
DigitalOcean
Investor Day
April 4, 2025



Melanie Strate

Head of Investor Relations

DigitalOcean

Today's agenda

Paddy Srinivasan Chief Executive Officer	**Market Opportunity & Growth Strategy**
Bratin Saha Chief Product and Technology Officer	**Product, Innovation and AI**
Larry D'Angelo Chief Revenue Officer	**Go-to-market**
BREAK	
Matt Steinfort Chief Financial Officer	**Financial Strength & Outlook**
Q&A	**All Speakers**
Wade Wegner Chief Ecosystem and Growth Officer	**Customer Showcase**



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Safe Harbor

This presentation and accompanying oral presentation contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions.

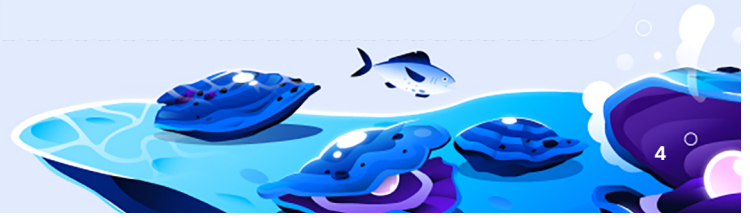
The forward-looking statements contained in this presentation and accompanying oral presentation are subject to known and unknown risks, uncertainties, assumptions, and other factors that may cause actual results or outcomes to be materially different from any future results or outcomes expressed or implied by the forward-looking statements. Further information on these and additional risks, uncertainties, assumptions and other factors that could cause actual results or outcomes to differ materially from those included in or contemplated by the forward-looking statements contained in this presentation and accompanying oral presentation are included under the caption “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the Securities and Exchange Commission (SEC) on February 25, 2025, and subsequent filings and reports we make with the SEC.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this presentation and accompanying oral presentation. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Readers are cautioned not to put undue reliance on forward-looking statements, and we assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise, unless required by law.

This presentation includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties as well as our own estimates of potential market opportunities. All of the market data used involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data, industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our product candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and may fail to accurately reflect market opportunities. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions.

In addition to the financial information presented in accordance with U.S. generally accepted accounting principles (GAAP), this presentation and accompanying oral presentation includes certain non-GAAP financial measures. These measures are presented for supplemental informational purposes only, have limitations as analytical tools and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Our calculations of each of these measures may differ from the calculations of measures with the same or similar titles by other companies and therefore comparability may be limited. Because of these limitations, when evaluating our performance, you should consider each of these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable financial measure calculated in accordance with GAAP and our other GAAP results. A reconciliation of non-GAAP measures to the most directly comparable GAAP measures are included in the Appendix to this presentation and can be found in our filings with the SEC.

We have not provided the forward-looking GAAP equivalents for certain forward-looking non-GAAP measures presented in this presentation or the accompanying oral presentation, or a GAAP reconciliation, as a result of the uncertainty regarding, and the potential variability of, reconciling items such as stock-based compensation expense. Accordingly, a reconciliation of these non-GAAP guidance metrics to their corresponding forward-looking GAAP equivalents is not available without unreasonable effort. However, it is important to note that material changes to reconciling items could have a significant effect on future GAAP results.





Paddy Srinivasan

Chief Executive Officer

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1. Started by serving the **Digital Native Ecosystem**
2. Started with the value proposition of **simplicity, startup friendly business model,** & **customer obsession**
3. Targeted developers & startups with **Product Led Growth**
4. Scaled to **Digital Native Enterprises** with new product capabilities and GTM motions
5. Successfully harnessed **market and technology shifts**

Key takeaways

1

Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

2

Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

3

On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



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Cloud runs the
world
DigitalOcean


...but the cloud has
left some customers
behind
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Cloud can be too complex


Cloud can be too expensive
DigitalOcean
11


Cloud can be too intimidating

.... and there is one thing that is

More complex
More expensive
More intimidating



AI



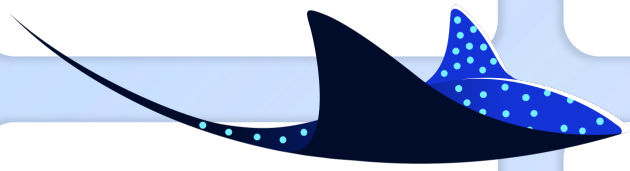
Our mission is to simplify cloud and AI so builders can spend more time **creating software** that **changes the world**

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$820M
ARR

17%
Adjusted free cash flow margin

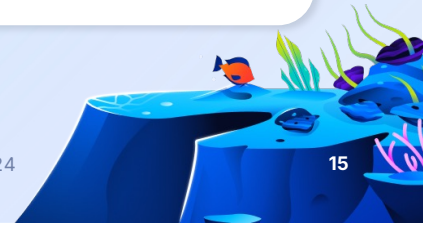
17
data centers and growing



638k+
Customers across 190 countries

165k
Digital Native Enterprise customers

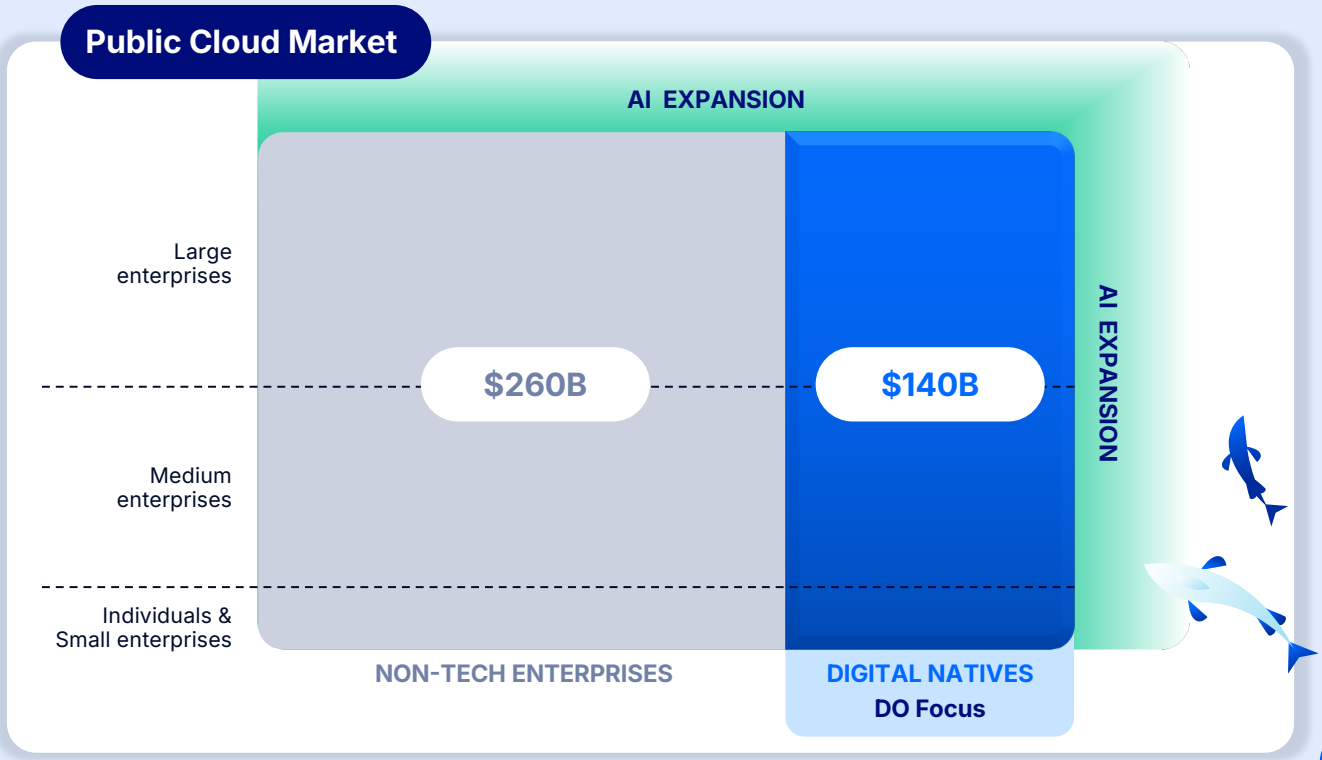
3M+
Active Developers on the DO Platform



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Notes: Financial and customer data as of Q4 2024; See Appendix for definition of annual run-rate revenue (ARR); Customers across 190 countries based on customer count for our Learners, Builders, Scalers and Scalers+ customer categories; Digital Native Enterprise customers based on our Higher Spend Customers; Active Developer count is the unique count of users who signed in to the console, performed an action in the console, or used the API over the last 24 months. See Appendix for definitions.

Large and growing market



$400B+
in 2025, growing 23%[1]

Our focus is on:
$140B+
Digital Native Enterprises[2]

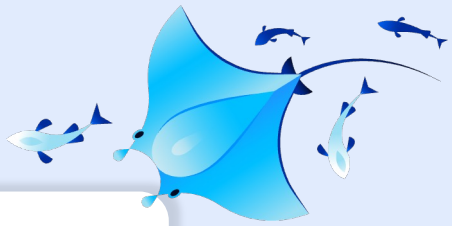
~4M
Digital Native Enterprises[2]

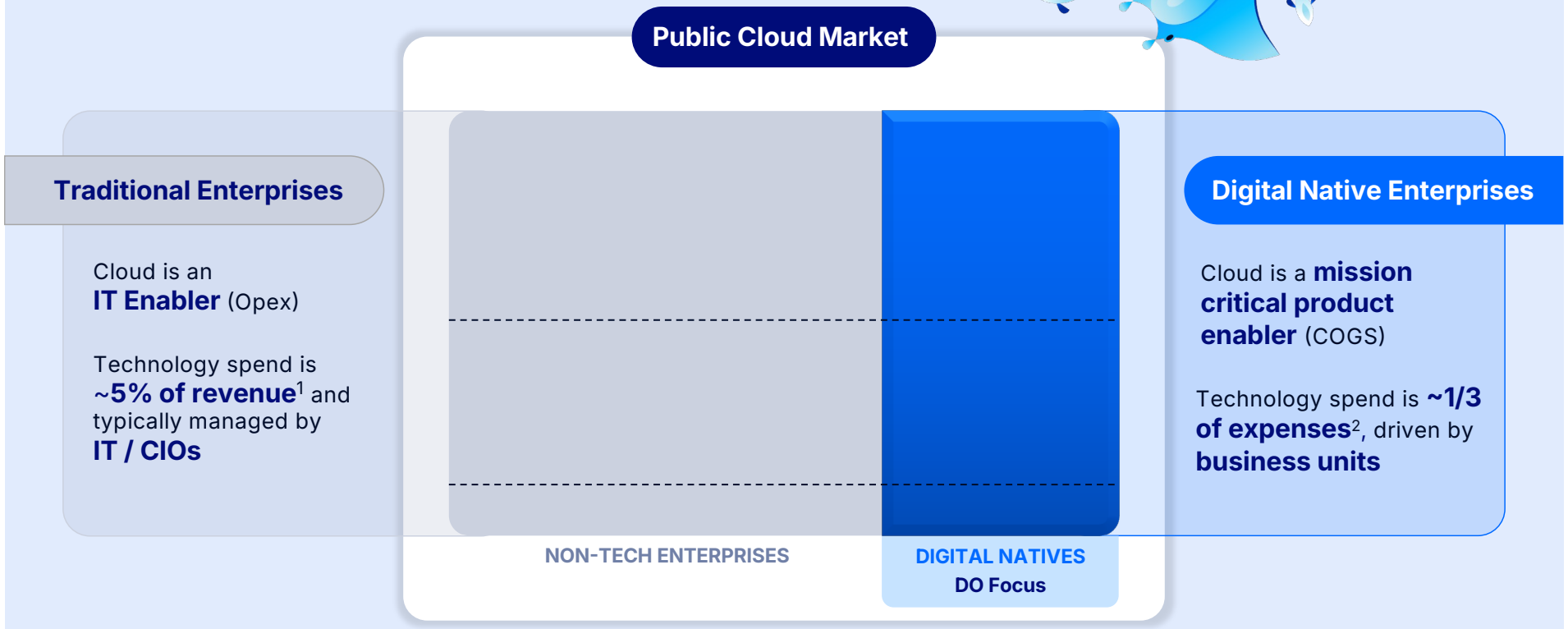
165K
DNEs on DO

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[1] IDC Software and Public Cloud Services Spending Guide (Feb 2025)
[2] DNE Count & Segmentation estimated based on ZoomInfo cloud spend estimates

Public Cloud – Market Needs



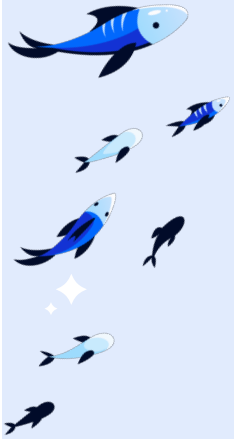


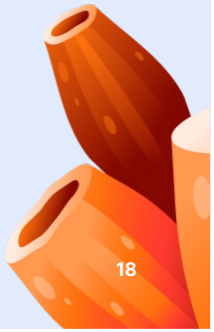
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[1] Traditional IT spend estimated based on IDC's Tech Buyer Survey Spotlight: Debunking the Myth of IT Spending as a Percentage of Revenue (Mar 2024)
[2] DNE spend estimated based on IDC's 2024 Digital-Native Business Trends (Feb 2024)

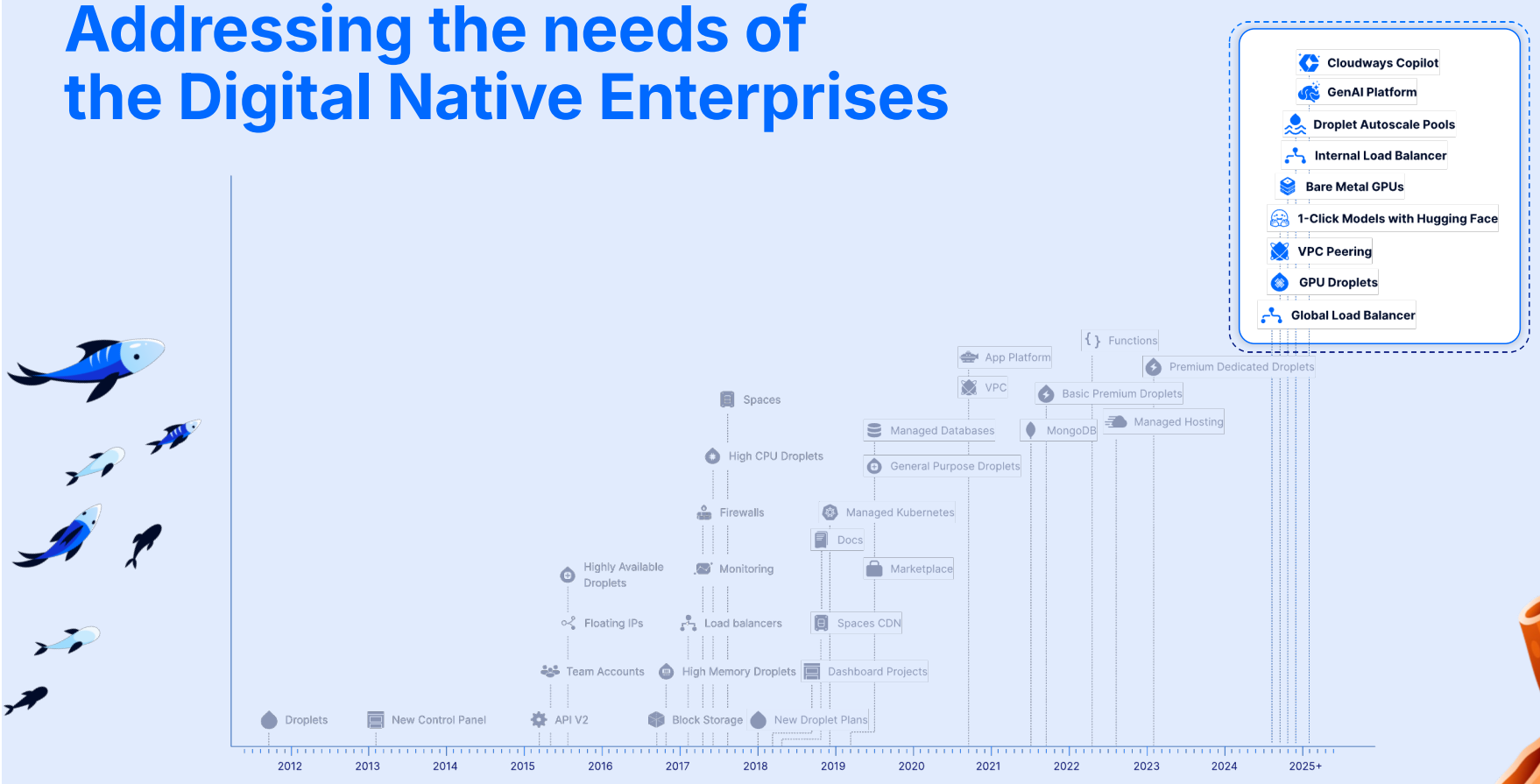
Unmet needs of Digital Native Enterprises

Unmet need	DigitalOcean
Simple cloud lifecycle management for lean teams without heavy DevOps, CloudOps, or FinOps resources	Simple
Scalable, full featured cloud with enterprise-grade SLAs for mission critical products	Scalable
Trusted cloud partner without a walled garden, offering transparent costs, 24×7 support, and an open ecosystem	Approachable





Addressing the needs of the Digital Native Enterprises



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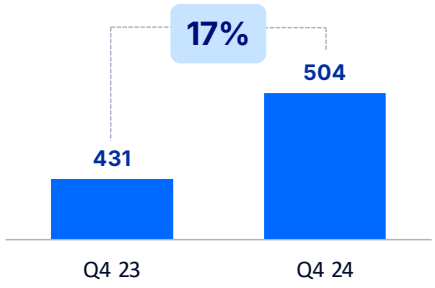
Increasing traction with larger Digital Native Enterprises

37% YoY
ARR Growth

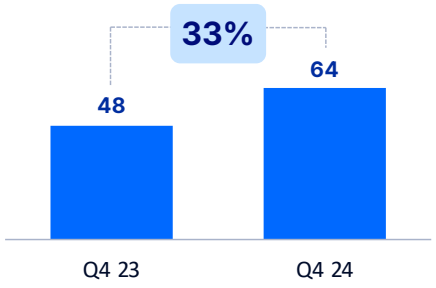
61% YoY
ARR Growth

92% YoY
ARR Growth

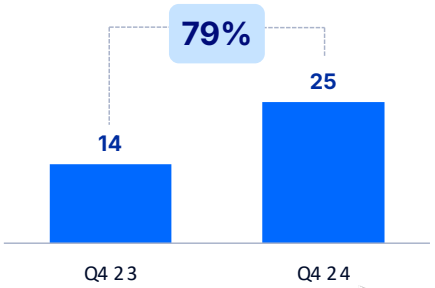
$100K+ ARR Customers



$500K+ ARR Customers



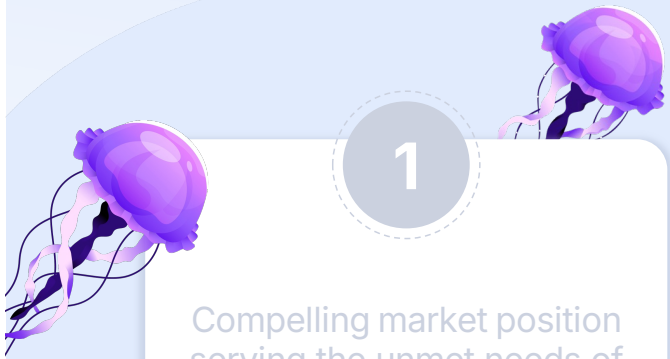
$1M+ ARR Customers



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Note: $100k+ ARR Customers based on Scalers+ customer category, which also includes $500k+ ARR customers and $1M+ ARR customers. See Appendix for definitions.

