



DigitalOcean

Q1'21 Earnings Presentation



Safe Harbor Statement

This presentation contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative of these terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this presentation and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations.

We cannot assure you that the forward-looking statements in this presentation will prove to be accurate.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we file from time to time with the SEC.

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 U.S. GAAP financials, this presentation includes certain non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA, and Adjusted EBITDA Margin. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by DigitalOcean Holdings, Inc. may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in the Appendix to these slides.



DigitalOcean at a Glance

\$388M
ARR⁽¹⁾ +30% YoY

29%
YoY Revenue
Growth⁽¹⁾

+585k
Customers in
~185 Countries⁽¹⁾

+107%
Net Dollar
Retention Rate⁽¹⁾

Differentiated cloud platform for developers, start-ups and SMBs

~\$116Bn addressable market in 2024

Highly efficient go-to-market model

Multiple levers to drive sustained growth

Demonstrated operating leverage with accelerating growth and FCF

Notes:

1. As of quarter ended March 31, 2021. Please refer to the Q1'21 earnings press release for the calculations and definitions of Key Business Metrics.



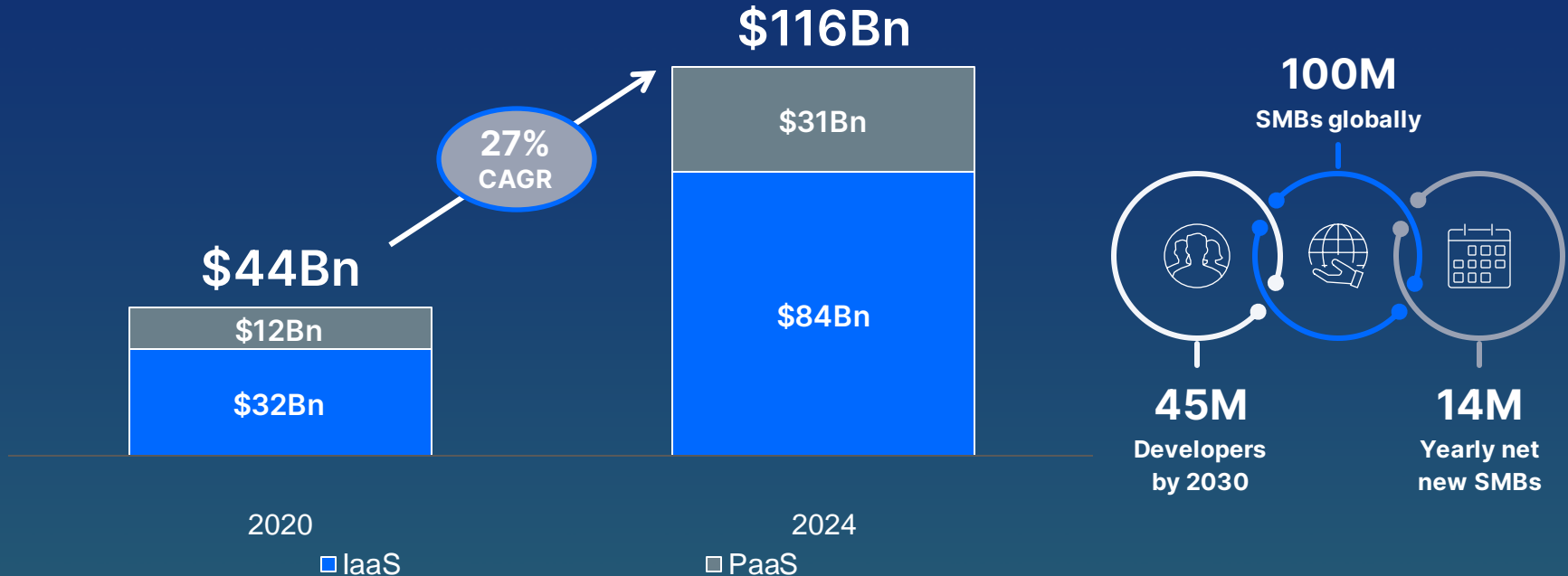
Our Mission

Simplify cloud computing so developers and businesses can spend more time creating software that changes the world



We Address the Massive, Growing Cloud Market

Individuals and Companies with <500 Employees



Notes:

1. IDC: Public Cloud Services Spending Guide (June 2020).
2. SlashData: Developer Economics - The State of Cloud-Native Development (May 2020).



