

# Q4 2023 Earnings Presentation

February 6, 2024

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Factors that may cause actual results to differ materially include our ability to achieve our long-term plans and key initiatives; our ability to sustain or manage any future growth effectively; our ability to attract and retain customers or expand sales to existing customers; delays in product development or deployments or the success of such products; the failure to deliver competitive service offerings and lack of market acceptance of any offerings delivered; the impact to the economy, our customers and our business due to global economic conditions, including market volatility, foreign exchange rates, and impact of inflation; the timeframes for and severity of the impact of any weakened global economic conditions on our customers' purchasing and renewal decisions, which may extend the length of our sales cycles or adversely affect our industry; our history of net losses and ability to achieve or sustain profitability, as well as the other potential factors described under "Risk Factors" included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and our most recent Annual Report on Form 10-K that will be filed for the year ended December 31, 2023, and other documents of Freshworks Inc. we file with the Securities and Exchange Commission from time to time (available at [www.sec.gov](http://www.sec.gov)).

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date hereof and are based on information available to us at the time the statements are made and/or management's good faith belief as of that time with respect to future events. We assume no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release, except as required by law.

# Use of Non-GAAP Measures

In addition to the U.S. generally accepted accounting principles (“GAAP”) financials, this presentation includes certain non-GAAP financial measures, including non-GAAP income (loss) from operations and free cash flow. This presentation also includes certain non-GAAP metrics, including annual recurring revenue, net dollar retention rates, revenue growth rates and related presentation thereof with adjustments for constant currency.

We use these non-GAAP measures in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. We believe these non-GAAP measures provide investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our operating results. We believe these non-GAAP measures are useful in evaluating our operating performance compared to that of other companies in our industry, as they generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance.

Investors, however, are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. The non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from these non-GAAP financial measures.

