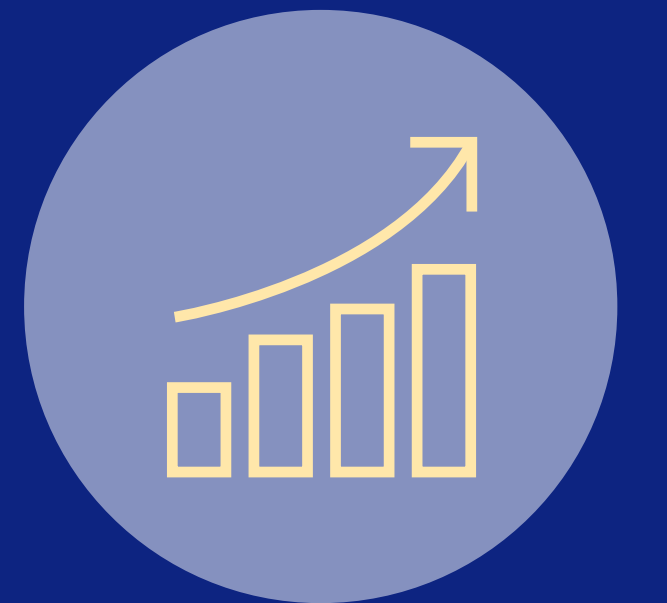


# Dropbox 2019 Analyst Day



# Our business

Ajay Vashee, CFO



# Safe harbor Statement

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## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, among other things, statements regarding Dropbox's future operational performance, the demand for our platform and product features, and the benefits from new product experiences and acquisitions. Words such as "believe," "may," "will," "continue," "expect," "plan," and similar expressions are intended to identify forward-looking statements. Dropbox has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that the Company believes may affect its business, financial condition, and results of operations. These forward-looking statements speak only as of the date of this presentation and are subject to risks, uncertainties, and assumptions including, but not limited to: (i) our ability to retain and upgrade paying users; (ii) our ability to attract new users or convert registered users to paying users; (iii) our revenue growth rate; (iv) our history of net losses; (v) our liability for any unauthorized access to our data or our users' content, including through privacy and data security breaches; (vi) significant disruption of service on our platform or loss of content; (vii) any decline in demand for our platform or for content collaboration solutions in general; (viii) changes in the interoperability of our platform across devices, operating systems, and third-party applications that we do not control; (ix) competition in our markets; (x) our ability to respond to rapid technological changes, extend our platform, or develop new features; (xi) our ability to hire new employees and retain and motivate our

existing employees; (xii) our ability to manage our growth or plan for future growth; (xiii) our ability to execute and realize anticipated benefits of strategic partnerships; and (xiv) our acquisition of other businesses and the potential of such acquisitions to require significant management attention, disrupt our business, or dilute stockholder value. Any unreleased services or features referenced in this or other presentations or public statements are not currently available and may not be delivered on time or at all. Further information on risks that could affect Dropbox's results is included in our filings with the Securities and Exchange Commission ("SEC"), including our Form 10-Q for the quarter ended June 30, 2019. Additional information will be made available in other future reports that we may file with the SEC from time to time, which could cause actual results to vary from expectations. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Dropbox assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this presentation, except as required by applicable law.

## About Non-GAAP Financial Measures

In addition to financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes certain non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating margin, adjusted free cash flow and adjusted free cash flow margin. These non-GAAP measures are presented for supplemental informational

purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. These non-GAAP measures have limitations as analytical tools, and they should not be considered in isolation or as a substitute for analysis of other GAAP financial measures. The non-GAAP measures Dropbox uses may differ from the non-GAAP measures used by other companies. A reconciliation of these measures to the most directly comparable GAAP measures can be found in supplemental investor materials posted on our Investor Relations website at [investors.dropbox.com](http://investors.dropbox.com).

A reconciliation of our forward-looking guidance for non-GAAP operating margin with our forward-looking GAAP operating margin and of our forward-looking guidance for non-GAAP gross margin with our forward-looking GAAP gross margin is not available without unreasonable efforts as the quantification of stock-based compensation expense, which is excluded from our non-GAAP operating and gross margins and will have a significant impact on our GAAP operating and gross margins, requires additional inputs that are difficult to predict and subject to change. Our forward-looking guidance for non-GAAP operating and gross margins also excludes the following expenses related to the acquisition of HelloSign: a portion of the purchase price for certain executives that will be earned over three years if they remain employed in the amount of \$49 million; amortization of acquired intangible assets, which are subject to valuation efforts; and diligence-related costs.

# \$1.6B+ Revenue

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# 13.6M Paying Users

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# 28% Adj. FCF Margins

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Note: Revenue and Adj. FCF margins reflect mid-points of 2019 annual guidance ranges provided during DBX Q2 19 earnings call on August 8, 2019.

Note: Adj. FCF defined as: OCF – Cash CapEx + One-Time HQ CapEx Spend, Net of TIA.

# Strong Performance at Scale



## Revenue



## Adj. Free Cash Flow



Note: Revenue and Adj. FCF reflect mid-points of 2019 annual guidance ranges provided during DBX Q2'19 earnings call on August 8, 2019.

Note: Adj. FCF defined as: OCF – Cash CapEx + One-Time HQ CapEx Spend, Net of TIA.

