



Earnings Conference Call

Q3 Fiscal Year 2019

December 3, 2018

Forward-Looking Statements

This presentation (including the accompanying oral presentation) contains forward-looking statements within the meaning of the federal securities laws, including statements regarding future financial performance, business strategy and objectives, potential market and growth opportunities, technological or market trends, and projected sales and customer retention rates.

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 financial condition, results of operations, business strategy, short-term and long-term business operations, and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, assumptions, and other factors including, but not limited to, those described in our SEC filings. Moreover, we operate in a competitive and rapidly changing environment in which new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results or performance to differ materially from those contained in any forward-looking statements we may make. Although we believe that the expectations reflected in the forward looking statements are reasonable, these and other factors may cause our actual results, performance, or achievements to differ materially and adversely from those anticipated or implied in our forward-looking statements.

All forward-looking statements contained herein are based on information available to us as of the date hereof and we do not assume any obligation to update these statements as a result of new information or future events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures, including non-GAAP gross margin, calculated billings, free cash flow, non-GAAP operating expenses, and non-GAAP loss per share. 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. Our non-GAAP financial measures 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.

Additional risks and uncertainties that could affect our financial results are included in filings we make with the SEC from time to time, including under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." These filings are available on our Investor Relations website at <https://investors.smartsheet.com> and on the SEC website at www.sec.gov.

Business Highlights



Mark Mader
President & CEO

Financial Highlights



Jennifer Ceran
CFO

Financial Highlights

Strong Momentum in Q3

- Q3 Revenue was \$46.9M, up 59% YoY
- Q3 Billings were \$54.9M, up 69% YoY
- Dollar-based Net Retention Rate of 132%
- Domain Average Annualized Contract Value grew 48% YoY

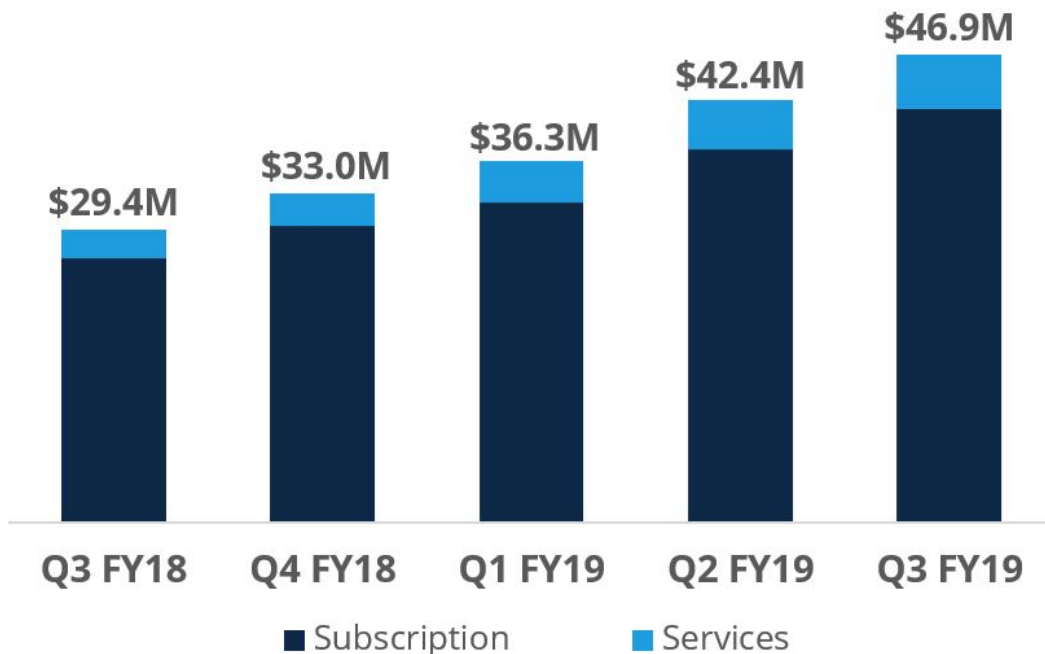
Continuing to Invest in Market Opportunity