# Working with amazing brands around the globe

Retail, Logistics,  
& E-Commerce



Blue Nile

Sotheby's



STITCH FIX



Financial  
Services



Auto &  
Manufacturing



Media &  
Entertainment



High  
Tech



Hospitality &  
Transportation



Thomas  
Cook



AN AIRBUS COMPANY



# Welcoming more customers every quarter...

**TATA**  
CONSUMER  
PRODUCTS

**HITACHI**

**klöckner & co**

 **cineworld**

F L E X S T E E L<sup>®</sup>

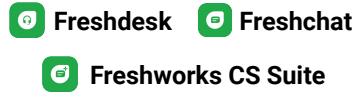
 **Grant Thornton**

# The Freshworks solution

## IT & Employee Service



## Customer Service



## Sales & Marketing



## Neo Platform



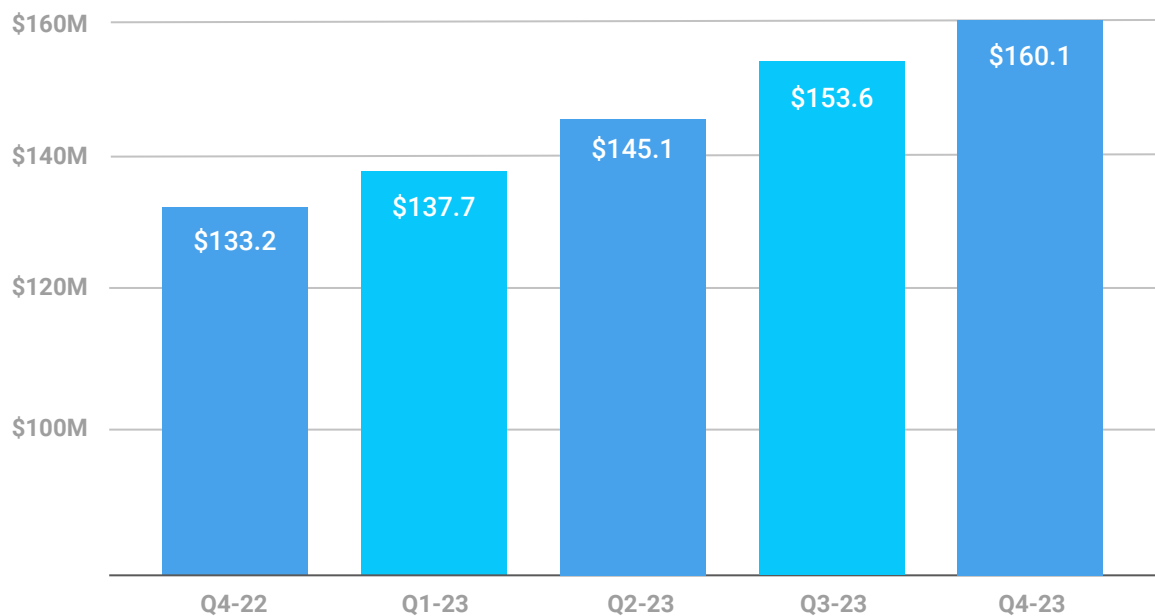
Data & Analytics

Unified Customer Experience

Developer & Marketplace Experience

# Revenue by quarter

(\$ in millions)



YoY Growth

26%

20%

19%

19%

20%

YoY Growth CC\*

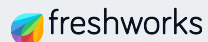
30%

23%

20%

18%

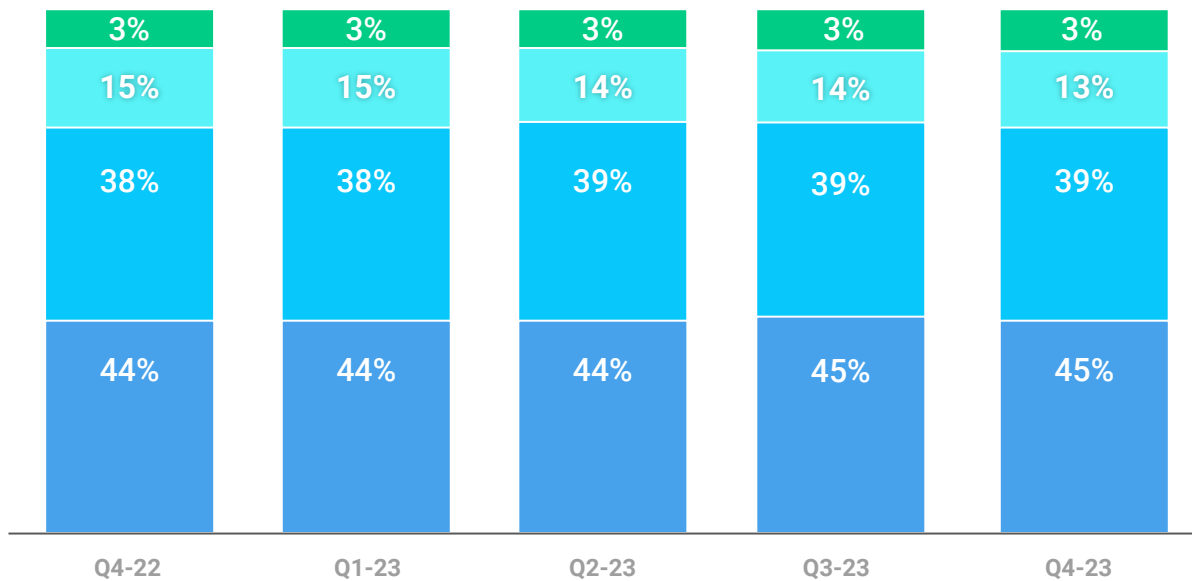
19%



Notes: Revenue growth rates adjusted for constant currency are based on average exchange rates in effect during the comparison period for currencies other than USD. 2023 financial data reflects unaudited results as of December 31, 2023. See Appendix for reconciliation of all GAAP to Non-GAAP financial measures. Numbers rounded for presentation purposes and may not foot.

