



Cloud Contact Center Software

**Five9 (NASDAQ: FIVN)**

Q3 2017 Investor Presentation

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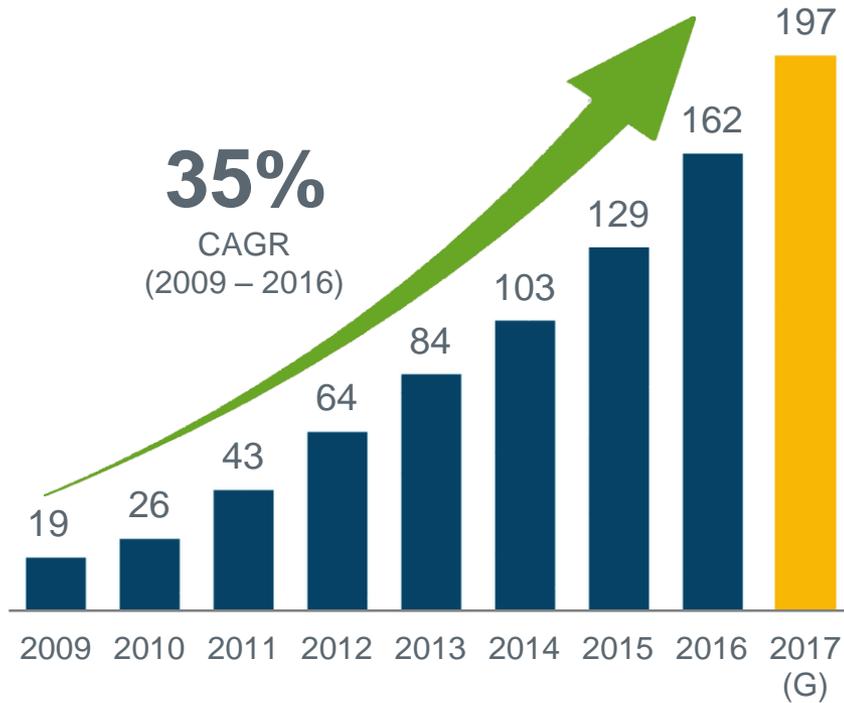
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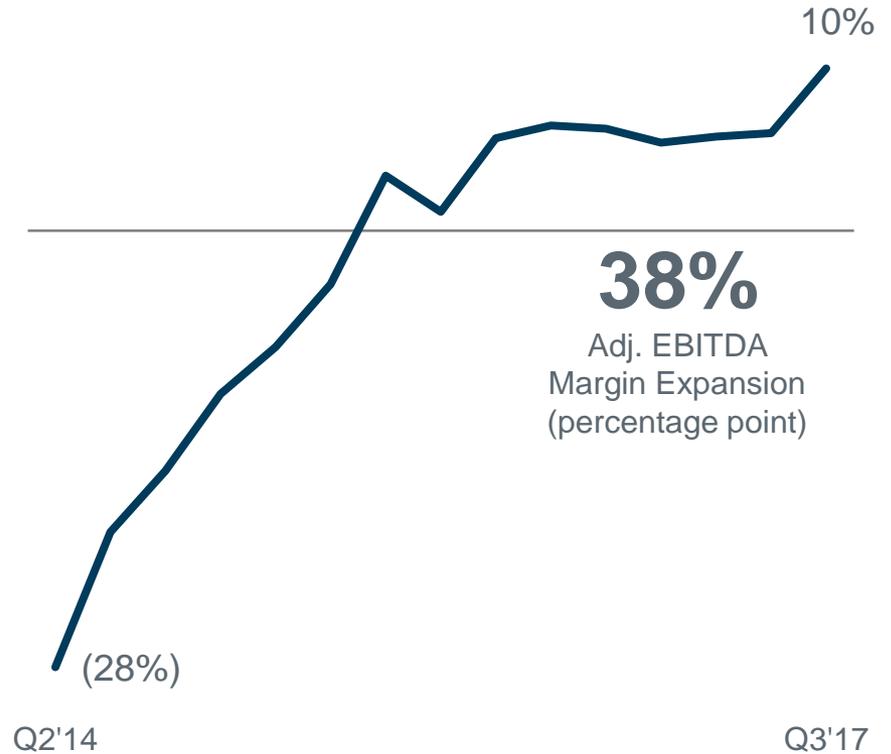
# Leader in Cloud Software for Contact Centers



## Annual Revenue (\$M)



## Adj. EBITDA Margin Since IPO



**100%**

Cloud

**100%**

Organic

**73%**

Enterprise  
(LTM)

**36%**

Enterprise Subscription  
YoY Growth (LTM)

**\$560K**

Avg. Enterprise  
Deal Size (2016)

A light gray, semi-transparent world map serves as the background for the central text. The map shows the outlines of continents and countries.