Key takeaways



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Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

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Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

3

On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



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Refreshed management team



Paddy Srinivasan
Chief Executive Officer



Bratin Saha
Chief Product and Technology Officer



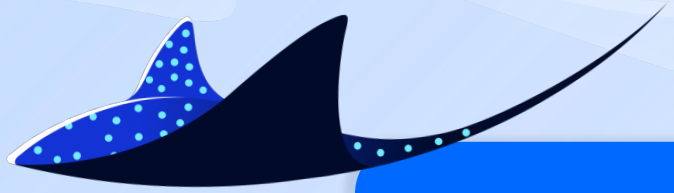
Larry D'Angelo
Chief Revenue Officer



Matt Steinfort
Chief Financial Officer



Wade Wegner
Chief Ecosystem and Growth Officer



Continued reacceleration of growth

Revenue Growth

Customer Acquisition ⊕ Customer Expansion

The two contributing pillars are **Product and GTM**

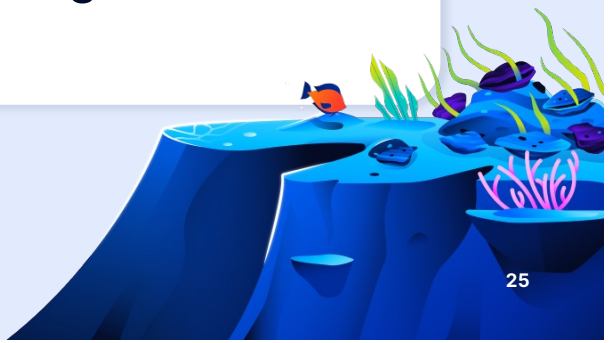
Product is the foundation

Core Cloud

Address needs of larger customers

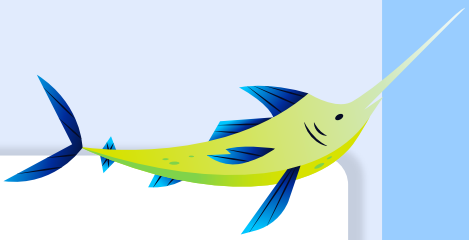
AI

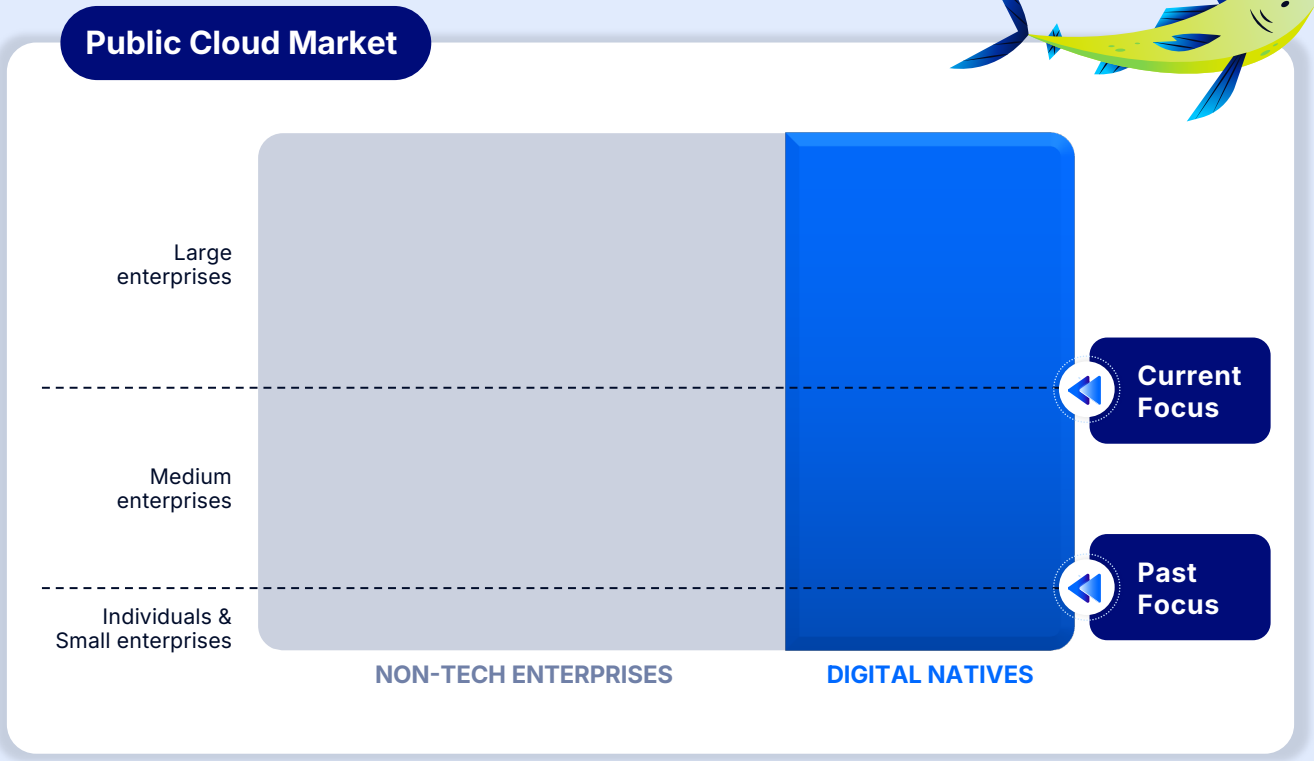
Inferencing Cloud
GenAI Platform
AI Agents



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Core Cloud Innovation





Multi-cloud support

Network File Systems

Advanced networking configurations

Higher performance databases, storage & Managed Hosting

Enterprise SLAs

45% Adoption with $100k+ ARR Core DO customers[1]

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[1] Adoption of Q3 2024 Core DO new features on Core DO Scaler+ accounts by the end of Q4 2024

AI Everywhere



AI is going to be in **every software application**

Many more enterprises will **need inference vs training**

DO's customers are mostly consuming **AI in their software** (inference) vs building new LLM models (training)

DigitalOcean AI Cloud



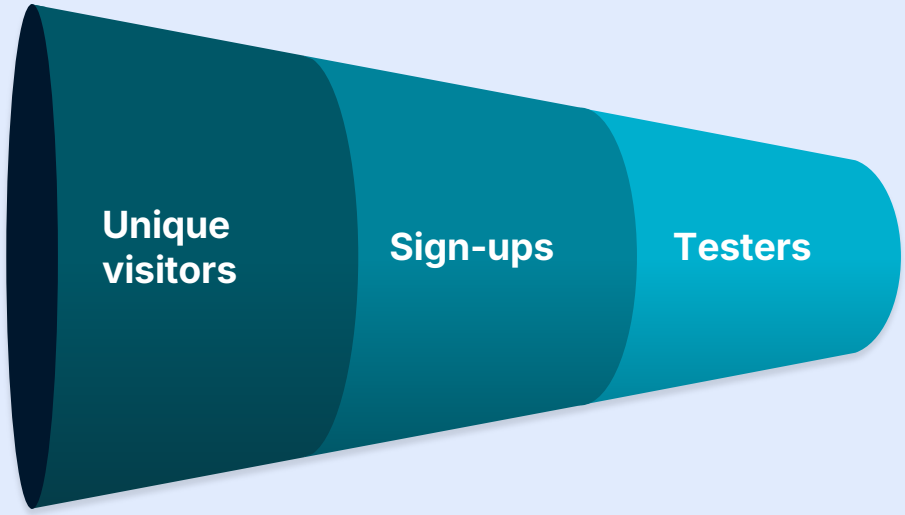
	TRAINING | Episodic	INFERENCING | Continuous	
Applications		App UX, Devtools, Marketplace Agents, Workflows, Control Pane	Agentic Apps
Platform		LLM, Guardrails, Routing Vector DB, Evaluations, Versioning	GenAI Platform
Infrastructure	Network, Storage GPU	Network, Serverless, Databases GPU, CPU, Storage	Inferencing Infrastructure

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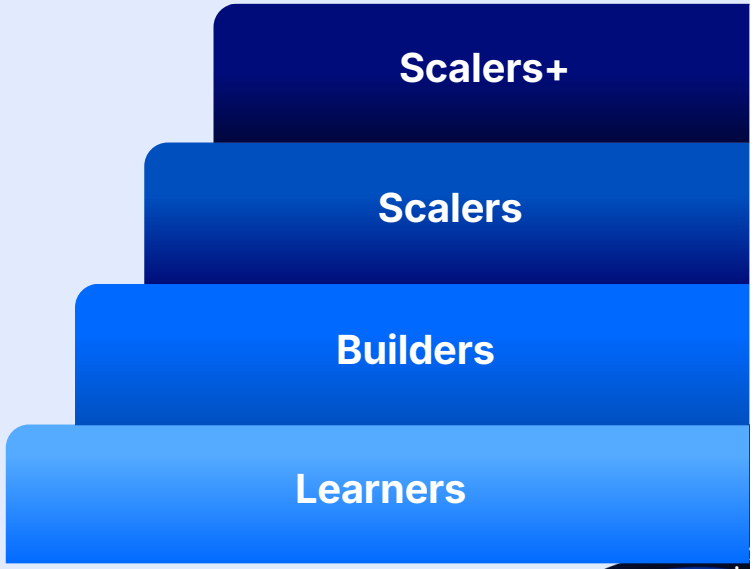


Product Led Growth (PLG) to acquire, nurture and grow customers

PLG Customer Acquisition



PLG Customer Expansion



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Note: See Appendix for definitions of our Testers, Learners, Builders, Scalers and Scalers+ customer categories

Adding new customer acquisition motions



World-class PLG

+ **Technology partners**
+ **Outbound sales for AI**
+ **Channel partners**

20% of 2024 new customer revenue came from non-PLG channels

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Enhancing how we grow our base



Scalers+
$100k+ ARR | 500+ customers

Scalers
$6k - $100k ARR | 18k customers

Builders
$600-$6k ARR | 147k customers

Learners
$0-$600 ARR | 450k+ customers

+ Named account expansion

+ Migration team

+ Propensity based farming

+1800 bps NDR of $100K+ customers in 2024

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Note: See Appendix for net dollar retention (NDR) definition.

Key takeaways

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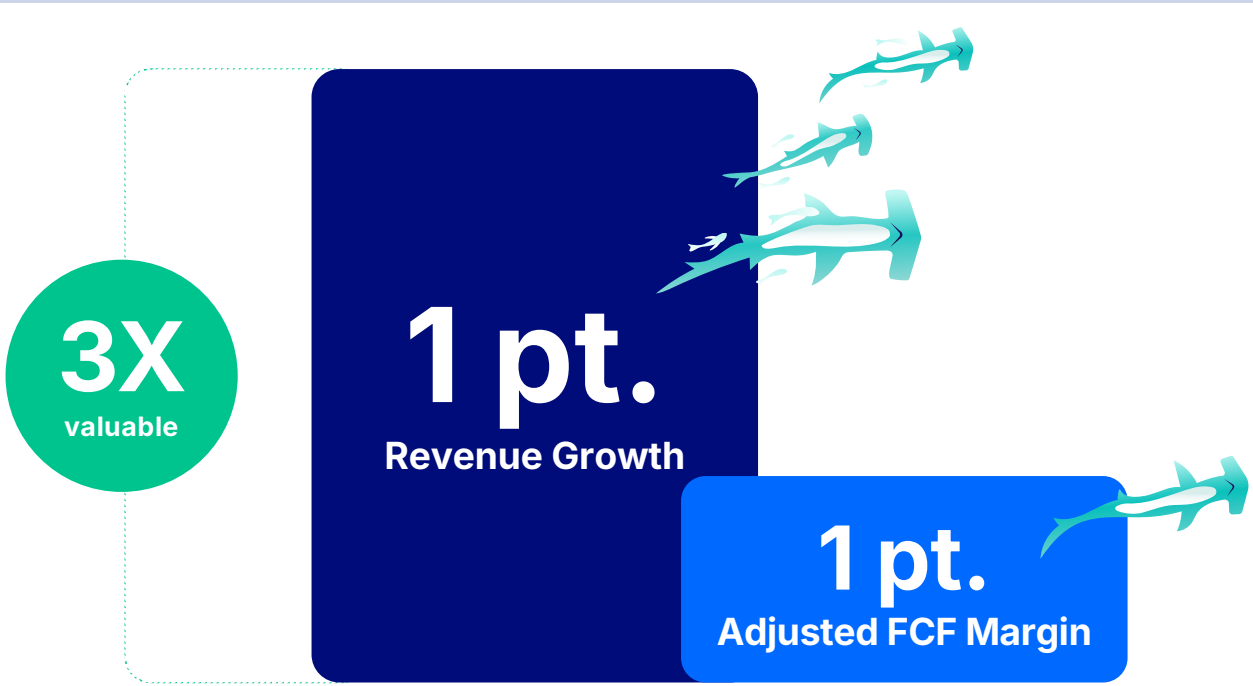
3

On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



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We manage to a Weighted Rule of 40



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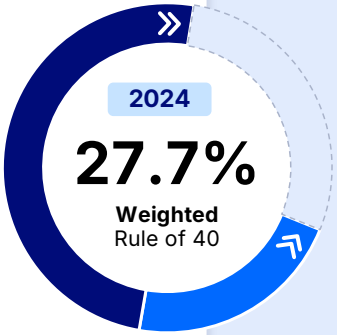
Managing business over long-term to 40%+ Weighted Rule of 40

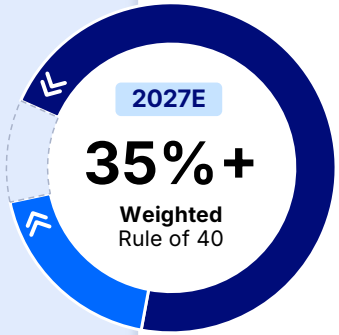




12.7%
Revenue Growth

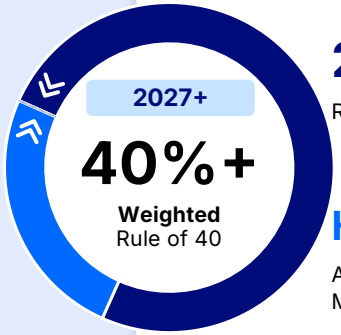
17.3%
Adjusted FCF Margin





18-20%
Revenue Growth

Mid-teens
Adjusted FCF Margin



20%+
Revenue Growth

High-teens
Adjusted FCF Margin

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Note: See Appendix for Weighted Rule of 40 definition.

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DigitalOcean

DO.NEXT

~~DevOps~~

~~CloudOps~~

~~FinOps~~





Bratin Saha

Chief Product & Technology Officer

DigitalOcean



Key takeaways

1. DigitalOcean provides a **durable 30%+ lower TCO** than hyperscalers

2. **Rapid product innovation** accelerating revenue growth in the core DigitalOcean cloud

3. AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4. **DO.Next will reinvent the cloud** through a highly differentiated developer experience

...All while **optimizing** our cost structure



DigitalOcean

Key takeaways

1. DigitalOcean provides a **durable 30%+ lower TCO** than hyperscalers

2. **Rapid product innovation** accelerating revenue growth in the core DigitalOcean cloud

3. AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4. **DO.Next will reinvent the cloud** through a highly differentiated developer experience

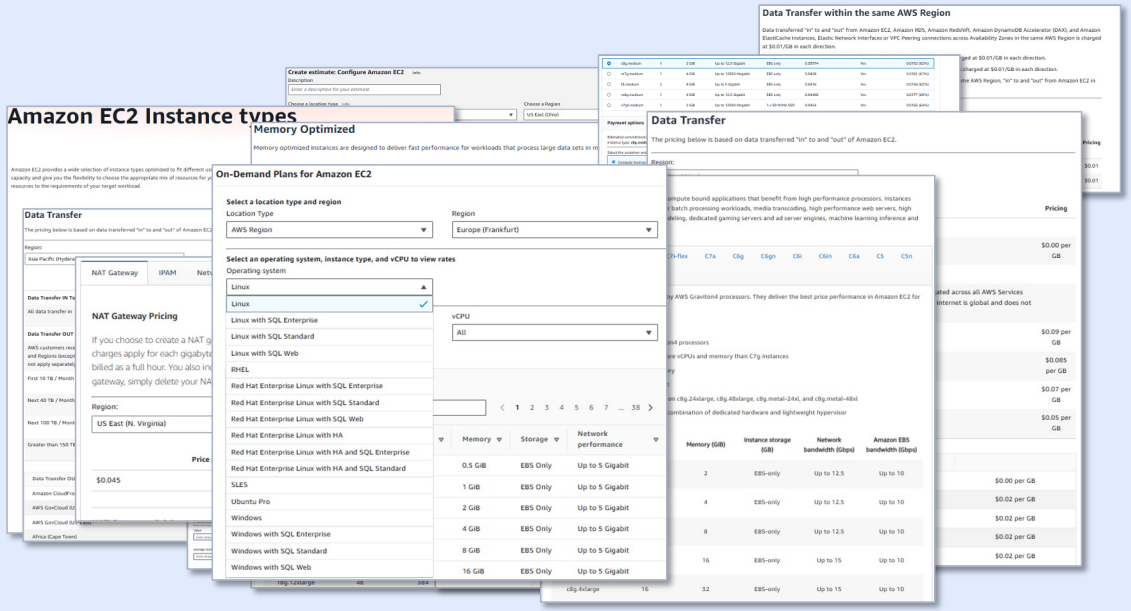
...All while **optimizing** our cost structure

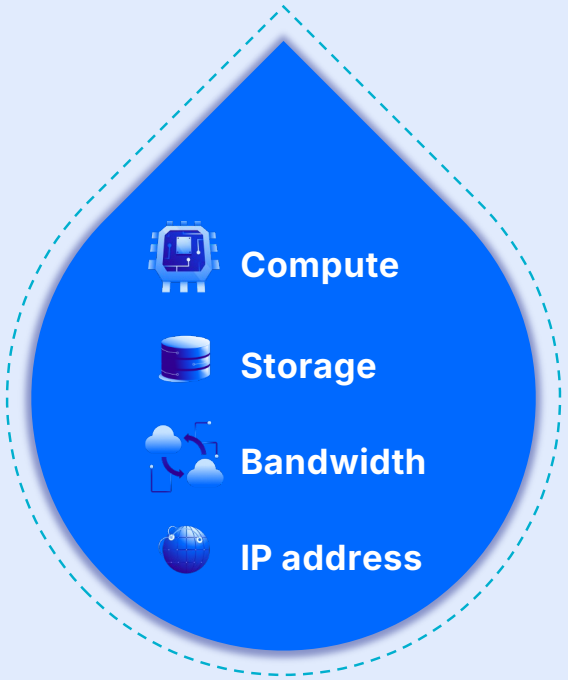


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Cloud can be too complex / expensive / intimidating for many customers

Hyperscaler usage requires thousands of decisions





DigitalOcean Droplet: **1 click setup**

DigitalOcean customers **don't need** dedicated CloudOps

DigitalOcean

Hyperscalers



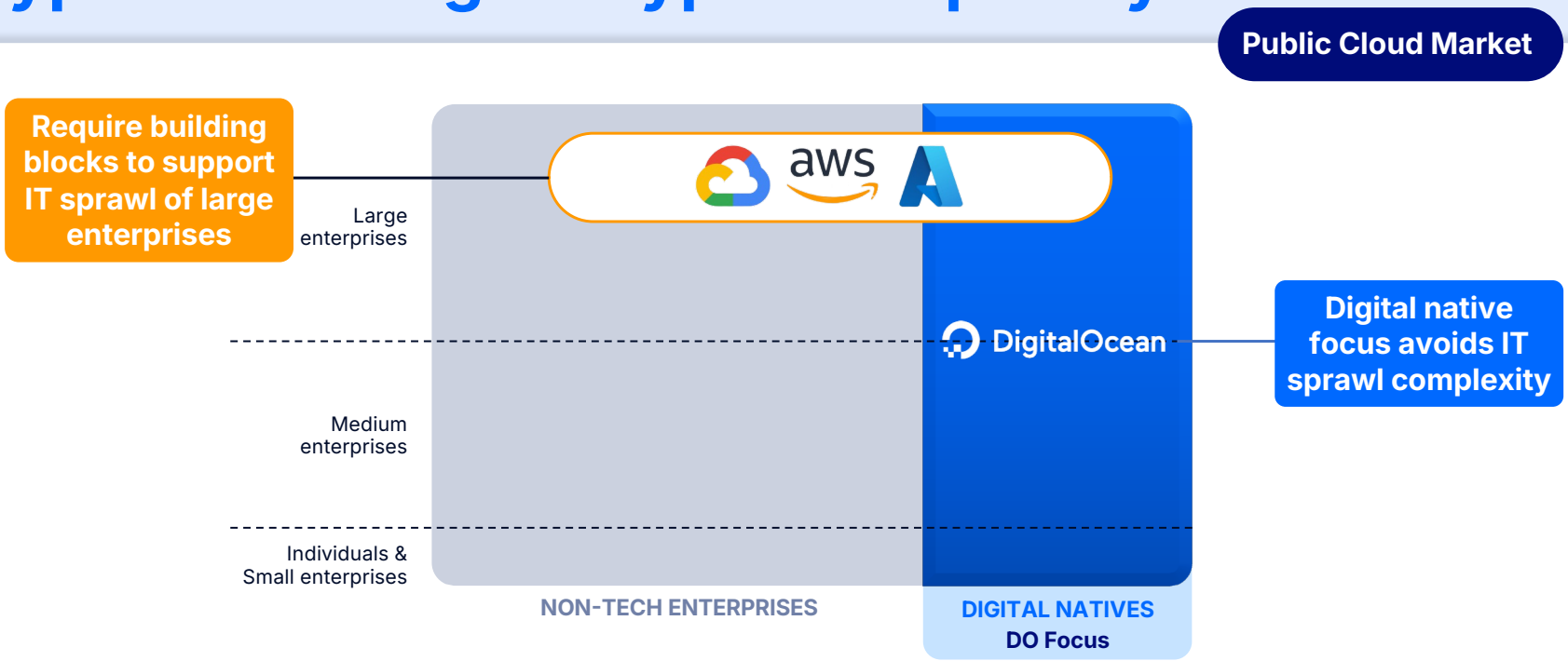
User builds their computer

DigitalOcean



Simpler & more approachable

Hyper scale begets hyper complexity



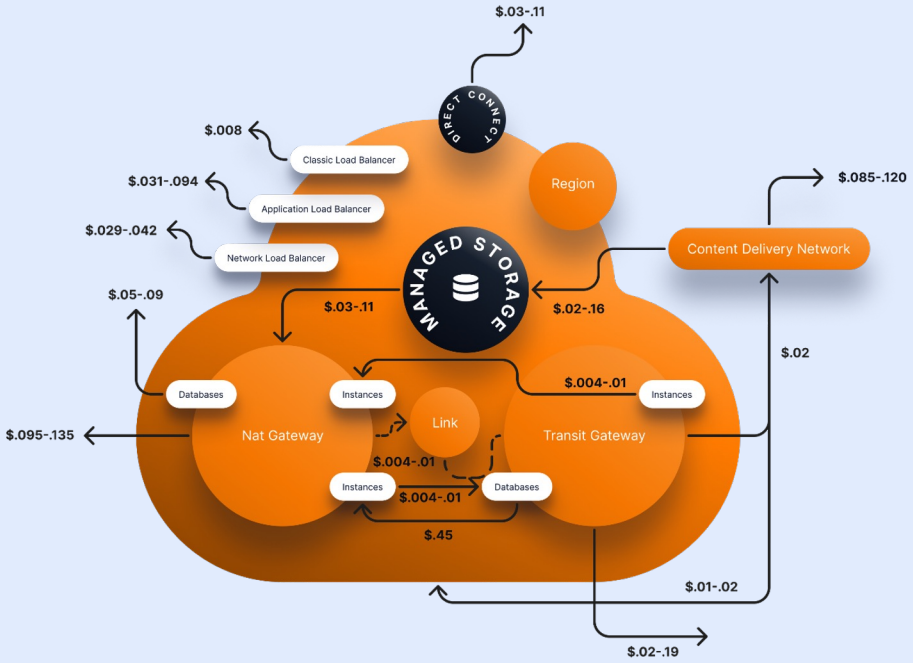
Customer segment enables **DigitalOcean's durable differentiation**

DigitalOcean

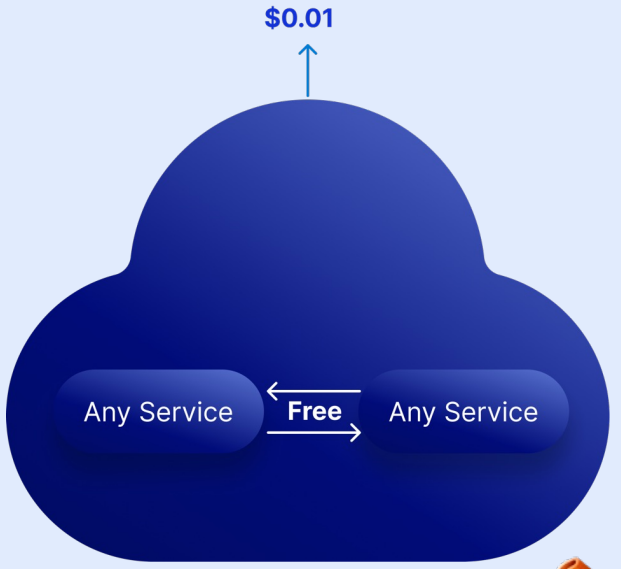
Notes: IDC Software and Public Cloud Services Spending Guide (Feb 2025); Goldman Sachs; Segmentation estimated based on ZoomInfo cloud spend estimates.