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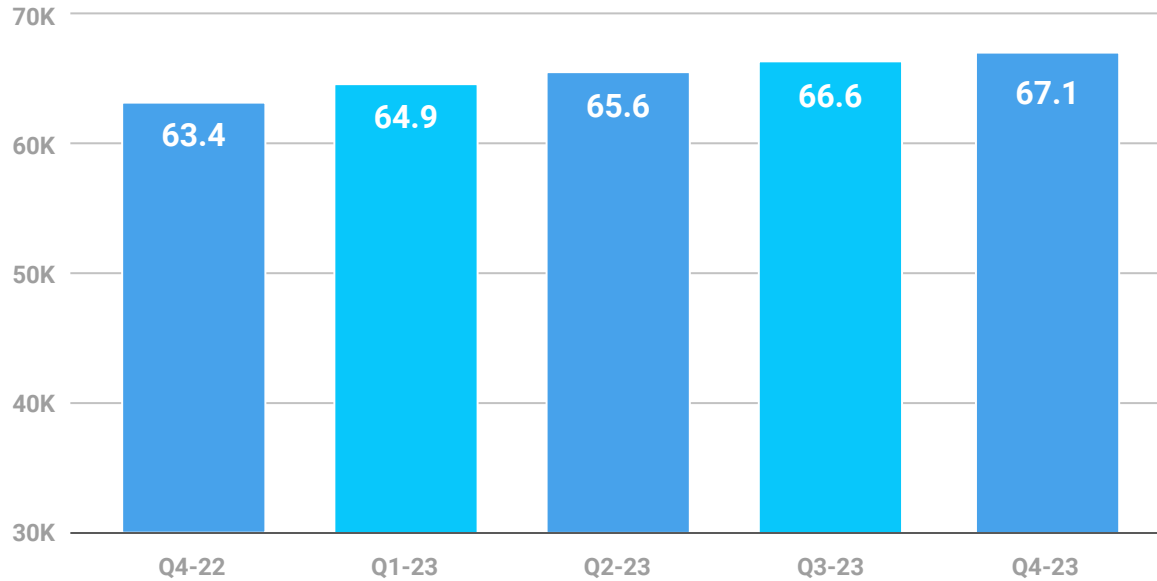
# Revenue by geography





# Total customers

(in thousands)



