

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K  
CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 2, 2023

**FASTLY, INC.**

(Exact name of Registrant as Specified in Its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

001-38897  
(Commission File Number)

27-5411834  
(I.R.S. Employer  
Identification Number)

475 Brannan Street, Suite 300  
San Francisco, CA 94107  
(Address of principal executive offices) (Zip code)

(844) 432-7859  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                       | Trading<br>Symbol(s) | Name of each exchange<br>on which registered |
|---|----------------------|--|
| Class A Common Stock, \$0.00002 par value | "FSLY"               | New York Stock Exchange                      |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02 Results of Operations and Financial Condition.**

On August 2, 2023, Fastly, Inc. (the "Company") announced its financial results for the quarter ended June 30, 2023 by issuing a press release. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Attached hereto as Exhibit 99.2 and incorporated by reference herein is the Company's investor supplement, regarding results of the quarter ended June 30, 2023 (the "Investor Supplement"). The Investor Supplement will be posted to <http://investors.fastly.com> immediately after the filing of this Form 8-K.

The information furnished on this Form 8-K, including the exhibits attached, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

---

**Item 9.01**            **Financial Statements and Exhibits.**

(d) Exhibits

| <b>Exhibit<br/>No.</b> | <b>Exhibit Description</b>  |
|------------------------|---|
| 99.1                   | <a href="#">Press Release dated August 2, 2023</a>                  |
| 99.2                   | <a href="#">Investor Supplement for Second Quarter 2023 Results</a> |

---

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**FASTLY, INC.**

Dated: August 2, 2023

By:

/s/ Ronald W. Kisling

Ronald W. Kisling

Chief Financial Officer

## Fastly Announces Second Quarter 2023 Financial Results

- Record second quarter revenue of \$122.8 million grew 20% year-over-year and exceeded the high end of our guidance range.
- Expanded market reach with new packaging and pricing for our core services, making it easy for companies of all sizes to try, buy, and use the powerful Fastly platform.
- Repurchased \$236.4 million in aggregate principal amount of convertible debt for \$195.7 million, reflecting a 17% discount to par, and resulted in a \$36.8 million net gain.

**SAN FRANCISCO, August 2, 2023** — Fastly, Inc. (NYSE: FSLY), one of the world's fastest edge cloud platforms, today announced financial results for its second quarter ended June 30, 2023.

"I am pleased with the enormous progress the team has made and we're proud of the revenue and operating performance of the second quarter, exceeding the top end of our guidance," said Todd Nightingale, CEO of Fastly.

"We continue to execute on our strategic initiatives to simplify our go-to-market, increase our innovation velocity, and drive a new operational rigor and cost control throughout our business," continued Nightingale. "All of this progress helps us drive our mission to make every user experience fast, safe, and engaging...fueling growth and delivering a strong financial result."

|  | Three months ended<br>June 30, |             | Six months ended<br>June 30, |              |
|--|--------------------------------|-------------|------------------------------|--------------|
|  | 2023                           | 2022        | 2023                         | 2022         |
| <b>Revenue</b>                                       | \$ 122,831                     | \$ 102,518  | \$ 240,395                   | \$ 204,900   |
| <b>Gross margin</b>                                  |                                |             |                              |              |
| GAAP gross margin                                    | 52.3 %                         | 44.9 %      | 51.8 %                       | 46.1 %       |
| Non-GAAP gross margin                                | 56.6 %                         | 50.4 %      | 56.1 %                       | 51.5 %       |
| <b>Operating loss</b>                                |                                |             |                              |              |
| GAAP operating loss                                  | \$ (49,827)                    | \$ (68,968) | \$ (97,102)                  | \$ (131,972) |
| Non-GAAP operating loss                              | \$ (7,785)                     | \$ (26,893) | \$ (21,859)                  | \$ (44,633)  |
| <b>Net loss per share</b>                            |                                |             |                              |              |
| GAAP net loss per common share—basic and diluted     | \$ (0.08)                      | \$ (0.14)   | \$ (0.44)                    | \$ (0.67)    |
| Non-GAAP net loss per common share—basic and diluted | \$ (0.04)                      | \$ (0.23)   | \$ (0.12)                    | \$ (0.38)    |

