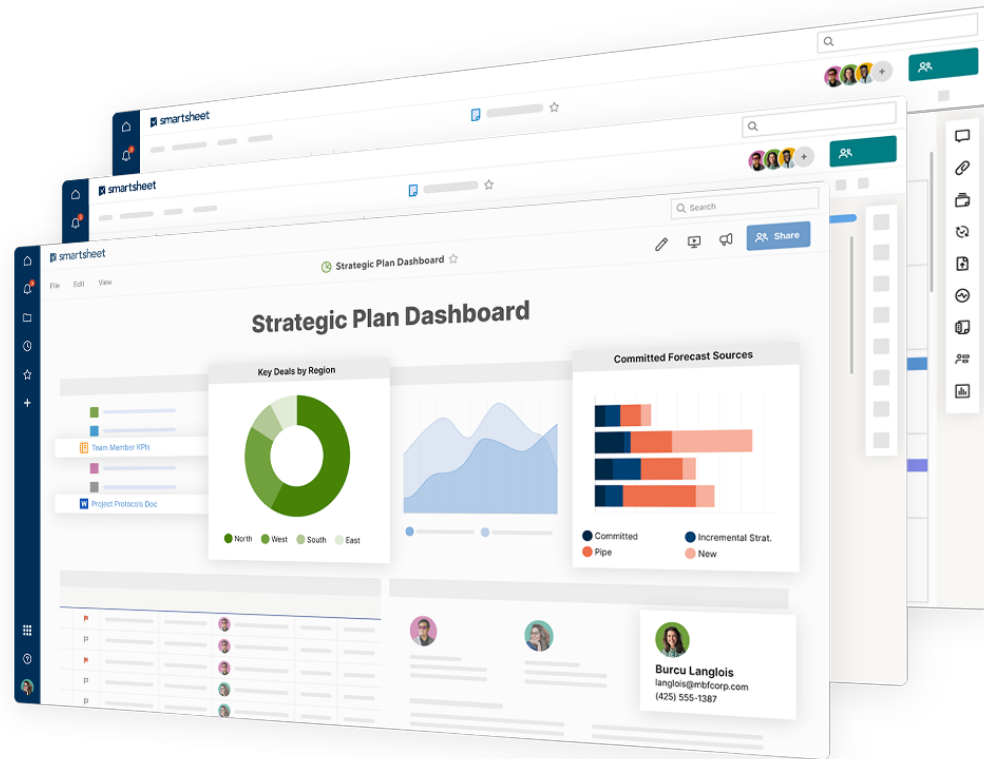


Earnings Conference Call

Q3 Fiscal Year 2024

December 7, 2023



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, calculated billings, 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.