- Q3 Non-GAAP Operating Loss was \$10.2M
- Q3 Non-GAAP Net Loss per Share was \$0.09
- Q3 Operating Cash Flow was \$2.4M, Free Cash Flow was negative \$2.0M
- Q3 Cash Balance was \$212M

Q4 and FY19 Guidance

- Improving outlook, while continuing to make investments in the business

Revenue



- Q3 FY19 Subscription revenue was \$41.5M, up 57% YoY
- Q3 FY19 Services revenue was \$5.3M, up 81% YoY, and represented 11% of revenue

QoQ	10%	12%	10%	17%	11%
YoY	65%	68%	63%	59%	59%

Subscription Metrics

	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	YoY Change
Domain Customers⁽¹⁾	72,529	74,116	75,642	76,693	77,893	7%
All customers w/ ACV ≥\$5k	3,275	3,790	4,349	4,956	5,575	70%
All customers w/ ACV ≥\$50k	145	189	239	298	360	148%
Domain Average ACV⁽²⁾	\$1,491	\$1,640	\$1,808	\$2,002	\$2,214	48%
Dollar Retention Rate⁽³⁾	129%	130%	130%	131%	132%	3 Pts

(1) Domain customers are all customers with a unique domain name. This excludes ISP customers of 17K.

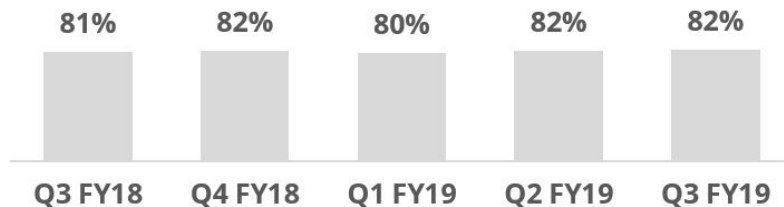
(2) Average annualized contract value (ACV) is the annualized subscription value for domain customers over the number of domain customers.

(3) Dollar retention rate is defined as the net % of ACV retained from all customers, after expansion, reductions and cancellations as of the end of the quarter. This metric is calculated by dividing total customers' ACV as of the end of the fiscal quarter by their ACV 12 months ago. Includes domain customers and ISP customers.