Product complexity begets cost complexity

Hyperscalers[1]



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DigitalOcean [1] AWS data transfer cost based on Duckbillgroup.

Hyperscaler	DigitalOcean
Numerous components	Simple
Variable	Flat
Incremental	Predictable

DigitalOcean customers **don’t need** dedicated FinOps

Hyper scale begets high TCO

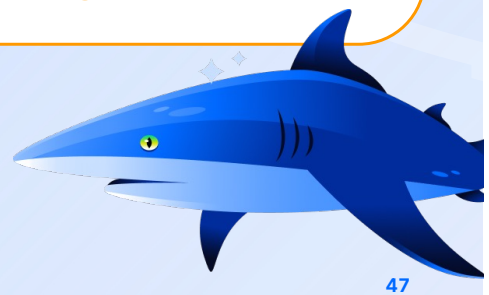
Hyper scale

Product Complexity

High CloudOps costs

Cost Complexity

High FinOps costs

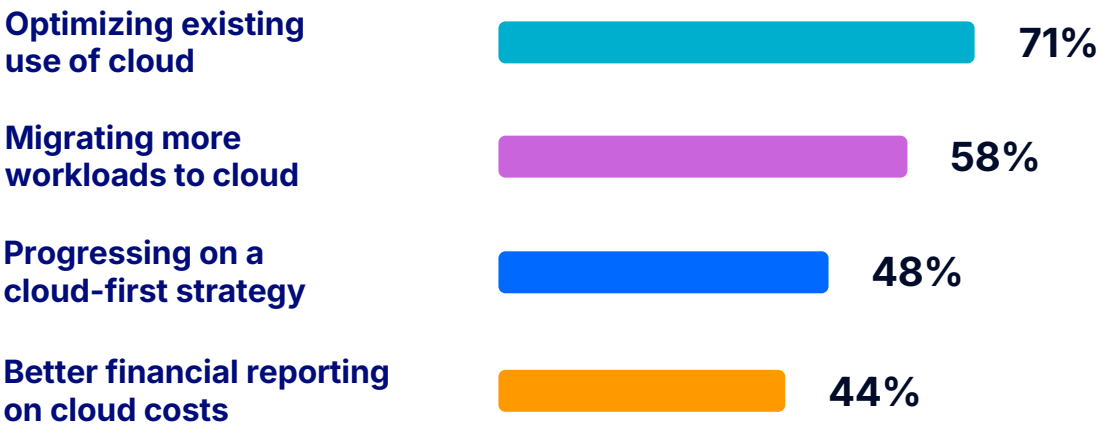


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Cloud customers cite TCO as #1 problem



Top Cloud Problems



70%

of companies need a **FinOps team** to optimize cloud spend



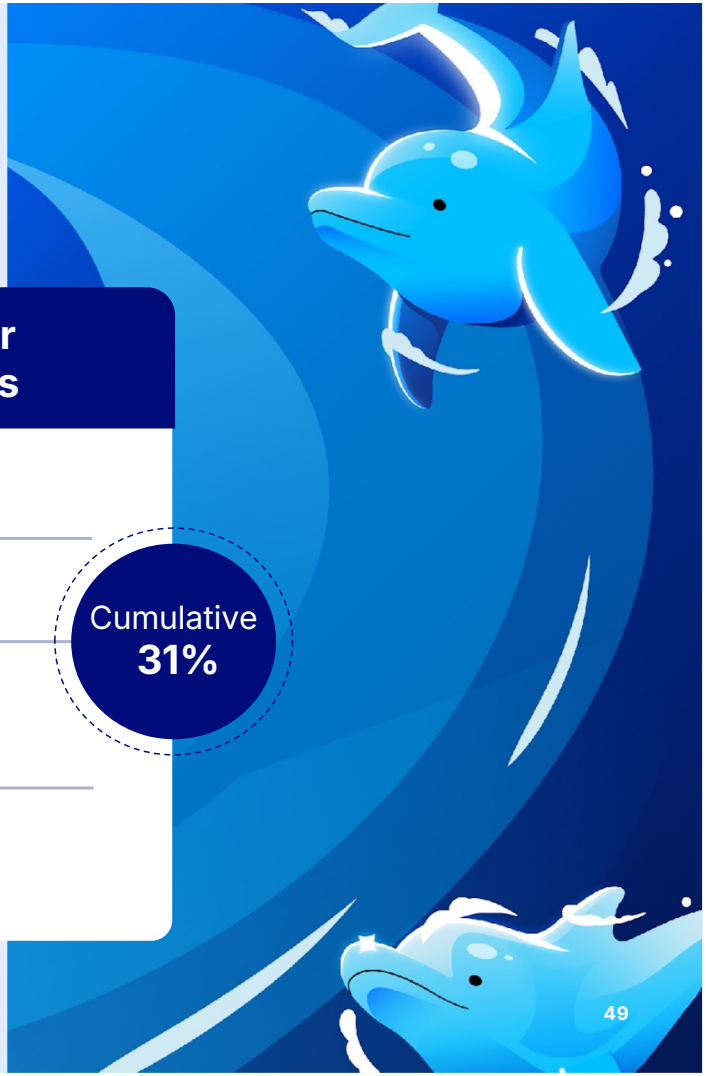
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Note: Based on Flexera State of the Cloud Report 2024 for SMB and Enterprise companies published in March 2024. Report indicates that 51% of companies have a FinOps team with an additional 20% planning to form one in the next 12 months.

DigitalOcean reduces TCO by 30+%

Benefits	Savings over Hyperscalers
Lower infrastructure cost	16%
Increased productivity	5%
Savings on dedicated CloudOps/FinOps	10%
Payback period in migrating from hyperscalers	<6 months

Cumulative **31%**



DigitalOcean

Notes: Based on Forrester Total Economic Impact™ study commissioned by DigitalOcean, 2022. Annual TCO saving is calculated from year 2 by comparing TCO on hyperscaler vs the TCO on DO. Customers such as Nobid, Picap, Meiro, and Eglogics have reported 30%+ reduction in TCO with DigitalOcean services.

Key takeaways

1

DigitalOcean provides a **durable 30%+ lower TCO** than hyperscalers

2

Rapid product innovation accelerating revenue growth in the core DigitalOcean cloud

3

AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4

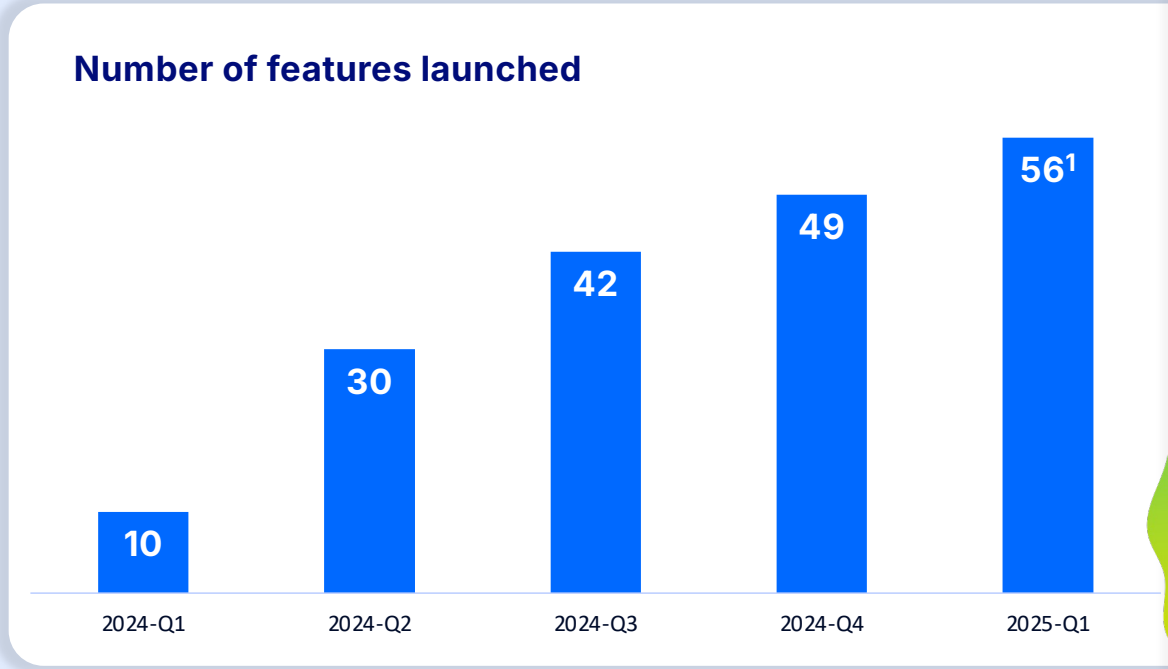
DO.Next will reinvent the cloud through a highly differentiated developer experience

...All while **optimizing** our cost structure



DigitalOcean

Product velocity increased 5X YoY



Known causes of customer churn **addressed by Q2'25**

More enterprise features in **H2'25 and beyond**

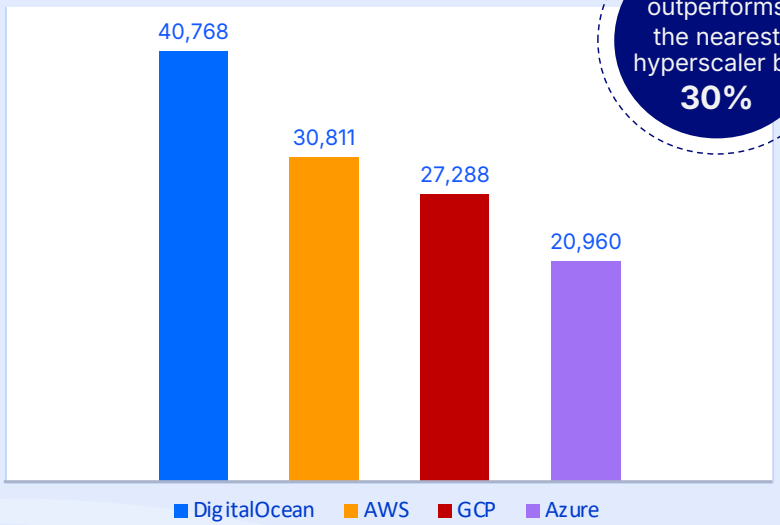
Rapid innovation without increasing R&D cost

DigitalOcean

[1] Three features out of 56 were launched on April 1 as a result of a code freeze instituted on March 27 due to Investor Day preparation which will be counted as Q2 features in the earnings report.

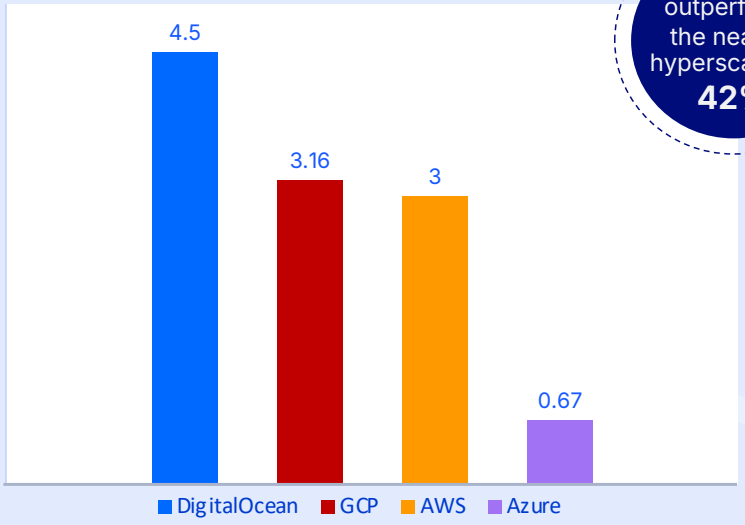
Enterprise experience: database performance

Throughput/Sec
(Higher is better)



DO outperforms the nearest hyperscaler by **30%**

Throughput/$
(Higher is better)



DO outperforms the nearest hyperscaler by **42%**

Several **PaaS (data cloud)** innovations launching this year

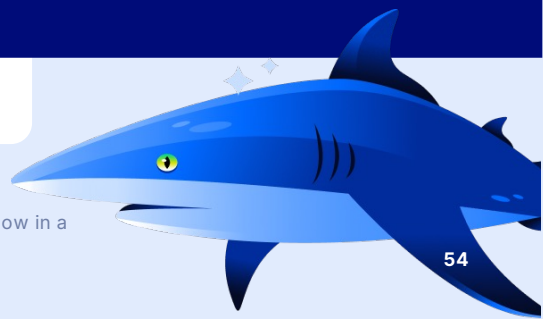
DigitalOcean

Notes: We used a popular open-source database benchmark for online transactions (OLTP) called Sysbench. The benchmark creates a database of 80 million rows (approx 16GB size), such that the database fits entirely in memory. In this configuration, same for all providers, all reads queries are served from memory and writes go to storage. R:W ratio for operations is 7:2. The database is created using managed MySQL services for each cloud provider with the same host configuration of 8vCPU, 32GB memory and 190 GB solid-state storage. The benchmark client executes on a separate client host in the same data center as the database host. We ran 2 iterations on separate days.

DigitalOcean: Hyperscaler SLA at 30+% lower cost

DigitalOcean Product	AWS Product	DigitalOcean last 30 days availability[1]	AWS SLA[2]
DBaaS (MongoDB)	DocumentDB	>99.97%	>99.9%
Droplet	EC2 (Instances)	>99.99%	>99.5%
DOKS	EKS	>99.99%	>99.95%
Load Balancers	ELB (Single)	>99.99%	>99.9%
Spaces	S3 (Standard)	>99.99%	>99.9%
Volumes	EBS (Volume)	>99.99%	>99.9%

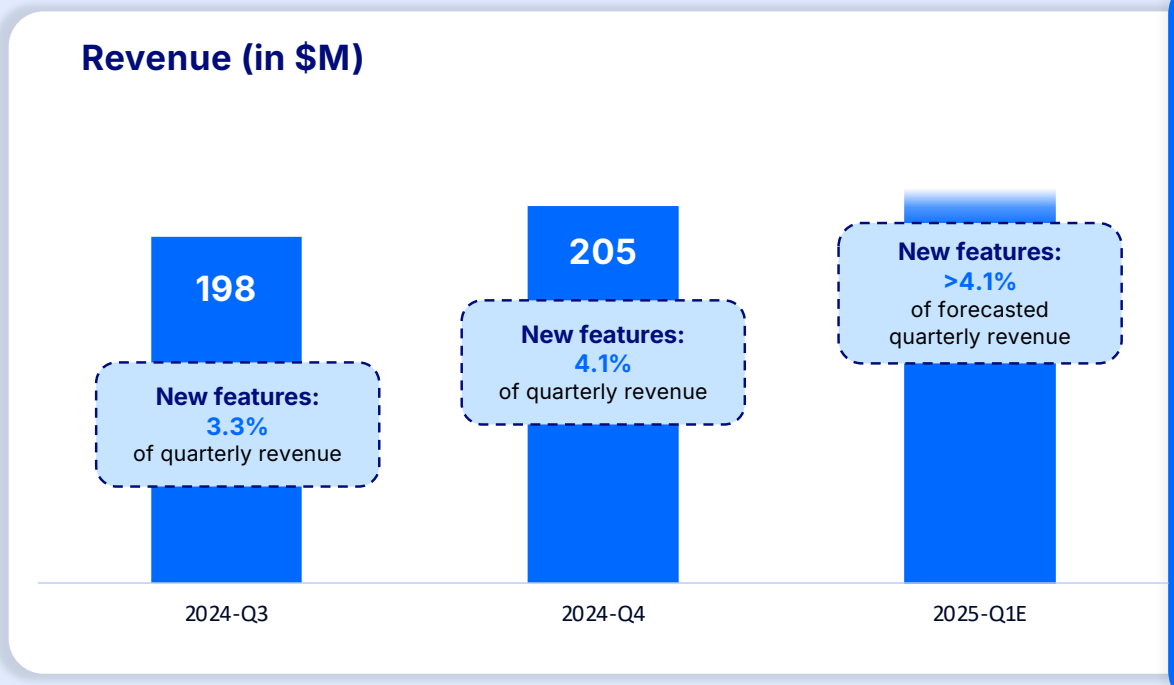
AI driven optimization reduced service downtime by **3.5X** YoY



DigitalOcean

Notes: this table compares DigitalOcean's availability to a hyperscaler's SLA to show that DigitalOcean is now in a position to provide a similar SLA. The actual SLAs and timing will be decided later.
1 DigitalOcean metrics snapshot was taken on March 31, 2025.
2 AWS SLA data is sourced from the official AWS website using their single instance availability metric.

H2 revenue from features launched in 2024



27% of the incremental Q4 revenue came from new features

NDR: Increased from 97% to **99%**

DigitalOcean

Key takeaways

1

DigitalOcean provides a **durable 30%+ lower TCO** than hyperscalers

2

Rapid product innovation accelerating revenue growth in the core DigitalOcean cloud

3

AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4

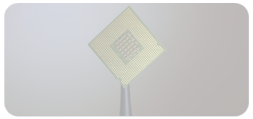
DO.Next will reinvent the cloud through a highly differentiated developer experience

...All while **optimizing** our cost structure



DigitalOcean

Evolution of transformational technologies

	Internet	PC	Smartphone	Gen AI
Application				Apps/Agents
Platform				Agentic Platform
Infrastructure				GPU + Infra

Agents will create

I → P → A

effect in AI

Agents will automate human work

Typical customer support interaction today

Human agent: **$3**[1]

AI agent: **$0.01**[2]



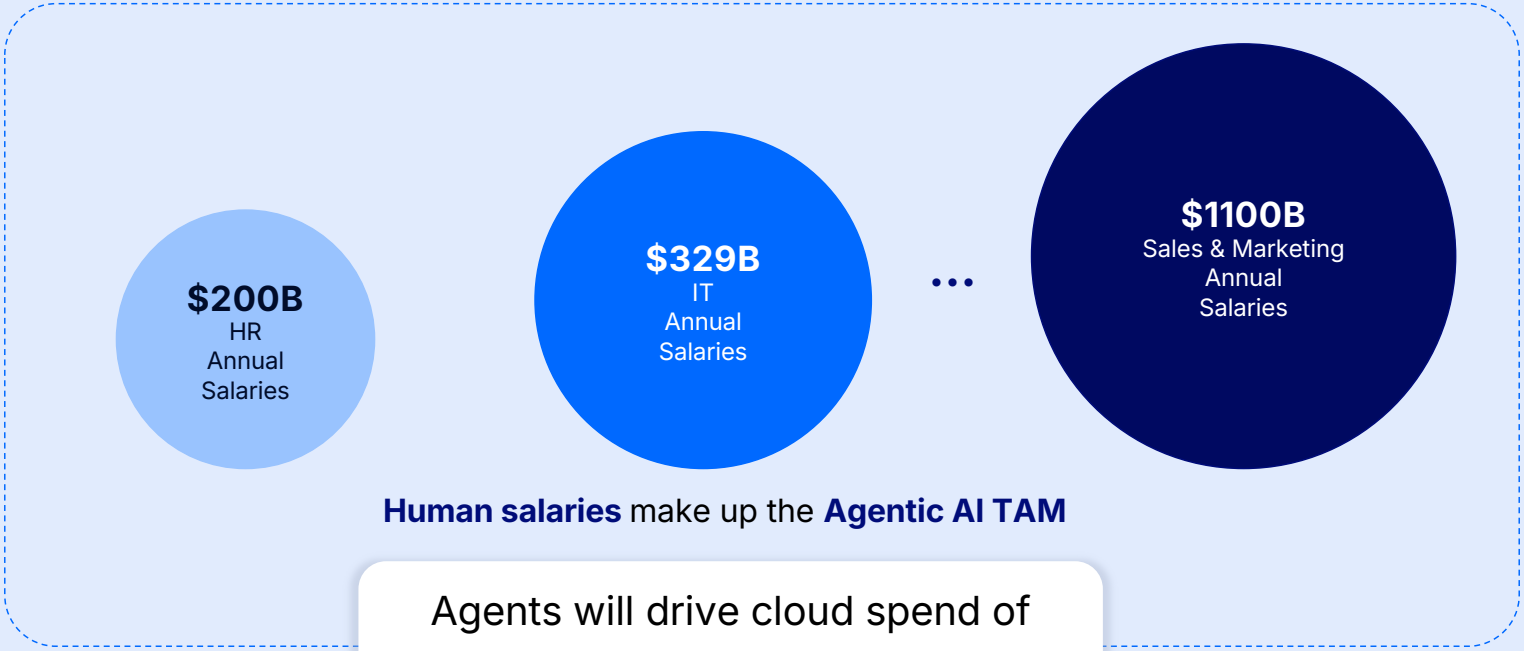
Quality/Cost of AI improving **exponentially YoY**

Every digital native enterprise will need to reinvent themselves with agents

DigitalOcean

[1] Based on U.S. average customer service salary of $20/hr for a 10-minute call.
[2] Based on agent pricing of $1 per million tokens.