Our Platform Is Designed to Empower All User Types

Examples of our users include software engineers, researchers, data scientists, systems administrators, students and hobbyists

Individual Developers



Personal websites, applications, and open source projects

Start-ups and SMBs



Web applications, eCommerce sites, SaaS applications

Managed Hosting Providers



Running their hosting infrastructure on our compute services

Web Development Agencies



Serving the needs of their clients

Why Our Customers Choose DigitalOcean



Simplicity

Intuitive & conveniently packaged services

- Pricing model
- Ease of scaling up and down
- Usage transparency



Community

Developer community engagement & education

- +34,000 developer tutorials and community Q&A



Customer Support

24/7 unparalleled customer support and service

- 65 NPS ⁽¹⁾



Open Source

Open source advantages & cloud-native architecture

- No technology lock-in
- Preferred by developers and start-ups

Notes:

1. NPS is the monthly average during FY 2020.

The Evolution of Our Platform



**VPS
Hosting**

2012-2015



**Cloud
Infrastructure**

2015-2018



**Developer &
SMB Cloud**

2018-2021+

Droplets

Volumes

Spaces

Managed Databases

**Load
Balancers**

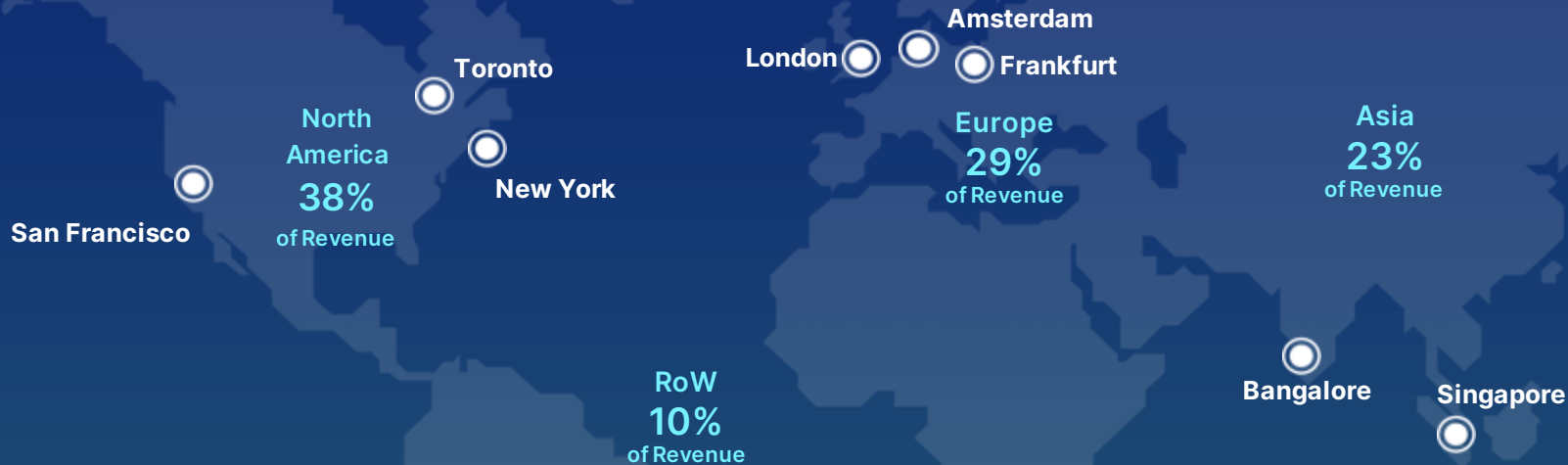
**Cloud
Firewalls**

Marketplace

Managed Kubernetes

App Platform

Global Infrastructure & Customer Footprint



14 Data Centers
Across 8 Regions

Customers in
~185 Countries



Our Community Drives Superior Customer Experience

3.5M unique community visitors per month

+34,000 developer tutorials and community generated Q&A

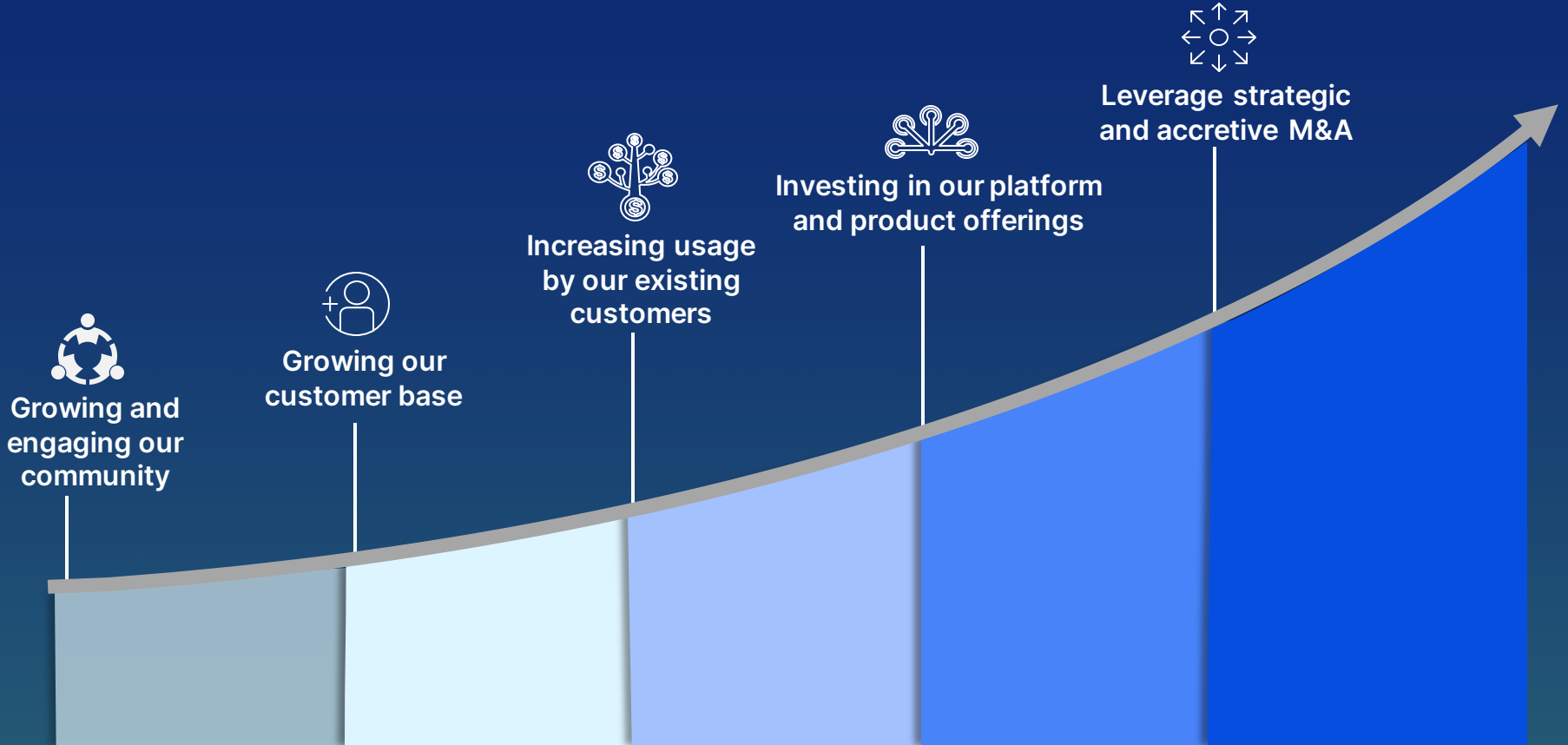
Largest hackathon in the world
DigitalOcean Hacktoberfest™ with ~170K developers in 2020

Deploy virtual conference with 17,000 registrants





Multiple Vectors for Sustainable Future Growth





Q1'21 Financial Results



Q1'21 Highlights

- **Revenue increased 29% year-over-year**
- **Annual Run-Rate Revenue (ARR) increased 30% year-over-year**
- **Adjusted Gross Profit increased to 79% of revenue**
- **Adjusted EBITDA increased to 33% of revenue**
- **Capital expenditures decreased to 25% of revenue, down from 44% in Q1'20**