Non-GAAP Gross Margin

Q3 FY19 GAAP Total Gross Margin was 81%

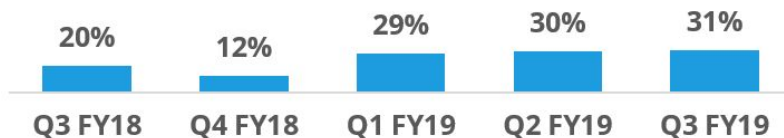
Non-GAAP Total Gross Margin



Non-GAAP Subscription Gross Margin



Non-GAAP Services Gross Margin

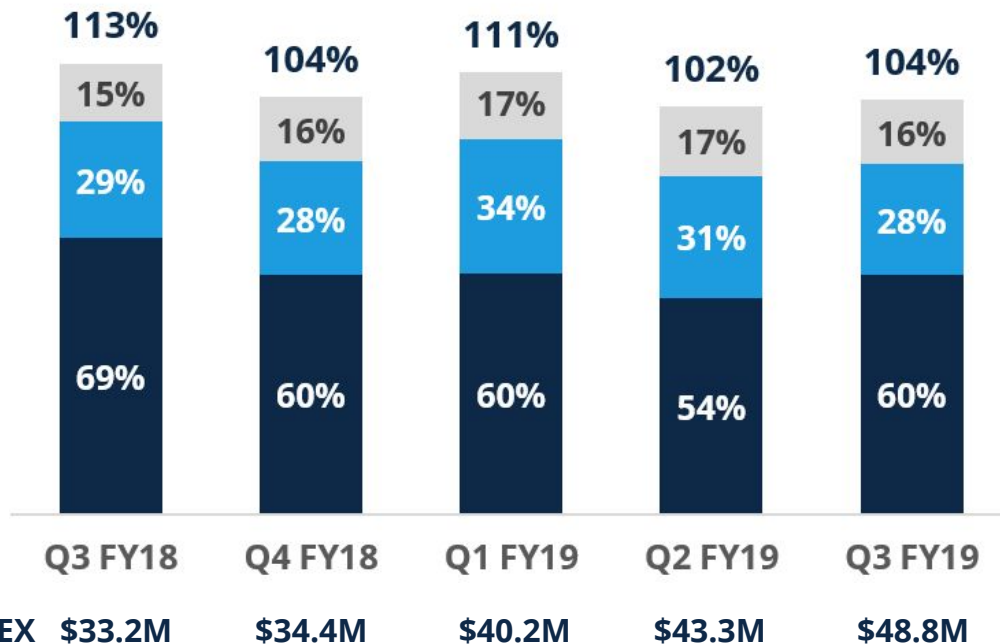


- Q3 FY19 Subscription gross margin was one percentage point higher than prior quarter primarily from scale in hosting and flat credit card fees
- Q3 FY19 Services gross margin driven by high utilization rates for consultants and strong demand for training

Non-GAAP Operating Expenses as a % of Revenue

Q3 FY19 GAAP Total OPEX was \$54.6M, 116% of Revenue

■ S&M ■ R&D ■ G&A



- Q3 FY19 G&A as a % of revenue showing scale
- Q3 FY19 R&D as a % of revenue lower vs. prior quarter due to increase in capitalization of internal use software
- Q3 FY19 S&M as a % of revenue higher vs. prior quarter due to Engage conference and launch of brand marketing campaign

Non-GAAP Operating and Free Cash Flow Margins

Q3 FY19 GAAP Operating Loss was \$16.4M, -35% Op. Margin

Non-GAAP Operating Loss



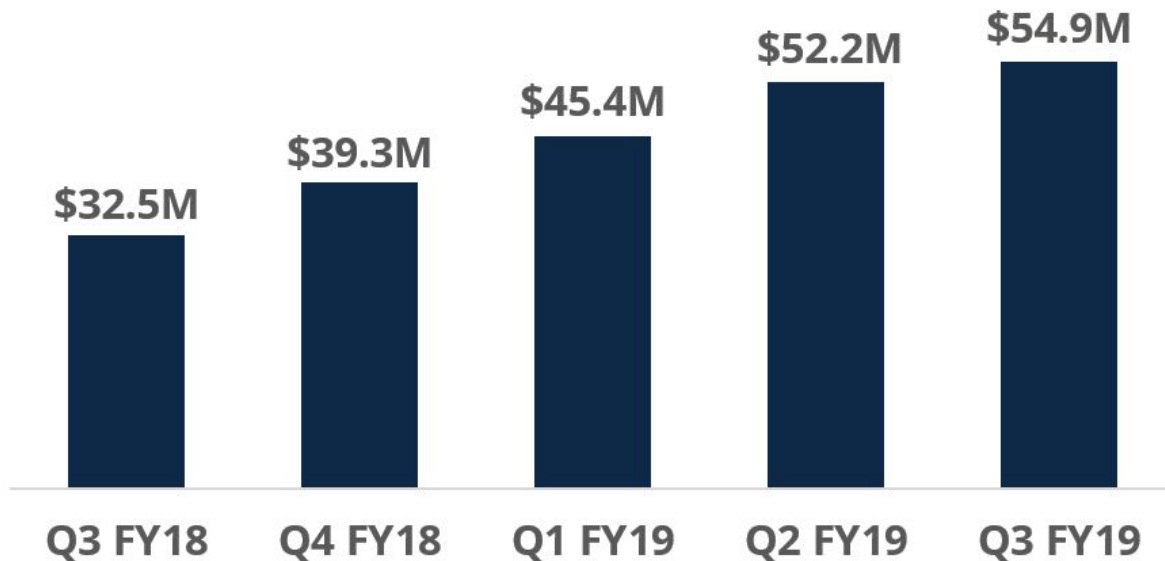
Free Cash Flow ⁽¹⁾



- 65% of Q3 FY19 expenses driven by personnel
- Q3 FY19 CAPEX, capitalized IUS and principal lease payments were \$4.4M, or 9% of revenue

⁽¹⁾ Free cash flow is defined as net cash used in operating activities less cash used for purchases of property and equipment (including internal-use software) and payments on capital lease obligations.