# Successfully Beat Every Quarter Since IPO

*\$ in Millions*

Q2 18

Q3 18

Q4 18

Q1 19

Q2 19

**Reported  
Revenue**

**\$339**

**\$360**

**\$376**

**\$386**

**\$402**

^

^

^

^

^

Guide

\$328-\$331

\$350-\$353

\$367-\$370

\$379-\$382

\$399-\$401

**Reported  
Operating  
Margin**

**14.1%**

**12.8%**

**11.0%**

**10.1%**

**10.1%**

^

^

^

^

^

Guide

9.0%-10.0%

7.5%-8.5%

9.0%-10.0%

7.0%-8.0%

9.0%-10.0%



# Growth foundation

# Our Product Portfolio



## Individuals

## Teams

Basic

Standard

Plus

Advanced

Professional

Enterprise

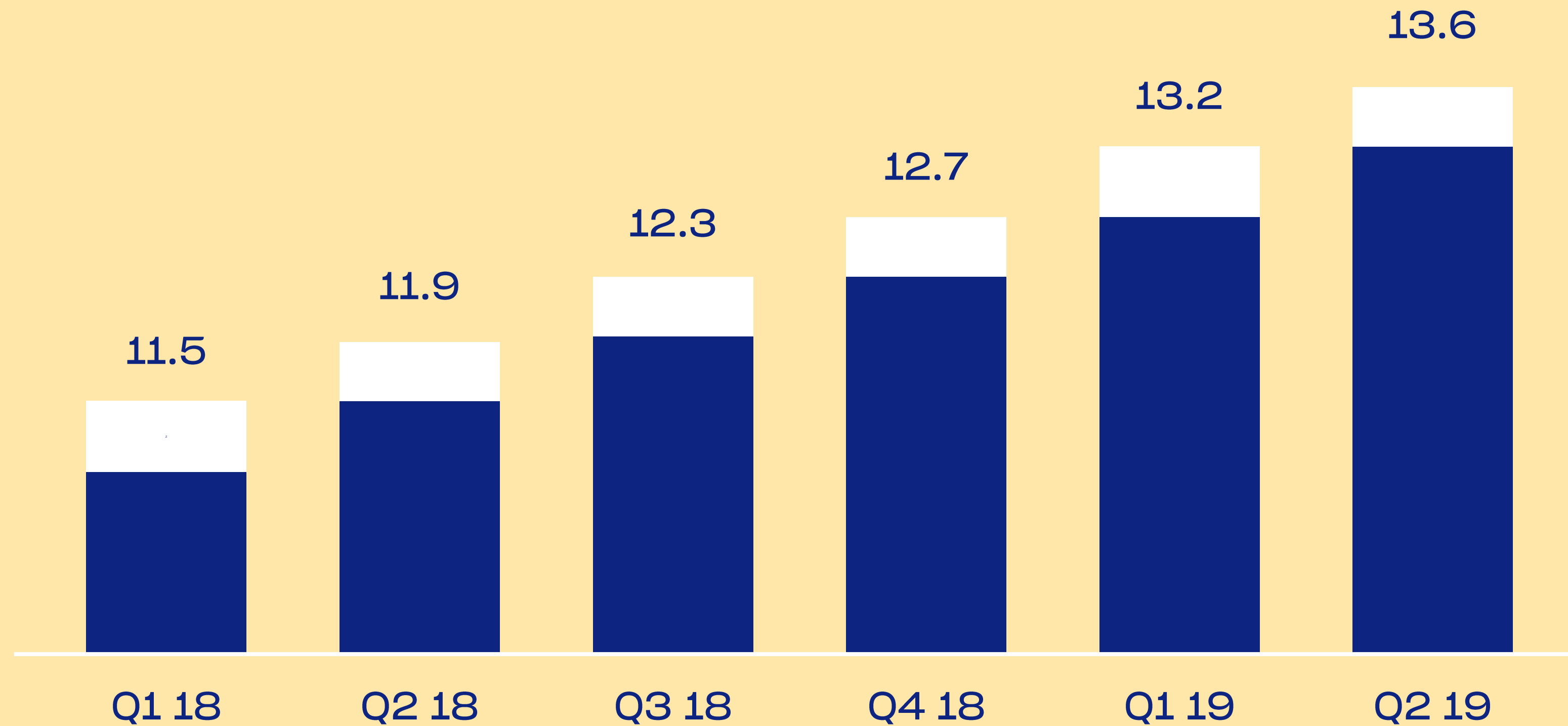
HelloSign / API

HelloWorks

HelloFax

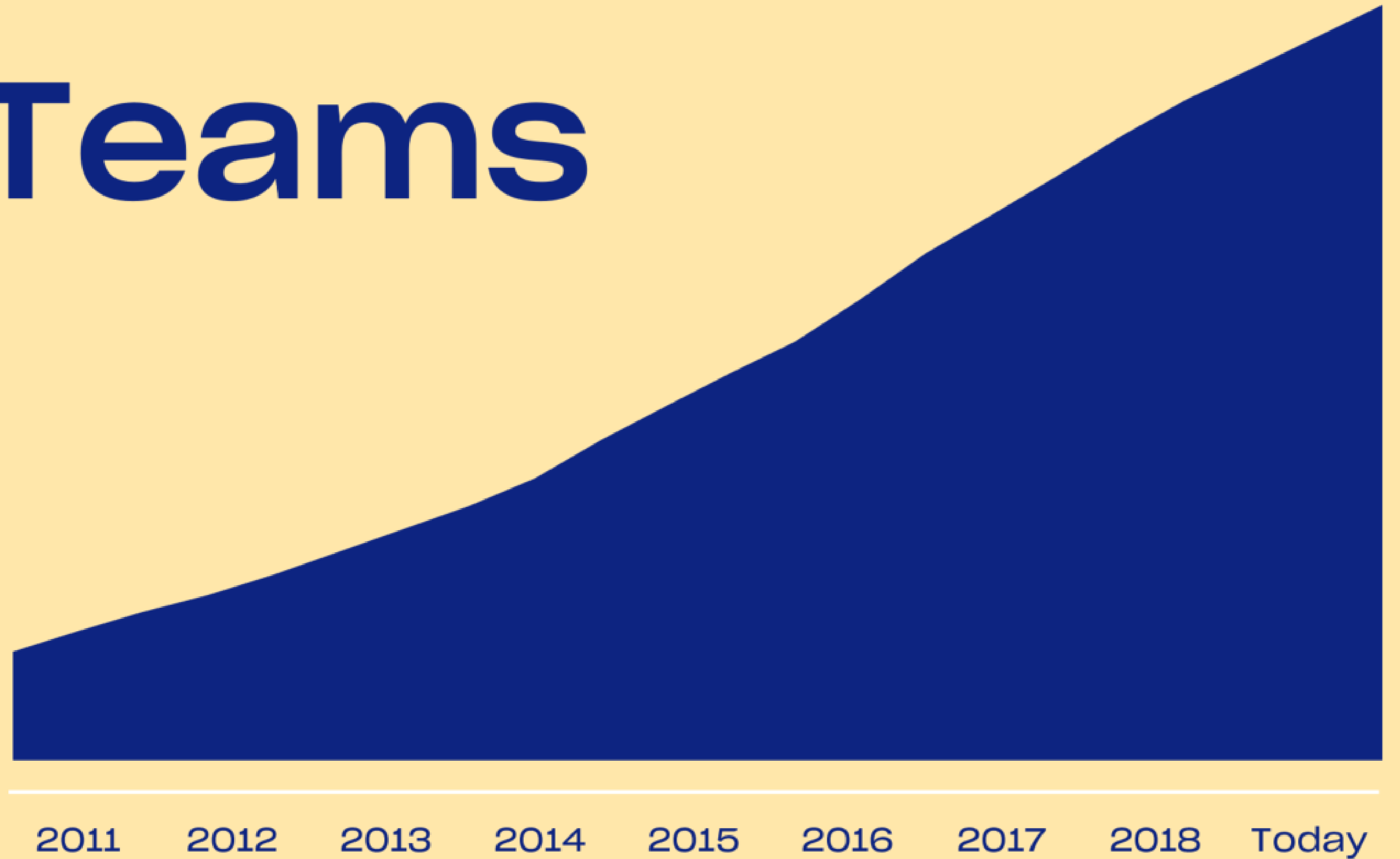


# Paying Users



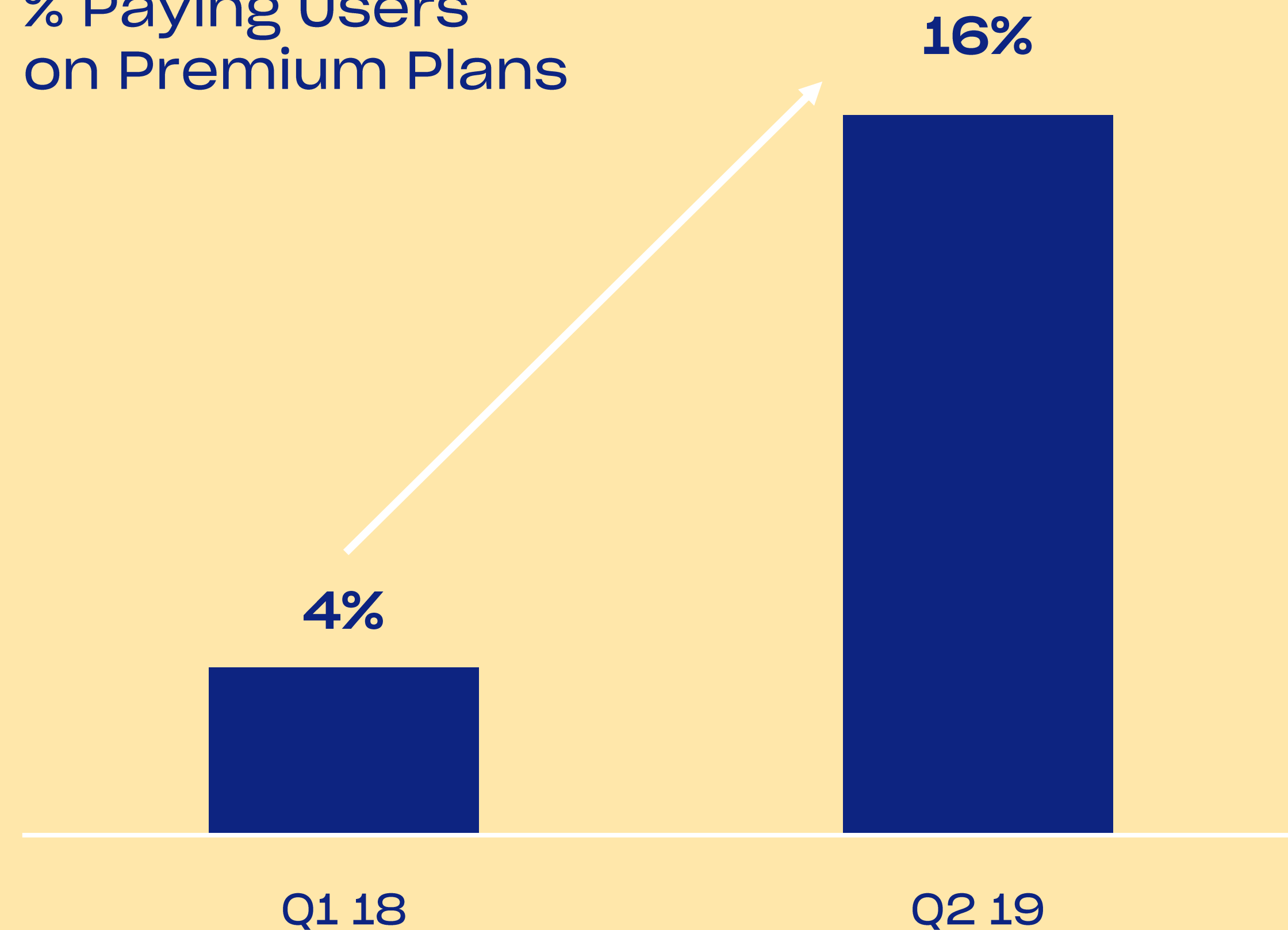
Our efficient growth engine has resulted in stable net new adds every quarter