Business Highlights

Mark Mader

President & CEO





Financial Highlights

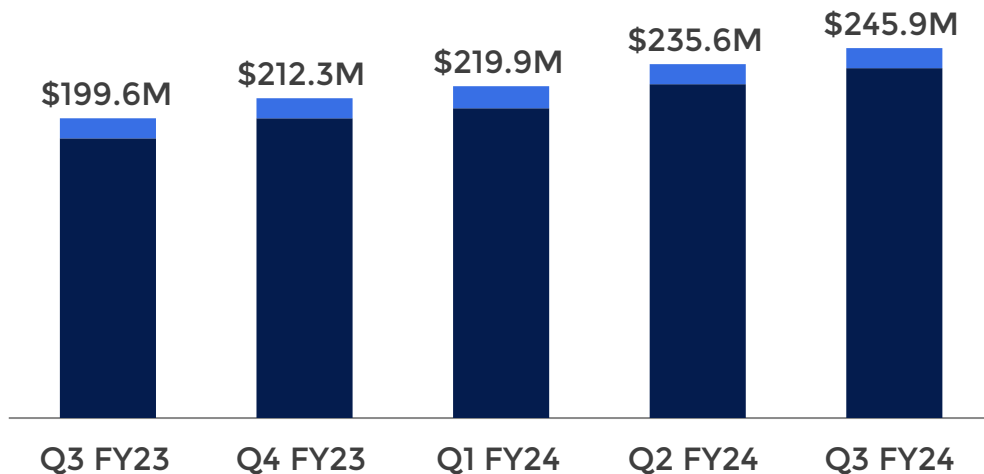
Pete Godbole

CFO



Revenue

■ Subscription ■ Services

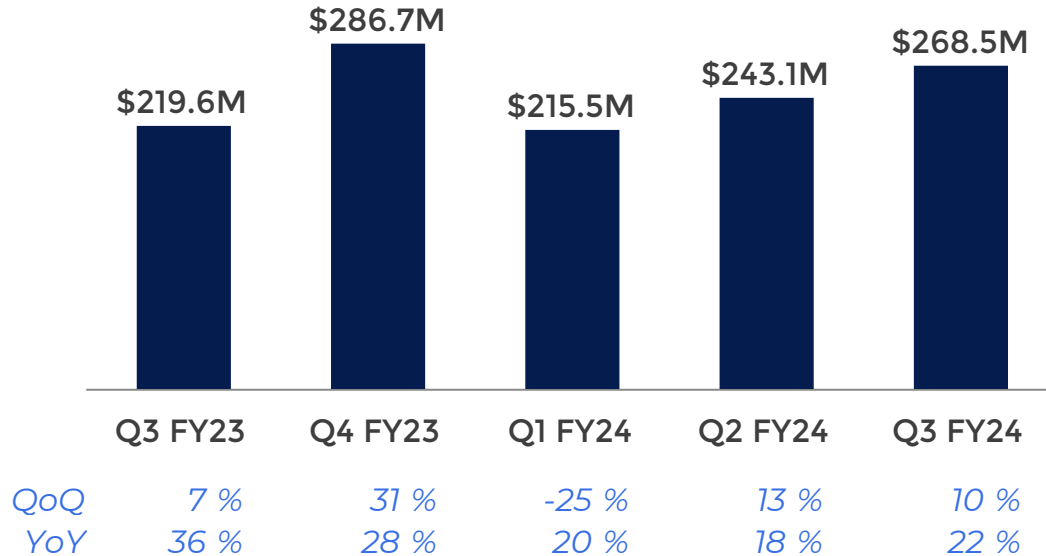


	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
QoQ	7 %	6 %	4 %	7 %	4 %
YoY	38 %	35 %	31 %	26 %	23 %

- Q3 FY24 Subscription revenue was \$232.5M, up 25% YoY
- Q3 FY24 Services revenue was \$13.4M



Calculated Billings¹



- Q3 FY24 Subscription billings: 94% annual, 3% monthly and 3% other
- Q3 FY24 Services were 5% of billings

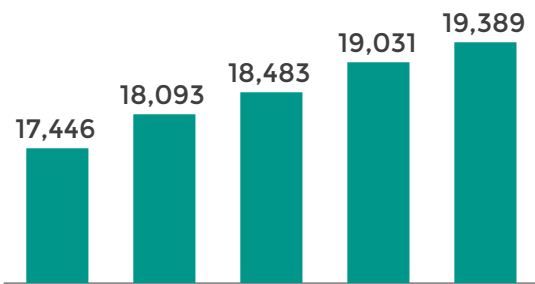
Calculated billings is defined as total revenue plus the change in total deferred revenue in the period.