YoY Growth

**13%**

**12%**

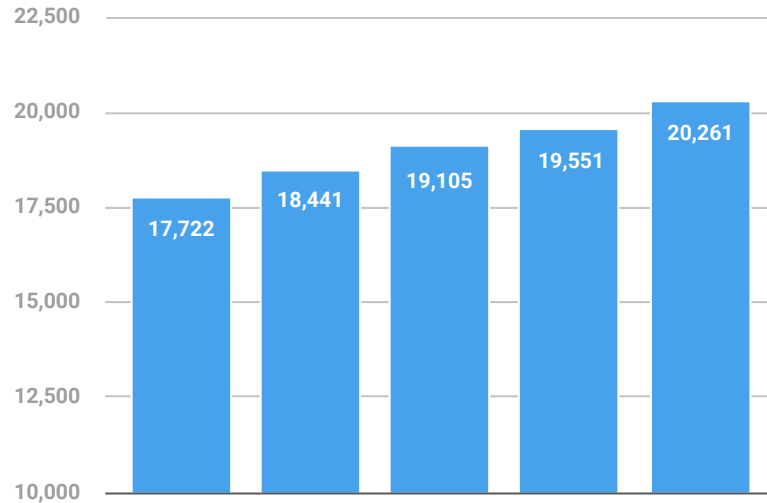
**10%**

**8%**

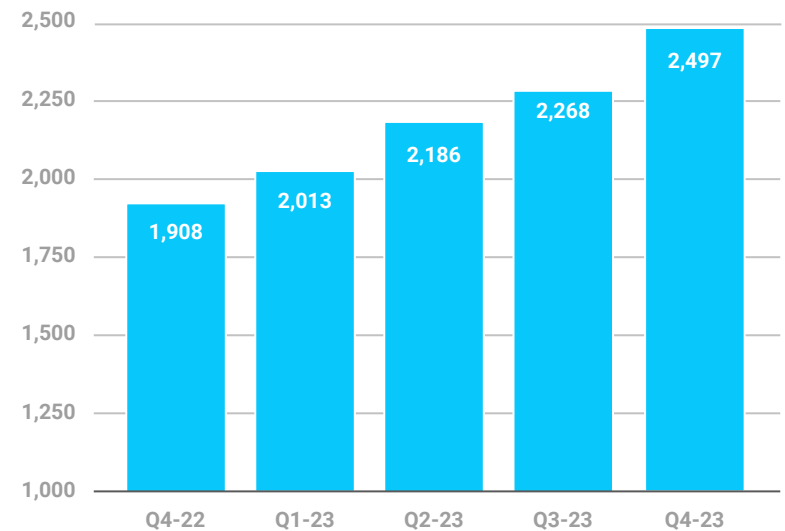
**6%**

# Customer metrics

## Customers >\$5K ARR



## Customers >\$50K ARR



YoY Growth

**20%**   **18%**   **18%**   **17%**   **14%**

YoY Growth CC\*

**21%**   **19%**   **17%**   **16%**   **14%**

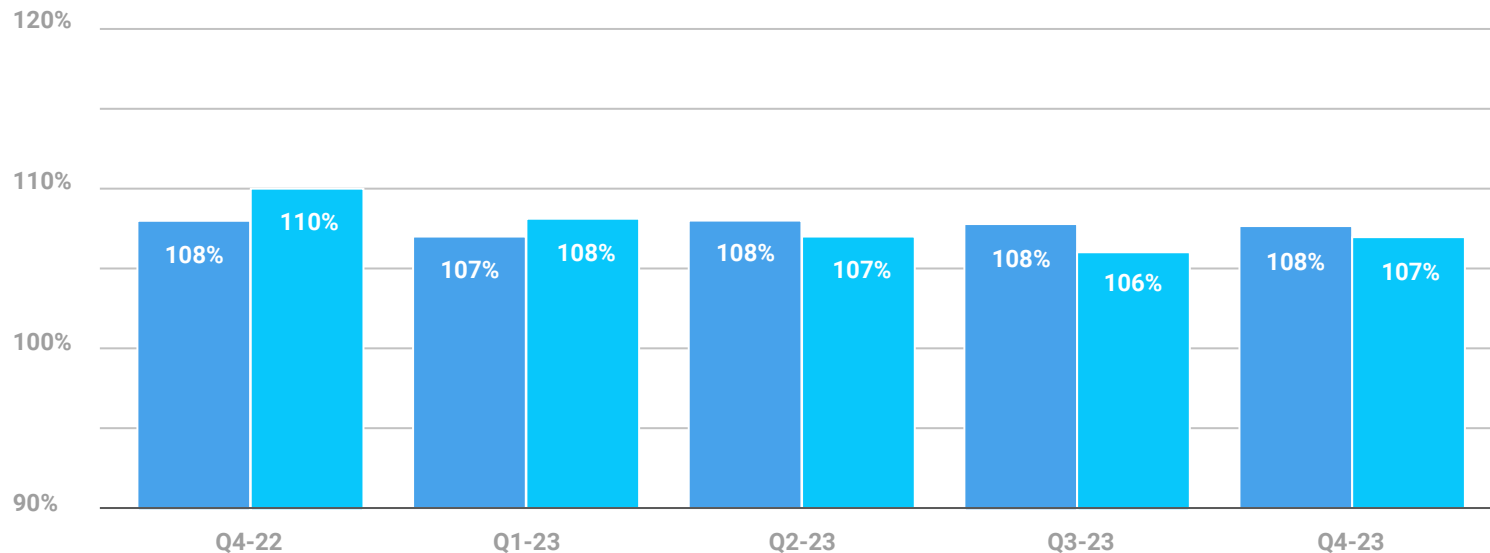
YoY Growth

**35%**   **30%**   **33%**   **32%**   **31%**

YoY Growth CC\*

**38%**   **33%**   **32%**   **30%**   **30%**

# Net dollar retention



Net Dollar Retention



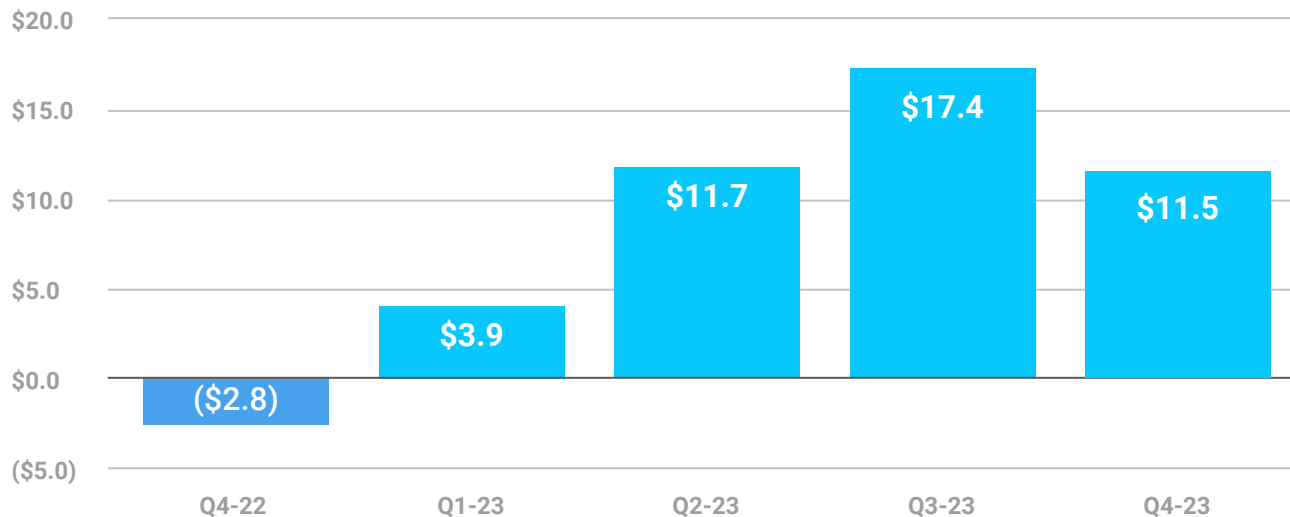
Net Dollar Retention CC\*