**North America**

~ 6.4M agents

+

**International**

~ 9.4M agents

**\$24B Global Addressable Market**

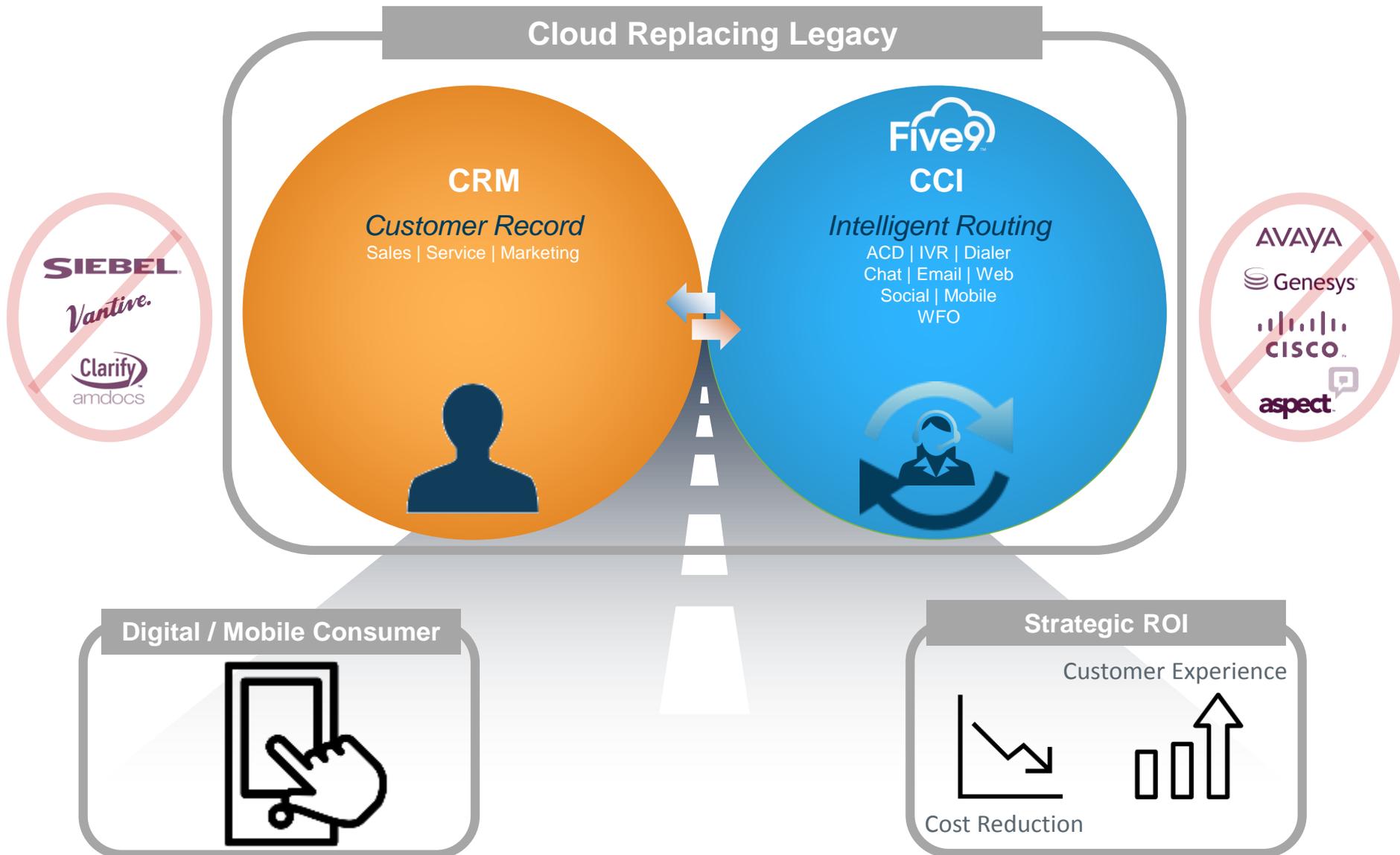
**Underpenetrated**

~10-15% Cloud

**Disrupting**

Legacy Vendors

# Modernization is Accelerating



"CRM": Customer Relationship Management

"CCI": Contact Center Infrastructure

# Gartner Magic Quadrant 2017

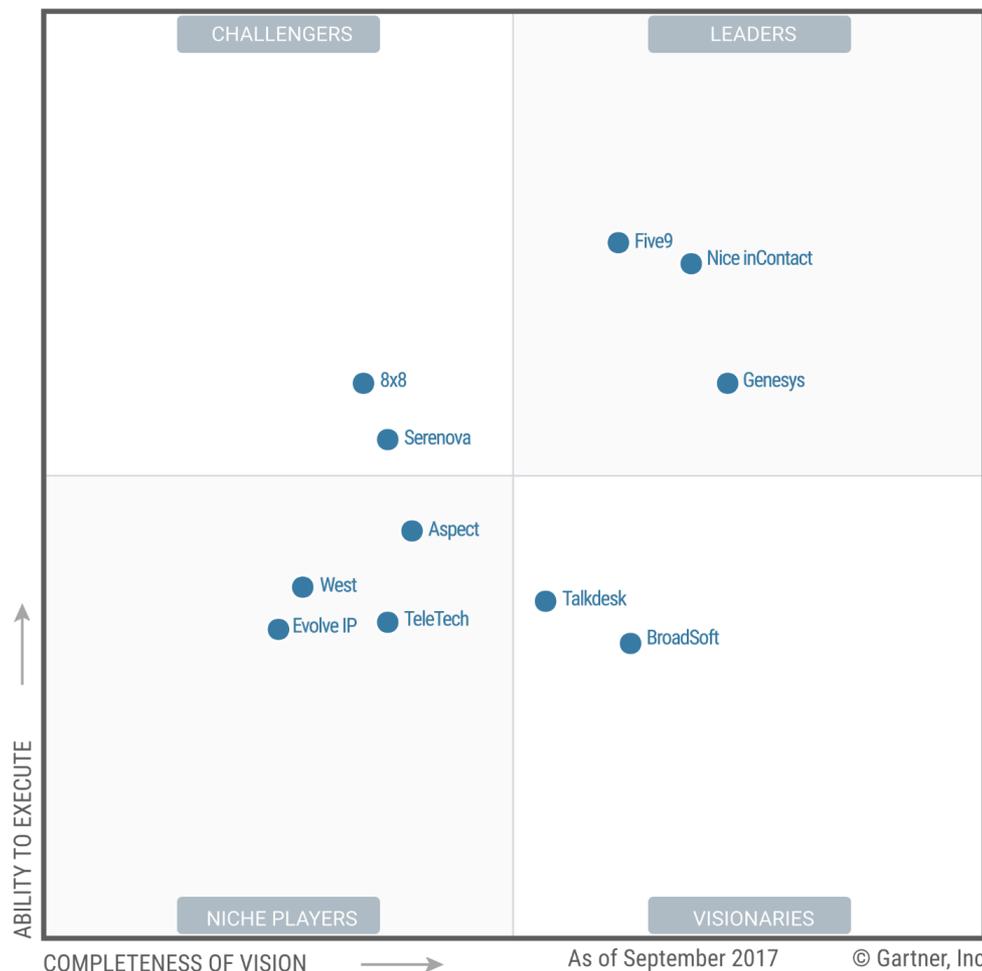
## Contact Center as a Service, North America



**Gartner**

**Five9 Named a Leader** in the 2017 Gartner Magic Quadrant for Contact Center as a Service, North America

**Five9 is Positioned the Highest for Ability to Execute, for the 3<sup>rd</sup> year in a row**



Gartner, Magic Quadrant for Contact Center as a Service, North America, Drew Kraus, Steve Blood, Daniel O'Connell, Simon Harrison, 18 October 2017

This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Five9.

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# Why Enterprise Customers Choose Five9



- **Full Feature Set:** ACD, IVR, dialer, inbound, outbound, blending, omni-channel, WFO, reporting, APIs...
- **Superior User Experience / Customer Experience**
- **Innovation:** Customer journey, analytics, mobile...
- **Deepest CRM Integrations:** Salesforce, Oracle, Zendesk, Microsoft...



## End-to-End Solution



## Five9 TRUST Platform

- **Reliable:** 99.99%+ uptime
- **Secure 8 Layer Approach:** Security zones, IPS / IDS, CSA
- **Compliant:** PCI DSS, HIPAA, BAA, CPNI
- **Scalable:** 3B+ customer interactions annually
- **End-to-End Network Connectivity:** Tier 1 carrier redundancy, MPLS Agent Connect, high QOS

- **Our People:** Recruit and retain top talent with a customer-first attitude
- **Chemistry:** “Whatever it takes mentality”, teamwork and communication
- **KPIs:** Cross-functional metrics focused on customer success



