

# Dropbox Q2 2022 and Fiscal 2022 Guidance

As of May 5, 2022

(In millions, except percentages)

	Q2 2022	Fiscal 2022
Revenue <sup>(1)</sup>	\$568 - \$571	\$2,320 - \$2,330
Non-GAAP gross margin <sup>(2)</sup>		~81.0%
Non-GAAP operating margin <sup>(3)</sup>	~ 28.5%	29.0% - 29.5%
Free cash flow <sup>(4)(5)</sup>		\$760 - \$790
Key employee holdback payments related to acquisitions <sup>(5)</sup>		\$17
R&D cash tax payments <sup>(6)</sup>		~\$30

<sup>(1)</sup> Currency exchange rates assumed in this guidance are based on applying actual exchange rates at the time of booking to current deferred revenue and prior month average exchange rates to future deferred revenue.

<sup>(2)</sup> A reconciliation 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 gross margin and will have a significant impact on our GAAP gross margin, requires additional inputs that are difficult to predict and subject to change.

<sup>(3)</sup> A reconciliation of our forward-looking guidance for non-GAAP operating margin with our forward-looking GAAP operating margin is not available without unreasonable efforts as the quantification of stock-based compensation expense, which is excluded from our non-GAAP operating margin and will have a significant impact on our GAAP operating margin, requires additional inputs that are difficult to predict and subject to change. Our forward-looking guidance for non-GAAP operating margin also excludes \$14 million of expenses related to the unpaid portion of the acquisition purchase price for certain executives that is being earned over three years if they remain employed; and amortization of acquired intangible assets, which are subject to valuation efforts.

<sup>(4)</sup> We define free cash flow as GAAP net cash provided by operating activities less capital expenditures.

<sup>(5)</sup> For the 2022 fiscal year, we expect to make payments in the amount of \$17 million for the 2022 installments of deal consideration holdbacks pertaining to our acquisitions of HelloSign, DocSend, and Command E.

<sup>(6)</sup> For the 2022 fiscal year, we expect to incur additional tax payments in the amount of approximately \$30 million as a result of tax legislation newly effective in 2022, which requires certain research expenditures to be capitalized for tax purposes. There is a possibility that the current tax legislation may be amended or delayed, however until such time, we are including this impact in our guidance.

## Forward-Looking Statements

These supplemental investor materials contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding Dropbox's future financial performance and guidance for Q2 2022 and FY 2022. Dropbox has based these forward-looking statements on current expectations and projections about future events and financial trends that we believe may affect Dropbox's business, financial condition and results of operations. These forward-looking statements speak only as of the date these supplemental investor materials are first posted to Dropbox's investor relations website and are subject to risks, uncertainties, and assumptions, including, but not limited to, our expectations regarding remote work trends, related market opportunities and our ability to capitalize on those opportunities, our ability to realize anticipated benefits to our business from our shift to a Virtual First work model as well as impacts to our financial results and business operations as a result of this shift, and the impact to our financial results, business operations and the business of our customers, suppliers, partners and the economy as a result of the COVID-19 pandemic and related public health measures. Further information on risks that could affect Dropbox's results is included in our filings with the Securities and Exchange Commission (SEC), including our annual report on Form 10-K for the year ended December 31, 2021 that we filed with the SEC on February 18, 2022. Additional information will be made available in our quarterly report on Form 10-Q for the quarter ended March 31, 2022 and in other 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 these supplemental investor materials are first posted to Dropbox's investor relations website, except as required by applicable law.

Additional information on our non-GAAP measures is included in our earnings release, which was furnished with our Form 8-K filed with the SEC on May 5, 2022.