### Second Quarter 2023 Financial Summary

- Total revenue of \$122.8 million, representing 20% year-over-year growth and 4% sequential increase.
- GAAP gross margin of 52.3%, compared to 44.9% in the second quarter of 2022. Non-GAAP gross margin of 56.6%, compared to 50.4% in the second quarter of 2022.
- GAAP net loss of \$10.7 million, compared to \$16.4 million in the second quarter of 2022. Non-GAAP net loss of \$4.6 million, compared to \$28.0 million in the second quarter of 2022.
- GAAP net loss per basic and diluted shares of \$0.08 compared to \$0.14 in the second quarter of 2022. Non-GAAP net loss per basic and diluted shares of \$0.04, compared to \$0.23 in the second quarter of 2022.

### Key Metrics

- Trailing 12 month net retention rate (LTM NRR)<sup>1</sup> remained flat at 116% in the second quarter compared to the first quarter.
- Dollar-Based Net Expansion Rate (DBNER)<sup>2</sup> increased to 123% in the second quarter from 121% in the first quarter.
- Total customer count was 3,072 in the second quarter, down 28 from the first quarter; 551 were enterprise customers<sup>3</sup> in the second quarter, up 11 from the first quarter.
- Average enterprise customer spend<sup>4</sup> of \$818 thousand in the second quarter, up 3% quarter-over-quarter.

For a reconciliation of non-GAAP financial measures to their corresponding GAAP measures, please refer to the reconciliation table at the end of this press release.

## Second Quarter Business and Product Highlights

- Expanded market reach with new packaging and pricing for our core services, including flat-rate pricing and tiered packages, making it easy for companies of all sizes to try, buy, and use the powerful Fastly platform.
- Repurchased \$236.4 million in aggregate principal amount of convertible debt for \$195.7 million, reflecting a 17% discount to par, and resulted in a \$36.8 million net gain.
- Peter Alexander joined Fastly as Chief Marketing Officer, bringing his experience from Check Point as CMO in addition to CMO of Harmonic and marketing roles at Cisco.
- Marshal Erwin joined Fastly as Chief Information Security Officer, bringing his experience from Mozilla as Chief Security Officer in addition to roles in the US intelligence community.
- Karen Greenstein was promoted to General Counsel, joining Fastly in 2019 and serving as interim GC in addition to legal roles in digital media and entertainment.
- Support for Mutual TLS two-way authentication released, providing a higher security posture requiring both the client and server to present trusted digital certificates, saving time and resources for our customers.
- Released Dynamic Backends, enabling customers to create new backend server definitions seamlessly.
- Introduced Core Cache API, a powerful set of API Primitives, enabling developers building on our Edge Compute platform to have access to our powerful, globally distributed cache network.
- Premier Edge Deployment of our Next-Gen WAF released, bringing Advanced Rate Limiting and the Site Flagged IP signal for the Next-Gen WAF to the edge.
- Limited availability of Certainly released, providing domain validated TLS certificates that are fully automated in our Fastly managed TLS services and enabling trusted identification of websites, improving security and reliability.

## Third Quarter and Full Year 2023 Guidance

|   | Q3 2023             | Full Year 2023      |
|---|---------------------|---------------------|
| Total Revenue (millions)                      | \$125 - \$128       | \$500 - \$510       |
| Non-GAAP Operating Loss (millions)            | (\$15.0) - (\$13.0) | (\$49.0) - (\$43.0) |
| Non-GAAP Net Loss per share <sup>(5)(6)</sup> | (\$0.09) - (\$0.07) | (\$0.27) - (\$0.21) |

A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty of expenses that may be incurred in the future and cannot be reasonably determined or predicted at this time, although it is important to note that these factors could be material to Fastly's future GAAP financial results.

## Conference Call Information

Fastly will host an investor conference call to discuss its results at 1:30 p.m. PT / 4:30 p.m. ET on Wednesday, August 2, 2023.