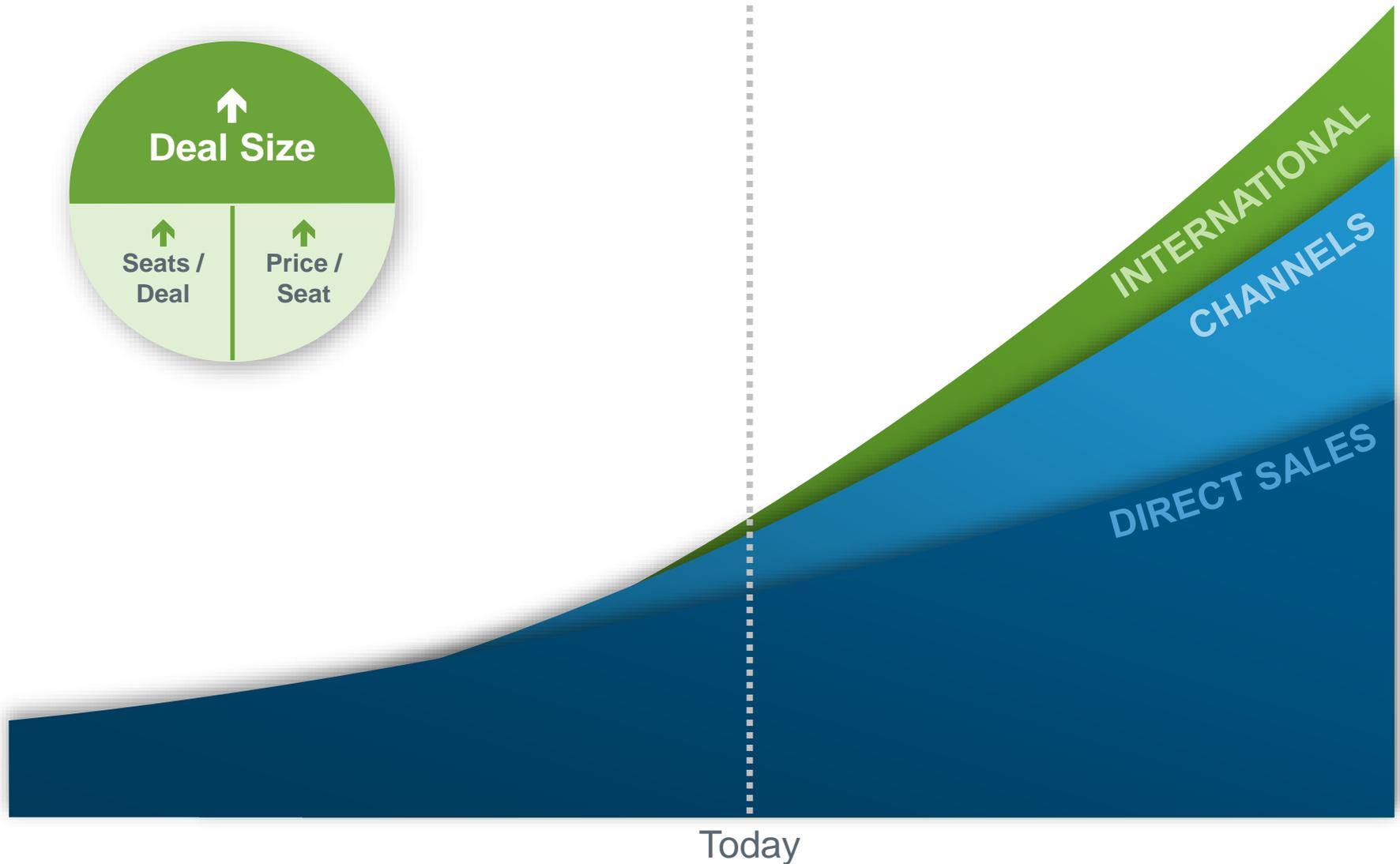
## Customer-First Culture



## Implementation & Support

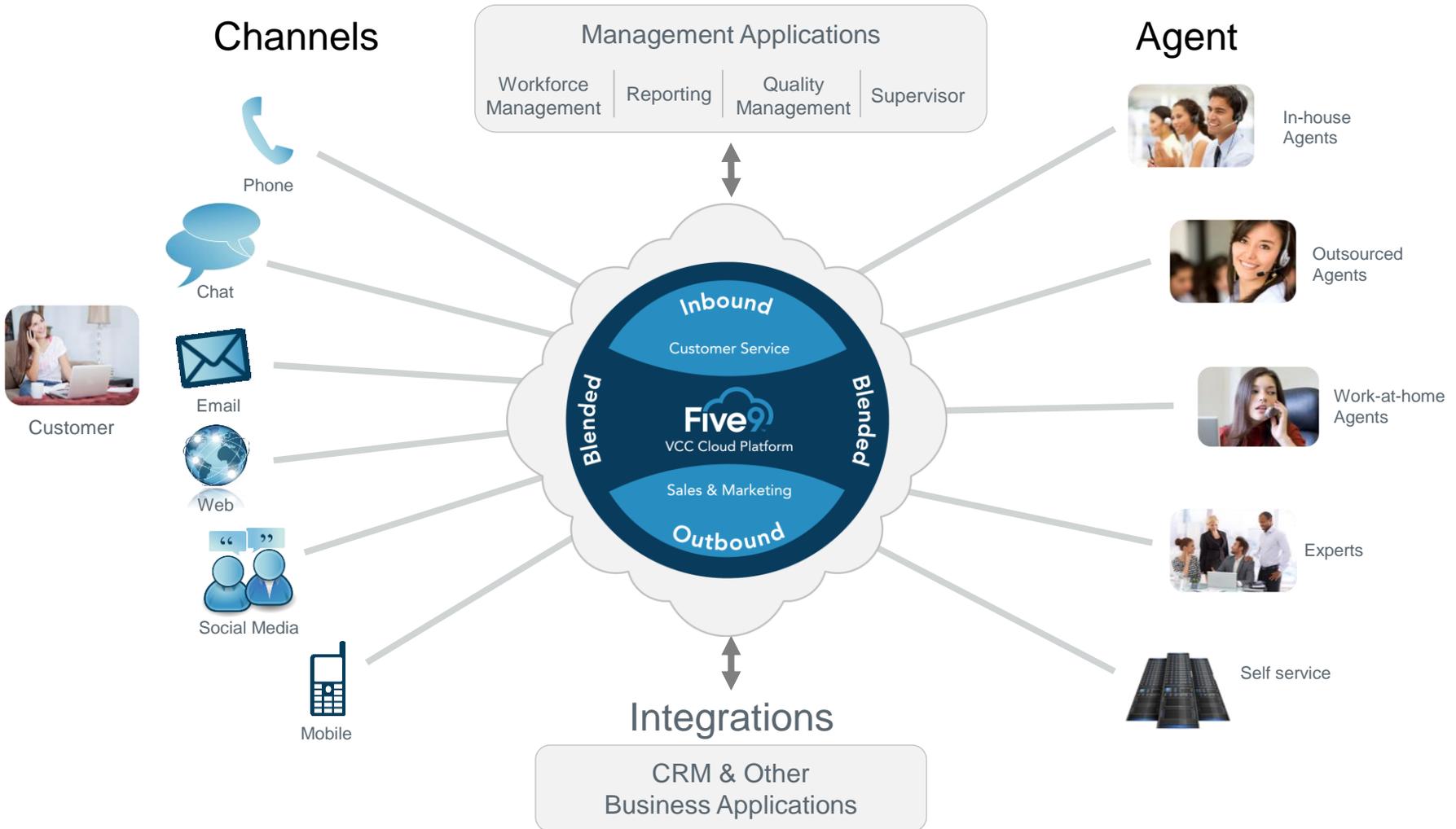
- **High-Touch / On-Site**
- **Detailed Discovery**
- **Design & Testing**
- **Training & Optimization**
- **Premium Support:** Ongoing dedicated TAM

