

Earnings Presentation

Q1 2022



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,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative 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. 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 our filings with the SEC.



DigitalOcean simplifies cloud computing so builders can spend more time creating software that changes the world.



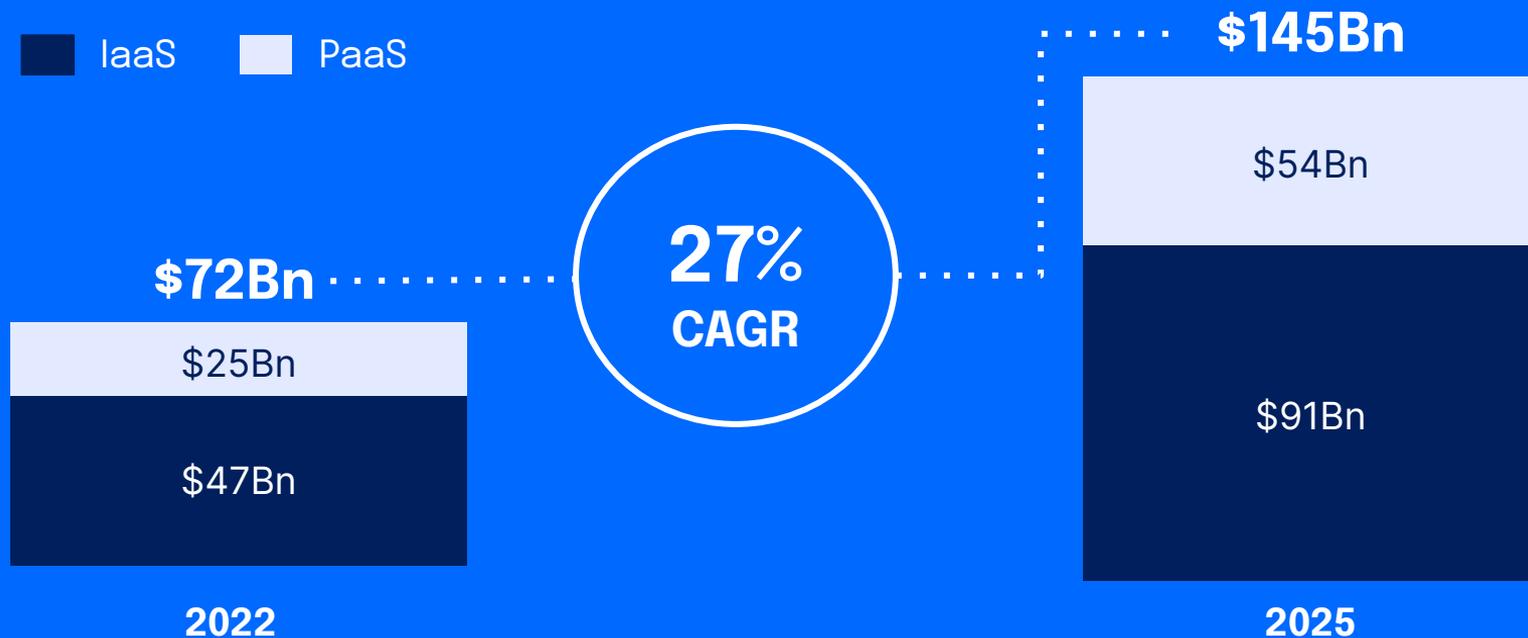
Key Performance Indicators Driving 30%+ Revenue Growth

	Q1'22	Q1'21	Y-o-Y Growth
Strong Revenue Growth	\$127.3M	\$93.7M	+36%
Scaling ARR	\$524M	\$388M	+35%
Total Customers	623K	585K	+6%
Customers Spending More Than \$50 per Month	102.4K	85.2K	+20%
Customers Spending More than \$50 per Month Percentage of Total Company Revenue	84%	80%	+400 bps
ARPU Increase	\$68.90	\$53.68	+28%
Improving Net Dollar Retention	117%	107%	+1000 bps

Large and Rapidly Growing Market Opportunity

Individuals and Companies
with <500 Employees

■ IaaS ■ PaaS



Source: IDC: Public Cloud Service Spending Guide (January 2022)

Sources of Market Growth



43M

Developers
by 2025



100M

SMBs globally



14M

Yearly net
new SMBs

What is the Problem DigitalOcean Solves for SMBs?