Agents will drive cloud TAM expansion

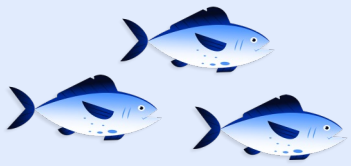


Human salaries make up the **Agentic AI TAM**

Agents will drive cloud spend of
tens of billions of dollars

DigitalOcean Note: Annual salaries sources: Turing, Statista, ZipRecruiter

Understanding agents

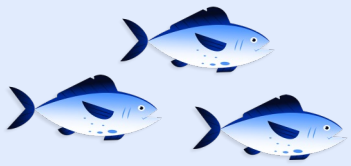




1. Understand language commands
2. Acquire information to do the job
3. Plan actions to do the job
4. Perform the actions

DigitalOcean

Agents building blocks





1 Understand language commands

- Language Model

2 Acquire information to do the job

- Retrieve data from datastore
- Process data

3 Plan actions to do the job

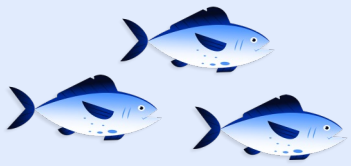
- SW application logic
- Planning Model

4 Perform the actions

- SW orchestration code

DigitalOcean

Agents infrastructure requirements





1 Understand language commands

- Language Model
- GPU

2 Acquire information to do the job

- Retrieve data from datastore
- Process data
- Database and Storage
- CPU

3 Plan actions to do the job

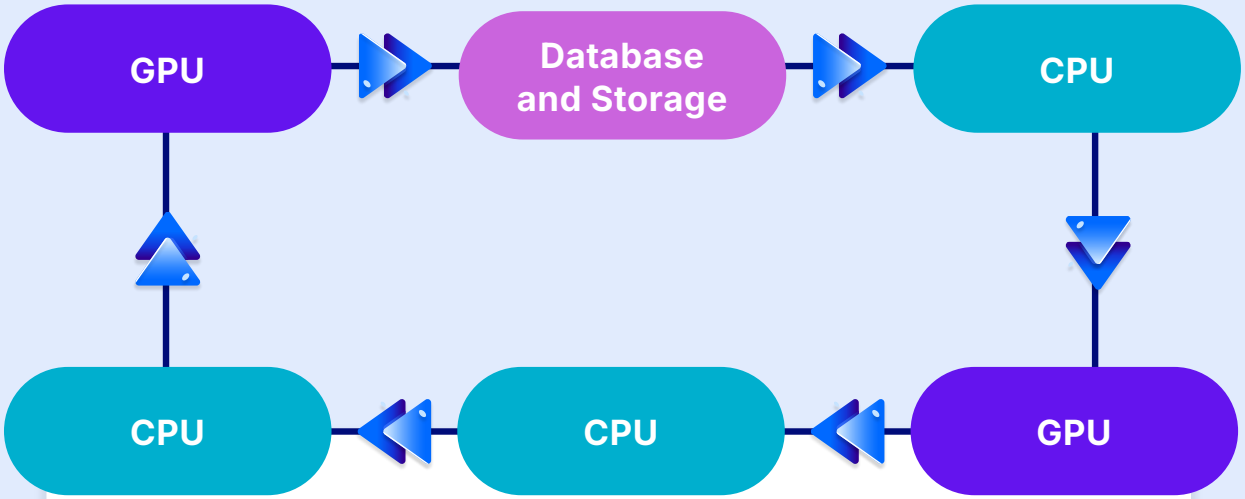
- SW application logic
- Planning Model
- CPU
- GPU

4 Perform the actions

- SW orchestration code
- CPU

DigitalOcean

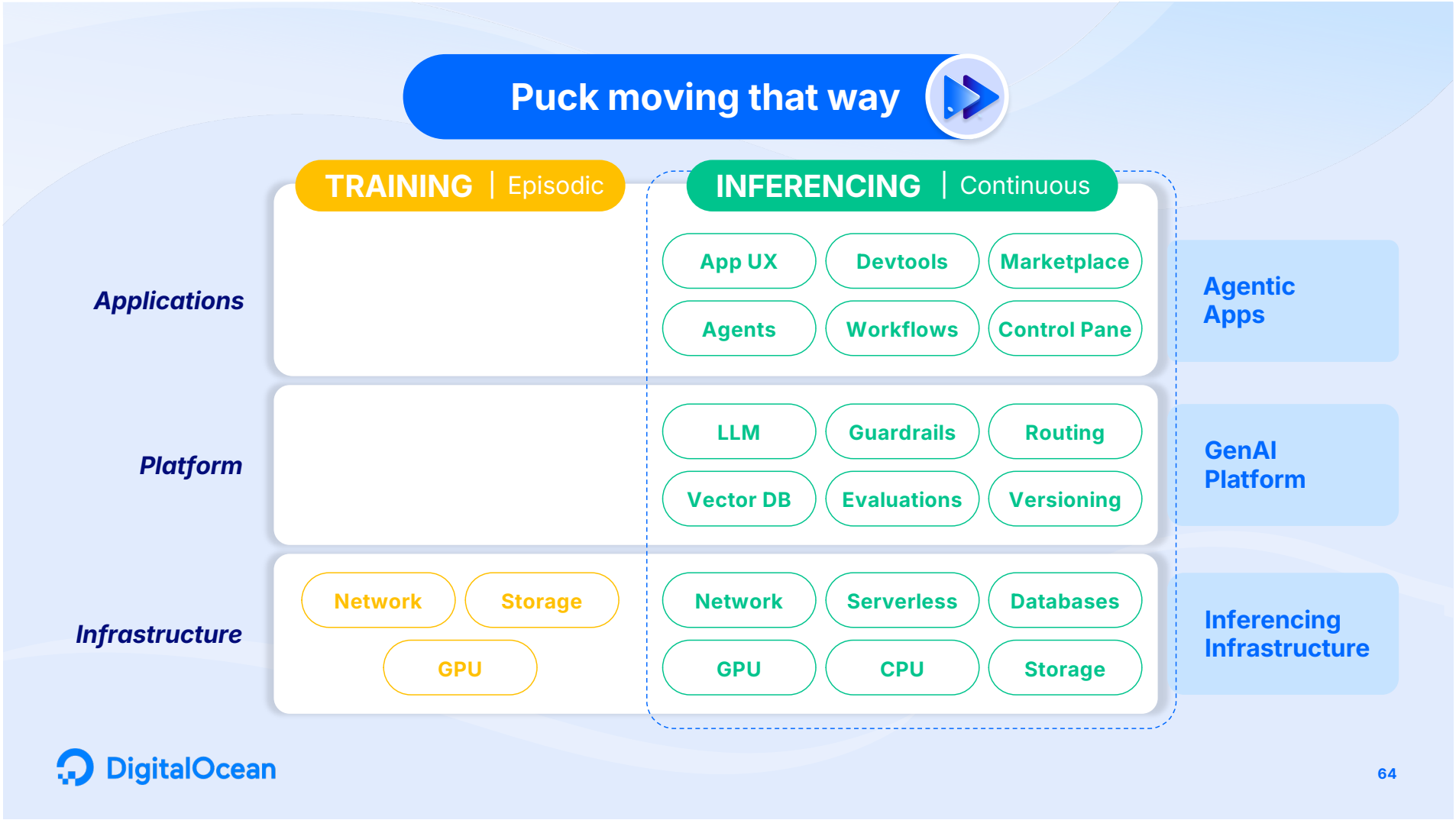
Agents datacenter requirement



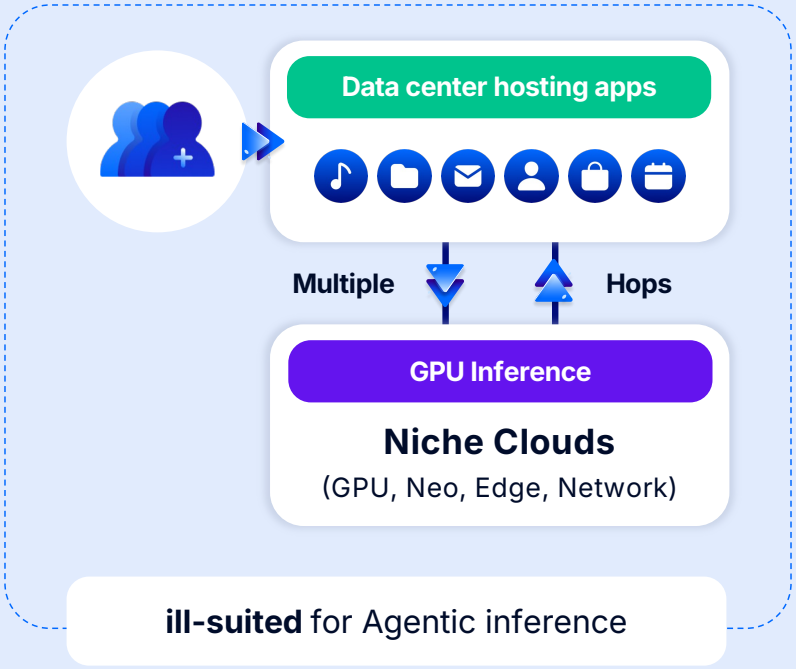
CPU, GPU, storage, database, and other application infrastructure **colocated** for maximum efficiency

Agents will drive lots of
GPU inference >> 10X training

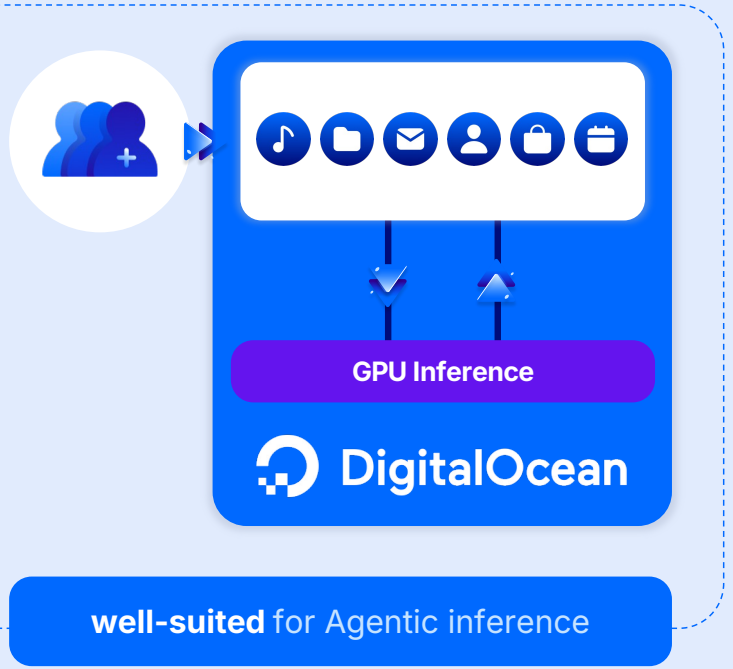
DigitalOcean


Puck moving that way
TRAINING | Episodic
INFERENCING | Continuous
Applications
Platform
Infrastructure
App UX
Devtools
Marketplace
Agents
Workflows
Control Pane
LLM
Guardrails
Routing
Vector DB
Evaluations
Versioning
Network
Storage
GPU
Network
Serverless
Databases
GPU
CPU
Storage
Agentic Apps
GenAI Platform
Inferencing Infrastructure

DigitalOcean is well positioned for where AI is headed



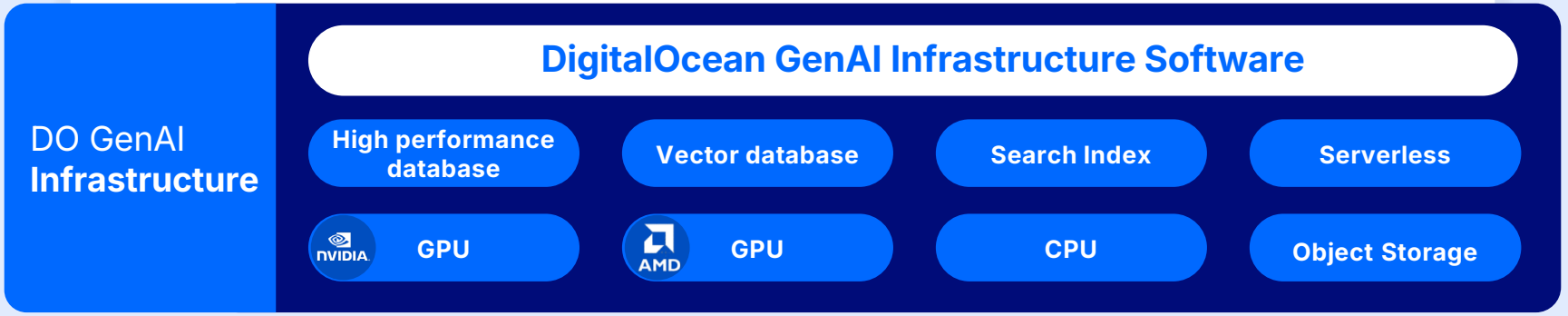
ill-suited for Agentic inference



well-suited for Agentic inference

DigitalOcean GenAI Infrastructure

- Purpose built **inference fleet for Agents**
- Up to **80%** lower TCO for inference[1]
- GenAI Infrastructure is a lot **more than GPUs**



DigitalOcean

[1] Based on comparison of the AWS P5.48xlarge (H100) instance pricing in the US East region, using the publicly available AWS Pricing Calculator, against DigitalOcean's H100 instance pricing for 1-year terms.

DigitalOcean GenAI Platform



The list includes features launching in Q2 2025.

DigitalOcean GenAI Platform is differentiated

Compared to AWS Bedrock[1]

- Takes **50%** less time to build agents
- **10%** better accuracy on text, tabular data and images
- **55%** more content types handled

DO GenAI platform economics

$1 of GPU revenue drives **>$1** of other revenue

GPU: 3X better payback period

GPU: 2X better gross margin

DigitalOcean

[1] Internal benchmark study conducted in Q1 2025 across representative agent-building workloads using AWS Bedrock and leading alternatives. Time-to-build was measured for creating an Agent with Knowledge Base. Accuracy was evaluated using independent public data sets with domain-specific tasks for searching across text, tabular, graphical, and multimodal data. Results showed DO GenAI Platform outperformed Bedrock by 2.3% on graphical accuracy, 19.6% on text accuracy, and 15.4% on tabular accuracy for an overall average accuracy performance greater than 10%.

DigitalOcean GenAI Platform: Customer use cases

Business Analysis

- Analyze financial documents
- Sales and marketing data
- Customer reviews and feedback
- Business metrics and KPIs

Coding & Development

- Software development across multiple languages
- Multilingual developer support
- Specialized technical guidance for specific programming frameworks

In just 8 weeks...

2,000+ Customers

6,000+ Agents

Customer Support

- Question answering systems
- Help desk assistants
- Technical support representatives

Other Specialized Agents

- Recruitment & Talent Matching
- Domain-specific Product Experts
- E-commerce sales & Order Processing
- JSON/Structured Output Generators
- Language-Specific Educational Tutors


DigitalOcean

Key takeaways

1

DigitalOcean provides a **durable 30%+ lower TCO** than hyperscalers

2

Rapid product innovation accelerating revenue growth in the core DigitalOcean cloud

3

AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4

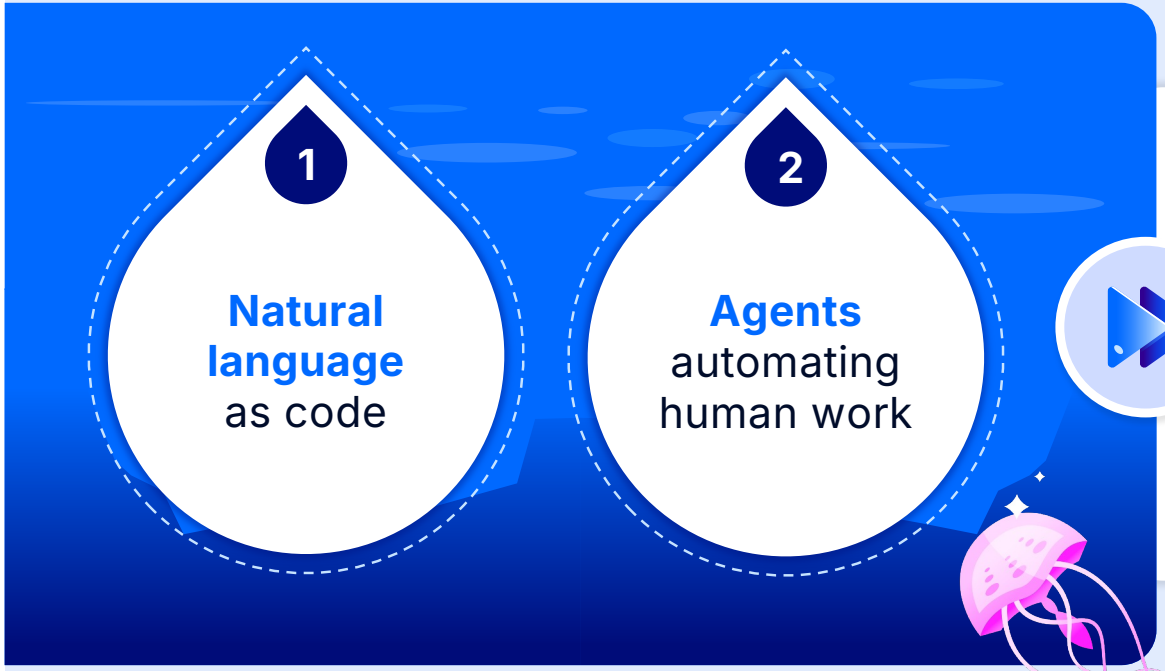
DO.Next will reinvent the cloud through a highly differentiated developer experience

...All while **optimizing** our cost structure



DigitalOcean

Fundamental paradigm shifts



Natural language and agents will **disrupt Software and Cloud**

Cloudways agent: reinventing web hosting



Highly differentiated product

Natural language will be the interface for the next generation of products



New revenue stream

Developers spend up to **$200/month**[1] on application maintenance

DO will monetize Cloudways agents through a **paid offering**



DO Efficiency

DO gets **300,000 hours** of support contacts a year that may be automated away

DigitalOcean

[1] Customers have to debug up to one issue per week, spend an hour each, and assuming $50/hr salary.

DO.Next: Where we are headed



- **New revenue stream** for DigitalOcean
- **Doubling down** on our DNA of simplifying the cloud experience
- **Differentiated AI value** for customers
- Unlike hyperscalers, our **customer workflows are a good fit** for DO.Next

DigitalOcean

Cost optimizations



Reducing cost per head

- India R&D center opened Mar 25
- 50% of new hires in low-cost geos



Improving productivity with AI

- Coding **40% improvement**[1]
- Operations **37% improvement**



Gross margin improvements

- Prolong asset life using AI **(240 bps)**
- Datacenter optimizations **(110 bps)**

Continue to optimize costs in ‘26 and beyond



DigitalOcean

[1] Internal measurement comparing developers with and without GenAI usage.

Key takeaways

1. DigitalOcean provides a **durable 30% lower TCO** than hyperscalers

2. **Rapid product innovation** accelerating revenue growth in the core DigitalOcean cloud

3. AI's move to Agents is well aligned with DigitalOcean's core strengths enabling a **differentiated AI offering**

4. **DO.Next will reinvent the cloud** through a highly differentiated developer experience

...All while **optimizing** our cost structure



DigitalOcean



Larry D'Angelo

Chief Revenue Officer

DigitalOcean



Key takeaways

1

Augment world-class PLG funnel to drive **~13% growth from customer acquisition**

2

Named account management will drive **5-7% growth from customer expansion**

3

Will remain **highly efficient** as we scale



DigitalOcean

Durable and highly efficient Product Led Growth engine



Scalers+
$100k+ ARR | 500+ customers

Scalers
$6k - $100k ARR | 18k customers

Builders
$600-$6k ARR | 147k customers

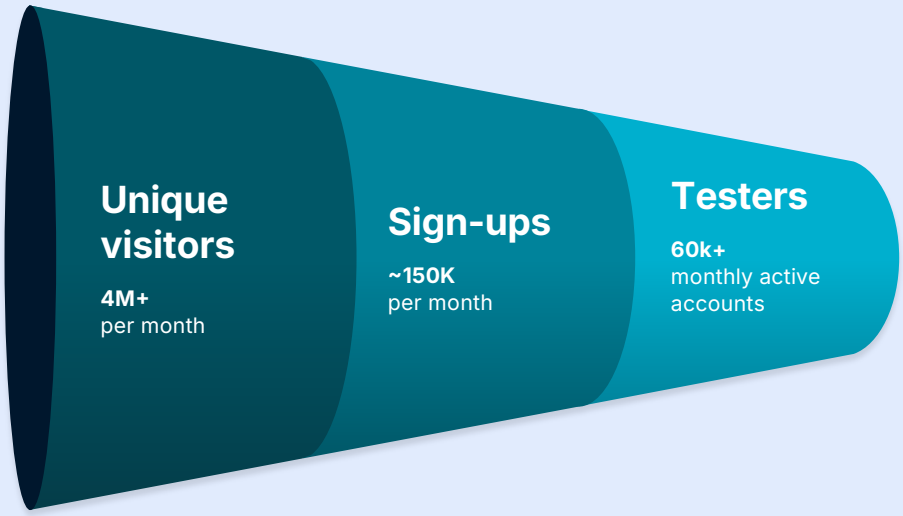
Learners
$0-$600 ARR | 450k+ customers

+13%	+$97M	2.2	7%
Revenue Growth	ARR	Magic Number	S&M as % of Revenue

DigitalOcean

Notes: All data as of Q4 2024; See Appendix for Magic Number calculation methodology; S&M as % of revenue is Non-GAAP. See Appendix for definitions and reconciliations.

Being top of mind in the developer community powers customer acquisition



- **37M+** annual visits to our community hub featuring **8,000+** technical tutorials
- **Hacktoberfest** positions us as a leading voice in open source, engaging **65K+** developers annually across **171** countries
- **Top 3** in Share of Voice, consistently winning against hyperscalers
- **Stack Overflow** 2024 Developer Survey shows **12%** of developers actively use DO today

DigitalOcean

Our PLG engine helps drive organic customer expansion



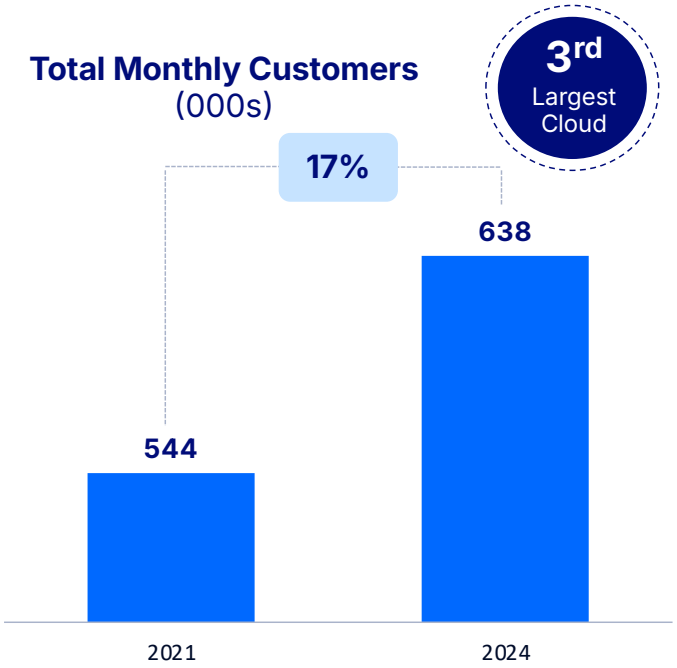
- **Full product stack** of **simple, scalable** IaaS, PaaS, and AI solutions that meet growing customer needs
- **Consumption based pricing** makes cloud **approachable** - customers pay only for what they use
- **Compelling TCO** enables customers to invest in their own enterprise growth
- **Dedicated support** gives customers comfort & support over their mission critical infrastructure



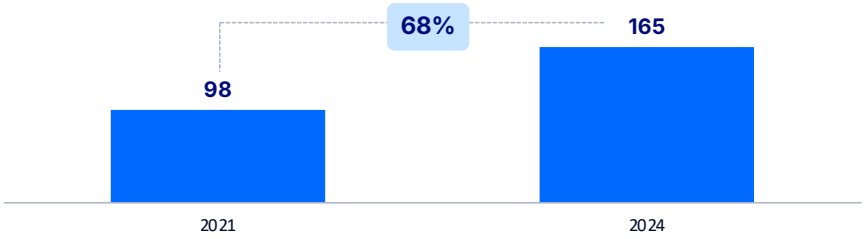
DigitalOcean

Result is large and growing customer base

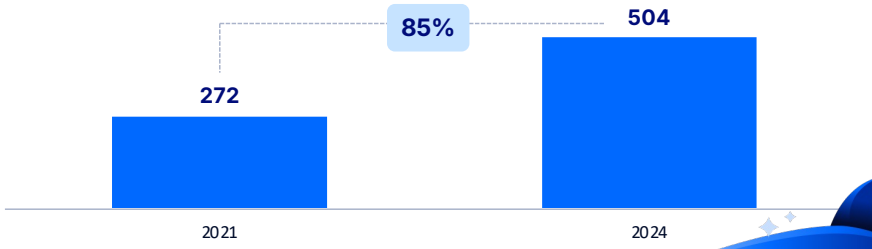
Total Monthly Customers
(000s)

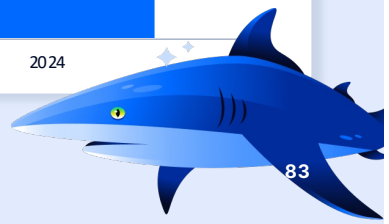


Number of Higher Spend Customers ($600+ ARR)
(000s)



Number of Scalers+ ($100K+ ARR) **Customers**





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Note: Total Monthly Customers based on Learners, Builders, Scalers and Scalers+ customer count as of the fourth quarter of each period presented. See Appendix for definitions.