# 450K+ Paying Teams



# Mix-shift to Premium Plans

% Paying Users on Premium Plans

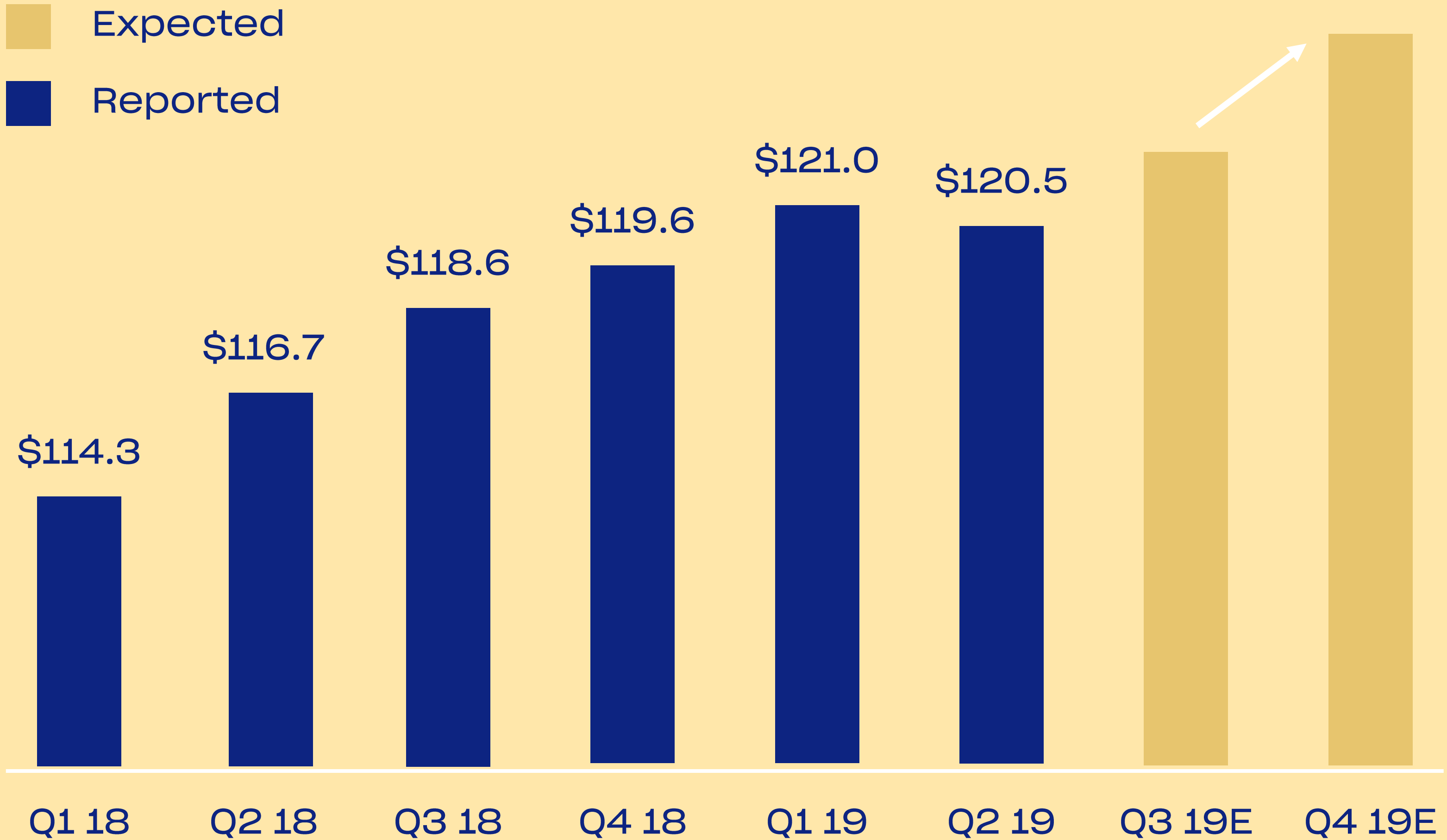


~4X

Increase in the attach rate of users to premium plans

Note: Figures exclude HelloSign. Premium plans refer to Dropbox Professional and Dropbox Advanced.

# ARPU Expansion



Our focus on driving adoption of premium plans has resulted in continued ARPU expansion

Note: Q1 18-Q2 19 are reported ARPU figures. Q3 19 & Q4 19 reflect expected ARPU trends.

Since IPO

**Stable  
Churn...**

**Mid-teens**

We offer best-in-class  
products and functionality

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We are mission-critical to  
our users' business workflows

Note: Churn defined as dollar-based churn.

Since IPO

Stable  
Churn...

Mid-teens

We calculate annualized net revenue retention, or ANRR, as of period end by starting with the annual recurring revenue, or ARR, from all users with paid access to our platform as of 365 days prior to period end ("Prior Year ARR") and ARR from these same users as of the current period end ("Current Year ARR"). To calculate our ANRR percentage, we divide the Current Period ARR by the Prior Period ARR for the trailing 365-day period.

...improving

ANRR

Mid-90s

# Initiatives are Driving Value

Teams

Individuals

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**~40%**

Increase in LTV  
(since launch of Advanced  
plan)