Complex systems: Enterprise-focused vendors have complicated implementation processes which limit onboarding for startups and SMBs.



Onerous pricing: Existing providers have intricate and unpredictable pricing models that lack transparency.



Lack of support: Traditional public cloud vendors target large enterprise customers and smaller buyers often do not get the necessary level of support they require.



Uncurated set of offerings: Hyperscalers have built their platforms to serve global enterprises with large dev teams. Ancillary products and services create challenges.

DigitalOcean's Offerings are Highly Differentiated



Simplicity

Infrastructure and Platform Technologies that can be spun up quickly, intuitively, and independently



Support

Live, personal support to all customers regardless of their spend or scale



Community

Free knowledge base with tens of thousands of pieces of content, including Q&A and tutorials to help developers and entrepreneurs



Open Source

Enabling faster, lower cost innovation without locking users into a proprietary stack

DigitalOcean Offers a Cloud Platform Purpose Built for Developers and SMBs



Droplets: Simple and scalable virtual machines

Key components underpinning cloud such as Volumes, Load Balancers, Spaces, and Firewalls

Essential elements to help developers and growing SMBs scale such as Managed Kubernetes, Managed Databases, Marketplace, App Platform, and Serverless

Global Infrastructure Supports 623k Customers in 185 Countries

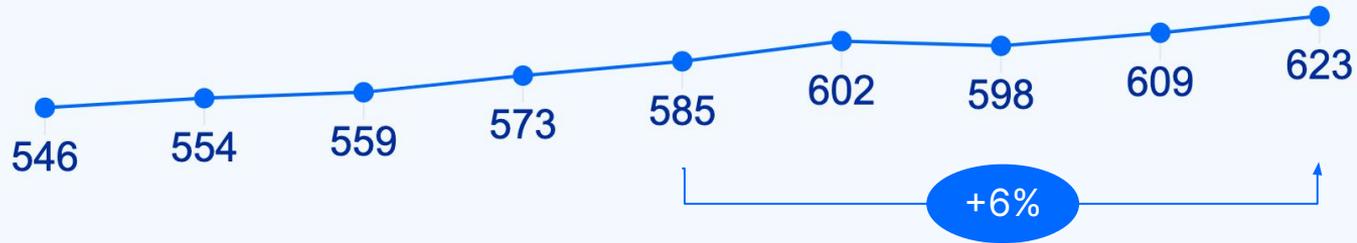


Notes: % based on Q1'22 revenue. *Sydney data center to open in Q4'22



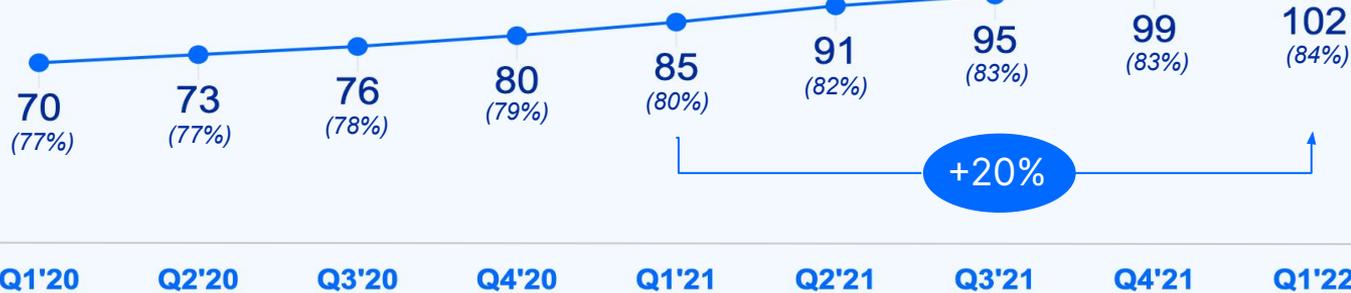
623K Total Customers with 102K Customers Paying More Than \$50 per Month