Date: Wednesday, August 2, 2023

Time: 1:30 p.m. PT / 4:30 p.m. ET

Webcast: <https://investors.fastly.com>

Dial-in: 888-330-2022 (US/CA) or 646-960-0690 (Intl.)

Conf. ID#: 7543239

Please dial in at least 10 minutes prior to the 1:30 p.m. PT start time. A live webcast of the call will be available at <https://investors.fastly.com> where listeners may log on to the event by selecting the webcast link under the "Quarterly Results" section.

A telephone replay of the conference call will be available at approximately 5:00 p.m. PT, August 2 through August 16, 2023 by dialing 800-770-2030 or 647-362-9199 and entering the passcode 7543239.

## About Fastly

Fastly's powerful and programmable edge cloud platform helps the world's top brands deliver the fastest online experiences possible, while improving site performance, enhancing security, and empowering innovation at global scale. With world-class support that achieves 95%+ average annual customer satisfaction ratings, Fastly's beloved suite of edge compute, delivery, and security offerings has been recognized as a leader by industry analysts such as IDC, Forrester and Gartner. Compared to legacy providers, Fastly's powerful and modern network architecture is one of the fastest on the planet, empowering developers to deliver secure websites and apps at global scale with rapid time-to-market and industry-leading cost savings. Thousands of the world's most prominent organizations trust Fastly to help them upgrade the internet experience, including Reddit, Pinterest, Stripe, Neiman Marcus, The New York Times, Epic Games, and GitHub. Learn more about Fastly at <https://www.fastly.com/>, and follow us @fastly.

## Forward-Looking Statements

This press release contains "forward-looking" statements that are based on our beliefs and assumptions and on information currently available to us on the date of this press release. Forward-looking statements may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements include, but are not limited to, statements regarding our future financial and operating performance, including our outlook and guidance, our operation and cost management, our ability to innovate, our go-to-market efforts and our ability to deliver on our long-term strategy. Except as required by law, we assume no obligation to update these forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future. Important factors that could cause our actual results to differ materially are detailed from time to time in the reports Fastly files with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2023. Copies of reports filed with the SEC are posted on Fastly's website and are available from Fastly without charge.

## Use of Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), the Company uses the following non-GAAP measures of financial performance: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP basic and diluted net loss per common share, non-GAAP research and development, non-GAAP sales and marketing, non-GAAP general and administrative, free cash flow and adjusted EBITDA. The presentation of this additional financial information is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. These non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In addition, these non-GAAP financial measures may be different from the non-GAAP financial measures used by other companies. These non-GAAP measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. Management compensates for these limitations by reconciling these non-GAAP financial measures to the most comparable GAAP financial measures within our earnings releases.

Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss and non-GAAP basic and diluted net loss per common share, non-GAAP research and development, non-GAAP sales and marketing, and non-GAAP general and administrative differ from GAAP in that they exclude stock-based compensation expense, amortization of acquired intangible assets, acquisition-related expenses, executive transition costs, net gain on extinguishment of debt and amortization of debt discount and issuance costs.

**Adjusted EBITDA:** excludes stock-based compensation expense, depreciation and other amortization expenses, amortization of acquired intangible assets, acquisition-related expenses, executive transition costs, interest income, interest expense, including amortization of debt discount and issuance costs, net gain on extinguishment of debt, other income (expense), net, and income taxes.

**Acquisition-related Expenses:** consists of acquisition-related charges that are not related to ongoing operations. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because these charges may not be reflective of our core business, ongoing operating results, or future outlook.

**Amortization of Acquired Intangible Assets:** consists of non-cash charges that can be affected by the timing and magnitude of asset purchases and acquisitions. Management considers its operating results without this activity when evaluating its ongoing non-GAAP performance and its adjusted EBITDA performance because these charges are non-cash expenses that can be affected by the timing and magnitude of asset purchases and acquisitions and may not be reflective of our core business, ongoing operating results, or future outlook.

**Amortization of Debt Discount and Issuance Costs:** consists primarily of amortization expense related to our debt obligations. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook. These are included in our total interest expense.