Focused on growing our Higher Spend Customers

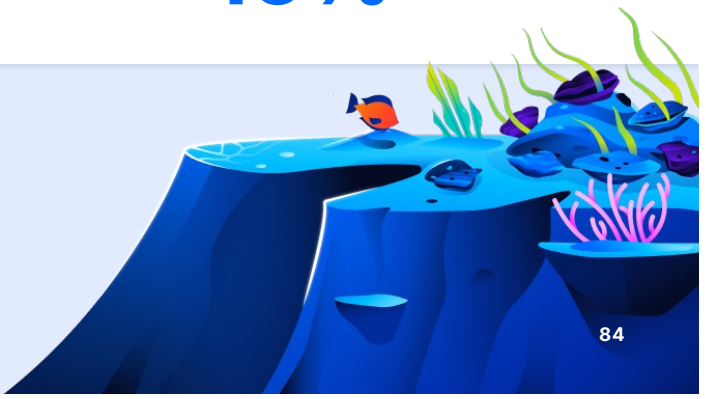
Scalers+
$100k+ ARR | 500+ customers

Scalers
$6k - $100k ARR | 18k customers

Builders
$600-$6k ARR | 147k customers

Learners
$0-$600 ARR | 450k+ customers

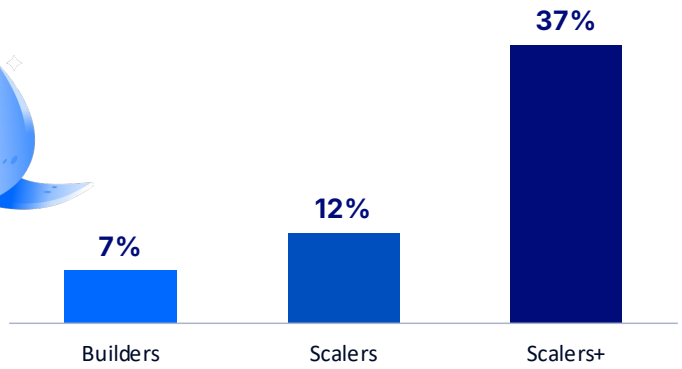
Higher Spend Customers
make up
88%
of revenue and
are growing at
16%



DigitalOcean Note: Percentages based on Q4-24 quarterly results and year-over-year changes.

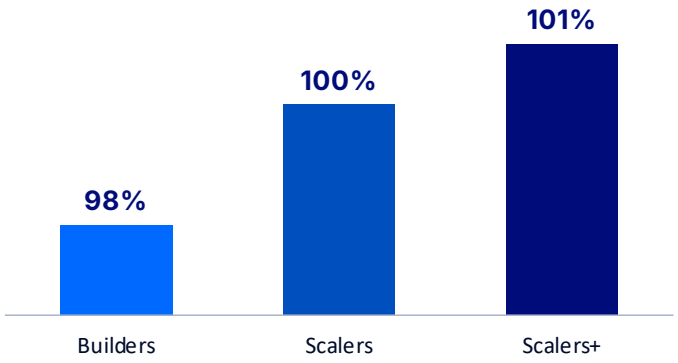
The bigger customers get, the stickier they become

YoY Revenue Growth[1]



	Builders	Scalers	Scalers+
Average Products	3.0	5.0	6.5

Net Dollar Retention



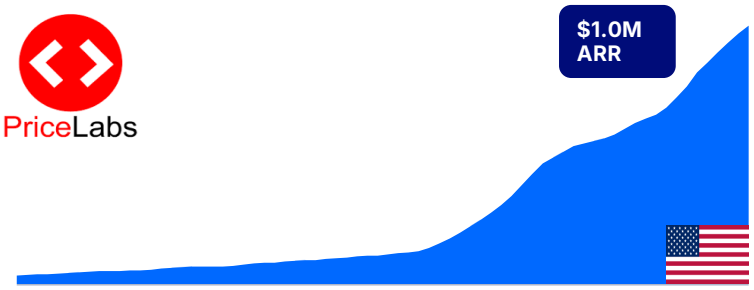
	Builders	Scalers	Scalers+
Annual Churn	-13%	-7%	-4%
Annual Net Expansion	11%	6%	5%

DigitalOcean

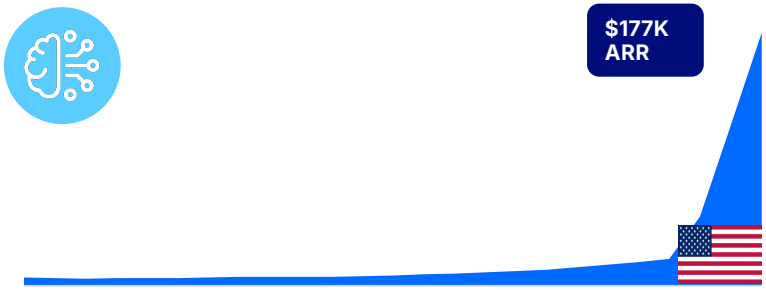
[1]Financial data for Q4 2024.
Note: See Appendix for definitions of Churn and Net Expansion.

Strong track record of scaling with our customers

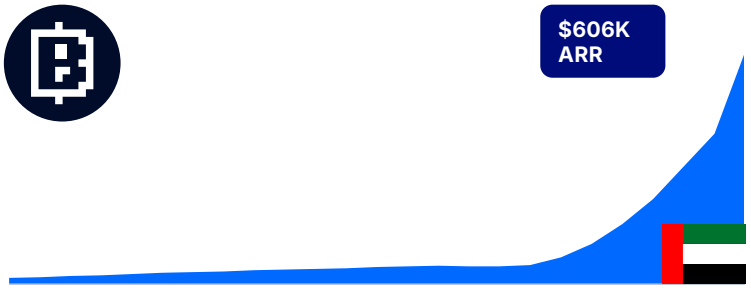
PriceLabs



Jan 2020 Dec 2024



Dec 2022 Dec 2024

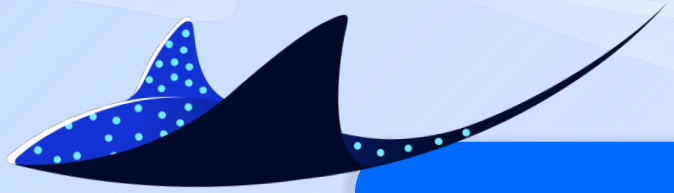


Dec 2022 Dec 2024



Nov 2022 Dec 2024

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Continued reacceleration of growth

2027E Revenue Growth

~13%	+	5-7%	=	18-20%
Customer Acquisition		Customer Expansion		Target

The two contributing pillars are **Product and GTM**

Key takeaways

1

Augment world-class PLG funnel to drive **~13% growth from customer acquisition**

2

Named account management drives **5-7% growth from customer expansion**

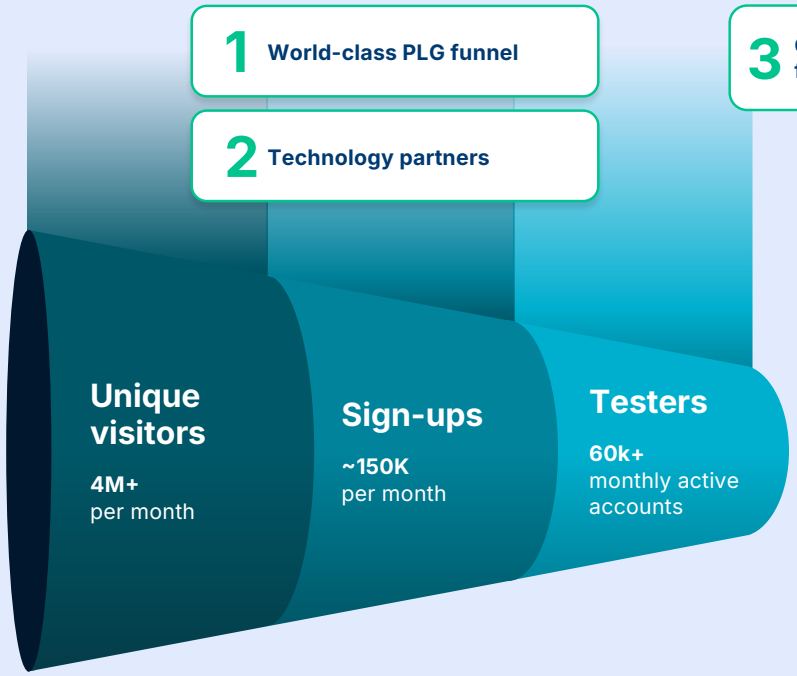
3

Will remain **highly efficient** as we scale



DigitalOcean

How we're driving growth: Acquisition



4 Channel partners

3 Outbound sales for AI

Scalers+
$100k+ ARR | 500+ customers

Scalers
$6k - $100k ARR | 18k customers

Builders
$600-$6k ARR | 147k customers

Learners
$0-$600 ARR | 450k+ customers

DigitalOcean

Continued improvements to world-class PLG funnel

Optimized Acquisition

Deepen focus on high-LTV enterprise customers

Scale strategic partnerships (**Hugging Face, Laravel**)

Optimize SEM targeting for maximum ROI

Content & Community

Add AI-focused technical content

Expand social media presence

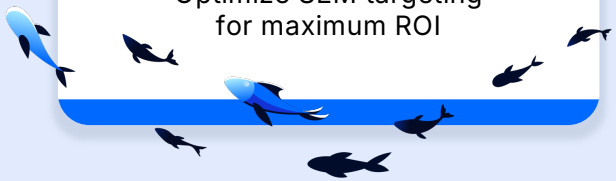
Increase live-streamed coding sessions

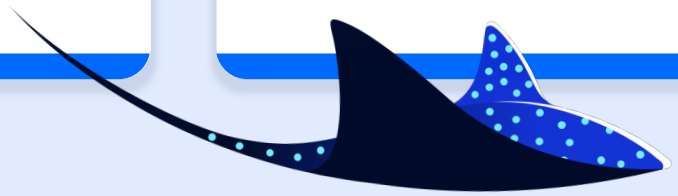
Events & Outreach

Revitalize global community meetups

Target strategic presence at key industry events

Expand workshops and webinars





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Technology partners open new front doors

Hugging Face

8 million AI Builders

> 1,500,000 public models
and **> 200,000** organizations

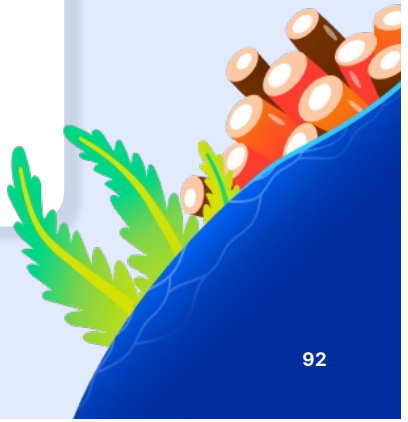
Deploy powerful, leading AI models in just minutes on DO with 1-Click GPU Droplets

Laravel

380 million community downloads

> 5,000 active accounts
on DO through Forge

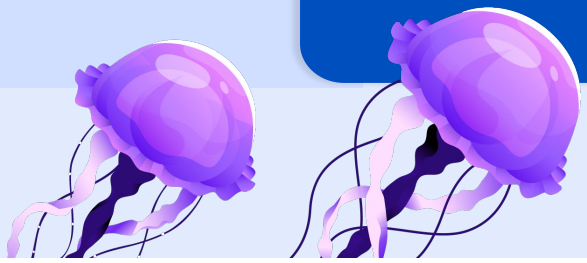
Seamlessly deploy Laravel, one of the most popular PHP frameworks, on DO



New logo acquisition team drives AI growth

- Spun up **first outbound sales team** in 2024
- Lean team of outbound sales reps, **focused on AI**
- Target **early-stage seed and venture backed companies**
- Leverage partners who provide **complementary AI/ML offerings**

Drove **160%+ ARR** growth in Q4 2024



DigitalOcean

Channel partners bring in new Scalers+

Partners resell **DigitalOcean offerings** and provide complementary services on top of **our infrastructure**

—

9 new Scaler+ customers added through channel partners in **3 months** since launch

STORJ

Aquazeel

Shadeform

Persistent

GMI



Adding new customer acquisition motions



World-class PLG

+ **Technology partners**
+ **Outbound sales for AI**
+ **Channel partners**

20% of 2024 new customer revenue came from non-PLG channels

DigitalOcean

Efforts are paying off with accelerating growth from new customers



DigitalOcean

Key takeaways

1

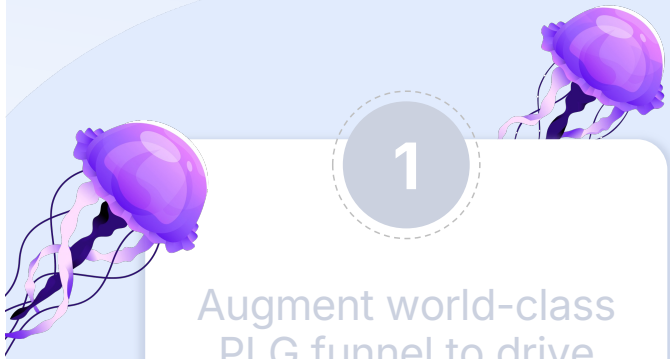
Augment world-class PLG funnel to drive **~13% growth from customer acquisition**

2

Named account management drives **5-7% growth from customer expansion**

3

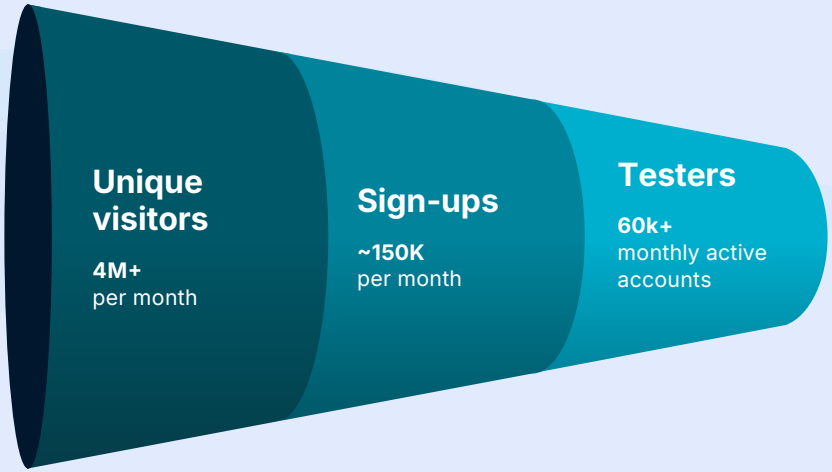
Will remain **highly efficient** as we scale

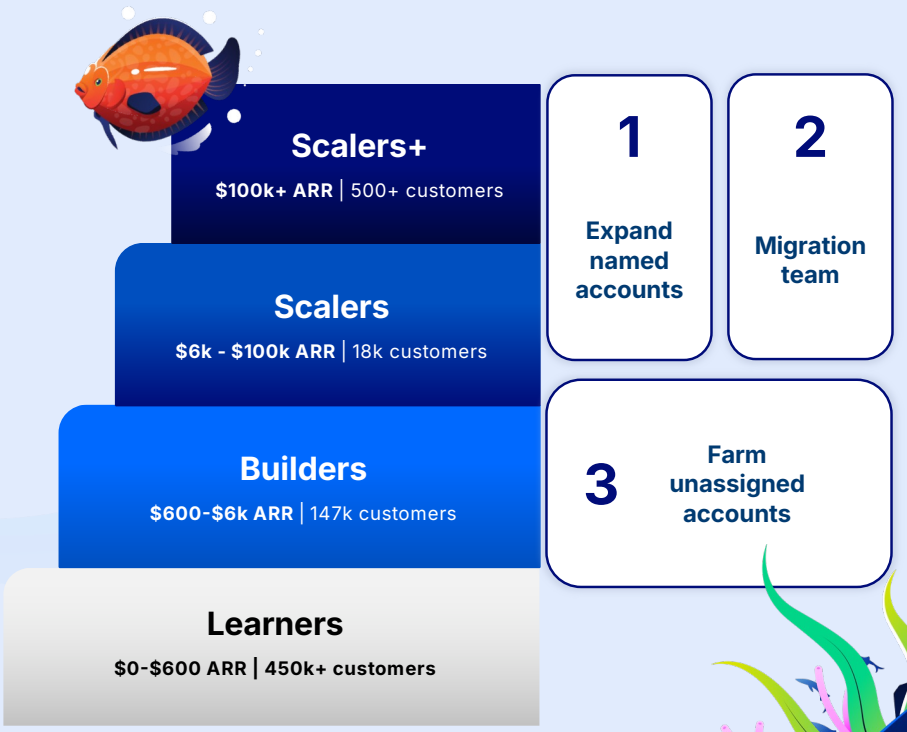




DigitalOcean

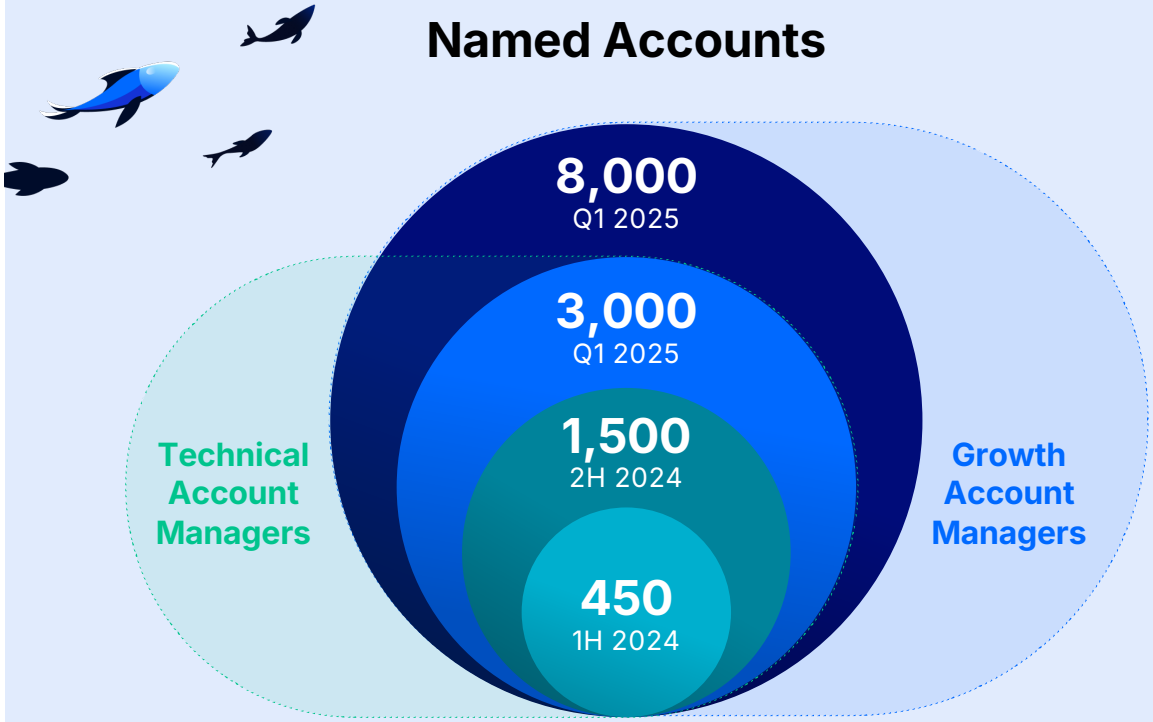
How we're driving growth: Expansion





DigitalOcean

Assigned coverage for top 8,000 Scalers



Increasing **account coverage** as we optimize the model

Extended coverage to top 3,000 accounts by revenue

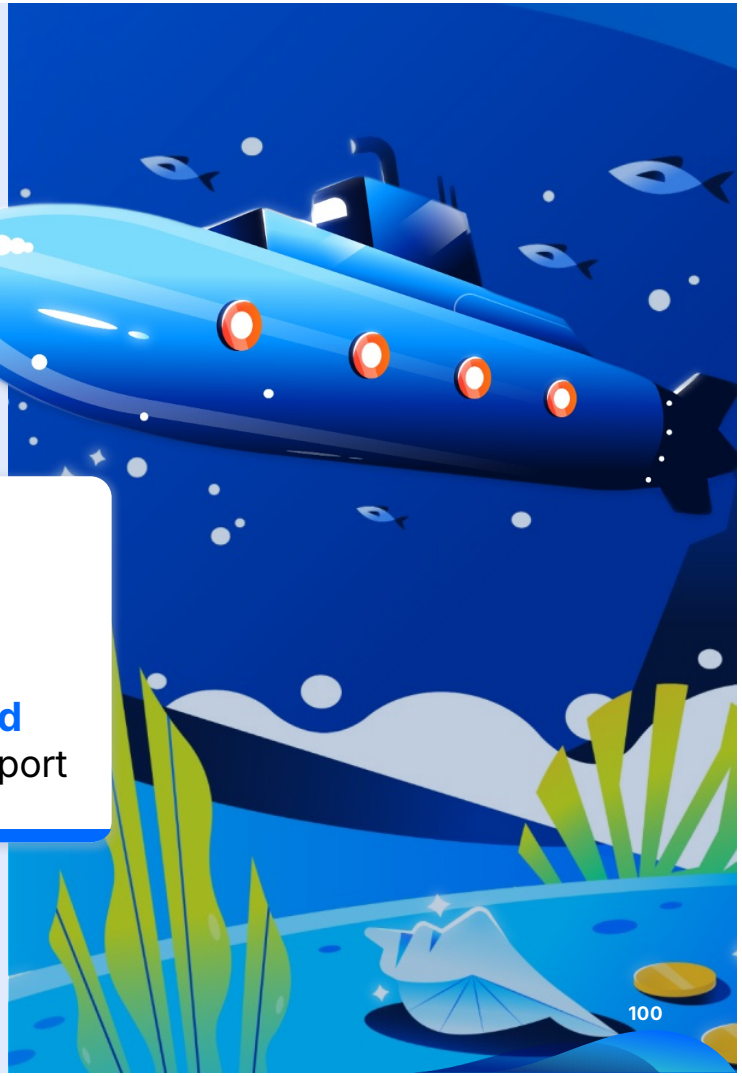
Leveraging **"propensity to spend"** models to prioritize additional coverage in next 5,000 accounts

Coverage Impact:
~120 bps NDR increase
Aug to Dec 2024 from net expansion on named accounts

DigitalOcean

Note: Number of named accounts based on internal estimates.