Total Customers (K)



Customers paying more than \$50/month (K)

(%) - share of total company revenue





Customer Case Study - Scaling with DigitalOcean and increasing monthly spend 700X over 2 years

Customer Overview

A two-year-old startup that provides a video chat platform to make virtual interactions more human.

They enable people across the world to work, socialize, and learn online more effectively.

They serve over 10M users and have hosted over 20,000 professional events.

Why DigitalOcean?



Easy to test prototypes, & rapidly scale production apps



Globally distributed data centers that reduce latency



Significant savings vs. competition due to low cost bandwidth



Stability of the infrastructure

DigitalOcean Product Usage

The video chat platform runs on DigitalOcean and utilizes most of our core products.

700X increase in DigitalOcean spend: Began in May 2020 with \$276 spend and spending \$193K/month as of March 2022



Began in May 2020 with Droplets (Cloud VMs)



Added Load Balancers in September 2020



Added Databases in November 2020



Added Kubernetes in November 2020



Added Spaces Object Storage in January 2021



Added Volumes Block Storage in August 2021

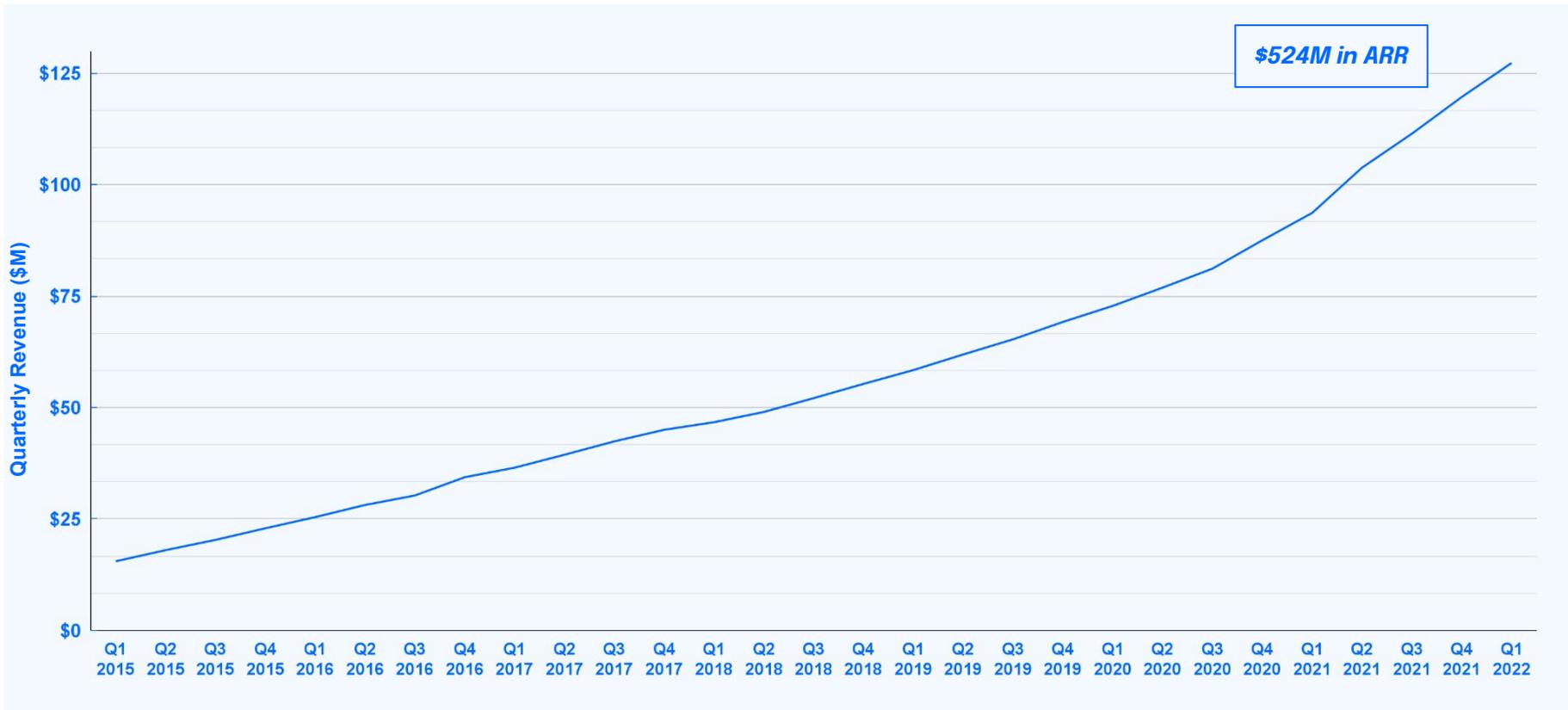


Added Container Registry in November 2021

Financials



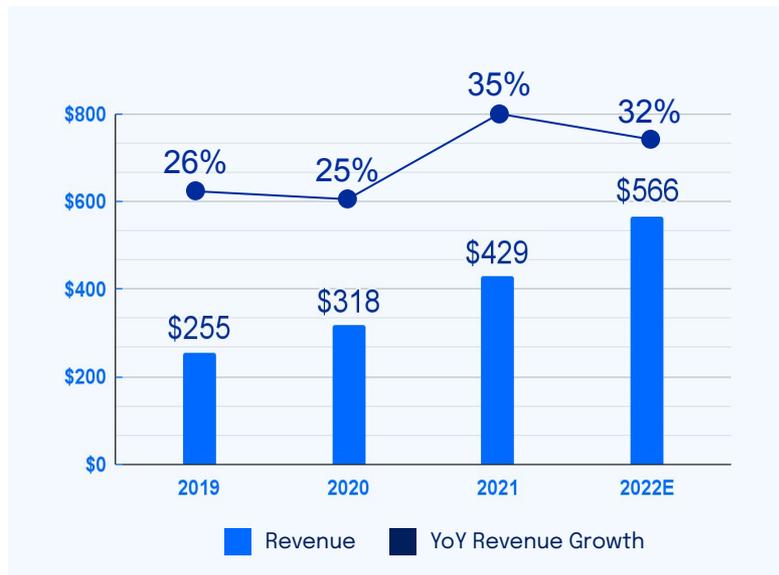
Consistent Performance with Recent Acceleration (ARR)



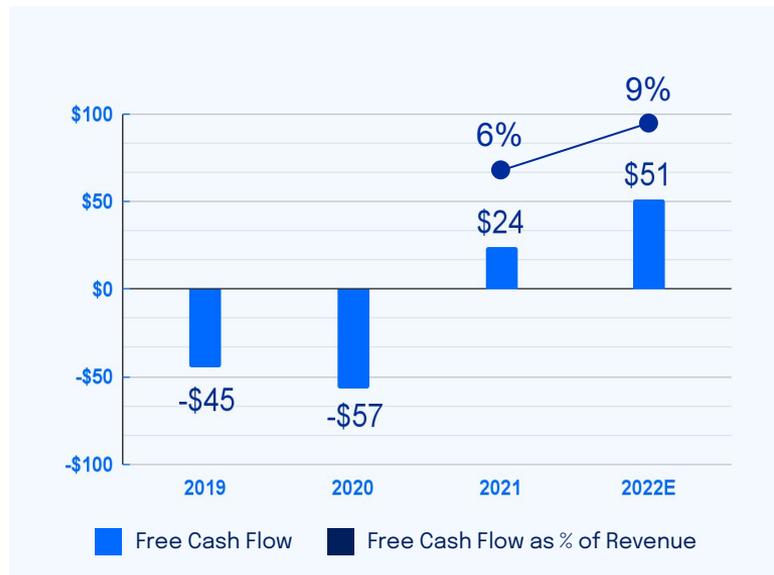


Scale with Free Cash Flow

Revenue (M)