**Capital Expenditures:** consists of cash used for purchases of property and equipment, net of proceeds from sale of property and equipment, capitalized internal-use software and payments on finance lease obligations, as reflected in our statement of cash flows.

**Depreciation and Other Amortization Expense:** consists of non-cash charges that can be affected by the timing and magnitude of asset purchases. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because these charges are non-cash expenses that can be affected by the timing and magnitude of asset purchases and may not be reflective of our core business, ongoing operating results, or future outlook.

**Executive Transition costs:** consists of one-time cash and non-cash charges recognized with respect to changes in our executive's employment status. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Free Cash Flow:** calculated as net cash used in operating activities less purchases of property and equipment, net of proceeds from sale of property and equipment, principal payments of finance lease liabilities, capitalized internal-use software costs and advance payments made related to capital expenditures. Management specifically identifies adjusting items in the reconciliation of GAAP to non-GAAP financial measures. Management considers non-GAAP free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can possibly be used for investing in Fastly's business and strengthening its balance sheet, but it is not intended to represent the residual cash flow available for discretionary expenditures. The presentation of non-GAAP free cash flow is also not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

**Income Taxes:** consists primarily of expenses recognized related to state and foreign income taxes. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Interest Expense:** consists primarily of interest expense related to our debt instruments, including amortization of debt discount and issuance costs. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Interest Income:** consists primarily of interest income related to our marketable securities. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Net Gain on Debt Extinguishment:** relates to net gain on the partial repurchase of our outstanding convertible debt. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Other Income (Expense), Net:** consists primarily of foreign currency transaction gains and losses. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Stock-based Compensation Expense:** consists of expenses for stock options, restricted stock units, performance awards, restricted stock awards and Employee Stock Purchase Plan ("ESPP") under our equity incentive plans. Although stock-based

compensation is an expense for the Company and is viewed as a form of compensation, management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance, primarily because it is a non-cash expense not believed by management to be reflective of our core business, ongoing operating results, or future outlook. In addition, the value of some stock-based instruments is determined using formulas that incorporate variables, such as market volatility, that are beyond our control.

Management believes these non-GAAP financial measures and adjusted EBITDA serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods and to those of peer companies, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors' overall understanding of our current financial performance.

In the financial tables below, the Company provides a reconciliation of the most comparable GAAP financial measure to the historical non-GAAP financial measures used in this press release.

## Key Metrics

<sup>1</sup> We calculate LTM Net Retention Rate by dividing the total customer revenue for the prior twelve-month period ("prior 12-month period") ending at the beginning of the last twelve-month period ("LTM period") minus revenue contraction due to billing decreases or customer churn, plus revenue expansion due to billing increases during the LTM period from the same customers by the total prior 12-month period revenue. We believe the LTM Net Retention Rate is supplemental as it removes some of the volatility that is inherent in a usage-based business model.

<sup>2</sup> We calculate Dollar-Based Net Expansion Rate by dividing the revenue for a given period from customers who remained customers as of the last day of the given period (the "current" period) by the revenue from the same customers for the same period measured one year prior (the "base" period). The revenue included in the current period excludes revenue from (i) customers that churned after the end of the base period and (ii) new customers that entered into a customer agreement after the end of the base period.

<sup>3</sup> Under our new methodology, our number of customers are calculated based on the number of separate identifiable operating entities with which we have a billing relationship in good standing, from which we recognized revenue during the current quarter. Under our prior methodology, our number of customers are calculated based on the number of separate identifiable operating entities with which we have a billing relationship in good standing, from which we recognized revenue during the last month of the quarter. Under our new methodology, our enterprise customers are defined as those with annualized current quarter revenue in excess of \$100,000. This is calculated by taking the revenue for each customer within the quarter and multiplying it by four. Under our prior methodology, our enterprise customers are defined as those with revenue in excess of \$100,000 in the trailing 12-month period. Under our prior methodology, our total customer count was 2,965 in the second quarter, down 36 from the first quarter of 2023; 520 were enterprise customers in the second quarter, up 6 from the first quarter of 2023.