Net Dollar Retention Rate is calculated by taking the Ending ARR of the cohort of customers from 12 months prior divided by the Entering ARR from 12 months ago. For example, Net Dollar Retention Rate would be 110% if the ARR of our customers ending Q4-22 was \$100 and the ARR of those customers grew to \$110 ending Q4-23.

Note: Net Dollar Retention adjusted for constant currency are based on exchange rates in effect as of the comparison period end for currencies other than USD.

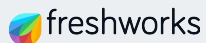
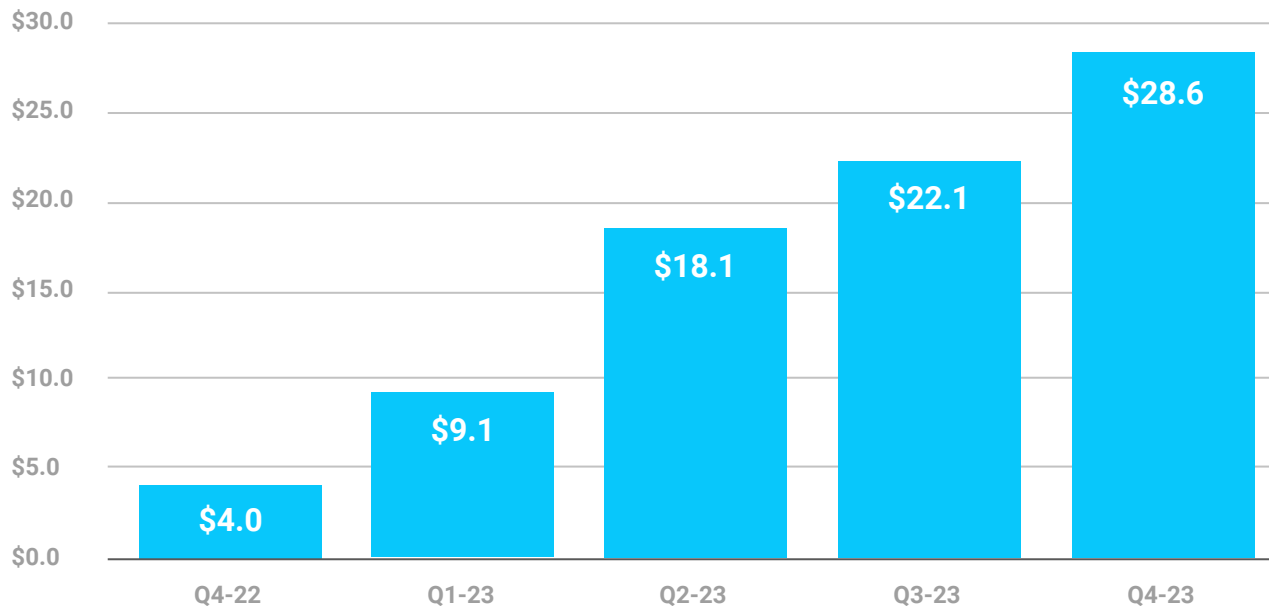
# Non-GAAP Income (loss) from operations

