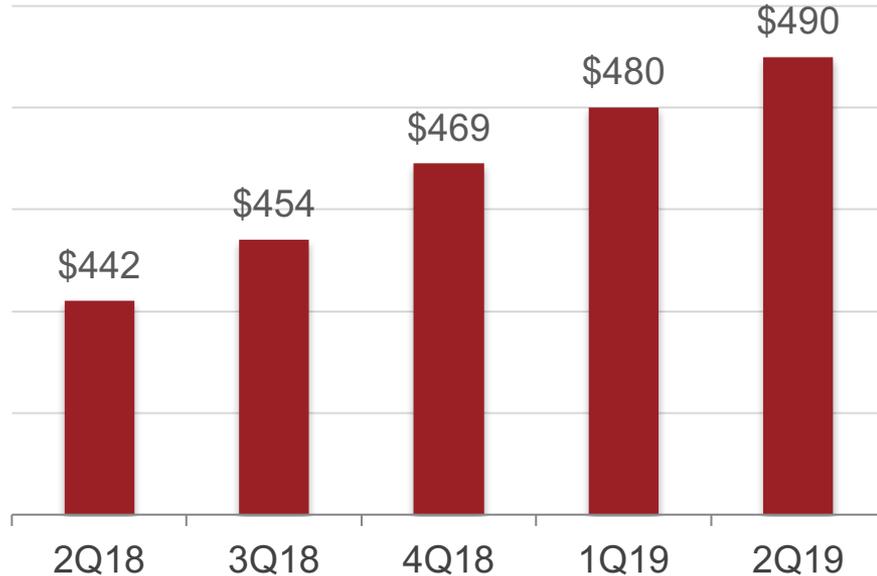


**Non-GAAP Pre-Tax Income**  
*as % of Total Revenue (\$ in millions)*

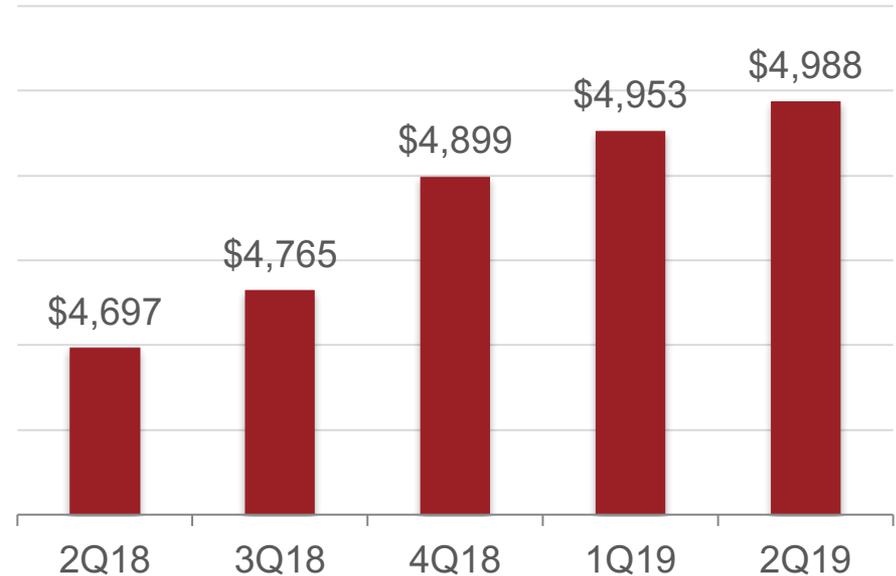


# Increasing Average Monthly Service Revenue Per Customer (ARPU)

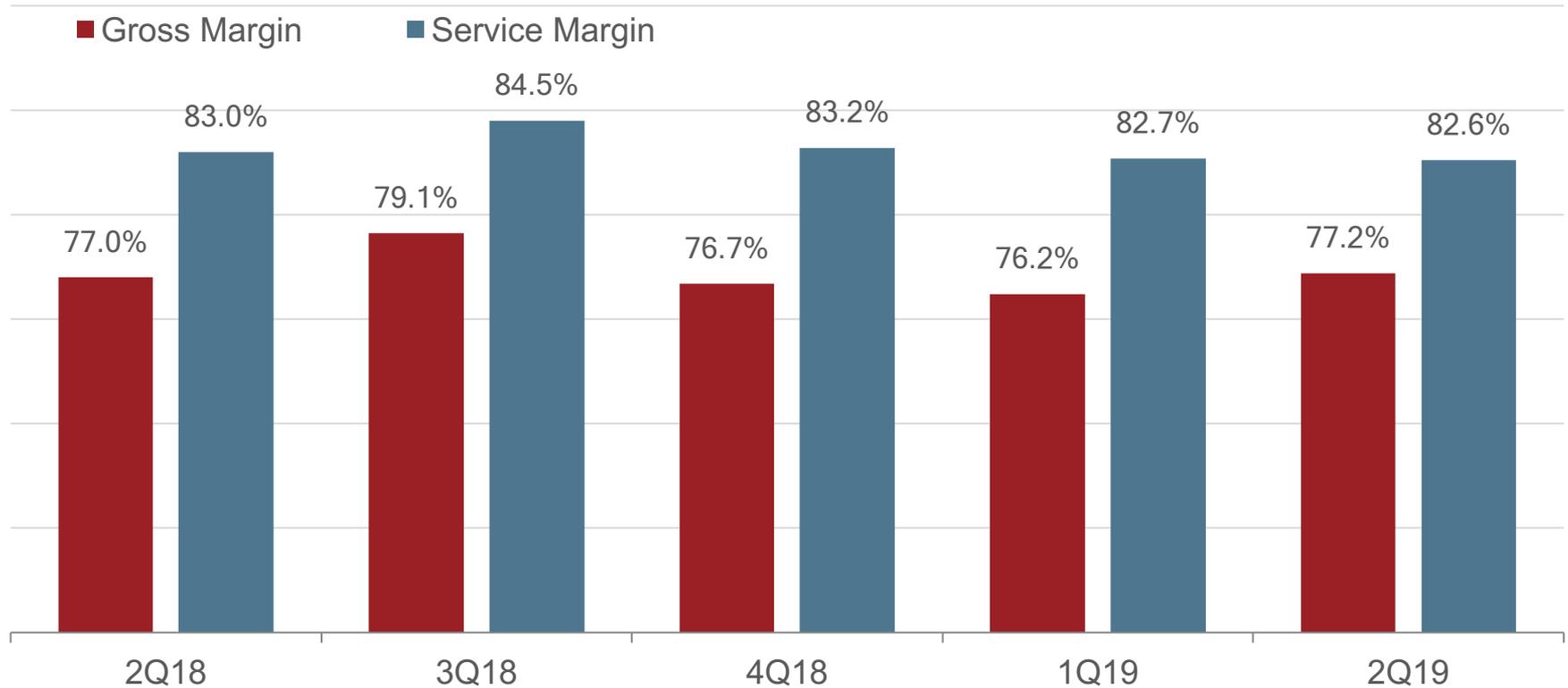
## All Customers



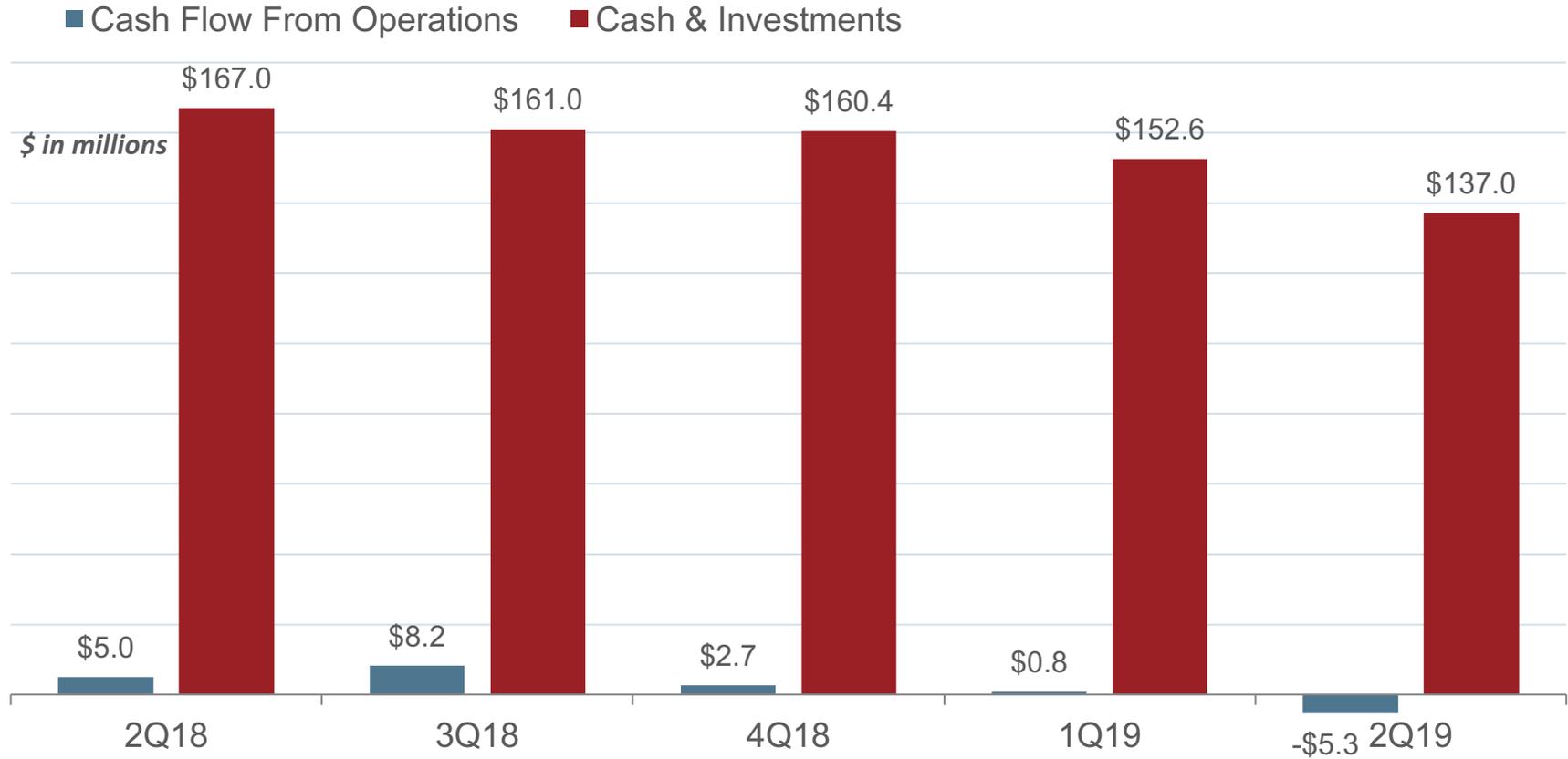
## Mid-Market/Enterprise Customers



# Consistently Strong Non-GAAP Margins



# Strong Balance Sheet



# Third Quarter Fiscal 2019 Non-GAAP Financial Outlook

<b>Service Revenue</b>	<b>\$84.5m - \$85.5m</b>
<b>Service Revenue Growth Y/Y</b>	<b>18% - 19%</b>
<b>Service Revenue Growth Y/Y excluding DXI revenue</b>	<b>20% - 21%</b>