Free Cash Flow (M)



Notes: 2022E based on the midpoint of financial outlook as of May 4, 2022



Strong Top Line Growth

Revenue Growth



ARR Growth





Improving Customer Economics

Net Dollar Retention Rate



Monthly ARPU





Financial Outlook

Metric	Q2 2022	FY 2022
Revenue	\$133-\$135M	\$564-\$568M
Non-GAAP Operating Margin	10%-11%	13%-15%
Non-GAAP Diluted Net Income Per Share	\$0.09-\$0.10	\$0.70-\$0.71
Free Cash Flow as a % of Revenue	NA	8%-10%
Fully Diluted Weighted Average Shares Outstanding	122-124M	123-125M



Appendix



Financial Highlights and KPIs

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Revenue (M)	\$72.8	\$76.9	\$81.2	\$87.5	\$93.7	\$103.8	\$111.4	\$119.7	\$127.3
Revenue Growth	25%	24%	24%	26%	29%	35%	37%	37%	36%
ARR (M)	\$299	\$313	\$335	\$357	\$388	\$426	\$455	\$490	\$524
ARR Increase (M)	\$14	\$14	\$22	\$22	\$31	\$38	\$29	\$35	\$34
Adj. EBITDA (M)	\$18.4	\$23.9	\$26.4	\$27.1	\$30.7	\$31.4	\$36.4	\$37.8	\$38.5
Non-GAAP Operating Income	\$(3.1)	\$4.5	\$6.0	\$6.2	\$9.9	\$9.6	\$16.9	\$14.1	\$13.6
Net Dollar Retention Rate (NDR)	101%	102%	104%	105%	107%	113%	116%	116%	117%
Average Revenue Per Customer (ARPU)	\$44.68	\$46.44	\$48.58	\$51.25	\$53.68	\$58.07	\$61.97	\$65.87	\$68.90
Total Customers	546k	554k	559k	573k	585k	602k	598k	609k	623k
Customers Spending More than \$50/month	69.8k	72.8k	76.5k	80.2k	85.2k	90.7k	94.6k	99.3k	102.5k
Customers Spending More than \$50/month percentage of total company revenue	77%	77%	78%	79%	80%	82%	83%	83%	84%
Capex as % of Revenue	44%	40%	32%	35%	25%	25%	24%	27%	20%



Adjusted Gross Profit and Adjusted Gross Margin

<i>(In thousands)</i>	Three Months Ended March 31,	
	2022	2021
Gross profit	\$ 80,570	\$ 54,117
Adjustments:		
Depreciation and amortization	22,262	19,225
Stock-based compensation	432	196
Adjusted gross profit	<u>\$ 103,264</u>	<u>\$ 73,538</u>
Gross margin	63 %	58 %
Adjusted gross margin	81 %	79 %



Non-GAAP Income from Operations and Non-GAAP Operating Margin

Three Months Ended March 31,

(In thousands)

	2022	2021
(Loss) income from operations	\$ (13,139)	\$ 3,254
Adjustments:		
Stock-based compensation	25,981	6,624
Loss on sublease	788	—
Non-GAAP income from operations	\$ 13,630	\$ 9,878
Operating margin	(10)%	3 %
Non-GAAP operating margin	11 %	11 %