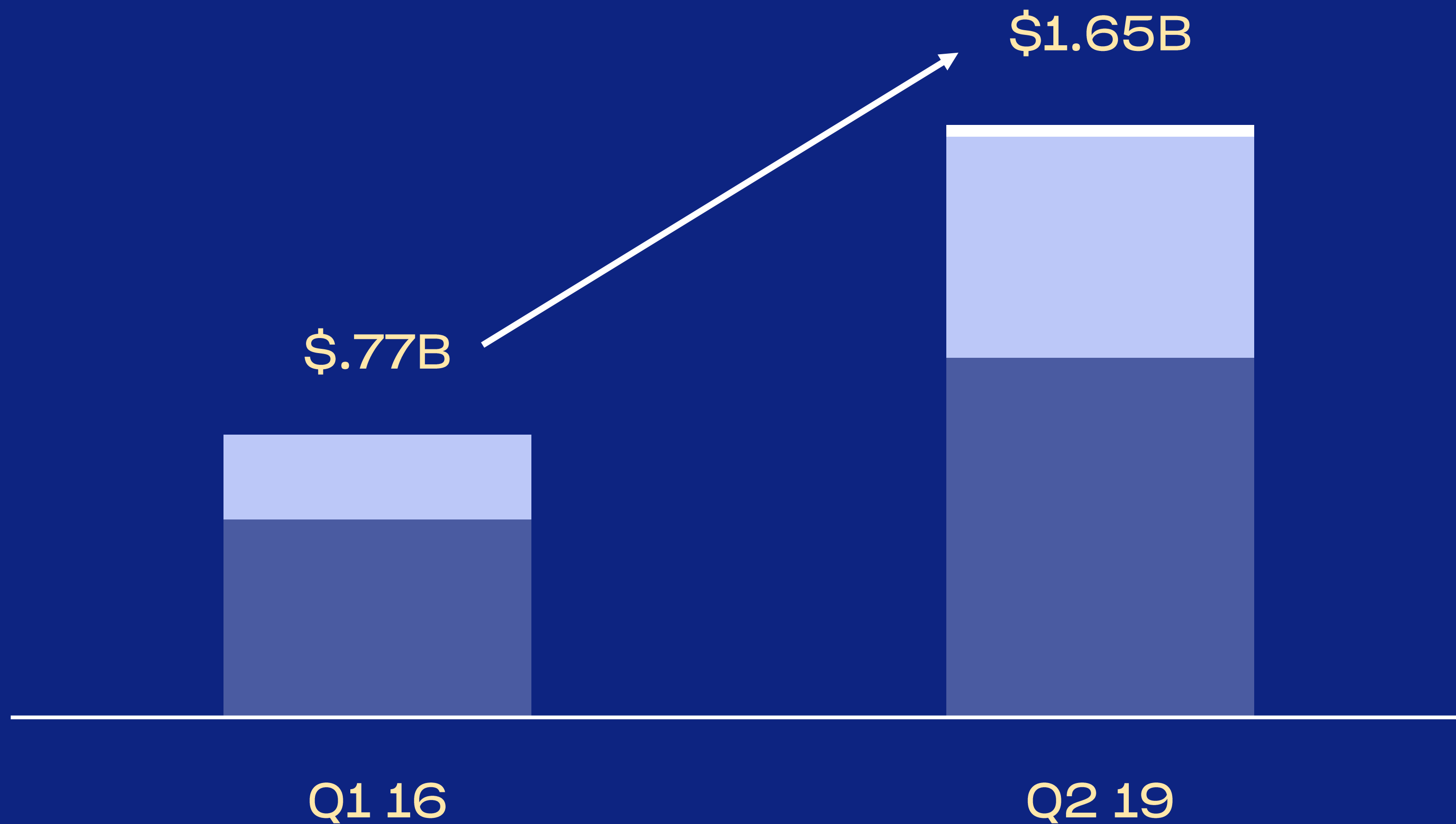
**~20%**

Increase in Plus  
plan pricing



# ARR Composition

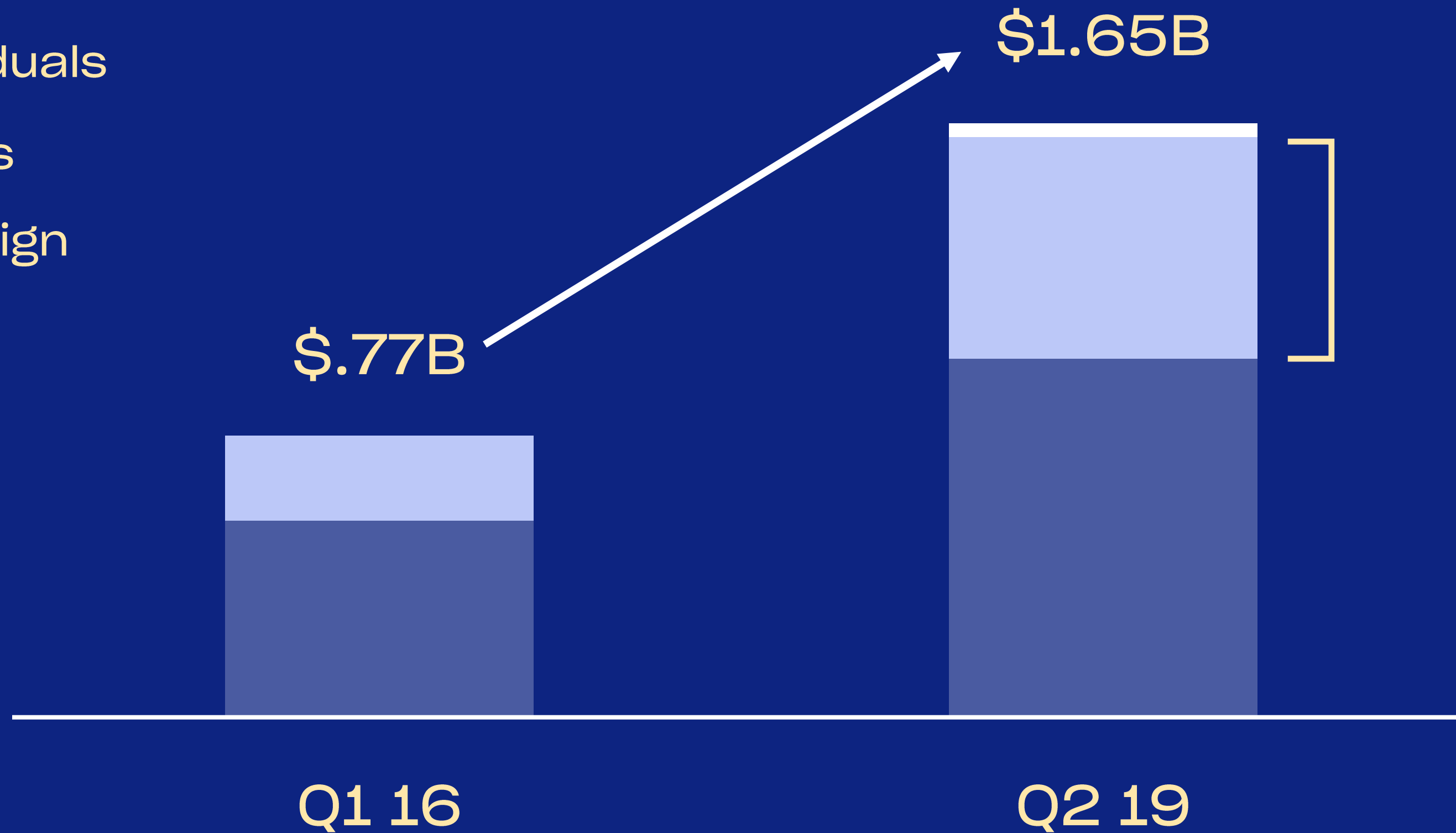
- Individuals
- Teams
- HelloSign



ARR defined as Annual Recurring Revenue.