Calculated Billings



- Q3 FY19 Billings strength driven by new products and larger deals
- Q3 FY19 Subscription billings: 88% annual, 11% monthly, 1% other
- Services were 10% of billings

QoQ	-3%	21%	15%	15%	5%
YoY	57%	74%	50%	55%	69%

Calculated billings is total revenue plus the change in total deferred revenue for the quarter.

Q4 and FY19 Guidance

Non-GAAP in \$ millions	FY19			
	Q4		Full Year	
	Low	High	Low	High
Total Revenue	\$49.0	\$50.0	\$174.6	\$175.6
<i>YoY Change</i>	49%	52%	57%	58%
Operating Income/(Loss)	(\$16.0)	(\$14.0)	(\$46.0)	(\$44.0)
<i>Operating Margin</i>	-33%	-28%	-26%	-25%
Earnings per Share	(\$0.15)	(\$0.13)	(\$0.44)	(\$0.42)
Calculated Billings			\$210.0	\$212.0
<i>YoY Change</i>			55%	56%
Free Cash Flow			(\$20.0)	n/a
<i>FCF Margin</i>			-11%	

- Revenue growth reflects the impact of lapping a strong year ago quarter
- Free cash flow guidance maintains flexibility to invest

Q4 non-GAAP weighted average basic and diluted shares estimated to be 103.0M

Full year non-GAAP weighted average basic and diluted shares estimated to be 99.5M

Appendix

Reconciliation from GAAP to Non-GAAP Gross Profit and Gross Margin

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Gross Profit	\$ 38,164	\$ 23,725	\$ 101,389	\$ 62,753
Add:				
Share-based compensation expense	245	30	560	134
Amortization of acquisition-related intangible assets	114	-	342	-
Non-GAAP gross profit	<u>\$ 38,523</u>	<u>\$ 23,755</u>	<u>\$ 102,291</u>	<u>\$ 62,887</u>
Gross margin	81%	81%	81%	80%
Non-GAAP gross margin	82%	81%	81%	80%

Reconciliation from GAAP to Non-GAAP Operating Loss and Operating Margin

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Loss from operations	\$ (16,407)	\$ (10,455)	\$ (42,400)	\$ (40,363)
Add:				
Share-based compensation expense	6,044	1,048	11,984	17,583
Amortization of acquisition-related intangible assets	120	-	360	-
One-time costs of acquisition	-	-	57	-
Non-GAAP operating loss	<u>\$ (10,243)</u>	<u>\$ (9,407)</u>	<u>\$ (29,999)</u>	<u>\$ (22,780)</u>
Operating margin	-35%	-36%	-34%	-52%
Non-GAAP operating margin	-22%	-32%	-24%	-29%

Reconciliation from GAAP to Non-GAAP Net Loss

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Net loss	\$ (15,569)	\$ (10,358)	\$ (42,200)	\$ (40,392)
Add:				
Share-based compensation expense	6,044	1,048	11,984	17,583
Amortization of acquisition-related intangible assets	120	-	360	-
One-time costs of acquisition	-	-	57	-
Remeasurement of convertible preferred stock warrant liability	-	-	1,326	211
Non-GAAP net loss	<u>\$ (9,405)</u>	<u>\$ (9,310)</u>	<u>\$ (28,473)</u>	<u>\$ (22,598)</u>

Reconciliation from GAAP to Non-GAAP Weighted Average Shares Outstanding (Basic and Diluted)