<sup>4</sup> Under our new methodology, our average enterprise customer spend is calculated by taking the annualized current quarter revenue contributed by enterprise customers existing as of the current period, and dividing that by the number of enterprise customers as of the current period. Under our prior methodology, our average enterprise customer spend is calculated by taking the sum of the trailing 12-month revenue contributed by enterprise customers existing as of the current period, and dividing that by the number of enterprise customers as of the current period. Under our prior methodology, our average enterprise customer spend was \$809 thousand in the second quarter, up 4% quarter-over-quarter.

<sup>5</sup> Non-GAAP Net Loss per share is calculated as Non-GAAP Net Loss divided by weighted average basic shares for 2023.

<sup>6</sup> Assumes weighted average basic shares outstanding of 129.9 million in Q3 2023 and 128.6 million for the full year 2023.

**Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts, unaudited)

|   | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|---|--------------------------------|--------------------|------------------------------|--------------------|
|   | 2023                           | 2022               | 2023                         | 2022               |
| Revenue   | \$ 122,831                     | \$ 102,518         | \$ 240,395                   | \$ 204,900         |
| Cost of revenue <sup>(1)</sup>  | 58,617                         | 56,466             | 115,927                      | 110,381            |
| <b>Gross profit</b>   | <b>64,214</b>                  | <b>46,052</b>      | <b>124,468</b>               | <b>94,519</b>      |
| <b>Operating expenses:</b>  |                                |                    |                              |                    |
| Research and development <sup>(1)</sup>   | 37,421                         | 38,717             | 74,852                       | 79,154             |
| Sales and marketing <sup>(1)</sup>  | 47,797                         | 46,760             | 92,068                       | 88,240             |
| General and administrative <sup>(1)</sup>   | 28,823                         | 29,543             | 54,650                       | 59,097             |
| <b>Total operating expenses</b>   | <b>114,041</b>                 | <b>115,020</b>     | <b>221,570</b>               | <b>226,491</b>     |
| <b>Loss from operations</b>   | <b>(49,827)</b>                | <b>(68,968)</b>    | <b>(97,102)</b>              | <b>(131,972)</b>   |
| Net gain on extinguishment of debt  | 36,760                         | 54,391             | 36,760                       | 54,391             |
| Interest income   | 4,508                          | 1,502              | 8,694                        | 2,183              |
| Interest expense  | (1,232)                        | (1,530)            | (2,445)                      | (3,152)            |
| Other income (expense)  | (803)                          | (1,673)            | (1,053)                      | (1,952)            |
| <b>Loss before income taxes</b>   | <b>(10,594)</b>                | <b>(16,278)</b>    | <b>(55,146)</b>              | <b>(80,502)</b>    |
| Income tax expense  | 110                            | 159                | 245                          | 199                |
| <b>Net loss</b>   | <b>\$ (10,704)</b>             | <b>\$ (16,437)</b> | <b>\$ (55,391)</b>           | <b>\$ (80,701)</b> |
| <b>Net income (loss) per share attributable to common stockholders, basic and diluted</b>   | <b>\$ (0.08)</b>               | <b>\$ (0.14)</b>   | <b>\$ (0.44)</b>             | <b>\$ (0.67)</b>   |
| <b>Weighted-average shares used in computing net income (loss) per share attributable to common stockholders, basic and diluted</b> | <b>127,863</b>                 | <b>121,242</b>     | <b>126,648</b>               | <b>120,295</b>     |

(1) Includes stock-based compensation expense as follows:

|                            | Three months ended<br>June 30, |                  | Six months ended<br>June 30, |                  |
|----------------------------|--------------------------------|------------------|------------------------------|------------------|
|                            | 2023                           | 2022             | 2023                         | 2022             |
| Cost of revenue            | \$ 2,837                       | \$ 3,188         | \$ 5,518                     | \$ 6,134         |
| Research and development   | 12,205                         | 13,889           | 23,686                       | 32,478           |
| Sales and marketing        | 9,877                          | 10,184           | 16,582                       | 20,278           |
| General and administrative | 12,073                         | 7,717            | 19,357                       | 16,110           |
| <b>Total</b>               | <b>\$ 36,992</b>               | <b>\$ 34,978</b> | <b>\$ 65,143</b>             | <b>\$ 75,000</b> |