# ARR Composition

- Individuals
- Teams
- HelloSign



▶ ~40%

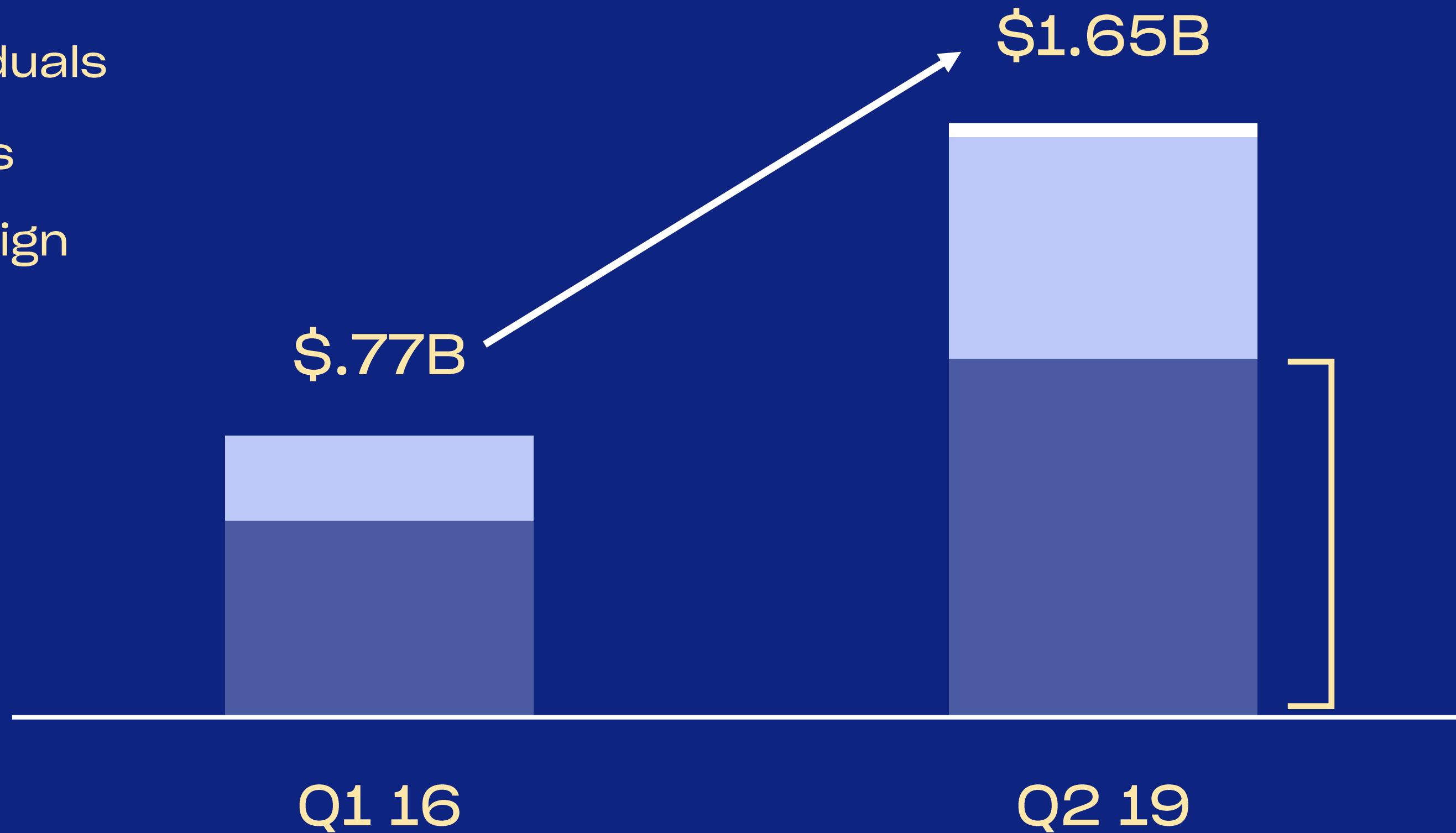
of ARR from  
Team plans

\$1B+

of ARR from  
Individual plans

# ARR Composition

- Individuals
- Teams
- HelloSign



~40%

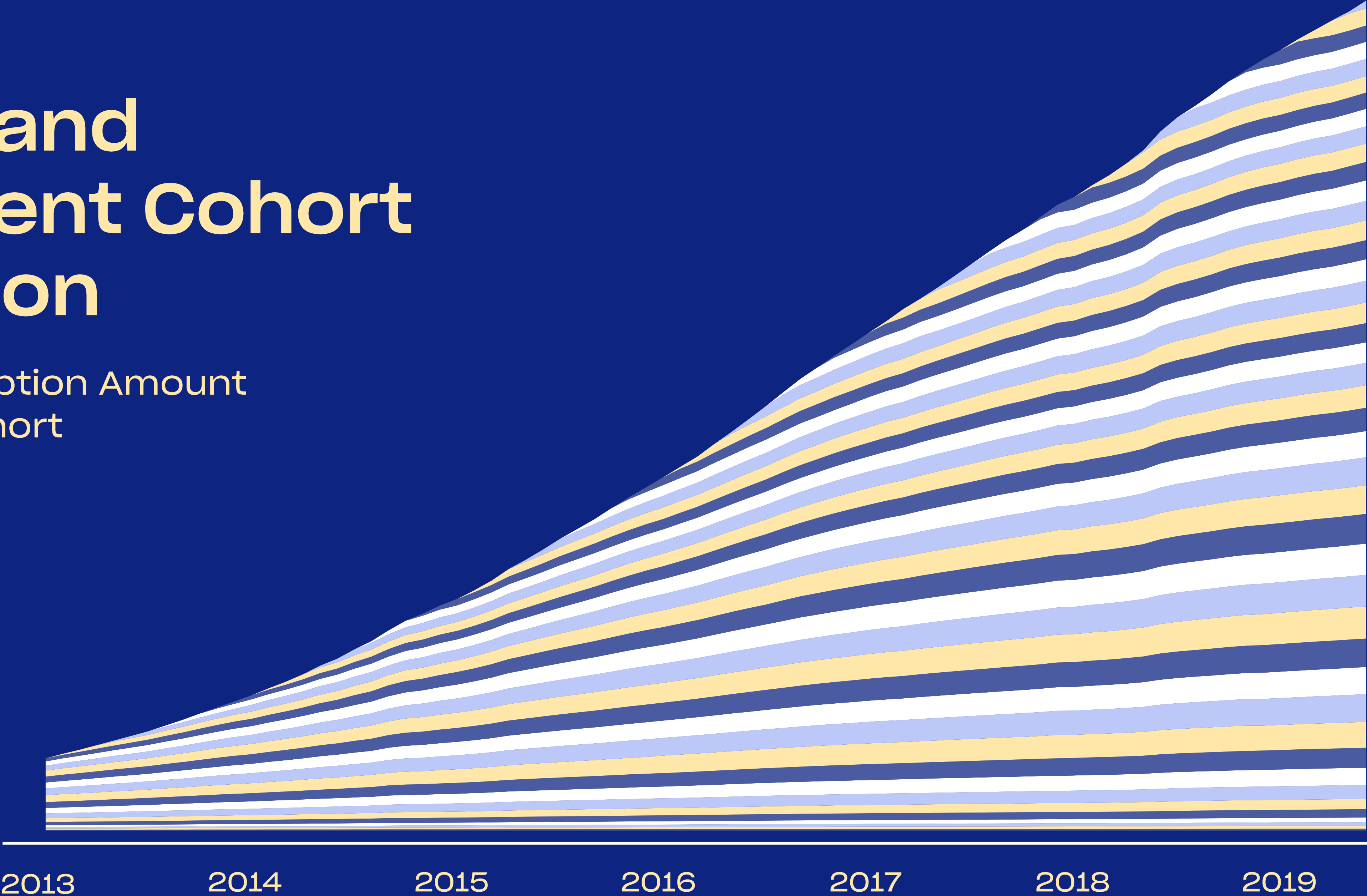
of ARR from  
Team plans

**\$1B+**

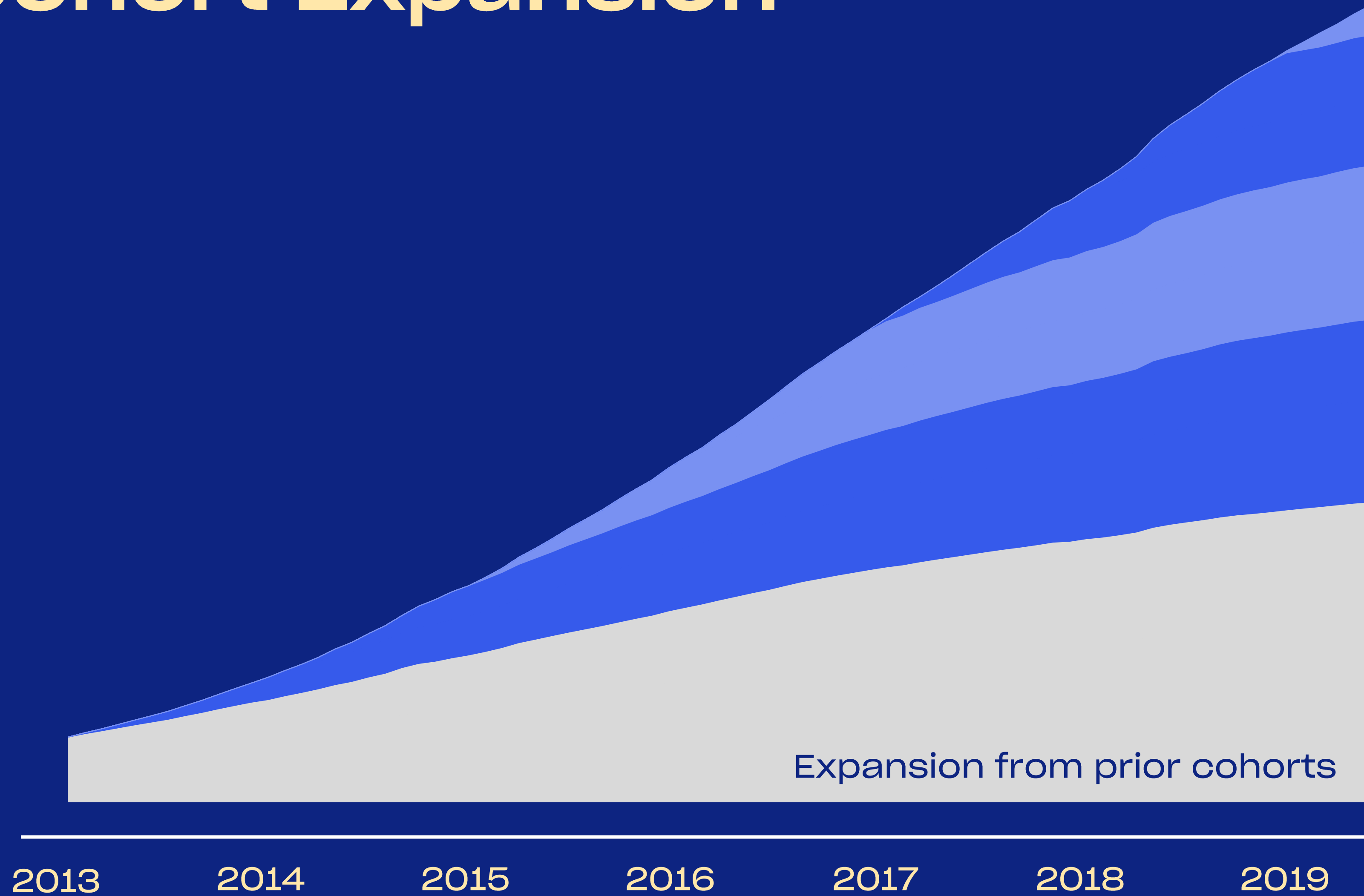
of ARR from  
Individual plans

# Steady and Consistent Cohort Expansion

Monthly Subscription Amount  
by Quarterly Cohort



# Cohort Expansion



**2x** 2017 & 2018

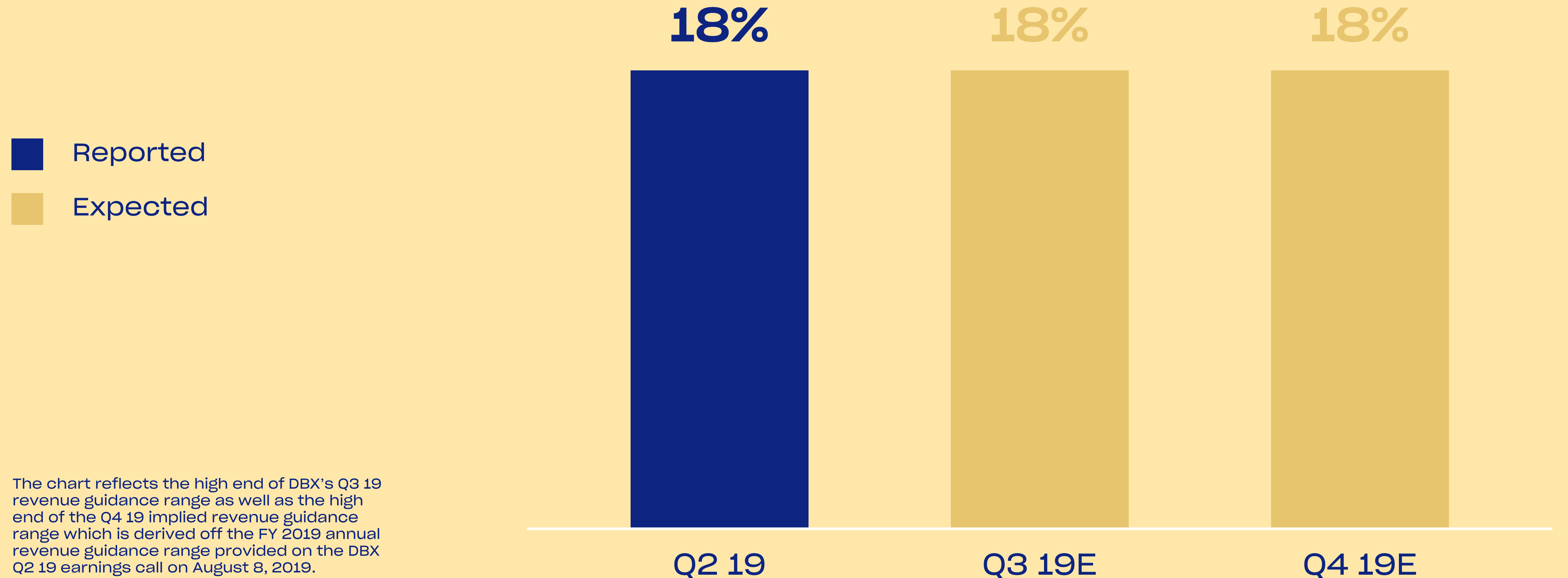
**4x** 2015 & 2016

**8x** 2013 & 2014

Looking  
ahead...

# Stabilizing Growth

Y/Y revenue growth across 2019



The chart reflects the high end of DBX's Q3 19 revenue guidance range as well as the high end of the Q4 19 implied revenue guidance range which is derived off the FY 2019 annual revenue guidance range provided on the DBX Q2 19 earnings call on August 8, 2019.



# Balancing Growth and Profitability

	Accelerated Growth	Growth	Moderate Growth
Annual Revenue Growth	>20%	15-20%	<15%
Annual Non-GAAP Operating Margin Expansion	Flat to up slightly	1-2%	>2%

Free Cash Flow

*Rule of 40*

Note: Margin framework excludes one-time deal-related investments associated with M&A.

# Updated Target Model

	Reported Results		Long-term Targets	
	S-1 <sup>(1)</sup>	Today <sup>(2)</sup>	At IPO <sup>(3)</sup>	Today
Non-GAAP				
Gross Margin	71%	76%	76-78%	78-80%
Operating Margin	3%	10%	18-20%	20-22%

Note: (1) "S-1" refers to DBX reported results as of Q4 17.

Note: (2) "Today" refers to DBX reported Q2 19 results.