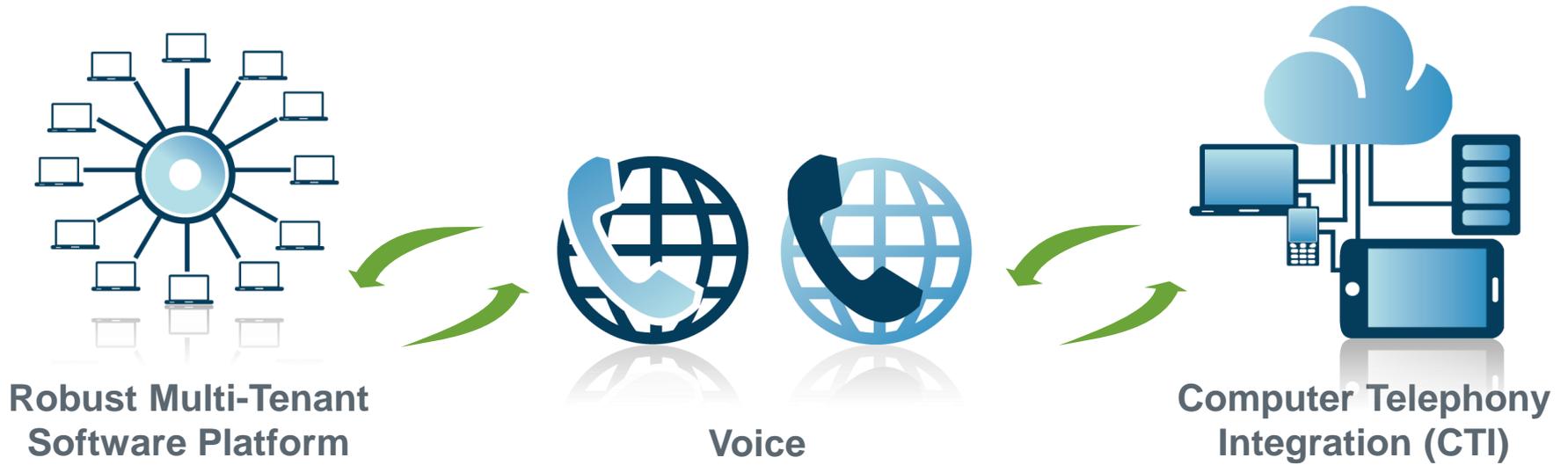
# Multiple Layers of Bookings Growth



# Five9's Comprehensive Solution

*Drives Customer Satisfaction and Agent Productivity*



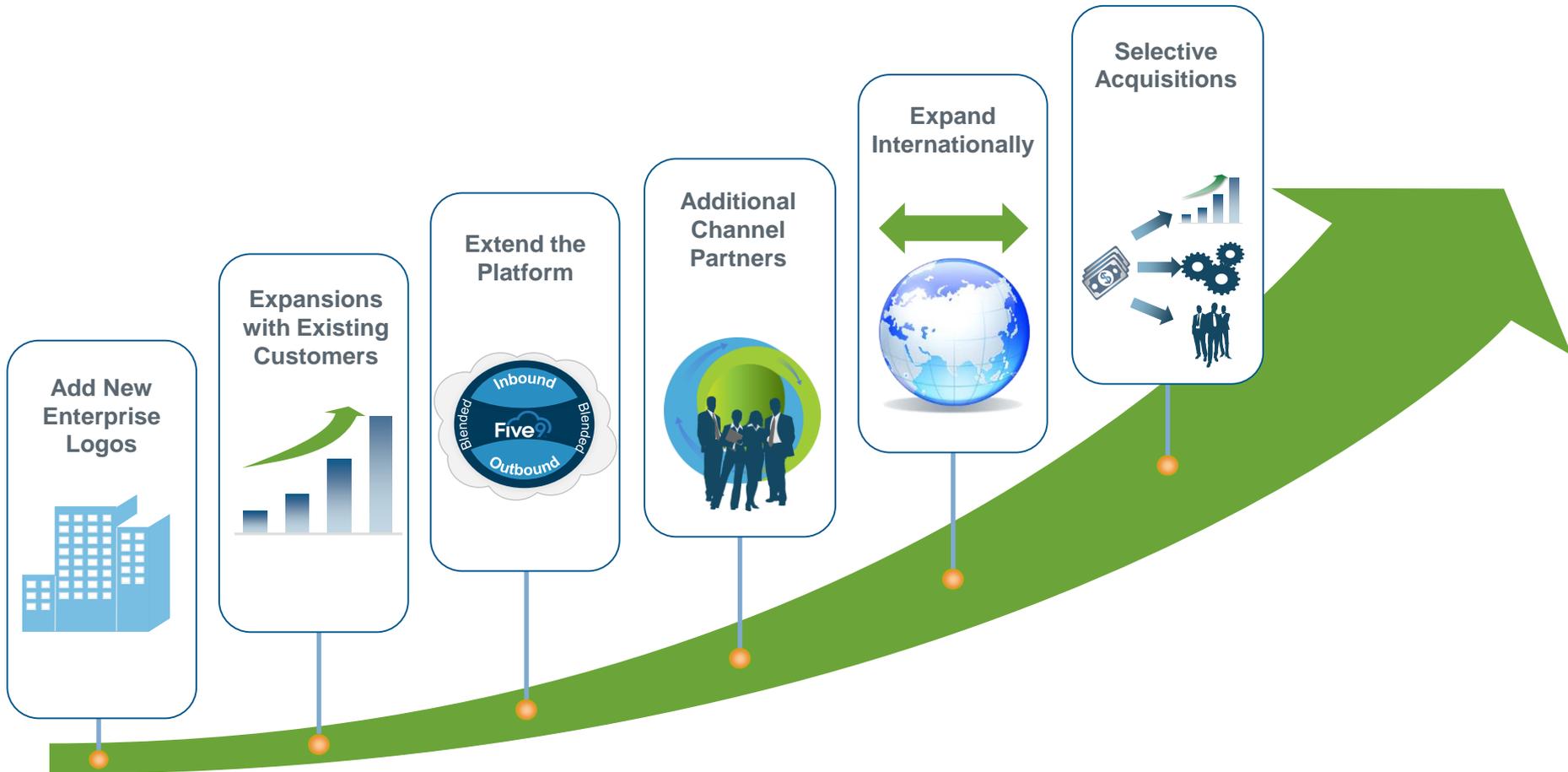


# Vibrant Partner Ecosystem



CRM	Systems Integrator	WFO / UC / Technology	ISV	Master Agents / Resellers

# Multiple Vectors for Long-Term Growth



# Leadership Team



**Mike Burkland**

*Executive Chairman\**



**Gaurav Passi**

*EVP, Products*



**Scott Welch**

*EVP, Cloud  
Operations and  
Platform Engineering*



**Dan Burkland**

*President\**



**Barry Zwarenstein**

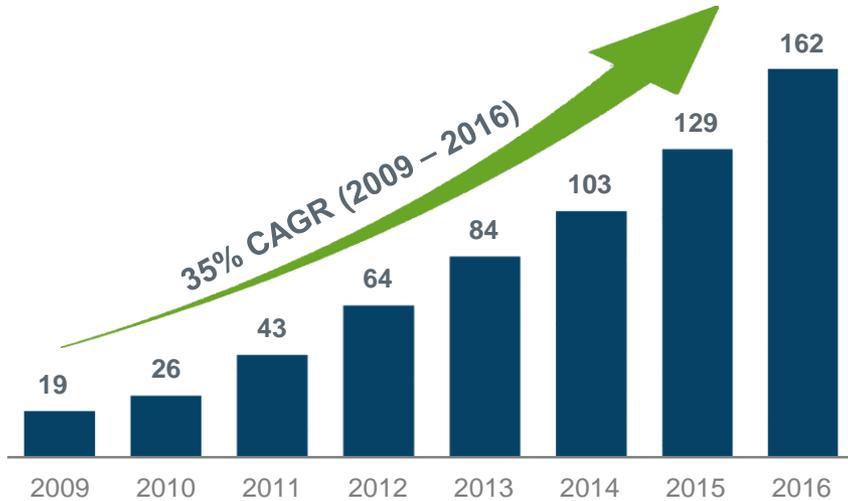
*Interim CEO\* & Chief  
Financial Officer*