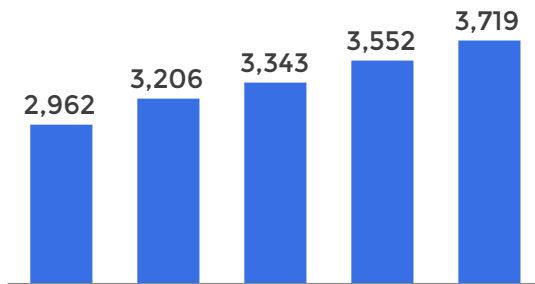
1. See appendix for non-GAAP reconciliation

Customers by Annualized Contract Value

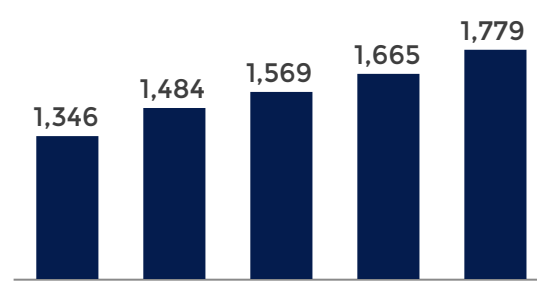
≥\$5K Customers



≥\$50K Customers



≥\$100K Customers



	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
QoQ	5 %	4 %	2 %	3 %	2 %
YoY	23 %	19 %	16 %	14 %	11 %

	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
QoQ	8 %	8 %	4 %	6 %	5 %
YoY	43 %	36 %	33 %	30 %	26 %

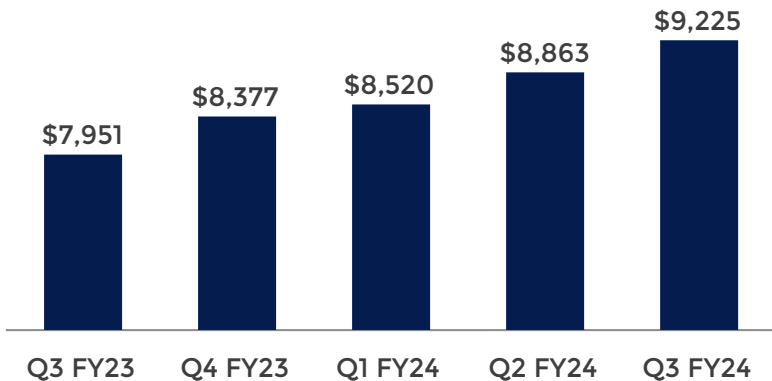
	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
QoQ	10 %	10 %	6 %	6 %	7 %
YoY	55 %	45 %	42 %	36 %	32 %

Annualized contract value (ACV) is the annualized customer contract subscription value.



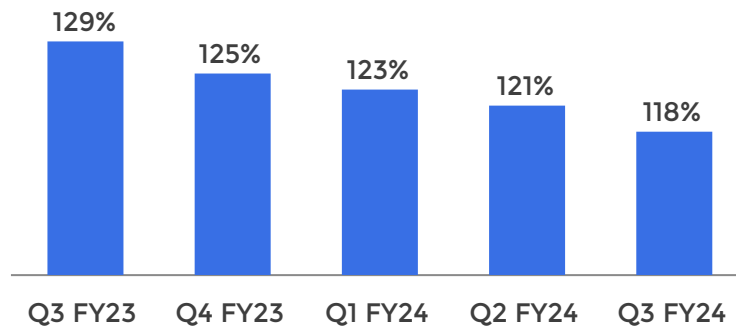
Subscription Metrics

Average Domain ACV



Domain customers are all customers with a unique domain name.

Dollar-Based Net Retention Rate



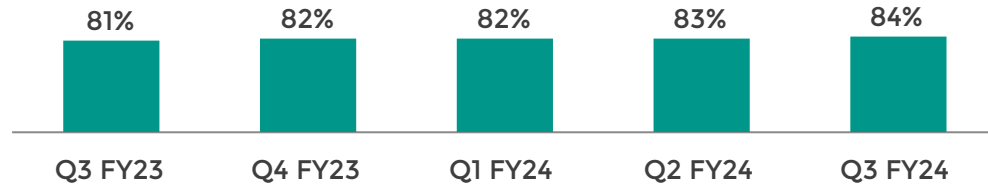
Dollar-based net retention rate is calculated by dividing the aggregate ACV as of the end of the quarter (net of expansions, reductions and cancellations) by the same customer cohort's net aggregate ACV as of the end of the comparable year-ago quarter. This calculation excludes customers acquired within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