Reconciliation of GAAP to Non-GAAP Financial Measures  
(in thousands, unaudited)

|   | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|---|--------------------------------|--------------------|------------------------------|--------------------|
|   | 2023                           | 2022               | 2023                         | 2022               |
| <b>Gross Profit</b>   |                                |                    |                              |                    |
| GAAP gross profit   | \$ 64,214                      | \$ 46,052          | \$ 124,468                   | \$ 94,519          |
| Stock-based compensation                                    | 2,837                          | 3,188              | 5,518                        | 6,134              |
| Amortization of acquired intangible assets                  | 2,475                          | 2,475              | 4,950                        | 4,950              |
| <b>Non-GAAP gross profit</b>                                | <b>\$ 69,526</b>               | <b>\$ 51,715</b>   | <b>\$ 134,936</b>            | <b>\$ 105,603</b>  |
| <b>GAAP gross margin</b>                                    | <b>52.3 %</b>                  | <b>44.9 %</b>      | <b>51.8 %</b>                | <b>46.1 %</b>      |
| <b>Non-GAAP gross margin</b>                                | <b>56.6 %</b>                  | <b>50.4 %</b>      | <b>56.1 %</b>                | <b>51.5 %</b>      |
| <b>Research and development</b>                             |                                |                    |                              |                    |
| GAAP research and development                               | \$ 37,421                      | \$ 38,717          | \$ 74,852                    | \$ 79,154          |
| Stock-based compensation                                    | (12,205)                       | (13,889)           | (23,686)                     | (32,478)           |
| <b>Non-GAAP research and development</b>                    | <b>\$ 25,216</b>               | <b>\$ 24,828</b>   | <b>\$ 51,166</b>             | <b>\$ 46,676</b>   |
| <b>Sales and marketing</b>                                  |                                |                    |                              |                    |
| GAAP sales and marketing                                    | \$ 47,797                      | \$ 46,760          | \$ 92,068                    | \$ 88,240          |
| Stock-based compensation                                    | (9,877)                        | (10,184)           | (16,582)                     | (20,278)           |
| Amortization of acquired intangible assets                  | (2,575)                        | (2,710)            | (5,150)                      | (5,419)            |
| <b>Non-GAAP sales and marketing</b>                         | <b>\$ 35,345</b>               | <b>\$ 33,866</b>   | <b>\$ 70,336</b>             | <b>\$ 62,543</b>   |
| <b>General and administrative</b>                           |                                |                    |                              |                    |
| GAAP general and administrative                             | \$ 28,823                      | \$ 29,543          | \$ 54,650                    | \$ 59,097          |
| Stock-based compensation                                    | (12,073)                       | (7,717)            | (19,357)                     | (16,110)           |
| Acquisition-related expenses                                | —                              | (1,912)            | —                            | (1,970)            |
| <b>Non-GAAP general and administrative</b>                  | <b>\$ 16,750</b>               | <b>\$ 19,914</b>   | <b>\$ 35,293</b>             | <b>\$ 41,017</b>   |
| <b>Operating loss</b>                                       |                                |                    |                              |                    |
| GAAP operating loss   | \$ (49,827)                    | \$ (68,968)        | \$ (97,102)                  | \$ (131,972)       |
| Stock-based compensation                                    | 36,992                         | 34,978             | 65,143                       | 75,000             |
| Amortization of acquired intangible assets                  | 5,050                          | 5,185              | 10,100                       | 10,369             |
| Acquisition-related expenses                                | —                              | 1,912              | —                            | 1,970              |
| <b>Non-GAAP operating loss</b>                              | <b>\$ (7,785)</b>              | <b>\$ (26,893)</b> | <b>\$ (21,859)</b>           | <b>\$ (44,633)</b> |
| <b>Net loss</b>   |                                |                    |                              |                    |
| GAAP net loss   | \$ (10,704)                    | \$ (16,437)        | \$ (55,391)                  | \$ (80,701)        |
| Stock-based compensation                                    | 36,992                         | 34,978             | 65,143                       | 75,000             |
| Amortization of acquired intangible assets                  | 5,050                          | 5,185              | 10,100                       | 10,369             |
| Acquisition-related expenses                                | —                              | 1,912              | —                            | 1,970              |
| Net gain on extinguishment of debt                          | (36,760)                       | (54,391)           | (36,760)                     | (54,391)           |
| Amortization of debt discount and issuance costs            | 803                            | 776                | 1,519                        | 1,739              |
| <b>Non-GAAP loss</b>  | <b>\$ (4,619)</b>              | <b>\$ (27,977)</b> | <b>\$ (15,389)</b>           | <b>\$ (46,014)</b> |
| <b>Non-GAAP net loss per common share—basic and diluted</b> | <b>\$ (0.04)</b>               | <b>\$ (0.23)</b>   | <b>\$ (0.12)</b>             | <b>\$ (0.38)</b>   |
| <b>Weighted average basic and diluted common shares</b>     | <b>127,863</b>                 | <b>121,242</b>     | <b>126,648</b>               | <b>120,295</b>     |