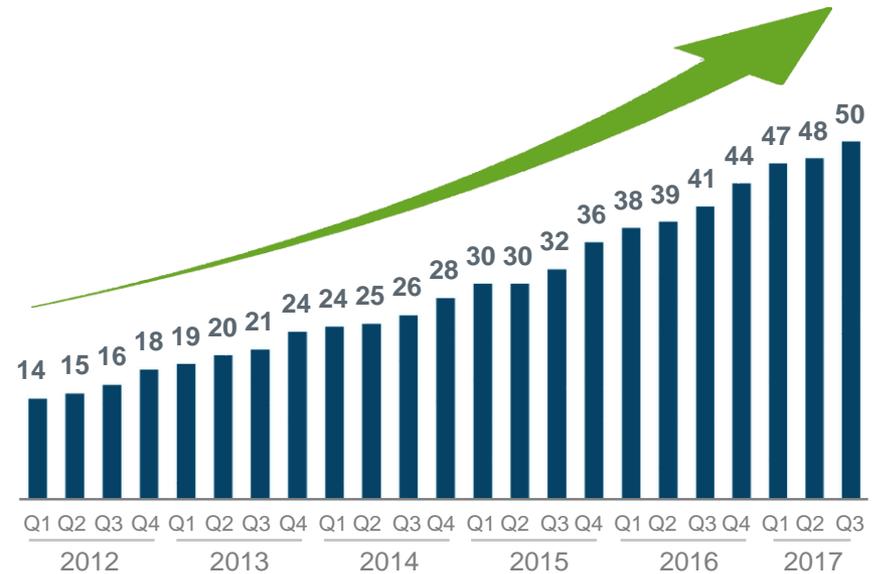
# Strong, Consistent Revenue Growth



## Annual Revenue (\$M)



## Quarterly Revenue (\$M)



**High Retention**



**High Visibility**



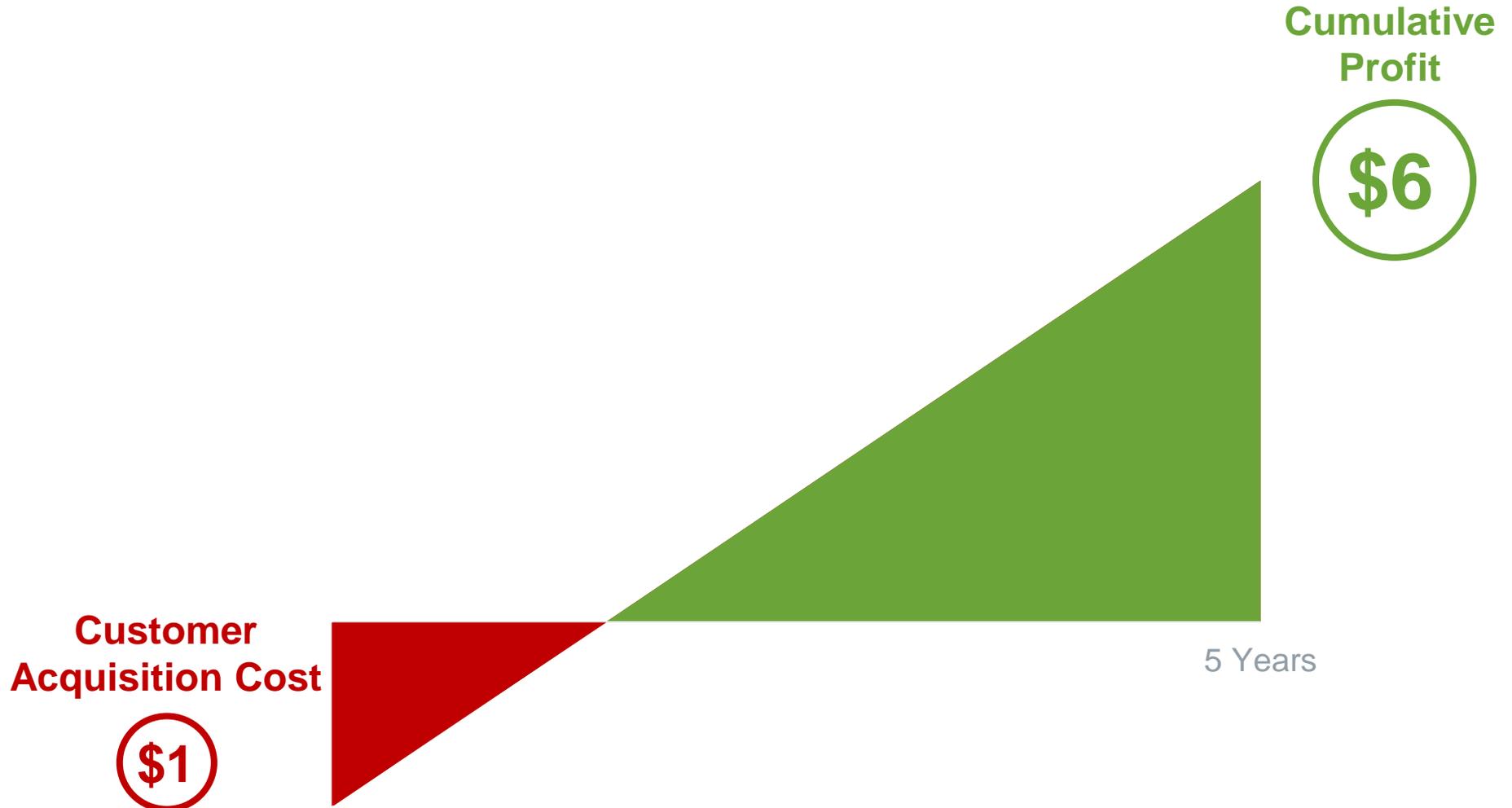
**No Concentration**

Note: Annual DBRR, recurring revenue and client concentration as of Q3 2017