Note: (3) "At IPO" refers to Long-term Targets presented during DBX IPO Roadshow in March 2018.

# Summary

Large and expanding market opportunity

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Unique and efficient GTM strategy

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Strong growth foundation

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Disruptive innovation engine

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# Appendix

# Non-GAAP reconciliation

## Adjusted Free Cash Flow

	Twelve Months Ended			FY 2019 Guidance (mid-point)
	December 31, 2016	December 31, 2017	December 31, 2018	
Revenue	\$ 844.8	\$ 1,106.8	\$ 1,391.7	\$ 1,651.0
Operating cash flow	252.6	330.3	425.4	545.0
Capital expenditures	\$ (115.2)	\$ (25.3)	\$ (63.0)	\$ (165.0)
Free cash flow	137.4	305.0	362.4	380.0
Headquarter capex, net of TIAs received	-	-	32.9	75.0
Adjusted free cash flow	\$ 137.4	\$ 305.0	\$ 395.3	\$ 455.0
<i>Adjusted free cash flow margin</i>	16%	28%	28%	28%

Note: Guidance for: Revenue, Capital Expenditures, Free Cash Flow, and Headquarter capex, net of TIAs received reflect midpoint of guidance ranges provided during Dropbox Q2 2019 Earnings Call on August 8, 2019.

# Non-GAAP reconciliation

## Gross Margin

	Three Months Ended						
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Gross profit	\$ 213.8	\$ 195.7	\$ 249.7	\$ 270.1	\$ 281.5	\$ 287.2	\$ 298.6
GAAP gross margin	70.0%	61.9%	73.6%	75.0%	74.9%	74.5%	74.4%
Stock-based compensation	2.9	37.8	2.9	3.2	3.1	3.0	4.7
Stock-based compensation % of revenue	0.9%	12.0%	0.9%	0.9%	0.8%	0.8%	1.2%