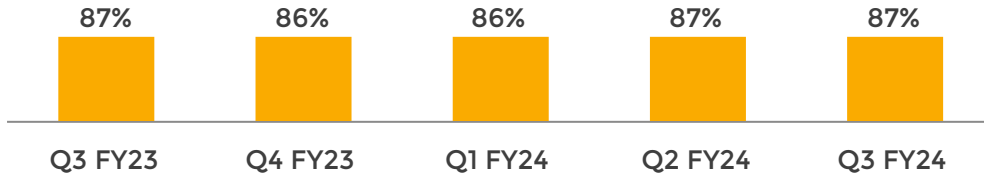
Non-GAAP Gross Margin

Q3 FY24 GAAP Total Gross Margin was 81%

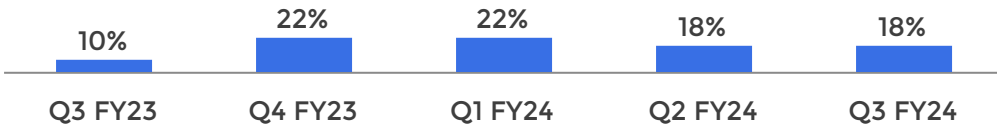
Non-GAAP Total Gross Margin ¹



Non-GAAP Subscription Gross Margin ¹



Non-GAAP Services Gross Margin ¹



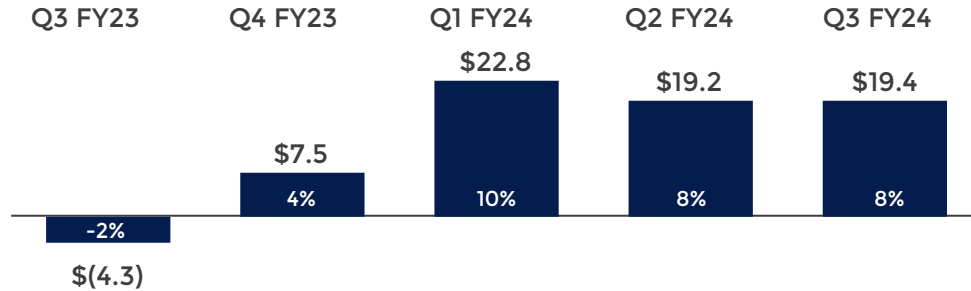
1. See appendix for non-GAAP reconciliation



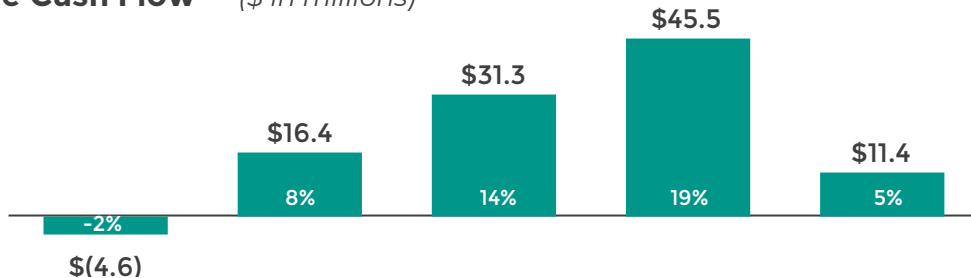
Non-GAAP Operating & Free Cash Flow Margins

Q3 FY24 GAAP Operating Loss was $-\$35.5\text{M}$ (-14% Margin) and Operating Cash Flow was $\$15.1\text{M}$

Non-GAAP Operating Income (Loss)^{1,2} (\$ in millions)



Free Cash Flow^{1,2} (\$ in millions)



- 67% of Q3 FY24 non-GAAP expenses driven by personnel
- Q3 FY24 CAPEX and capitalized IUS payments were $\$3.7\text{M}$, or 2% of revenue