<b>Non-GAAP Pre-Tax Loss</b>	<b>(\$5m – \$6m)</b>

# Full-Year Fiscal 2019 Non-GAAP Financial Outlook

<b>Service Revenue</b>	<b>\$334m - \$338m</b>
<b>Service Revenue Growth Y/Y</b>	<b>19% - 21%</b>
<b>Service Revenue Growth Y/Y excluding DXI revenue</b>	<b>21% - 22%</b>
<b>Total Revenue</b>	<b>\$347m - \$352m</b>
<b>Total Revenue Growth Y/Y</b>	<b>17% - 19%</b>
<b>Non-GAAP Pre-Tax Loss</b>	<b>(~\$17m)</b>

# GAAP to Non-GAAP Reconciliation Tables



# Reconciliation of Selected GAAP Measures to NON-GAAP Measures (In Thousands, Unaudited)

Cost of Service Revenue:	Three Months Ended	
	September 30,	
	2018	2017
GAAP cost of service revenue	\$15,866	\$12,757
Amortization of acquired intangible assets	(\$1,111)	(\$710)
Stock-based compensation expense	(\$638)	(\$473)
Non-GAAP cost of service revenue	<b>\$14,117</b>	<b>\$11,574</b>
Non-GAAP cost of service revenue as a percentage of service revenue	17.4%	17.0%
Research and Development:	Three Months Ended	
	September 30,	
	2018	2017
GAAP research and development	\$13,933	\$8,311
Stock-based compensation expense	(\$2,823)	(\$1,314)
Non-GAAP research and development	<b>\$11,110</b>	<b>\$6,997</b>
Non-GAAP research and development as a percentage of total revenue	13.0%	9.7%