Migration team to seamlessly move Hyperscaler workloads to DO



30%+ cost savings
Lower **TCO**

Free hands-on
migration services

Dedicated
premium support

DigitalOcean

Farming the base for the next Scalers+

Models

Models help identify the **highest propensity to grow,** turning Builders into Scalers



Alerts

Alerts signal increased spend potential:

Attach SSH key

Workload **sophistication**

Speed to adopt new features and products

+ many more



Scalers+

$100k+ ARR | 500+ customers

Scalers

$6k - $100k ARR | 18k customers

Builders

$600-$6k ARR | 147k customers

Learners

$0-$600 ARR | 450k+ customers

Enhancing how we grow our base



Scalers+
$100k+ ARR | 500+ customers

Scalers
$6k - $100k ARR | 18k customers

Builders
$600-$6k ARR | 147k customers

Learners
$0-$600 ARR | 450k+ customers

+ Named account expansion

+ Migration team

+ Unassigned accounts farming

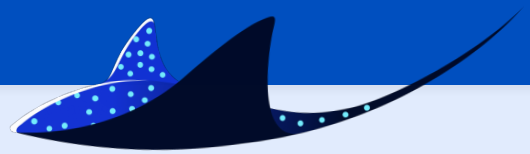
+1800 bps NDR of Scalers+ in 2024

DigitalOcean

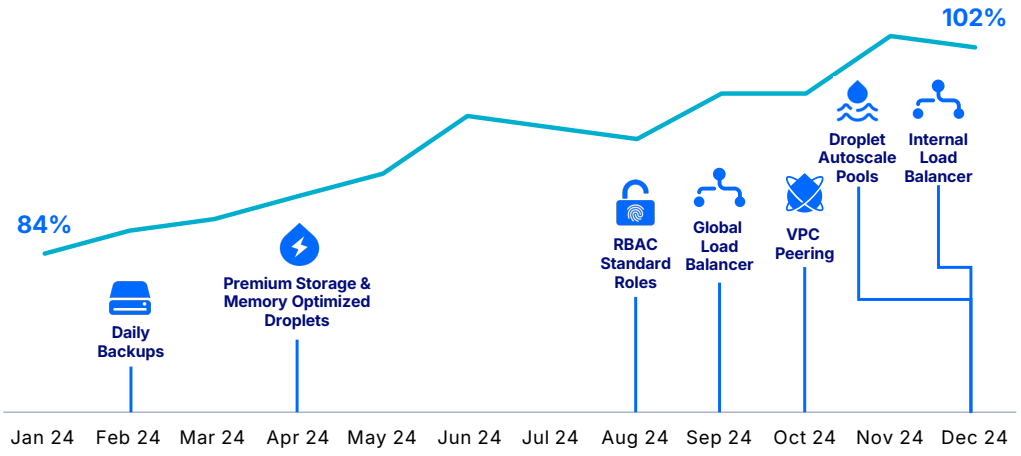
Efforts are reaccelerating Scalers+ growth

37% **ARR growth of Scalers+ in Q4 of 2024**

Enabling their growth via **new products** and **increased engagement** across our GTM teams



Scalers+ NDR



Scalers+ Net Expansion increased from **-10.6% to +8% over the past 12 months**

DigitalOcean

Note: Scalers+ NDR includes Core DigitalOcean customers only; this excludes Managed Hosting

Key takeaways

1

Augment world-class PLG funnel to drive **~13% growth from customer acquisition**

2

Named account management drives **5-7% growth from customer expansion**

3

Will remain **highly efficient** as we scale



DigitalOcean

Will remain highly efficient as we scale

Acquisition Motions

1. **World-class PLG funnel**
2. **Technology partners**
3. **New logo acquisition team**
4. **Channel partners**

Expansion Motions

1. **Expand named accounts**
2. **Migration team**
3. **Farm unassigned accounts**



Adding **$100M+** in incremental ARR in 2025

Adding **<20 roles** in 2025, repurposing many others – **Inside Sales** driven

S&M remains **7-8%** of revenue

Will **nail before** we **scale**

Will maintain **best in class efficiency**

DigitalOcean

Note: S&M as % of revenue is Non-GAAP. See Appendix for definitions and reconciliations.

Key takeaways

1

Augment world-class PLG funnel to drive **~13% growth from customer acquisition**

2

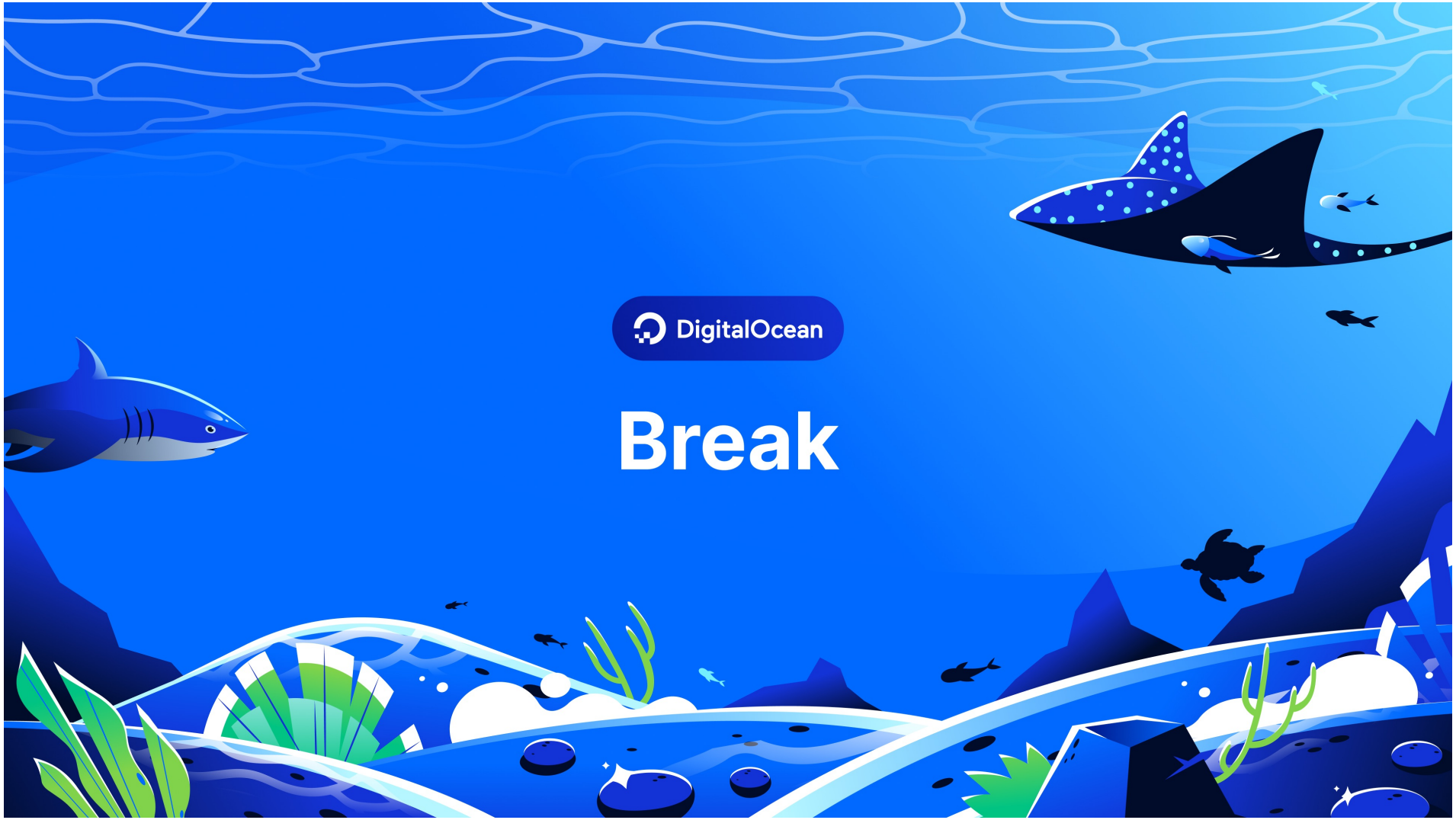
Named account management drives **5-7% growth from customer expansion**

3

Will remain **highly efficient** as we scale



DigitalOcean


DigitalOcean
Break



Matt Steinfort

Chief Financial Officer

DigitalOcean



Key takeaways

1

Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

2

Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

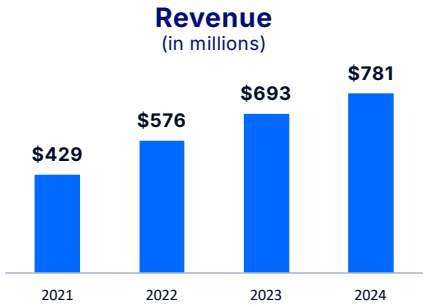
3

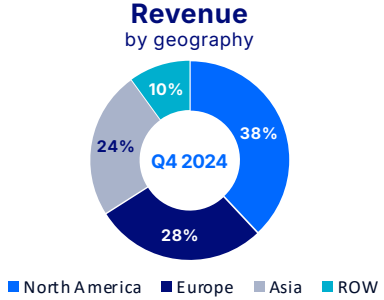
On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term

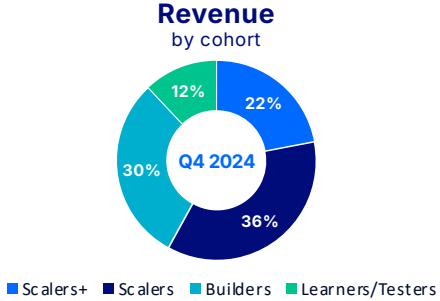


DigitalOcean

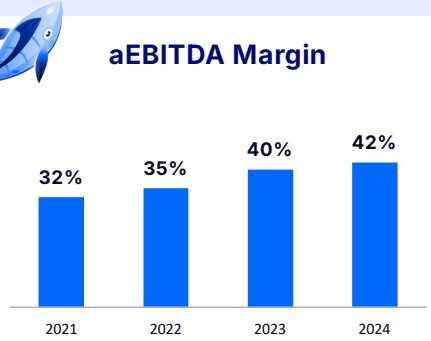
Financial strength with material growth potential

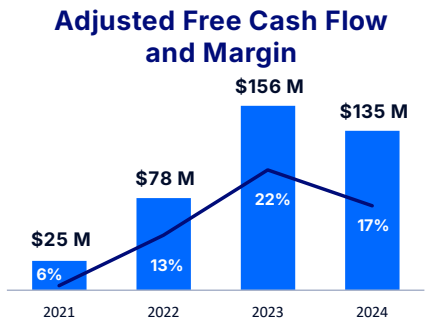


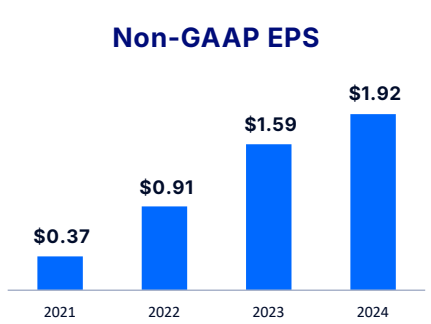




$820M
Q4 2024 ARR
with
large, diversified
and growing
customer base







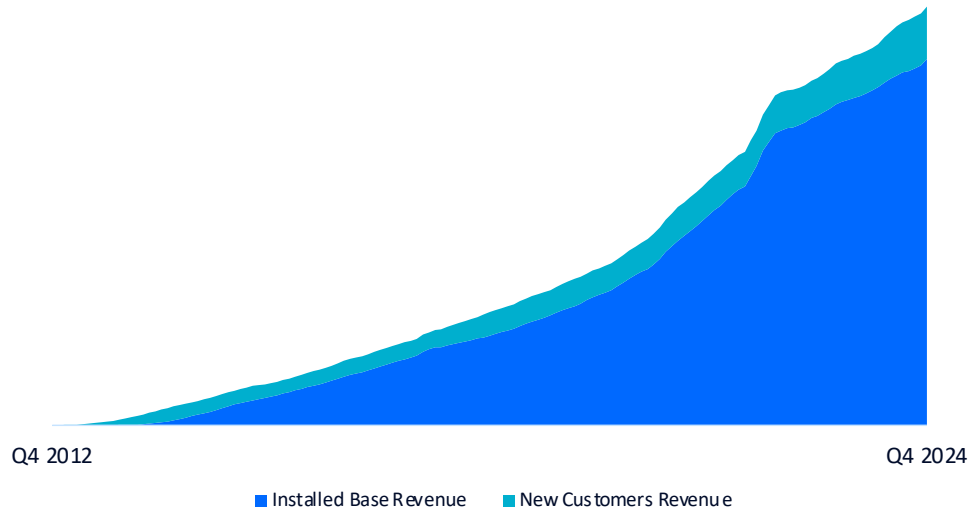
Expanding margins,
and cash flow, with
419% increase in
non-GAAP EPS
since IPO

DigitalOcean

Durable, highly efficient growth engine

DigitalOcean ARR

$820M ARR in Q4 2024



World-class Product Led Growth engine driving **~13 points growth from new customers**

Highly efficient customer acquisition model with **non-GAAP Sales & Marketing at ~7% of revenue**

Material expansion opportunity with loyal customer base, **low and steady ~11% churn**

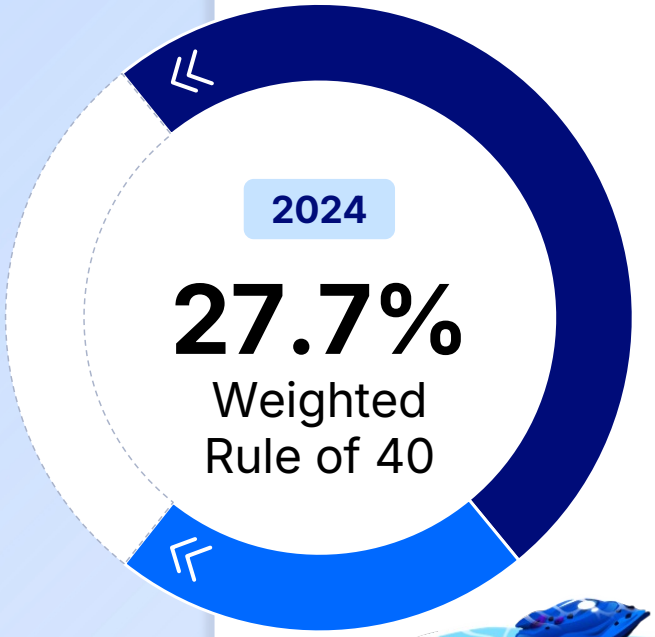
AI creates new growth vector, **growing AI/ML ARR over 160% YoY** in Q4 2024

DigitalOcean

Notes: Financials for 2024, except as otherwise noted; We define new customers revenue as revenue from all customers that are in their first 12 months on our platform.We define installed base revenue as revenue from all customers that are in their 13th or greater month on our platform.

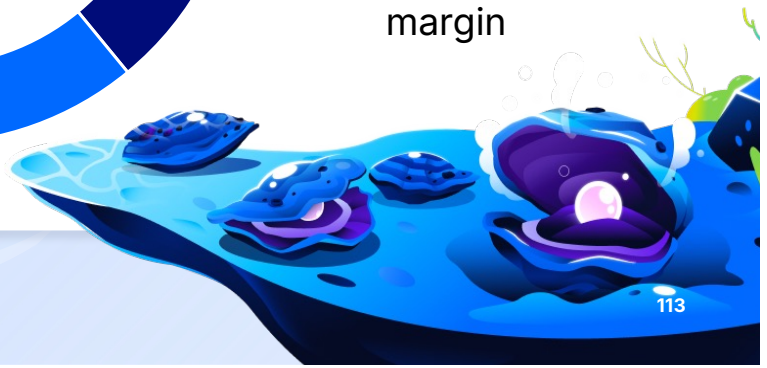
Weighted Rule of 40 is North Star

Accelerating revenue growth with disciplined investment



12.7%
Revenue growth

17.3%
Adjusted FCF margin

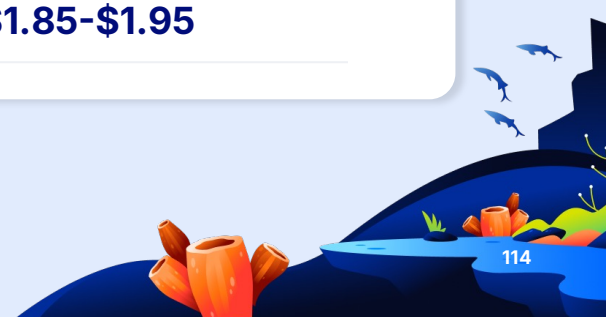


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Reaffirming Q1 and 2025 guidance



	Q1 2025E		2025E
Revenue	✓	$207-209M	✓ $870-890M
Revenue Growth	✓	12-13%	✓ 11.5-14%
aEBITDA Margin	✓	38-40%	✓ 37-40%
aFCF Margin		NA	✓ 16-18%
Non-GAAP EPS	✓	$0.41-$0.46	✓ $1.85-$1.95



DigitalOcean

Compelling medium-term targets



Achieve 35%+ weighted Rule of 40 by 2027

Deliver **18-20%** top-line growth

Maintain **13%** growth from new customer revenue

Drive Core DigitalOcean NDR **>100%**
and get additional expansion from **durable, recurring AI revenue**

Sustain aEBITDA margin at **40%+** and maintain
mid-teens adjusted FCF margin

Reduce net leverage to **<2.5x**



DigitalOcean

Note: See Appendix for definition of net leverage.

Key takeaways

1

Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

2

Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

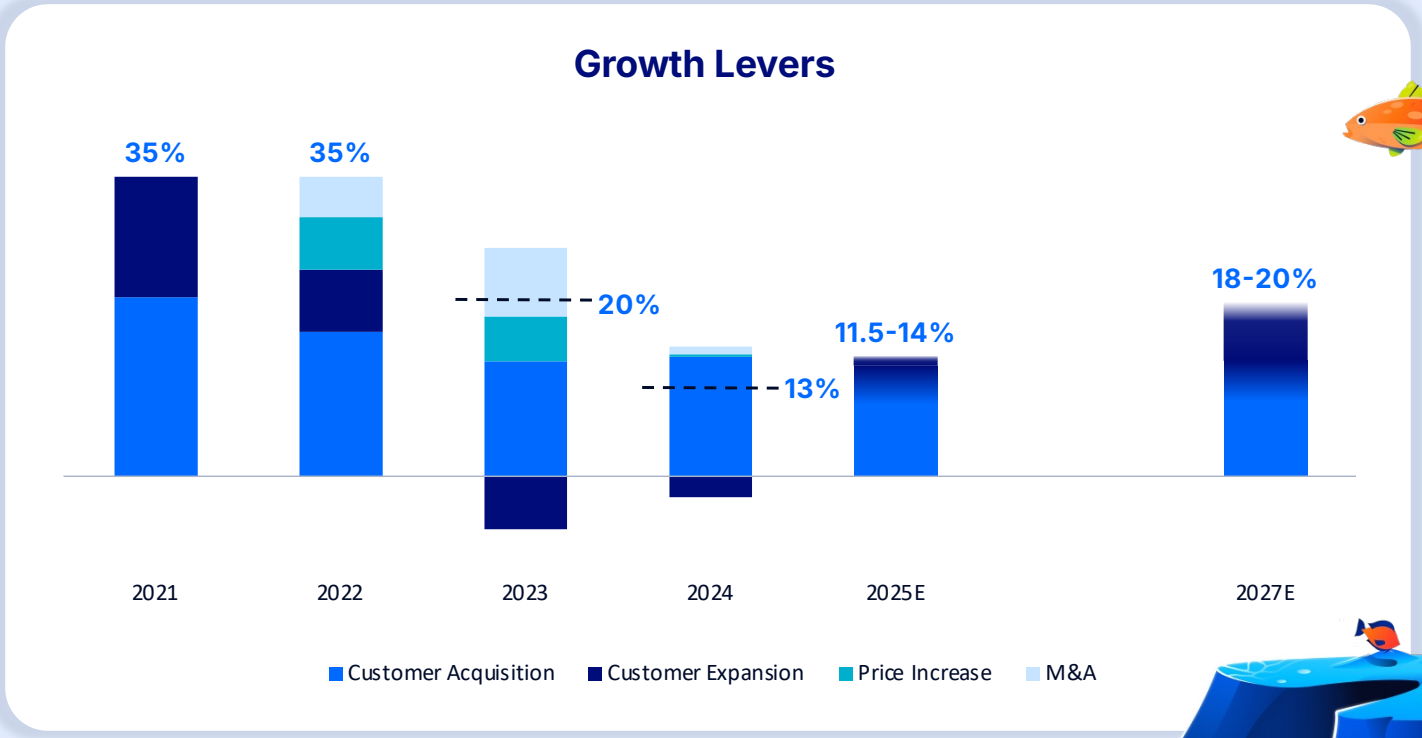
3

On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



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Starts with re-accelerating organic growth