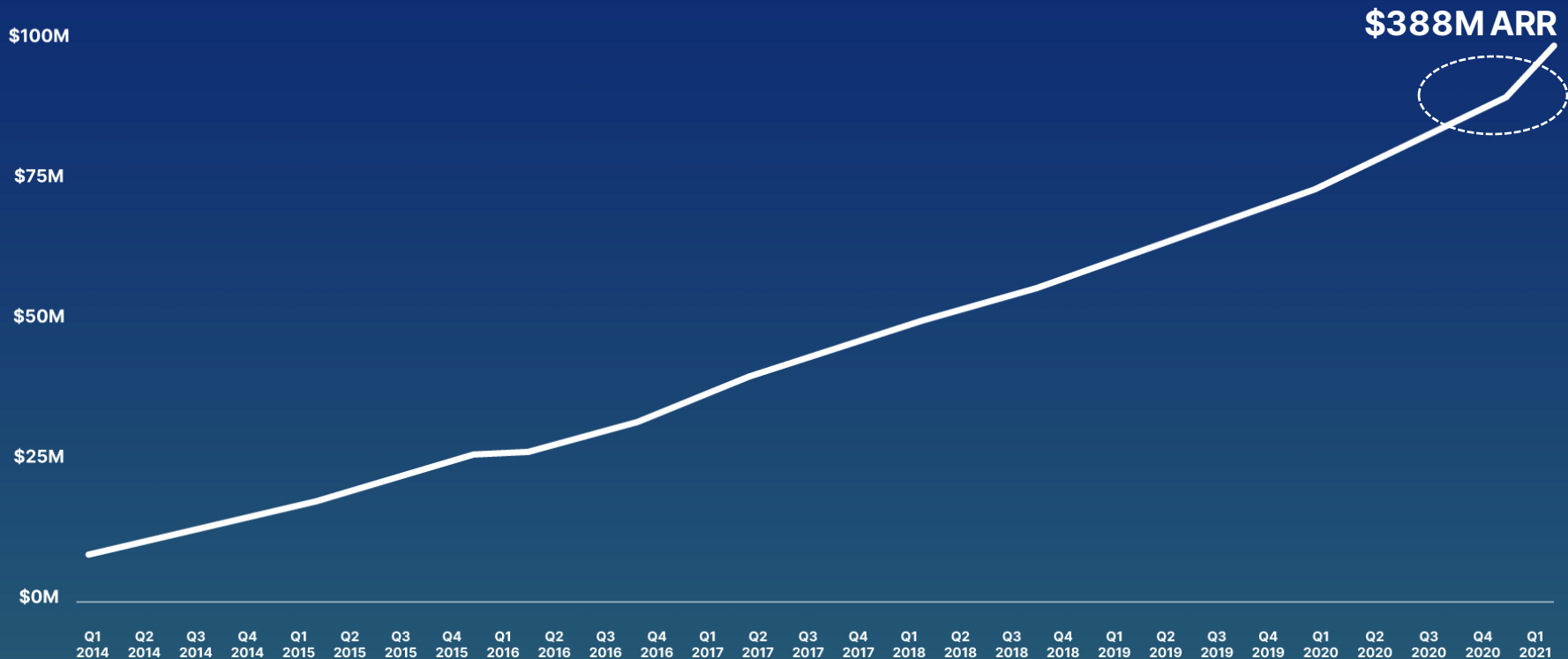
Notes:

1. Please refer to the Appendix for GAAP to Non-GAAP reconciliations.



Highly Predictable and Consistent Performance

Quarterly Revenue



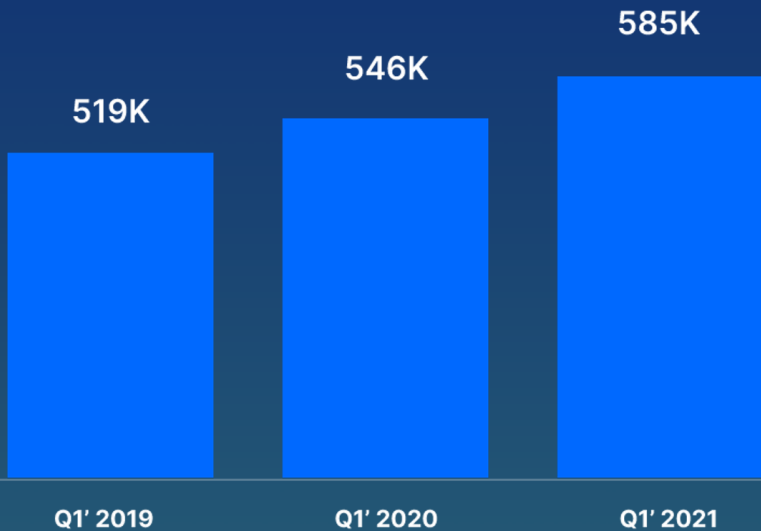
Notes:

- 1. ARR calculated at a point in time by multiplying the latest monthly period's revenue by 12.
- 2. As of March 31, 2021.

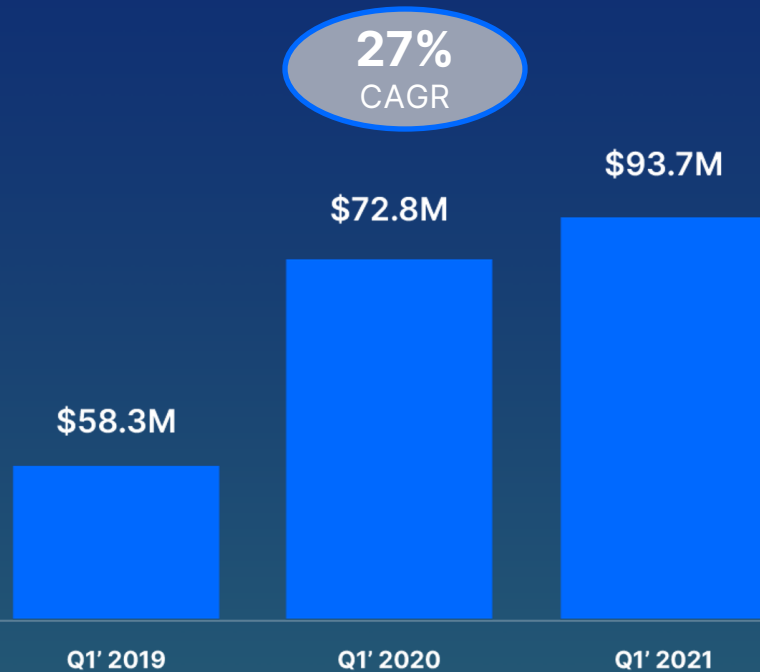


Strong Growth at Scale

Total Customers (K)



Revenue (\$M)





Attractive and Improving Customer Unit Economics

Net Dollar Retention Rate (%)



Monthly ARPU (\$)



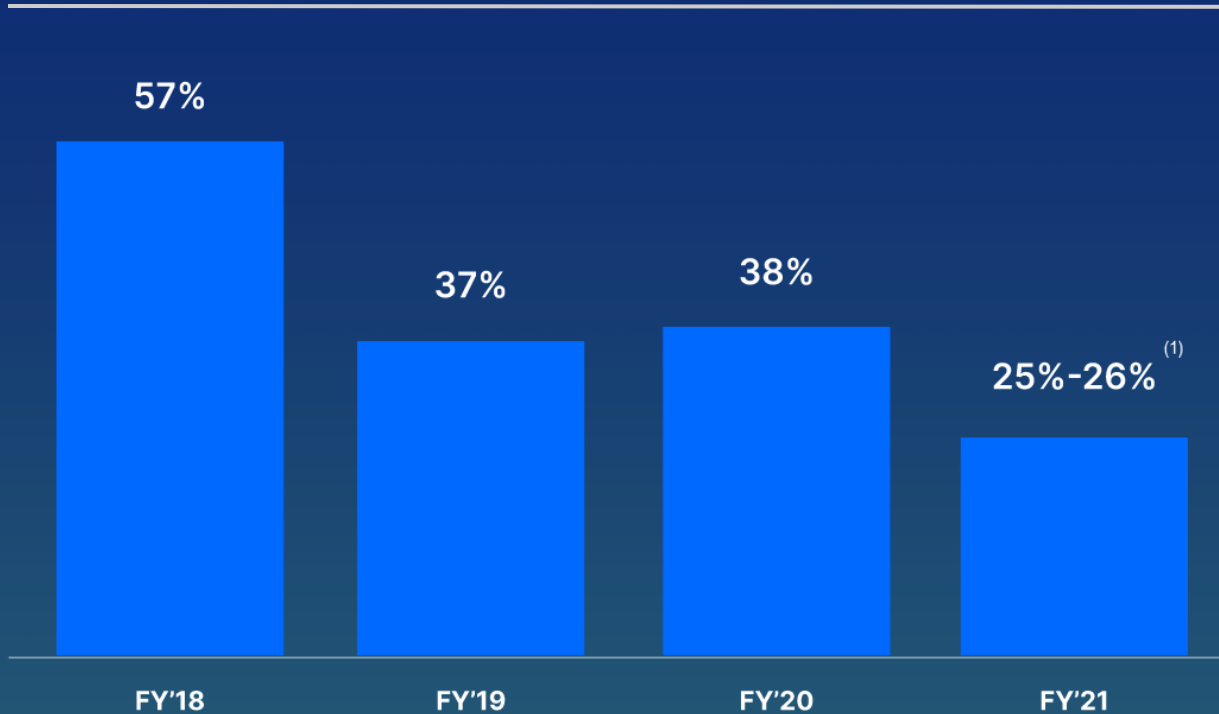
Notes:

1. Please refer to the Q1'21 earnings press release for definitions and calculations of Net Dollar Retention Rate and ARPU.



Our Investment in Capex Creates Defensibility

Annual Capex as % of Revenue



Notes:

- 1. FY'21 is based on financial outlook introduced on May 6, 2021.
- 2. Fiscal year end December 31st
- 3. Please refer to the Q1'21 earnings press release for definitions and calculations of Capital expenditures as a percentage of revenue.



Q2'21 and FY'21 Financial Outlook



Financial Outlook

Metric	Q2 2021	FY 2021
Revenue	\$97-\$99M	\$405-\$409M
Adjusted EBITDA Margin	30%-31%	30%-31%
Full Diluted Weighted Average Shares Outstanding	117-119M	115-117M
Capex as a % of Revenue		25%-26%



Investment Highlights

Differentiated cloud platform

Secular tailwinds & large TAM

Superior customer experience

Highly efficient go-to-market

Strong and improving financial profile

Experienced management team



APPENDIX



GAAP to Non-GAAP Reconciliation

	Quarter Ended March 31,	
	2021	2020
	(Dollars in Thousands)	
Adjusted Gross Profit		
Gross Profit	\$54,117	\$38,109
Adjustments:		
Depreciation and Amortization	19,255	16,048
Stock-based Compensation	196	24
Adjusted Gross Profit	\$73,538	\$54,181
Gross Margin	58%	52%
Adjusted Gross Margin	79%	74%



GAAP to Non-GAAP Reconciliation (cont'd)

Quarter Ended March 31,

2021

2020

(Dollars in Thousands)

Adjusted EBITDA		
Net Loss attributable to common stockholders	\$(3,339)	\$(16,933)
Adjustments:		
Depreciation and Amortization	20,951	17,394
Stock-based Compensation ⁽¹⁾	6,624	9,382
Interest Expense	2,256	3,516
Income Tax Expense	996	748
Loss on Extinguishment of Debt	3,435	259
Restructuring and Severance Expense ⁽²⁾	--	3,292
Asset Impairment ⁽³⁾	--	538
Revaluation of Warrants	(556)	3
Other ⁽⁴⁾	315	243
Adjusted EBITDA	\$30,682	\$18,442
Revenue	\$93,661	\$72,792
Adjusted EBITDA Margin	33%	25%

(1) Consists of stock-based compensation for the three months ended March 31, 2020 and includes compensation of \$7.6 million related to secondary sales of common stock by certain current and former employees. There were no such expenses recorded for the three months ended March 31, 2021. (2) Consists primarily of expenses related to changes in our senior leadership, sales and infrastructure teams. (3) Consists of internal-use software impairment charges related to software that is no longer being used. (4) Consists primarily of third-party consulting costs to enhance our finance function.