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

1. Percentage figures in chart represent percentage of sales

2. See appendix for non-GAAP reconciliation



Q4 and Full Year FY24 Guidance

Non-GAAP \$ and Shares in Millions	FY24			
	Q4		Full Year	
	Low	High	Low	High
Total Revenue	\$254	\$256	\$955	\$957
<i>YoY Change</i>	20%	21%	25%	25%
Operating Income ¹	\$21	\$23	\$82	\$84
<i>Operating Margin</i>	8%	9%	9%	9%
Net Income ¹ per Share	\$0.17	\$0.19	\$0.68	\$0.69
Diluted WASO	140.0		138.0	

- FY24 Billings Growth: 20%
- FY24 Free Cash Flow: \$130 million, 14% margin
- Expect Services Revenue to be 6% of total FY24 revenue
- FY24 Basic WASO: 134.5 million

1. See appendix for non-GAAP reconciliation





Q&A

 smartsheet



Appendix

 smartsheet

Share-Based Compensation Expense

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Cost of subscription revenue	\$ 3,164	\$ 2,517	\$ 9,980	\$ 7,977
Cost of professional services revenue	1,777	1,436	5,602	4,669
Research and development	17,220	13,317	52,263	44,906
Sales and marketing	17,462	14,068	55,505	45,520
General and administrative	10,024	6,732	30,099	24,386
Total share-based compensation expense	\$ 49,647	\$ 38,070	\$ 153,449	\$ 127,458

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 Operating Income (Loss) and Operating Margin

<i>(Dollars In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Loss from operations	\$ (35,450)	\$ (42,557)	\$ (103,712)	\$ (177,218)
Add:				
Share-based compensation expense ⁽¹⁾	50,170	38,429	154,919	128,493
Amortization of acquisition-related intangible assets ⁽²⁾	2,701	2,627	8,117	7,594
One-time acquisition costs	–	151	–	612
Litigation expenses and settlements ⁽³⁾	–	(4,500)	–	(4,500)
Lease restructuring costs ⁽⁴⁾	1,934	1,544	2,051	1,544
Non-GAAP operating income (loss)	\$ 19,355	\$ (4,306)	\$ 61,375	\$ (43,475)
Operating margin	(14)%	(21)%	(15)%	(32)%
Non-GAAP operating margin	8 %	(2)%	9 %	(8)%

(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) Relates to matters that are outside the ordinary course of our business.

(4) 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 October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Net loss	\$ (32,428)	\$ (40,137)	\$ (95,655)	\$ (172,907)
Add:				
Share-based compensation expense ⁽¹⁾	50,170	38,429	154,919	128,493
Amortization of acquisition-related intangible assets ⁽²⁾	2,701	2,627	8,117	7,594
One-time acquisition costs	–	151	–	612
Litigation expenses and settlements ⁽³⁾	–	(4,500)	–	(4,500)
Lease restructuring costs ⁽⁴⁾	2,142	1,544	2,258	1,544
Non-GAAP net income (loss)	\$ 22,585	\$ (1,886)	\$ 69,639	\$ (39,164)
Non-GAAP net income (loss) per share, basic	\$ 0.17	\$ (0.01)	\$ 0.52	\$ (0.30)
Non-GAAP net income (loss) per share, diluted	\$ 0.16	\$ (0.01)	\$ 0.51	\$ (0.30)

(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) Relates to matters that are outside the ordinary course of our business.