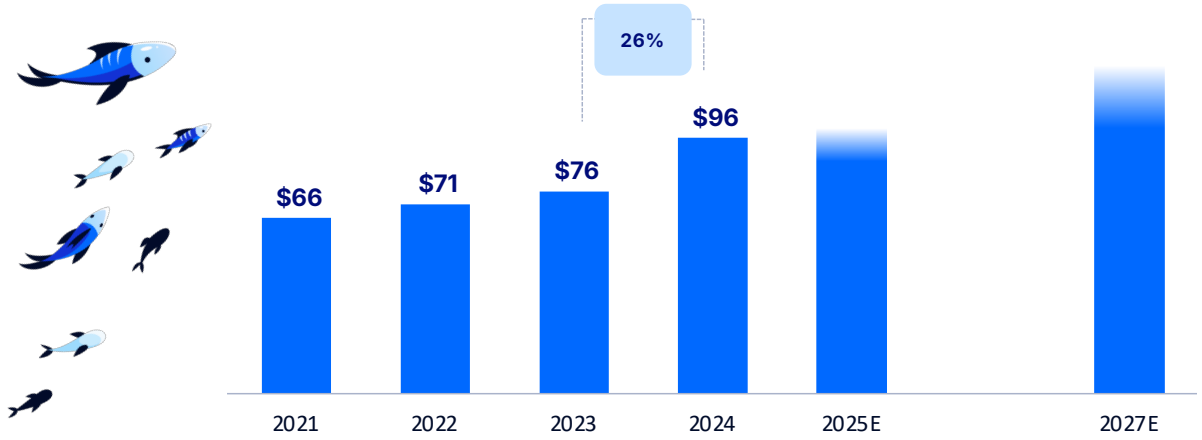


Note: Organic Revenue Growth from Customer Acquisition and Customer Expansion excludes estimated impacts from M&A, Core DigitalOcean cloud products' July 2022 price increase, and Managed Hosting products' April 2023 price increase

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Augmenting our durable customer acquisition engine

Organic Revenue Growth from New Customers
(in millions)



	2021	2022	2023	2024	2025E	2027E
% Growth Contribution	21%	17%	13%	14%	12-13%	~13%

Product Drivers:

- Increased product velocity
- Provide hyperscaler SLAs at 30%+ lower cost
- AI/ML products

Go-to-market Drivers:

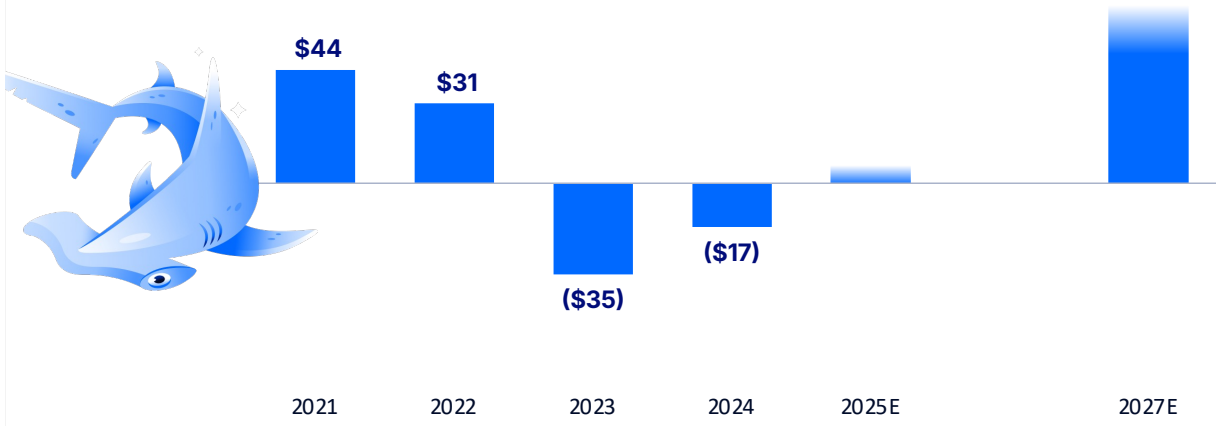
- World-class PLG funnel
- Technical partnerships
- Channel partnerships
- Outbound sales for AI

DigitalOcean

Note: Organic Revenue Growth from Customer Acquisition and Customer Expansion excludes estimated impacts from M&A, Core DigitalOcean cloud products' July 2022 price increase, and Managed Hosting products' April 2023 price increase

Re-invigorating expansion in the base

Organic Revenue Growth from Existing Customers
(in millions)



	2021	2022	2023	2024	2025E	2027E
% Growth Contribution	14%	7%	-6%	-2%	0-1%	5-7%

Product Drivers:

- Increased product velocity
- Hyperscaler SLAs at 30%+ lower cost
- AI/ML products

Go-to-market Drivers:

- Expand named accounts (top 8K)
- Migration team (top 8K)
- Farm unassigned accounts

DigitalOcean

Note: Organic Revenue Growth from Customer Acquisition and Customer Expansion excludes estimated impacts from M&A, Core DigitalOcean cloud products' July 2022 price increase, and Managed Hosting products' April 2023 price increase

Accelerating growth through new product & go-to-market motions



	Launch - 2023	2024 onward
Go-to-market	**PLG funnel**	**PLG funnel** **Technology partners** **Direct sales** **Channel partners**
Product Strategy	**Developer** focused product roadmap	**Digital Native Enterprises** focused product roadmap **AI/ML products** **DO.NEXT**



DigitalOcean



Revenue growth algorithm



2025E	**12-13%** Customer Acquisition	+	**0-1%** Customer Expansion	=	**11.5-14%** Total
2027E	**~13%** Customer Acquisition	+	**5-7%** Customer Expansion	=	**18-20%** Total
Long term					**20%+** Total



DigitalOcean

Key takeaways

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Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

2

Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

3

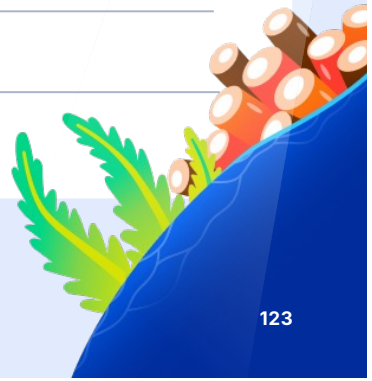
On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



DigitalOcean

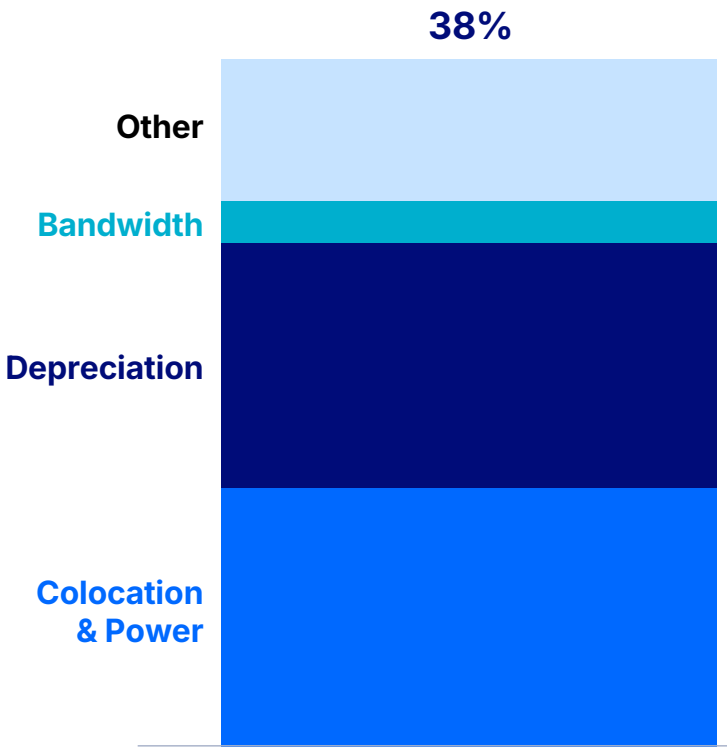
Demonstrated ability to drive margin improvement

	2021	2024	Improvement
Non-GAAP Gross Margin	61%	62%	100 bps
aEBITDA Margin	32%	42%	1,000 bps
CapEx % of Revenue	25%	24%	100 bps
Stock-Based Compensation	14%	12%	200 bps
aFCF Margin	6%	17%	1,100 bps



Have further Cost of Revenue efficiency opportunities

2024 Non-GAAP Cost of Revenue as % Revenue



Key Drivers:

- Supplier diversity
- Bandwidth consolidation
- Utilization increases
- Data center optimization

Note: Other includes ancillary costs, revenue share programs, third-party license fees, personnel costs for data center employees, and certain other costs.

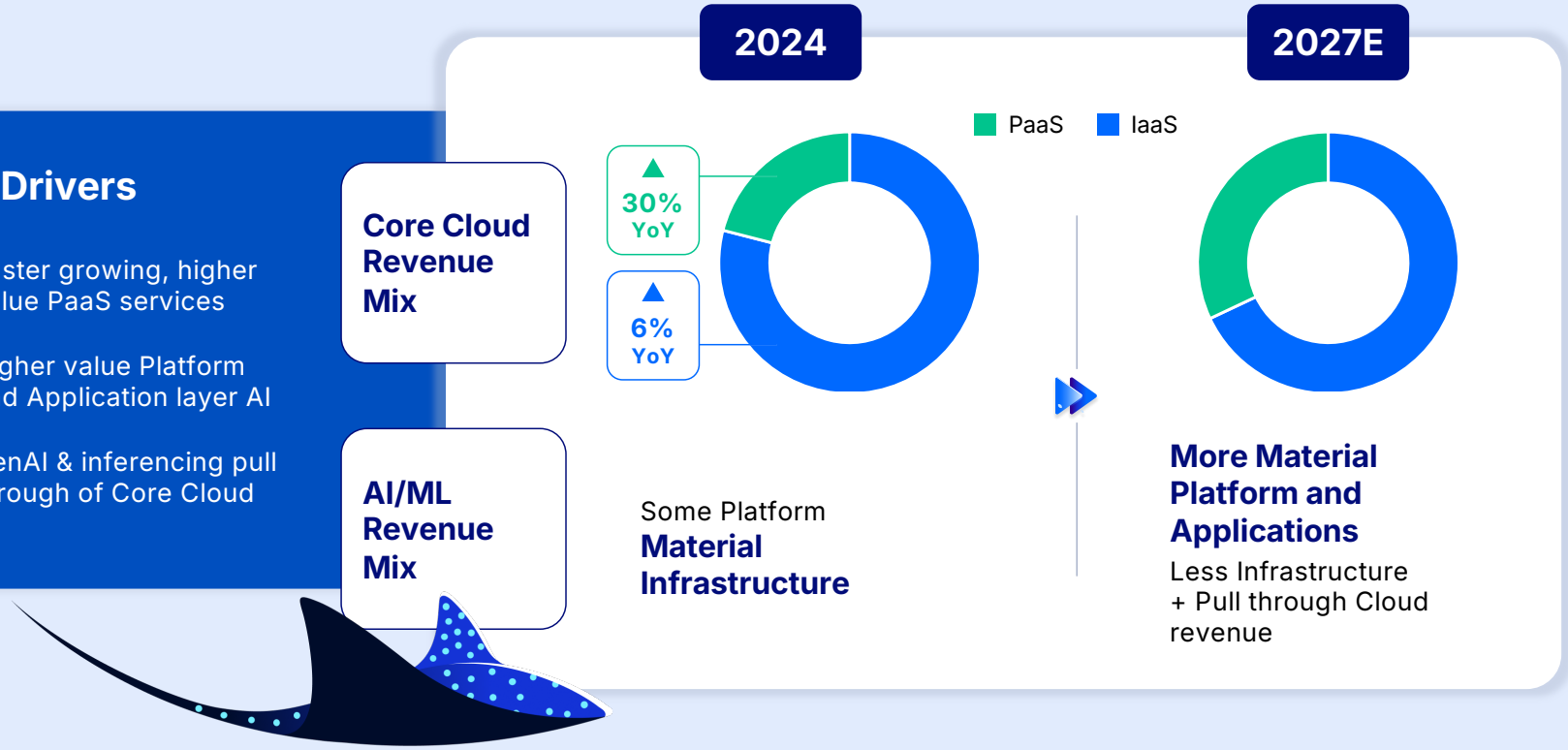
Increasing mix of higher value-add services

Key Drivers

- Faster growing, higher value PaaS services
- Higher value Platform and Application layer AI
- GenAI & inferencing pull through of Core Cloud

Core Cloud Revenue Mix

AI/ML Revenue Mix



Ongoing operating leverage potential

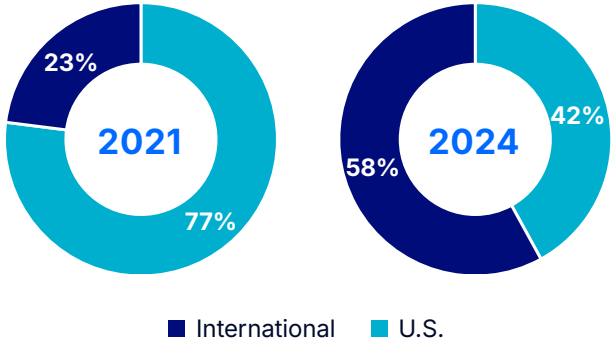
OpEx leverage will continue to be margin improvement driver

Actions to drive this leverage:

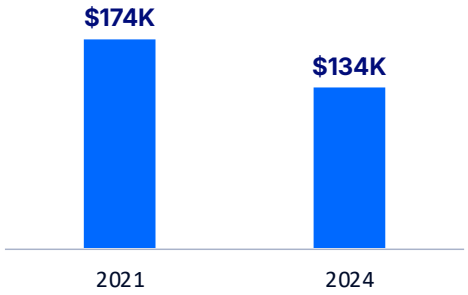
- ✓ Growth in lower cost talent markets
- ✓ Continually rebalance investments towards growth
- ✓ Control overhead costs
- ✓ Deploy AI automation



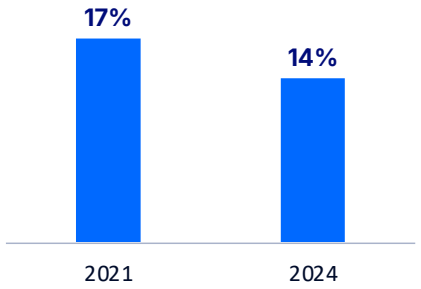
U.S. vs International Headcount



Cost per Employee



Non-GAAP G&A as % of Revenue



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Note: Cost per employee includes cash compensation and related benefits.

Maintaining OpEx while accelerating growth

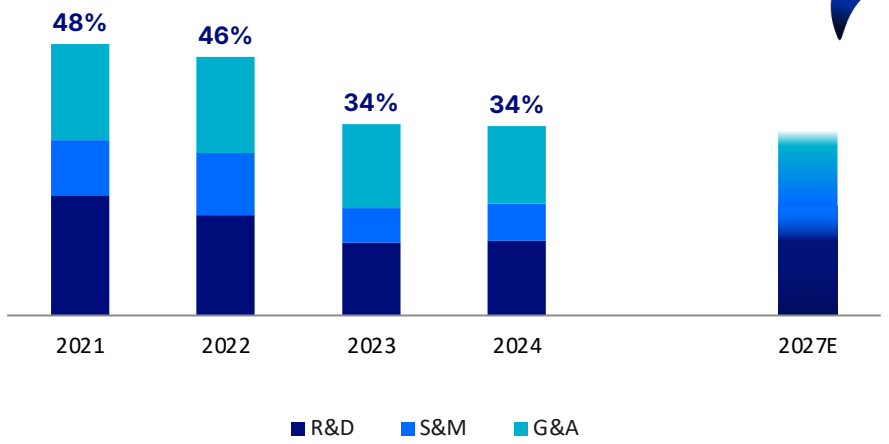
OpEx Priorities:

Focused investment to **accelerate product roadmap** and **launch new go-to-market motions**

Will continue to **optimize OpEx** over medium-term

Non-GAAP OpEx as a percent of revenue

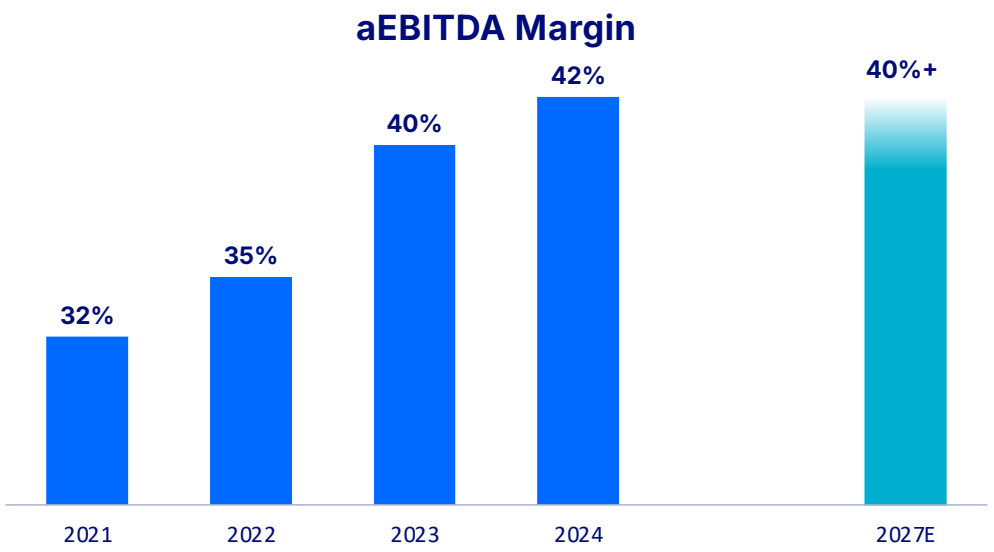




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Note: Non-GAAP OpEx for fiscal year 2021 not previously disclosed.

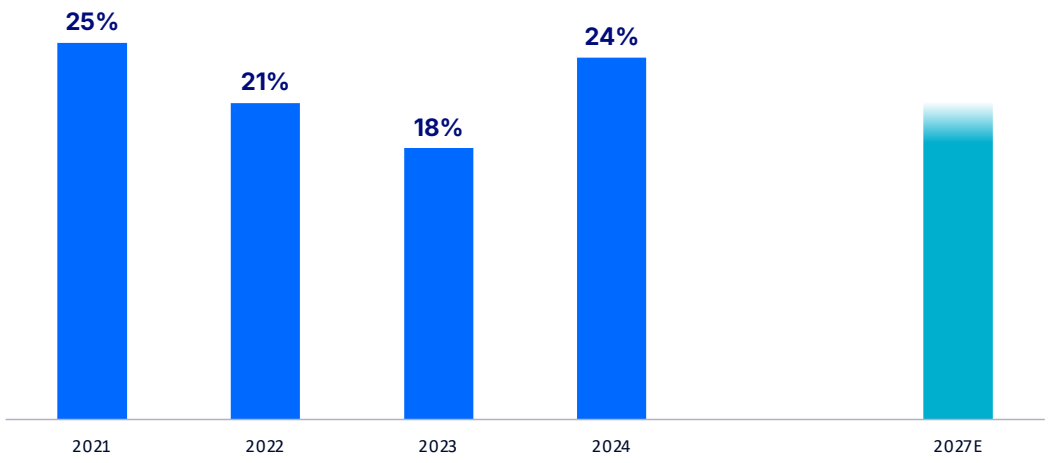
Healthy aEBITDA margins



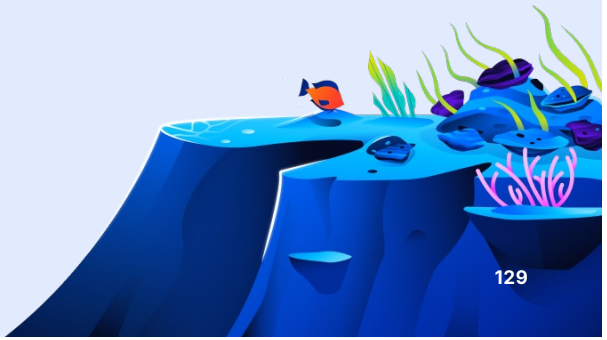
aEBITDA Improvement Drivers

- Revenue growth
- Gross margin expansion
- Mix shift to higher value-added products
- Operating expense efficiencies

CapEx steady while investing to drive growth



- Continued capital efficiency in Core Cloud
- Thoughtful AI investment to fuel growth



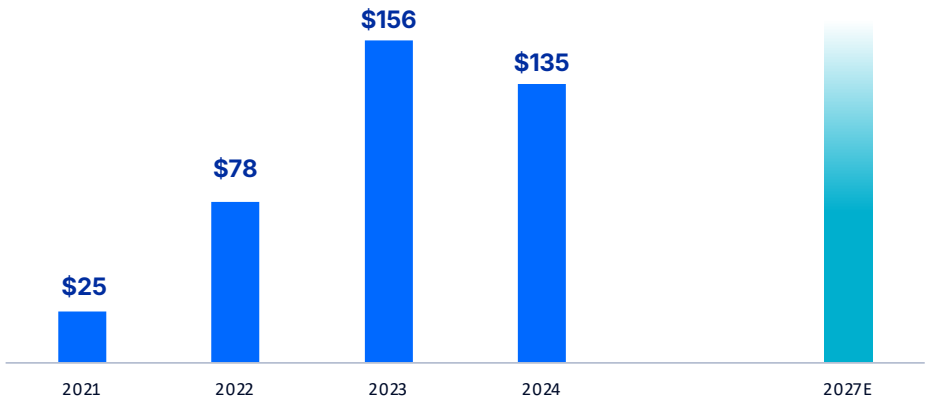
DigitalOcean

Solid free cash flow growth

Increasing medium term investment, delivering **mid-teens aFCF margin to drive growth**

Long term, expect to return to **high-teens aFCF margin**

aFCF
(in millions)



	2021	2022	2023	2024	2027E
% Revenue	6%	13%	22%	17%	Mid-teens



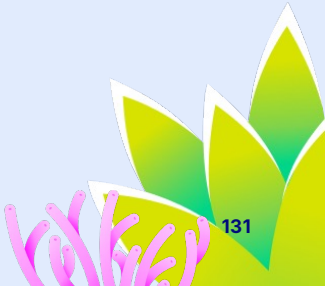
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Clear capital allocation priorities





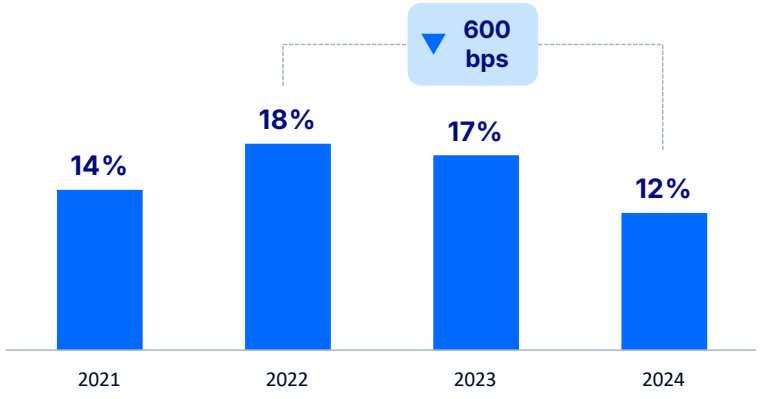
1. Invest to drive **ORGANIC GROWTH**
2. Continue **SHARE REPURCHASES**
3. Keep dry powder for value accretive tuck-in **ACQUISITIONS**
4. While maintaining **BALANCE SHEET FLEXIBILITY** and reducing leverage



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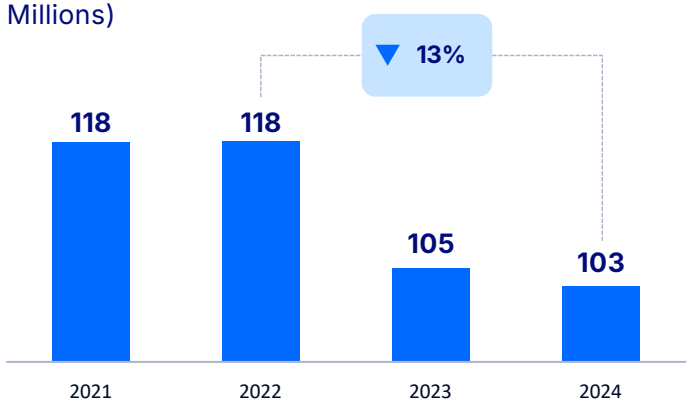
Effectively managing equity and dilution

Stock Based Compensation
(% Revenue)



Materially **reduced SBC** as a percent of revenue

Non-GAAP Weighted Average Shares Outstanding
(in Millions)



$1.5B in repurchases since IPO, largely offsetting dilution

DigitalOcean

Note: For the 2023 period stock-based compensation presented excludes $31.3 million reversal related to the former CEO's forfeited MRSU award as well as $3.9 million from restructuring related expense. See Appendix for details and for definitions.