(In Thousands)	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
GAAP weighted-average shares outstanding in computing net loss per share attributable to common shareholders, basic and diluted	102,822	19,101	76,065	17,879
Add: common shares that would have resulted from conversion of convertible preferred stock at the beginning of the period, or when granted (if later), on a weighted average basis	-	68,420	22,325	65,961
Non-GAAP weighted-average shares outstanding used in computing net loss per share attributable to common shareholders, basic and diluted	102,822	87,521	98,390	83,840

Anti-Dilutive Shares at Period End

<i>(In Thousands)</i>	October 31,	
	2018	2017
Convertible preferred shares (as converted)	-	68,420
Convertible preferred stock warrant	-	137
Shares subject to outstanding common stock awards	14,943	13,644
Shares issuable pursuant to the ESPP	59	-
Total potentially dilutive shares	<u>15,002</u>	<u>82,201</u>

Reconciliation from Net Operating Cash Flow to Free Cash Flow

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Net cash provided by (used in) operating activities	\$ 2,423	\$ (2,367)	\$ (6,850)	\$ (6,966)
Less:				
Purchases of property and equipment	(2,158)	(981)	(4,372)	(4,080)
Capitalized internal-use software	(1,307)	(1,204)	(2,156)	(2,681)
Payment on capital lease obligations	(936)	(601)	(2,520)	(1,577)
Free cash flow	<u>\$ (1,978)</u>	<u>\$ (5,153)</u>	<u>\$ (15,898)</u>	<u>\$ (15,304)</u>

Reconciliation from Revenue to Calculated Billings

<i>(In Thousands)</i>	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
Total revenue	\$ 46,868	\$ 29,388	\$ 125,571	\$ 78,290
Add: Deferred revenue (end of period)	84,151	50,895	84,151	50,895
Less: Deferred revenue (beginning of period)	76,157	47,762	57,281	32,712
Calculated Billings	<u>\$ 54,862</u>	<u>\$ 32,521</u>	<u>\$ 152,441</u>	<u>\$ 96,473</u>

Reconciliation from GAAP to Non-GAAP Operating Loss Guidance

<i>(In Millions)</i>	Q4		Full Year	
	Low	High	Low	High
Loss from operations	\$ (21.1)	\$ (19.1)	\$ (63.6)	\$ (61.6)
Add:				
Share-based compensation expense	5.0	5.0	17.0	17.0
Amortization of acquisition-related intangible assets	0.1	0.1	0.5	0.5
One-time costs of acquisition	-	-	0.1	0.1
Non-GAAP operating loss	<u>\$ (16.0)</u>	<u>\$ (14.0)</u>	<u>\$ (46.0)</u>	<u>\$ (44.0)</u>

Reconciliation from GAAP to Non-GAAP Net Loss Guidance

(In Millions)	Q4		Full Year	
	Low	High	Low	High
Net loss	\$ (20.6)	\$ (18.6)	\$ (62.9)	\$ (60.9)
Add:				
Share-based compensation expense	5.0	5.0	17.0	17.0
Amortization of acquisition-related intangible assets	0.1	0.1	0.5	0.5
One-time costs of acquisition	-	-	0.1	0.1
Remeasurement of convertible preferred stock warrant liability	-	-	1.3	1.3
Non-GAAP net loss	<u>\$ (15.5)</u>	<u>\$ (13.5)</u>	<u>\$ (44.0)</u>	<u>\$ (42.0)</u>

Q4 non-GAAP weighted average basic shares estimated to be 103.0M

Full year non-GAAP weighted average basic shares estimated to be 99.5M

Reconciliation from GAAP to Non-GAAP Weighted Average Shares Outstanding Guidance

<i>(In Millions)</i>	Q4	Full Year
GAAP weighted-average shares outstanding used in computing net loss per share attributable to common shareholders, basic and diluted	103.0	82.8
Add: common shares that would have resulted from conversion of convertible preferred stock at the beginning of the period, or when granted (if later), on a weighted average basis	-	16.7
Non-GAAP weighted-average shares outstanding used in computing net loss per share attributable to common shareholders, basic and diluted	103.0	99.5