Historical Non-GAAP Income from Operations and Non-GAAP Operating Margin

<i>(In thousands)</i>	Three Months Ended							
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
(Loss) income from operations	\$(12,487)	\$ 1,778	\$(6,720)	\$ 1,638	\$ 3,254	\$(2,630)	\$(1,671)	\$(10,139)
Adjustments:								
Stock-based compensation	9,382	2,757	12,726	4,591	6,624	12,201	18,555	24,197
Non-GAAP Income from operations	\$(3,105)	\$ 4,535	\$ 6,006	\$ 6,229	\$ 9,878	\$ 9,571	\$ 16,884	\$ 14,058
Operating margin	(17)%	2 %	(8)%	2 %	3 %	(3)%	(1)%	(8)%
Non-GAAP Operating margin	4 %	6 %	7 %	7 %	11 %	9 %	15 %	12 %



Adjusted EBITDA and Adjusted EBITDA Margin

<i>(In thousands)</i>	Three Months Ended March 31,	
	2022	2021
Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Adjustments:		
Depreciation and amortization	\$ 23,933	\$ 20,951
Stock compensation expense	25,981	6,624
Interest expense	2,059	2,256
(Gain) loss on Sublease	788	—
Income tax expense	3,338	996
Loss on extinguishment of debt	407	3,435
Asset impairment ⁽¹⁾	120	—
Revaluation of warrants	—	(556)
Acquisition related costs	(46)	—
Other ⁽²⁾	—	315
Adjusted EBITDA	\$ 38,457	\$ 30,682
Adjusted EBITDA margin	30 %	33 %

(1) Consists of internal-use software impairment charges related to software that is no longer being used.

(2) Consists primarily of third-party consulting costs to enhance our finance function.



Non-GAAP Net Income (loss) and Non-GAAP Diluted Net Income (loss) per Share

<i>(In thousands)</i>	Three Months Ended March 31,	
	2022	2021
GAAP Net loss attributable to common stockholders	\$ (18,123)	\$ (3,339)
Stock-based compensation	25,981	6,624
Amortization of acquired intangible assets	462	76
Acquisition related costs	(46)	—
Loss on sublease	788	—
Income tax effects of non-GAAP adjustments ⁽¹⁾	309	135
Non-GAAP net income ⁽²⁾	<u>\$ 9,371</u>	<u>\$ 3,496</u>
Non-GAAP diluted net income per share ⁽²⁾	<u>\$ 0.07</u>	<u>\$ 0.03</u>
Weighted-average shares used to compute Non-GAAP diluted net income per share	126,555	103,403

(1) The income tax effects of non-GAAP adjustments are calculated based on the applicable statutory tax rate for the relevant jurisdiction, except for those items which are non-taxable or subject to valuation allowances for which the tax expense (benefit) was calculated at 0%. The tax benefit for amortization is calculated in a similar manner as the tax effects of the non-GAAP adjustments.

(2) Amounts are attributable for both the common and convertible preferred stockholders, treated as one class of stock.



Free Cash Flow and Free Cash Flow Margin

<i>(In thousands)</i>	Three Months Ended	
	March 31,	
	2022	2021
Net cash provided by operating activities	\$ 30,283	\$ 19,791
Adjustments:		
Capital expenditures - property and equipment	\$ (22,976)	\$ (22,398)
Capital expenditures - internal-use software development	(2,276)	(1,370)
Free cash flow	<u>\$ 5,031</u>	<u>\$ (3,977)</u>
As a percentage of revenue:		
Net cash provided by operating activities	24 %	21 %
Free cash flow margin	4 %	(4)%



Non-GAAP Sales and Marketing Expense

	Three Months Ended	
	March 31, 2022	
<i>(In thousands)</i>		
Sales and marketing	\$	19,044
Adjustments:		
Stock compensation expense		(3,346)
Non-GAAP sales and marketing	\$	15,698
As a percent of revenue		12 %



Stock-Based Compensation

	Three Months Ended March 31,	
	2022	2021
<i>(In thousands)</i>		
Cost of revenue	\$ 432	\$ 196
Research and development	9,720	2,636
Sales and marketing	3,346	1,137
General and administrative	12,483	2,655
Total	<u>\$ 25,981</u>	<u>\$ 6,624</u>