# Reconciliation of Selected GAAP Measures to NON-GAAP Measures (In Thousands, Unaudited)

Sales and Marketing:	Three Months Ended September 30,	
	2018	2017
GAAP sales and marketing	\$55,930	\$41,163
Amortization of acquired intangible assets	(\$314)	(\$583)
Stock-based compensation expense	(\$3,826)	(\$2,568)
Non-recurring items	-	-
Non-GAAP sales and marketing	<b>\$51,790</b>	<b>\$38,012</b>
Non-GAAP sales and marketing as a percentage of total revenue	60.4%	52.4%

General and Administration:	Three Months Ended September 30,	
	2018	2017
GAAP general and administration	\$16,543	\$9,616
Stock-based compensation expense	(\$2,842)	(\$2,302)
Non-recurring items	(\$6,151)	(\$250)
Non-GAAP general and administration	<b>\$7,550</b>	<b>\$7,064</b>
Non-GAAP general and administration as a percentage of total revenue	8.8%	9.7%

# Reconciliation of Selected GAAP Measures to NON-GAAP Measures (In Thousands, Unaudited)

Reconciliation of GAAP Net Loss to Non-GAAP Net Income (Loss):	Three Months Ended	
	September 30,	
	2018	2017
GAAP net loss	(\$21,482)	(\$546)
Adjustments:		
Amortization of acquired intangible assets	\$1,425	\$1,293
Stock-based compensation expense	\$10,129	\$6,657
Non-recurring items in operating expenses	\$6,151	\$250
Provision (benefit) for income taxes	\$130	(\$3,453)
Non-GAAP net income (loss)	(\$3,647)	\$4,201
Non-GAAP tax expense (1)	\$130	\$145
Non-GAAP net income (loss) after taxes	<b>(\$3,777)</b>	<b>\$4,056</b>

(1) The non-GAAP tax provision in fiscal year 2019 does not have a deferred income tax impact due to the full valuation allowance applied against deferred tax assets. The non-GAAP effective tax, is based on current taxes for certain states and foreign jurisdictions.

(2) The amount for the three months ended September 30, 2017 has been adjusted to conform with current period presentation.

GAAP and non-GAAP Net Income (Loss) per Share:		
GAAP diluted net income (loss) per share	(\$0.23)	(\$0.01)
Non-GAAP diluted net income (loss) per share	<b>(\$0.04)</b>	<b>\$0.04</b>

# ASC 606 Reconciliation



# Full-Year Fiscal 2019 Outlook – Impact from ASC606

Financial Statement	<ul style="list-style-type: none"><li>• No restatement of prior year information under modified retroactive method</li><li>• Quarterly disclosures are provided for FY19 comparing results under ASC606 versus ASC605</li></ul>
Revenue	<ul style="list-style-type: none"><li>• No material differences expected</li></ul>
Sales & Marketing Operating Expenses	<ul style="list-style-type: none"><li>• Large portion of sales commissions will be capitalized and amortized over five years</li><li>• Estimated \$11m - \$13m lower sales and marketing operating expenses</li></ul>
Net Income	<ul style="list-style-type: none"><li>• Estimated \$11m - \$13m benefit to Net Income</li></ul>
Cash Flow	<ul style="list-style-type: none"><li>• No impact on cash flow</li></ul>

# Reconciliation of ASC 605 to ASC 606 Statement of Operations

	Three Months Ended September 30, 2018		
	ASC 605	Adjustments	ASC 606
Service revenue	\$ 81,543	\$ (197)	\$ 81,346
Product revenue	4,176	160	4,336
Total revenue	\$ 85,719	\$ (37)	\$ 85,682
Operating expenses:			
Sales and marketing	\$ 58,806	\$ (2,876)	\$ 55,930
Loss from operations	\$ (24,826)	\$ 2,839	\$ (21,987)
Net loss	\$ (24,321)	\$ 2,839	\$ (21,482)
Net loss per share:			
Basic and diluted	\$ (0.26)	\$ 0.03	\$ (0.23)
Non-GAAP net loss before taxes	\$ (6,486)	\$ 2,839	\$ (3,647)
Non-GAAP net loss after taxes	\$ (6,616)	\$ 2,839	\$ (3,777)

From EX to CX

The experience is everything

## Connect With Us



[www.8x8.com](http://www.8x8.com)



[linkedin.com/company/8x8](https://linkedin.com/company/8x8)



[@8x8.com](https://twitter.com/8x8.com)



[youtube.com/8x8Inc](https://youtube.com/8x8Inc)



[facebook.com/8x8Inc](https://facebook.com/8x8Inc)



[google.com/+8x8Inc](https://google.com/+8x8Inc)