(\$ in millions)



# Free cash flow

(\$ in millions)



We define free cash flow as net cash provided by operating activities, less purchases of property and equipment and capitalized internal-use software. We believe that free cash flow is a useful indicator of liquidity as it measures our ability to generate cash from our core operations after purchases of property and equipment.

Notes: 2023 financial data reflects unaudited results as of December 31, 2023. See Appendix for reconciliation of all GAAP to Non-GAAP financial measures.

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# Financial outlook

(\$ in millions except for per share data)	Q1-24	2024
Revenue <sup>(1)</sup>	\$162.5 - \$164.5	\$703.5 - \$711.5
Year-over-year growth	18% - 19%	18% - 19%
Non-GAAP income from operations <sup>(1)</sup>	\$12.5 - \$14.5	\$52.0 - \$60.0
Non-GAAP net income per share <sup>(2)</sup>	\$0.07 - \$0.08	\$0.29 - \$0.31

(1) Revenue and non-GAAP income from operations are based on exchange rates as of February 2, 2024 for currencies other than USD.

(2) Non-GAAP net income per share was estimated assuming 305.0 million and 306.1 million weighted-average shares outstanding for the first quarter and full year 2024, respectively.

# **GAAP to non-GAAP Reconciliations**

# GAAP to non-GAAP Reconciliations – Revenue

(\$ in millions)	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
GAAP Revenue	\$133.2	\$137.7	\$145.1	\$153.6	\$160.1
YoY Growth rates	26%	20%	19%	19%	20%
<b>Add:</b> Effects of foreign currency rate fluctuations	\$3.9	\$3.5	\$1.2	(\$1.9)	(\$2.2)
Revenue adjusted for constant currency <sup>(1)</sup>	\$137.1	\$141.2	\$146.3	\$151.6	\$157.9
YoY Growth rates - constant currency	30%	23%	20%	18%	19%



# GAAP to non-GAAP Reconciliations – Income (loss) from operations

(\$ in millions)	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
GAAP (loss) from operations	(\$60.6)	(\$48.1)	(\$43.3)	(\$38.7)	(\$40.0)
<b>Add:</b> stock-based compensation expense - employee awards	\$57.0	\$50.7	\$54.2	\$55.1	\$50.6
<b>Add:</b> employer taxes and employee stock transactions	\$0.5	\$1.0	\$0.7	\$1.0	\$1.0
<b>Add:</b> amortization of acquired intangibles	\$0.3	\$0.3	\$0.0	\$0.0	\$0.0
Non-GAAP income (loss) from operations	(\$2.8)	\$3.9	\$11.7	\$17.4	\$11.5
GAAP operating margin	(46%)	(35%)	(30%)	(25%)	(25%)
Non-GAAP operating margin	(2%)	3%	8%	11%	7%

# GAAP to non-GAAP Reconciliations – Free cash flow

(\$ in millions)	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
Net cash provided by operating activities	\$7.2	\$11.5	\$19.9	\$23.9	\$30.9
<b>Less:</b> purchases of property and equipment	(\$1.8)	(\$0.4)	(\$0.3)	(\$0.3)	(\$1.1)
<b>Less:</b> capitalized internal-use software	(\$1.3)	(\$2.0)	(\$1.5)	(\$1.6)	(\$1.2)
Free cash flow	\$4.0	\$9.1	\$18.1	\$22.1	\$28.6
Net cash provided by (used in) investing activities	(\$123.8)	\$41.3	\$2.8	\$102.1	\$12.2
Net cash (used in) financing activities	(\$11.6)	(\$12.4)	(\$11.0)	(\$24.0)	(\$13.2)