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



Non-GAAP Reconciling Items by Functional Area

(In Thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Share-based compensation expense⁽¹⁾				
Cost of subscription revenue	\$ 3,669	\$ 2,852	\$ 11,387	\$ 8,943
Cost of professional service revenue	1,778	1,436	5,604	4,669
Research and development	17,223	13,319	52,270	44,908
Sales and marketing	17,472	14,082	55,540	45,564
General and administrative	10,028	6,740	30,118	24,409
Total share-based compensation expense	\$ 50,170	\$ 38,429	\$ 154,919	\$ 128,493
Amortization of acquisition-related intangible assets⁽²⁾				
Cost of subscription revenue	\$ 1,421	\$ 1,370	\$ 4,272	\$ 3,910
Sales and marketing	1,280	1,257	3,845	3,684
Total amortization of acquisition-related intangible assets	\$ 2,701	\$ 2,627	\$ 8,117	\$ 7,594
One-time acquisition costs				
General and administrative	\$ –	\$ 151	\$ –	\$ 612
Total one-time acquisition costs	\$ –	\$ 151	\$ –	\$ 612
Litigation expenses and settlements⁽³⁾				
General and administrative	\$ –	\$ (4,500)	\$ –	\$ (4,500)
Total litigation expenses and settlements	\$ –	\$ (4,500)	\$ –	\$ (4,500)
Lease restructuring costs⁽⁴⁾				
Cost of subscription revenue	\$ 44	\$ –	\$ 44	\$ –
Cost of professional service revenue	10	–	10	–
Research and development	100	–	100	–
Sales and marketing	196	–	196	–
General and administrative	1,585	1,544	1,701	1,544
Other income (expense), net	207	–	207	–
Total lease restructuring costs	\$ 2,142	\$ 1,544	\$ 2,258	\$ 1,544

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.

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(4) 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 October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Weighted-average shares outstanding; basic	135,189	130,634	133,868	129,611
Effect of dilutive securities:				
Shares subject to outstanding common stock awards	3,232	—	3,653	—
Non-GAAP weighted-average shares outstanding; diluted	<u>138,421</u>	<u>130,634</u>	<u>137,521</u>	<u>129,611</u>



Reconciliation from Net Operating Cash Flow to Free Cash Flow

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Net cash provided by (used in) operating activities	\$ 15,146	\$ (1,773)	\$ 98,176	\$ 3,395
Less:				
Purchases of property and equipment	(702)	(1,168)	(2,097)	(4,175)
Capitalized internal-use software development costs	(3,035)	(1,705)	(7,850)	(5,826)
Free cash flow	<u>\$ 11,409</u>	<u>\$ (4,646)</u>	<u>\$ 88,229</u>	<u>\$ (6,606)</u>



Reconciliation from Revenue to Calculated Billings

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Total revenue	\$ 245,918	\$ 199,577	\$ 701,389	\$ 554,578
Add: Deferred revenue (end of period)	485,469	385,351	485,469	385,351
Less: Deferred revenue (beginning of period)	462,918	365,346	459,729	334,662
Calculated billings	<u>\$ 268,469</u>	<u>\$ 219,582</u>	<u>\$ 727,129</u>	<u>\$ 605,267</u>



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

<i>(In Millions)</i>	Q4 FY 2024		FY 2024	
	Low	High	Low	High
Loss from operations	\$ (38.7)	\$ (36.7)	\$ (142.4)	\$ (140.4)
Add:				
Share-based compensation expense ⁽¹⁾	57.0	57.0	211.9	211.9
Amortization of acquisition-related intangible assets ⁽²⁾	2.7	2.7	10.8	10.8
Lease restructuring costs ⁽³⁾	–	–	2.1	2.1
Non-GAAP operating income	\$ 21.0	\$ 23.0	\$ 82.4	\$ 84.4

(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>	Q4 FY 2024		FY 2024	
	Low	High	Low	High
Net loss	\$ (35.5)	\$ (33.5)	\$ (131.0)	\$ (129.0)
Add:				
Share-based compensation expense ⁽¹⁾	57.0	57.0	211.9	211.9
Amortization of acquisition-related intangible assets ⁽²⁾	2.7	2.7	10.8	10.8
Lease restructuring costs ⁽³⁾	–	–	2.3	2.3
Non-GAAP net income	\$ 24.2	\$ 26.2	\$ 94.0	\$ 96.0

(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

 **smartsheet**