# Enterprise is Highly Profitable



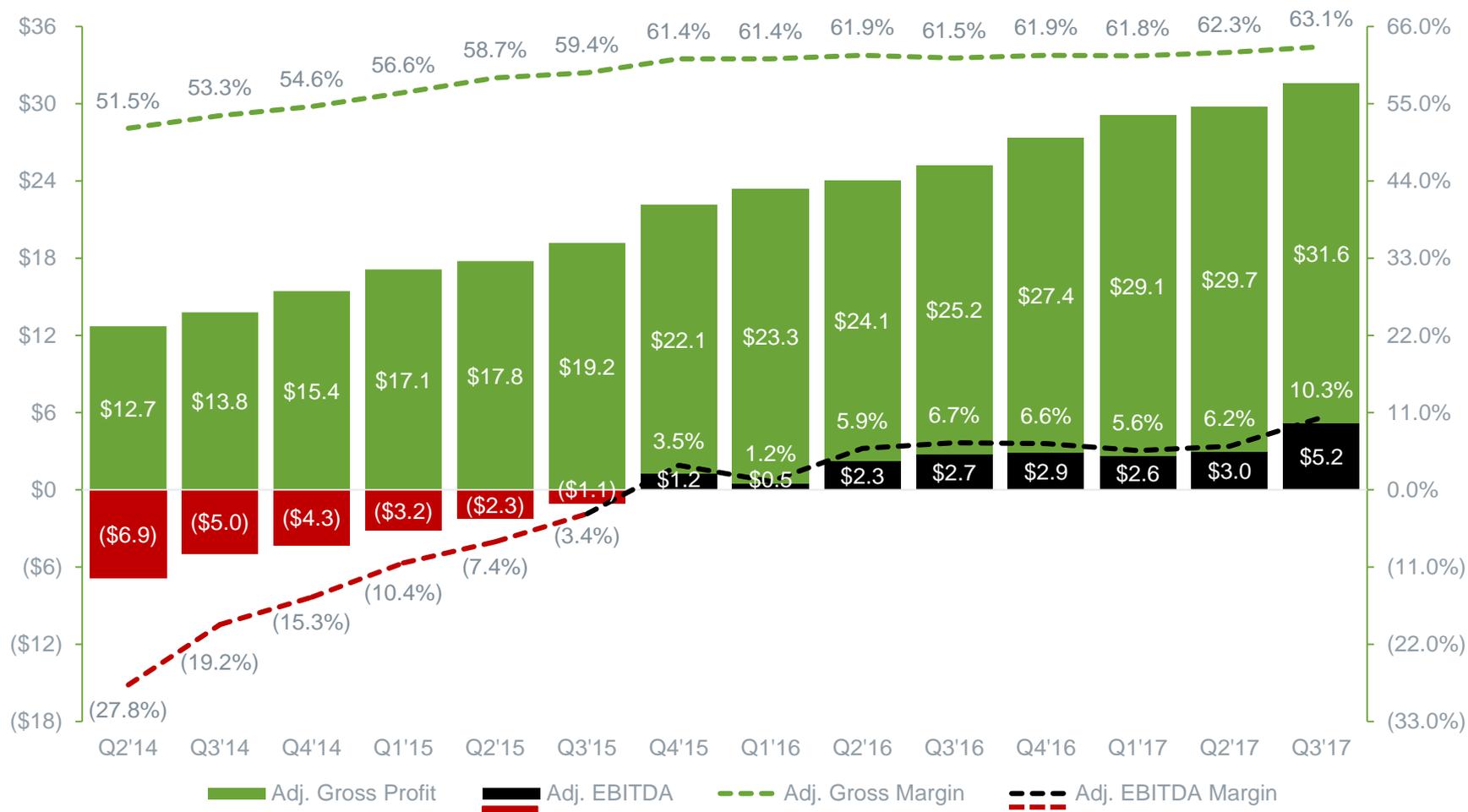
## Strong Unit Economics



# Scaling to Intermediate-Term 20%+ Adjusted EBITDA Target



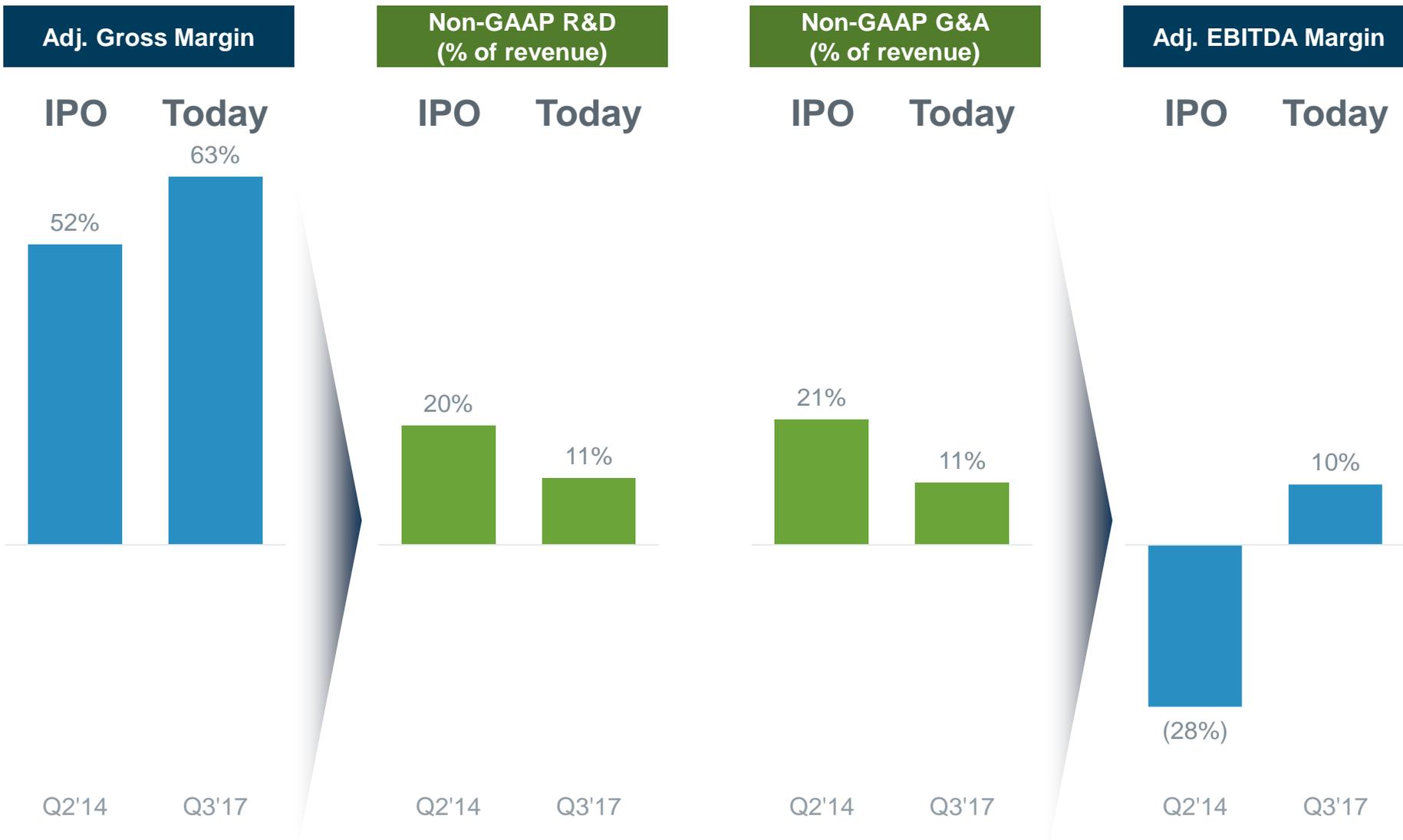
## Adjusted Gross Margin and EBITDA Margin Expansion (\$M)



Note: Non-GAAP excludes depreciation, intangibles amortization, stock-based compensation and unusual transactions.