Employer payroll taxes related to the release of two-tier RSUs	-	1.1	-	-	-	-	-
Employer payroll taxes related to the release of two-tier RSUs % of revenue	-	0.3%	-	-	-	-	-
Intangibles amortization	-	-	-	-	-	0.6	0.9
Intangibles amortization % of revenue	-	-	-	-	-	0.2%	0.2%
Non-GAAP gross profit	\$ 216.7	\$ 234.6	\$ 252.6	\$ 273.3	\$ 284.6	\$ 290.8	\$ 304.2
Non-GAAP gross margin	70.9%	74.2%	74.5%	75.9%	75.7%	75.4%	75.8%

# Non-GAAP reconciliation

## Operating Margin

	Three Months Ended						
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
GAAP income (loss) from operations	\$ (37.3)	\$ (465.9)	\$ (7.2)	\$ (8.9)	\$ (12.0)	\$ (21.3)	\$ (34.0)
GAAP operating margin	(12.2)%	(147.3)%	(2.1)%	(2.5)%	(3.2)%	(5.5)%	(8.5)%
Stock-based compensation	47.4	486.5	55.1	55.0	53.5	55.6	68.1
Stock-based compensation % of revenue	15.5%	153.8%	16.2%	15.3%	14.2%	14.4%	17.1%
Acquisition-related and other expenses	-	-	-	-	-	3.3	4.1
Acquisition-related and other expenses % of revenue	-	-	-	-	-	0.9%	1.0%
Donations of common stock to the Dropbox Foundation	-	-	-	-	-	-	-
Donations of common stock to the Dropbox Foundation % of revenue	-	-	-	-	-	-	-
Intangibles amortization	-	-	-	-	-	1.4	2.3
Intangibles amortization % of revenue	-	-	-	-	-	0.4%	0.5%
Employer payroll taxes related to the release of two-tier RSUs	-	13.9	-	-	-	-	-
Employer payroll taxes related to the release of two-tier RSUs % of revenue	-	4.4%	-	-	-	-	-
Non-GAAP income (loss) from operations	\$ 10.1	\$ 34.5	\$ 47.9	\$ 46.1	\$ 41.5	\$ 39.0	\$ 40.5
Non-GAAP operating margin	3.3%	10.9%	14.1%	12.8%	11.0%	10.1%	10.1%





**Dropbox**