Any near-term M&A would accelerate our product roadmap



Strategic considerations:

- Product roadmap acceleration
- Talent / technical capabilities
- Customers
- Geographic reach

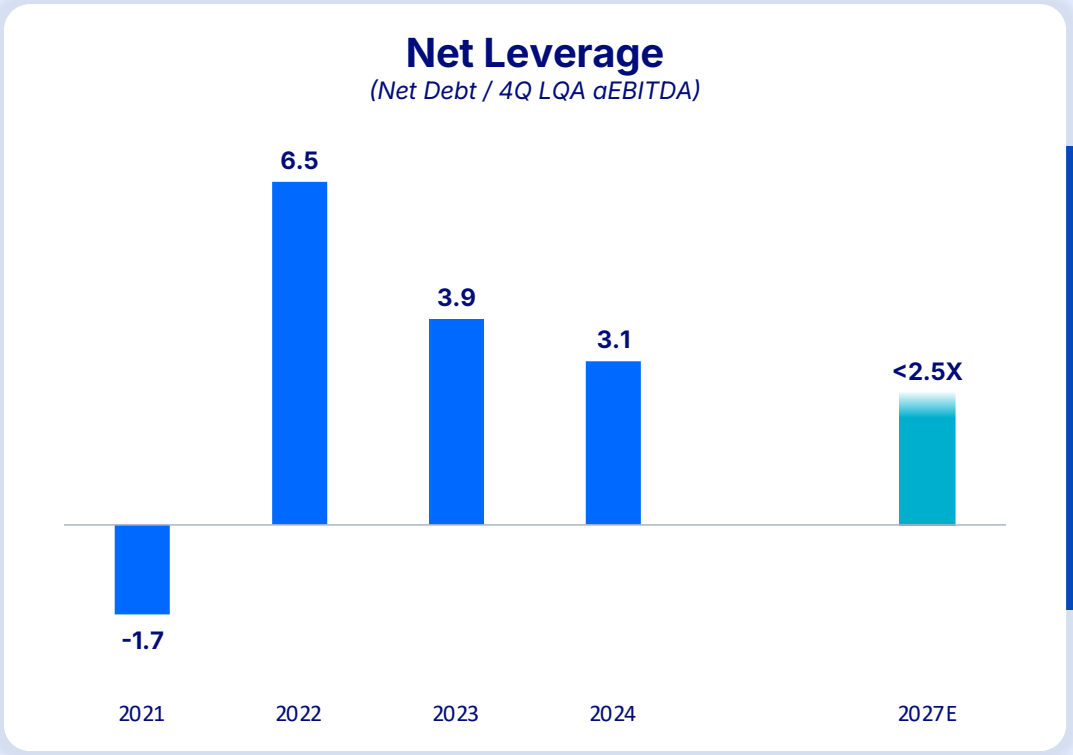


Financial considerations:

- Revenue growth
- Adjusted FCF impact
- Buy vs. Build

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On path to lower leverage



Medium-term aspirations:

Maintain balance sheet flexibility

Fund organic growth and buybacks

Drive net leverage to **<2.5x** by 2027

DigitalOcean Note: LQA = last quarter annualized; See Appendix for other definitions.

Maintaining balance sheet strength and flexibility

Key Terms of Existing Debt

- ✓ **$1.5B** zero coupon convertible bond
- ✓ **$179** conversion price
- ✓ Due in **December 2026**

Likely to address 2026 convertible debt before it goes current



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Driving attractive shareholder returns

	2025E	2027E	Long term	Drivers
Revenue Growth	11.5-14%	18-20%	20%+	Enhancing go-to-market motions that augment PLG Product innovation focused on larger customers AI/ML as material growth lever
aFCF Margin	16-18%	Mid-teens	High-teens	Cost of revenue optimization Increasing mix of higher value-added products Driving further operating leverage as we scale
Weighted Rule of 40	25-30%	35%+	40%+	Continue to prioritize growth vs aFCF margin Willingness to increase investment to drive durable, differentiated revenue growth





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Key takeaways

1

Compelling market position serving the unmet needs of **Digital Native Enterprises** in **Cloud & AI**

2

Accelerating **growth** with product innovation & new GTM motions focused on our **largest customers**

3

On path to **18-20%** growth by 2027 and targeting **40%+** Rule of 40 over the long term



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Q&A



Wade Wegner

Chief Ecosystem & Growth Officer

DigitalOcean



Customers









DigitalOcean Customer Showcase

Instructions

1. Check the back of your badge for your Group #
2. Check the table below to see where you start
3. Proceed to your customer booth

What to Expect

- Short presentation from each customer
- Opportunity to ask questions
- Rotate to the next booth after ~10 minutes

Group	Customers
1	Autonoma
2	NoBid
3	Picap
4	Scribe



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Appendix

Key Business Metrics

We utilize the key metrics set forth below to help us evaluate our business and growth, identify trends, formulate financial projections and make strategic decisions. These metrics are not based on any standardized industry methodology and are not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies. Similarly, these metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology.

Customer Count is the average number of customers as of the last day of the month for each month in the most recent quarter.

Customer Categories are based on the amount of customer spend in a given month and individual customers may fall within different categories within a reporting period:

- **Testers**: users that spend less than or equal to $50 in a month and have been on our platform for three months or less.
- **Learners**: users that spend less than or equal to $50 in a month and have been on our platform for more than three months.
- Builders: users that spend more than $50 and less than or equal to $500 in a month.
- Scalers: users that spend more than $500 and less than or equal to $8,333 in a month.
- Scalers+: users that spend more than $8,333 in a month.

Higher Spend Customers comprise of the total customer count of our Builders, Scalers and Scalers+ customers.

Average Revenue per Customer (ARPU) We calculate ARPU on a monthly basis as our total revenue from Learners, Builders, Scalers and Scalers+ in that period divided by the total number of Learners, Builders, Scalers and Scalers+ customers determined as of the last day of that month. For a quarterly or annual period, ARPU is determined as the weighted average monthly ARPU over such three or 12-month period.

Annual Run-Rate (ARR) We calculate ARR by multiplying the revenue for the most recent quarter by four. For our ARR calculations, we include the total revenue from all customers, including Testers, Learners, Builders, Scalers, and Scalers+.

Net Dollar Retention Rate (NDR) We calculate net dollar retention rate monthly by starting with the revenue from all customers, including Testers, Learners, Builders, Scalers and Scalers+ for our IaaS and PaaS/SaaS offerings during the corresponding month 12 months prior, or the Prior Period Revenue. We then calculate the revenue from these same customers as of the current month, or the Current Period Revenue, including any expansion and net of any contraction or attrition from these customers over the last 12 months. The calculation also includes revenue from customers that generated revenue before, but not in, the corresponding month 12 months prior, but subsequently generated revenue in the current month and are therefore reflected in the Current Period Revenue. We include this group of re-engaged customers in this calculation because some of our customers use our platform for projects that stop and start over time. We then divide the total Current Period Revenue by the total Prior Period Revenue to arrive at the net dollar retention rate for the relevant month. For a quarterly or annual period, the net dollar retention rate is determined as the average monthly net dollar retention rates over such three or 12-month period.

Other Referenced Metrics

Weighted Rule of 40 We calculate weighted rule of 40 by summing our revenue growth rate and our adjusted free cash flow margin for an annual period. Revenue growth rate is weighted 1.5x and our adjusted free cash flow margin is weighted 0.5x.

Net Leverage We calculate net leverage as Net Debt divided by Q4 adjusted EBITDA multiplied by 4, i.e. last quarter annualized. Net debt is calculated as Total debt less cash and cash equivalents.

Churn We calculate churn as attrition attributable to our NDR. See prior slide for NDR definition.

Net Expansion We calculate net expansion as expansion from existing NDR customers net of contraction from that same set of customers. See prior slide for NDR definition.

Magic Number We calculate magic number as the annualized incremental quarterly revenue divided by prior quarter's Non-GAAP S&M spend.

Non-GAAP Financial Measures

Adjusted EBITDA and **Adjusted EBITDA Margin** We define adjusted EBITDA as net income (loss) attributable to common stockholders, adjusted to exclude depreciation and amortization, stock-based compensation, interest expense, acquisition related compensation, acquisition and integration related costs, income tax expense, loss on extinguishment of debt, restructuring and other charges, restructuring related charges, impairment of certain long-lived assets, revaluation of warrants, release of VAT reserve, interest income and other income (expense), net. We define adjusted EBITDA margin as adjusted EBITDA as a percentage of revenue.

Adjusted Free Cash Flow and **Adjusted Free Cash Flow Margin** We define adjusted free cash flow as net cash provided by operating activities less purchases of property and equipment, capitalized internal-use software costs, purchase of intangible assets, and excluding cash paid for restructuring and other charges, acquisition related compensation, restructuring related charges, and acquisition and integration related costs. Adjusted free cash flow margin is calculated as adjusted free cash flow divided by total revenue.

Non-GAAP Net Income and **Non-GAAP Diluted Net Income per Share** We define non-GAAP net income as net (loss) income attributable to common stockholders, excluding stock-based compensation, acquisition related compensation, amortization of acquired intangibles, acquisition and integration related costs, loss on extinguishment of debt, restructuring and other charges, restructuring related charges, impairment of certain long-lived assets, revaluation of warrants, release of VAT reserve, and other unusual or non-recurring transactions as they occur. We define non-GAAP diluted net income per share as non-GAAP net income divided by the weighted-average diluted shares outstanding, which includes the potentially dilutive effect of our stock options, RSUs, PRSUs, and Convertible Notes.

Non-GAAP Operating Expenses we define non-GAAP operating expenses as GAAP operating expenses, excluding stock-based compensation, acquisition related compensation, amortization of acquired intangible assets, acquisition and integration related costs, restructuring and other charges, restructuring related charges, impairment of certain long-lived assets, and other unusual or non-recurring transactions as they occur.

Adjusted EBITDA and Adjusted EBITDA Margin

(In thousands)	Year Ended December 31, 2021	2022	2023	2024
GAAP Net (loss) income attributable to common stockholders	$ (19,503)	$ (27,804)	$ 19,409	$ 84,492
Adjustments:				
Depreciation and amortization	88,371	102,232	117,866	130,052
Stock-based compensation[(1)]	61,577	105,829	115,019	90,398
Interest expense	3,744	8,396	8,945	9,113
Acquisition related compensation	—	9,443	27,763	12,661
Acquisition and integration related costs	469	5,439	6,145	—
Income tax expense	1,302	3,919	7,367	13,207
Loss on extinguishment of debt	3,435	407	—	—
Restructuring and other charges[(1)]	—	—	20,887	—
Restructuring related charges[(1)(2)]	—	—	(23,535)	4,025
Impairment of certain long-lived assets	285	1,635	1,140	356
Revaluation of warrants[(3)]	(556)	—	—	—
Release of VAT reserve[(4)]	(3,188)	—	—	—
Interest income and other income (expense), net[(5)]	707	(10,615)	(23,825)	(15,805)
Adjusted EBITDA	$ 136,643	$ 198,881	$ 277,181	$ 328,499
As a percentage of revenue:				
Net (loss) income margin	(5)%	(5)%	3 %	11 %
Adjusted EBITDA margin	32 %	35 %	40 %	42 %
Stock-based compensation % Revenue	14 %	18 %	17 %	12 %

[1] For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the $31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as $3.9 million that is reported in Restructuring and other charges. For the year ended December 31, 2024, non-GAAP stock-based compensation excludes $0.1 million as it is presented in Restructuring related charges.

[2] For the year ended December 31, 2023, primarily consists of the $31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs. For the year ended December 31, 2024, primarily consists of executive reorganization charges.

[3] Immediately prior to the IPO, all shares of the convertible preferred stock then outstanding automatically converted into shares of common stock, and the redeemable convertible preferred stock warrants automatically converted into common stock warrants. Therefore, as the warrants no longer permitted the holder to purchase redeemable shares of preferred stock, the warrant liability was remeasured and reclassified to Additional paid-in capital. The common stock warrants were fully exercised during the year ended December 31, 2021.

[4] Relates to the resolution of certain tax matters in certain jurisdictions with relevant authorities.

[5] For the year ended December 31, 2021, amounts are attributable to third-party consulting costs to enhance our finance function. For the years ended December 31, 2022, 2023 and 2024, primarily consists of interest and accretion income from our cash and cash equivalents and marketable securities.

Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin

	Year Ended December 31,			
(In thousands)	2021	2022	2023	2024
GAAP Net cash provided by operating activities	$ 133,109	$ 195,152	$ 234,942	$ 282,725
Adjustments:				
Capital expenditures - property and equipment	(97,072)	(106,389)	(119,299)	(178,167)
Capital expenditures - internal-use software development	(6,391)	(8,913)	(5,514)	(8,356)
Purchase of intangible assets	(5,636)	(4,915)	—	—
Restructuring and other charges	—	—	16,792	60
Restructuring related charges[1]	—	—	5,371	5,049
Acquisition related compensation	—	—	16,851	33,099
Acquisition and integration related costs	526	2,863	6,611	302
Adjusted free cash flow	$ 24,536	$ 77,798	$ 155,754	$ 134,712
As a percentage of revenue:				
GAAP Net cash provided by operating activities	31 %	34 %	34 %	36 %
Adjusted free cash flow margin	6 %	13 %	22 %	17 %

[1] For the year ended December 31, 2023, primarily consists of salary continuation charges and executive reorganization charges, including CEO search firm fees and other legal and professional service costs. For the year ended December 31, 2024, primarily consists of executive reorganization charges.

Non-GAAP Net Income

(In thousands)	Year Ended December 31, 2021	2022	2023	2024
GAAP Net (loss) income attributable to common stockholders	$ (19,503)	$ (27,804)	$ 19,409	$ 84,492
Stock-based compensation[1]	61,577	105,829	115,019	90,398
Acquisition related compensation	—	9,443	27,763	12,661
Amortization of acquired intangible assets	671	6,301	18,967	22,426
Acquisition and integration related costs	469	5,439	6,145	—
Loss on extinguishment of debt	3,435	407	—	—
Restructuring and other charges[1]	—	—	20,887	—
Restructuring related charges[1][2]	—	—	(23,535)	4,025
Impairment of certain long-lived assets	285	1,635	1,140	356
Revaluation of warrants[3]	(556)	—	—	—
Release of VAT reserve[4]	(3,188)	—	—	—
Non-GAAP income tax adjustment[5]	235	(34)	(25,469)	(23,202)
Non-GAAP Net income	$ 43,425	$ 101,216	$ 160,326	$ 191,156
Non-cash charges related to convertible notes[6]	$ 696	$ 5,910	$ 6,249	$ 6,357
Non-GAAP Net income used to compute net income per share, diluted	$ 44,121	$ 107,126	$ 166,575	$ 197,513

[1] For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the $31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as $3.9 million that is reported in Restructuring and other charges, in the table above. For the year ended December 31, 2024, non-GAAP stock-based compensation excludes $0.1 million as it is presented in Restructuring related charges.

[2] For the year ended December 31, 2023, primarily consists of the $31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs. For the year ended December 31, 2024, primarily consists of executive reorganization charges.

[3] Immediately prior to the IPO, all shares of the convertible preferred stock then outstanding automatically converted into shares of common stock, and the redeemable convertible preferred stock warrants automatically converted into common stock warrants. Therefore, as the warrants no longer permitted the holder to purchase redeemable shares of preferred stock, the warrant liability was remeasured and reclassified to Additional paid-in capital. The common stock warrants were fully exercised during the year ended December 31, 2021.

[4] Relates to the resolution of certain tax matters in certain jurisdictions with relevant authorities.

[5] Prior to 2023, we calculated the income tax effects of non-GAAP adjustments based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which were non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. As a result, U.S. income tax effects of non-GAAP adjustments were subject to a valuation allowance and, therefore, were taxed at 0%. For the years ended December 31, 2023 and 2024, we used a tax rate of 17% and 16%, respectively, which we believe is a reasonable estimate of our long-term effective tax rate applicable to non-GAAP pre-tax income for 2023 and 2024, respectively.

[6] Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

Non-GAAP Diluted Net Income Per Share

(In thousands, except per share amounts)	Year Ended December 31, 2021	2022	2023	2024
GAAP Net (loss) income per share attributable to common stockholders, diluted	$ (0.21)	$ (0.28)	$ 0.20	$ 0.89
Stock-based compensation[1]	0.54	0.91	1.10	0.88
Acquisition related compensation	—	0.09	0.26	0.12
Amortization of acquired intangible assets	0.02	0.06	0.18	0.22
Acquisition and integration related costs	—	0.06	0.06	—
Loss on extinguishment of debt	0.04	—	—	—
Restructuring and other charges[1]	—	—	0.20	—
Restructuring related charges[1][2]	—	—	(0.23)	0.04
Impairment of certain long-lived assets	—	0.01	0.01	—
Revaluation of warrants[3]	(0.01)	—	—	—
Release of VAT reserve[4]	(0.03)	—	—	—
Non-cash charges related to convertible notes[6]	0.02	0.06	0.06	0.06
Non-GAAP income tax adjustment[5]	—	—	(0.25)	(0.30)
Non-GAAP Net income per share, diluted*	$ 0.37	$ 0.91	$ 1.59	$ 1.92
GAAP Weighted-average shares used to compute net (loss) income per share, diluted	93,224	100,806	96,415	94,503
Weighted-average dilutive effect of potentially dilutive securities	24,804	17,372	8,403	8,403
Non-GAAP Weighted-average shares used to compute net income per share, diluted	118,028	118,178	104,818	102,906

[1] For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the $31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as $3.9 million that is reported in Restructuring and other charges, in the table above. For the year ended December 31, 2024, non-GAAP stock-based compensation excludes $0.1 million as it is presented in Restructuring related charges.

[2] For the year ended December 31, 2023, primarily consists of the $31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs. For the year ended December 31, 2024, primarily consists of executive reorganization charges.

[3] Immediately prior to the IPO, all shares of the convertible preferred stock then outstanding automatically converted into shares of common stock, and the redeemable convertible preferred stock warrants automatically converted into common stock warrants. Therefore, as the warrants no longer permitted the holder to purchase redeemable shares of preferred stock, the warrant liability was remeasured and reclassified to Additional paid-in capital. The common stock warrants were fully exercised during the year ended December 31, 2021.

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[6] Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

GAAP to Non-GAAP Operating Expenses

(In thousands)	Year Ended December 31, 2021	2022	2023	2024
GAAP cost of revenue	$ 170,595	$ 211,927	$ 295,387	$ 314,672
Amortization of acquired intangible assets	(304)	(2,176)	(9,985)	(12,357)
Stock-based compensation	(1,147)	(1,819)	(5,685)	(5,889)
Acquisition and integration related costs	—	—	(15)	—
Restructuring related charges	—	—	(154)	—
Impairment of certain long-lived assets	—	—	(1,129)	(356)
Non-GAAP cost of revenue[1]	$ 169,144	$ 207,932	$ 278,419	$ 296,070
GAAP research and development	$ 115,684	$ 143,885	$ 136,917	$ 142,499
Amortization of acquired intangible assets	(367)	(1,100)	(275)	—
Stock-based compensation	(23,315)	(39,353)	(42,040)	(38,285)
Acquisition related compensation	—	—	(1,000)	—
Acquisition and integration related costs	—	(115)	(705)	—
Restructuring related charges	—	—	(2,794)	—
Impairment of certain long-lived assets	(285)	(163)	(11)	—
Non-GAAP research and development	$ 91,717	$ 103,154	$ 90,092	$ 104,214
GAAP sales and marketing	$ 50,878	$ 81,022	$ 65,055	$ 71,570
Amortization of acquired intangible assets	—	(3,137)	(8,706)	(10,069)
Stock-based compensation	(8,471)	(14,910)	(13,177)	(10,093)
Acquisition and integration related costs	—	—	(120)	—
Restructuring related charges	—	—	(389)	—
Non-GAAP sales and marketing	$ 42,407	$ 62,975	$ 42,663	$ 51,408

[1] Beginning in the first quarter of 2023, we redefined non-GAAP cost of revenue to include depreciation of our data center equipment. Results for the year ended December 31, 2021 have been recast to conform to current presentation.

GAAP to Non-GAAP Operating Expenses (cont.)

(In thousands)	Year Ended December 31, 2021	2022	2023	2024
GAAP general and administrative	$ 102,590	$ 165,185	$ 162,742	$ 160,867
Amortization of acquired intangible assets	—	112	—	—
Stock-based compensation[1][2]	(28,644)	(49,747)	(54,115)	(36,131)
Acquisition related compensation	—	(9,443)	(26,763)	(12,661)
Acquisition and integration related costs	(470)	(5,324)	(5,305)	—
Restructuring related charges[1]	—	—	26,872	(4,025)
Impairment of certain long-lived assets	—	(1,472)	—	—
Non-GAAP general and administrative	$ 73,476	$ 99,311	$ 103,431	$ 108,050
GAAP restructuring and other charges	$ —	$ —	$ 20,887	$ —
Restructuring and other charges[2]	—	—	(20,887)	—
Non-GAAP restructuring and other charges	$ —	$ —	$ —	$ —

[1] For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the $31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges. For the year ended December 31, 2024, non-GAAP stock-based compensation excludes $0.1 million as it is presented in Restructuring related charges.

[2] For the year ended December 31, 2023, non-GAAP stock-based compensation excludes $3.9 million, as it is presented in Restructuring and other charges.