# Margin Expansion and Operating Leverage

## Non-GAAP



Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions; see appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

# Intermediate and Long-Term Operating Model

## Non-GAAP



% of Revenue	2014	2015	2016	Q3'17	Intermediate-Term Model	Long-Term Model
Adj. Gross Margin	53%	59%	62%	63%	65% – 70%	Subscription / PS margin expansion and increasing subscription mix 70%+
S&M	35%	31%	31%	31%	28% – 32%	Continue to invest in GTM in line with revenue growth 28% – 32%
R&D	19%	16%	13%	11%	9% – 11%	Investment in incremental R&D resources 8% – 10%
G&A	21%	16%	13%	11%	6% – 8%	Economies of scale 5% – 7%
Adj. EBITDA	(22%)	(4%)	5%	10%	20%+	25%+

Note: Non-GAAP metrics exclude depreciation, intangibles amortization, stock-based compensation and unusual transactions; see appendix for reconciliation of non-GAAP measures to most comparable GAAP measure

# Balance Sheet



\$ in Millions	Quarter Ended	
	September 30, 2017	June 30, 2017
Cash and cash equivalents	\$63.4	\$57.1
Working capital	46.1	42.5
Total assets	118.7	111.5
Total capital leases	12.9	12.5
Total debt	33.1	33.3
Total stockholders' equity	\$37.8	\$32.2

# Investment Highlights



Largest 100% Cloud Contact Center Provider

~\$200M Revenue Run Rate (Q3'17)

Disrupting Large Market

\$24B TAM

Strong Revenue Growth

36% Growth in LTM Enterprise Subscription Revenue

Marching to Intermediate-Term  
20%+ Adjusted EBITDA

Powerful Business Model /  
Excellent Unit Economics

Integrated Platform

Software, Telephony, CTI

Vibrant Partner Ecosystem

>55% of Enterprise Deal Flow  
Influenced by Channels

Proven Leadership Team

Ranked #1 on Ability to Execute

# Appendix

# GAAP to Adjusted Gross Margin Reconciliation



% of Revenue	Quarter Ended										
	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
GAAP gross margin	51.2%	52.9%	54.1%	56.6%	56.3%	56.9%	56.6%	64.3%	57.5%	57.5%	59.1%
Depreciation & amortization	4.8%	5.1%	4.6%	4.1%	4.4%	4.2%	4.1%	3.6%	3.4%	3.6%	2.8%
Stock-based compensation	0.6%	0.7%	0.7%	0.6%	0.7%	0.8%	0.9%	1.0%	0.9%	1.2%	1.2%
Reversal of accrued federal fees	—	—	—	—	—	—	—	(7.0%)	—	—	—
Adjusted gross margin	56.6%	58.7%	59.4%	61.4%	61.4%	61.9%	61.5%	61.9%	61.8%	62.3%	63.1%

# GAAP Net Income (Loss) to Adjusted EBITDA Reconciliation

## Q3'17



	<b>Three Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
GAAP net income (loss)	\$ 924	\$ (3,890)
Non-GAAP adjustments:		
Depreciation and amortization	1,881	2,140
Stock-based compensation	3,720	2,519
Extinguishment of debt	—	1,026
Interest expense	865	961
Interest income and other	(118)	(12)
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	—
Provision for (benefit from) income taxes	43	(2)
Adjusted EBITDA	<u>\$ 5,182</u>	<u>\$ 2,742</u>

# GAAP Net Loss to Adjusted EBITDA Reconciliation

## YTD



	<b>Nine Months Ended</b>	
	<u>September 30, 2017</u>	<u>September 30, 2016</u>
GAAP net loss	\$ (8,338)	\$ (12,269)
Non-GAAP adjustments:		
Depreciation and amortization	6,246	6,302
Stock-based compensation	10,703	6,927
Extinguishment of debt	—	1,026
Interest expense	2,635	3,357
Interest income and other	(326)	66
Legal settlement	1,700	—
Legal and indemnification fees related to settlement	135	—
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	—
Provision for income taxes	142	68
Adjusted EBITDA	<u>\$ 10,764</u>	<u>\$ 5,477</u>

# GAAP to Non-GAAP Operating Income (Loss) Reconciliation

## Q3'17



	<b>Three Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Income (loss) from operations	\$ 1,714	\$ (1,917)
Non-GAAP adjustments:		
Stock-based compensation	3,720	2,519
Intangibles amortization	115	129
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	—
Non-GAAP operating income	<u>\$ 3,416</u>	<u>\$ 731</u>

# GAAP to Non-GAAP Operating Income (Loss) Reconciliation

## YTD



	<b>Nine Months Ended</b>	
	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Loss from operations	\$ (5,887)	\$ (7,752)
Non-GAAP adjustments:		
Stock-based compensation	10,703	6,927
Intangibles amortization	349	384
Legal settlement	1,700	—
Legal and indemnification fees related to settlement	135	—
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	—
Non-GAAP operating income (loss)	<u>\$ 4,867</u>	<u>\$ (441)</u>

# GAAP to Non-GAAP Cost of Revenue and Operating Expense Reconciliation



\$ in Thousands	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
GAAP COR	\$14,778	\$14,270	\$14,812	\$15,635	\$16,610	\$16,764	\$17,790	\$15,770	\$19,971	\$20,273	\$20,497
Depreciation & amortization	(1,439)	(1,558)	(1,470)	(1,483)	(1,680)	(1,616)	(1,668)	(1,608)	(1,576)	(1,716)	(1,397)
Stock-based compensation	(188)	(218)	(233)	(227)	(265)	(329)	(357)	(424)	(434)	(575)	(599)
Reversal of accrued federal fees	—	—	—	—	—	—	—	3,114	—	—	—
Non-GAAP COR	\$13,151	\$12,494	\$13,109	\$13,925	\$14,665	\$14,819	\$15,765	\$16,852	\$17,961	\$17,982	\$18,501
GAAP R&D	\$6,038	\$5,568	\$5,473	\$5,580	\$5,802	\$5,799	\$6,041	\$6,236	\$6,847	\$6,836	\$6,689
Depreciation & amortization	(87)	(102)	(126)	(140)	(148)	(161)	(204)	(224)	(206)	(237)	(182)
Stock-based compensation	(574)	(340)	(475)	(401)	(435)	(528)	(547)	(549)	(637)	(801)	(797)
Non-GAAP R&D	\$5,377	\$5,126	\$4,872	\$5,039	\$5,219	\$5,110	\$5,290	\$5,463	\$6,004	\$5,798	\$5,710
GAAP S&M	\$9,931	\$10,594	\$10,797	\$10,720	\$12,706	\$12,637	\$12,925	\$14,480	\$15,778	\$16,932	\$16,502
Depreciation & amortization	(49)	(51)	(52)	(54)	(53)	(54)	(56)	(58)	(30)	(30)	(30)
Stock-based compensation	(524)	(458)	(448)	(370)	(434)	(544)	(626)	(759)	(928)	(1,224)	(1,084)
Non-GAAP S&M	\$9,358	\$10,085	\$10,297	\$10,296	\$12,219	\$12,039	\$12,243	\$13,663	\$14,820	\$15,678	\$15,388
GAAP G&A	\$7,275	\$6,027	\$6,087	\$6,433	\$6,536	\$5,882	\$6,143	\$6,511	\$8,860	\$6,845	\$4,679
Depreciation & amortization	(200)	(199)	(192)	(186)	(222)	(229)	(212)	(196)	(283)	(287)	(272)
Stock-based compensation	(949)	(814)	(789)	(722)	(860)	(1,013)	(989)	(984)	(1,130)	(1,254)	(1,240)
Out of period adjustment for sales tax liability (G&A)	(575)	(190)	—	—	—	—	—	—	—	—	—
Legal settlement	—	—	—	—	—	—	—	—	(1,700)	—	—
Legal and indemnification fees related to settlement	—	—	—	—	—	—	—	—	(135)	—	—
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	—	—	—	—	—	—	—	—	2,133
Non-GAAP G&A	\$5,551	\$4,824	\$5,106	\$5,525	\$5,454	\$4,640	\$4,942	\$5,331	\$5,612	\$5,304	\$5,300

# GAAP to Non-GAAP Net Income (Loss) Reconciliation

Q3'17



	<b>Three Months Ended</b>	
	<b>September 30, 2017</b>	<b>September 30, 2016</b>
GAAP net income (loss)	\$ 924	\$ (3,890)
Non-GAAP adjustments:		
Stock-based compensation	3,720	2,519
Intangibles amortization	115	129
Amortization of debt discount and issuance costs	20	43
Extinguishment of debt	—	1,026
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	—
Non-cash adjustment on investment	(72)	—
Non-GAAP net income (loss)	<u>\$ 2,574</u>	<u>\$ (173)</u>
GAAP net income (loss) per share:		
Basic	<u>\$ 0.02</u>	<u>\$ (0.07)</u>
Diluted	<u>\$ 0.02</u>	<u>\$ (0.07)</u>
Non-GAAP net income (loss) per share:		
Basic	<u>\$ 0.05</u>	<u>\$ —</u>
Diluted	<u>\$ 0.04</u>	<u>\$ —</u>
Shares used in computing GAAP net income (loss) per share:		
Basic	<u>55,310</u>	<u>52,708</u>
Diluted	<u>59,441</u>	<u>52,708</u>
Shares used in computing non-GAAP net income (loss) per share:		
Basic	<u>55,310</u>	<u>52,708</u>
Diluted	<u>59,441</u>	<u>52,708</u>

# GAAP to Non-GAAP Net Income (Loss) Reconciliation

YTD



	Nine Months Ended	
	September 30, 2017	September 30, 2016
GAAP net loss	\$ (8,338)	\$ (12,269)
Non-GAAP adjustments:		
Stock-based compensation	10,703	6,927
Intangibles amortization	349	\$ 384
Amortization of debt discount and issuance costs	60	\$ 221
Extinguishment of debt	—	\$ 1,026
Legal settlement	1,700	\$ —
Legal and indemnification fees related to settlement	135	\$ —
Reversal of interest and penalties on accrued federal fees (G&A)	(2,133)	\$ —
Non-cash adjustment on investment	(233)	—
Non-GAAP net income (loss)	<u>\$ 2,243</u>	<u>\$ (3,711)</u>
GAAP net loss per share:		
Basic	<u>\$ (0.15)</u>	<u>\$ (0.24)</u>
Diluted	<u>\$ (0.15)</u>	<u>\$ (0.24)</u>
Non-GAAP net income (loss) per share:		
Basic	<u>\$ 0.04</u>	<u>\$ (0.07)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ (0.07)</u>
Shares used in computing GAAP net loss per share:		
Basic	<u>54,579</u>	<u>52,078</u>
Diluted	<u>54,579</u>	<u>52,078</u>
Shares used in computing non-GAAP net income (loss) per share:		
Basic	<u>54,579</u>	<u>52,078</u>
Diluted	<u>58,916</u>	<u>52,078</u>

# Summary of Stock-Based Compensation, Depreciation and Intangibles Amortization



	Three Months Ended					
	September 30, 2017			September 30, 2016		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 599	\$ 1,310	\$ 87	\$ 357	\$ 1,580	\$ 88
Research and development	797	182	—	547	204	—
Sales and marketing	1,084	2	28	626	27	29
General and administrative	1,240	272	—	989	200	12
Total	<u>\$ 3,720</u>	<u>\$ 1,766</u>	<u>\$ 115</u>	<u>\$ 2,519</u>	<u>\$ 2,011</u>	<u>\$ 129</u>

	Nine Months Ended					
	September 30, 2017			September 30, 2016		
	Stock-Based Compensation	Depreciation	Intangibles Amortization	Stock-Based Compensation	Depreciation	Intangibles Amortization
Cost of revenue	\$ 1,608	\$ 4,426	\$ 263	\$ 951	\$ 4,700	\$ 264
Research and development	2,235	625	—	1,510	513	—
Sales and marketing	3,236	4	86	1,604	78	85
General and administrative	3,624	842	—	2,862	627	35
Total	<u>\$ 10,703</u>	<u>\$ 5,897</u>	<u>\$ 349</u>	<u>\$ 6,927</u>	<u>\$ 5,918</u>	<u>\$ 384</u>

# GAAP to Non-GAAP Net Income (Loss) Reconciliation

## Guidance



	Three Months Ending		Year Ending	
	December 31, 2017		December 31, 2017	
	Low	High	Low	High
GAAP net loss	\$ (2,150)	\$ (1,150)	\$ (10,488)	\$ (9,488)
Non-GAAP adjustments:				
Stock-based compensation	3,914	3,914	14,617	14,617
Intangibles amortization	116	116	465	465
Amortization of debt discount and issuance costs	20	20	81	81
Legal settlement	—	—	1,700	1,700
Legal and indemnification fees related to settlement	—	—	135	135
Reversal of interest and penalties on accrued federal fees (G&A)	—	—	(2,133)	(2,133)
Non-cash adjustment on investment	—	—	(233)	(233)
Non-GAAP net income	<u>\$ 1,900</u>	<u>\$ 2,900</u>	<u>\$ 4,144</u>	<u>\$ 5,144</u>
GAAP net loss per share, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.19)</u>	<u>\$ (0.17)</u>
Non-GAAP net income per share:				
Basic	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>
Shares used in computing GAAP net loss per share and non-GAAP net income per share:				
Basic	<u>56,000</u>	<u>56,000</u>	<u>55,000</u>	<u>55,000</u>
Diluted	<u>60,300</u>	<u>60,300</u>	<u>59,300</u>	<u>59,300</u>

# Capital Expenditure and Free Cash Flow



\$ in Thousands	Q1'16	Q2'16	Q3'16	Q4'16	12 mo ended 12/31/16	Q1'17	Q2'17	Q3'17
<b>Net cash used in operating activities</b> <i>(Refer to cash flows from operating activities in cash flow statement)</i>	\$52	\$2,205	\$1,747	\$2,834	\$6,838	\$159	\$84	\$7,983
<b>Capital expenditure</b>								
Purchases of property and equipment <i>(Refer to cash flows from investing activities in cash flow statement)</i>	252	316	405	158	1,131	514	664	631
Equipment obtained under capital lease <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	1,307	2,045	2,196	2,660	8,208	2,603	1,409	3,470
Equipment purchased and unpaid at period-end								
Beginning balance	151	137	102	13		163	159	51
Ending balance <i>(Refer to non-cash investing and financing activities in cash flow statement)</i>	137	102	13	163	163	159	51	22
Change in equipment purchased and unpaid during period	(14)	(35)	(90)	150	12	(4)	(108)	(29)
<b>Total capital expenditure</b>	<b>\$1,545</b>	<b>\$2,327</b>	<b>\$2,512</b>	<b>\$2,967</b>	<b>\$9,351</b>	<b>\$3,113</b>	<b>\$1,965</b>	<b>\$4,073</b>
<b>Free cash flow</b> <i>(operating cash flow less capex paid in cash)</i>	<b>(\$200)</b>	<b>\$1,889</b>	<b>\$1,342</b>	<b>\$2,676</b>	<b>\$5,707</b>	<b>(\$355)</b>	<b>(\$580)</b>	<b>\$7,352</b>