|  | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|--|--------------------------------|--------------------|------------------------------|--------------------|
|  | 2023                           | 2022               | 2023                         | 2022               |
| <b>Adjusted EBITDA</b>                           |                                |                    |                              |                    |
| <b>GAAP net loss</b>                             | \$ (10,704)                    | \$ (16,437)        | \$ (55,391)                  | \$ (80,701)        |
| Stock-based compensation                         | 36,992                         | 34,978             | 65,143                       | 75,000             |
| Depreciation and other amortization              | 13,030                         | 10,860             | 25,210                       | 20,835             |
| Amortization of acquired intangible assets       | 5,050                          | 5,185              | 10,100                       | 10,369             |
| Acquisition-related expenses                     | —                              | 1,912              | —                            | 1,970              |
| Interest income                                  | (4,508)                        | (1,502)            | (8,694)                      | (2,183)            |
| Interest expense                                 | 429                            | 754                | 926                          | 1,413              |
| Amortization of debt discount and issuance costs | 803                            | 776                | 1,519                        | 1,739              |
| Net gain on extinguishment of debt               | (36,760)                       | (54,391)           | (36,760)                     | (54,391)           |
| Other expense                                    | 803                            | 1,673              | 1,053                        | 1,952              |
| Income tax expense                               | 110                            | 159                | 245                          | 199                |
| <b>Adjusted EBITDA</b>                           | <b>\$ 5,245</b>                | <b>\$ (16,033)</b> | <b>\$ 3,351</b>              | <b>\$ (23,798)</b> |

Condensed Consolidated Balance Sheets  
(in thousands)

|   | As of<br>June 30, 2023<br>(unaudited) | As of<br>December 31, 2022<br>(audited) |
|---|---------------------------------------|---|
| <b>ASSETS</b>   |                                       |   |
| <b>Current assets:</b>                                  |                                       |   |
| Cash and cash equivalents                               | \$ 273,742                            | \$ 143,391                              |
| Marketable securities, current                          | 123,605                               | 374,581                                 |
| Accounts receivable, net of allowance for credit losses | 78,295                                | 89,578                                  |
| Prepaid expenses and other current assets               | 29,500                                | 28,933                                  |
| <b>Total current assets</b>                             | <b>505,142</b>                        | <b>636,483</b>                          |
| Property and equipment, net                             | 179,045                               | 180,378                                 |
| Operating lease right-of-use assets, net                | 56,733                                | 68,440                                  |
| Goodwill  | 670,356                               | 670,185                                 |
| Intangible assets, net                                  | 72,550                                | 82,900                                  |
| Marketable securities, non-current                      | 78,042                                | 165,105                                 |
| Other assets  | 95,550                                | 92,622                                  |
| <b>Total assets</b>                                     | <b>\$ 1,657,418</b>                   | <b>\$ 1,896,113</b>                     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>             |                                       |   |
| <b>Current liabilities:</b>                             |                                       |   |
| Accounts payable  | \$ 5,561                              | \$ 4,786                                |
| Accrued expenses  | 47,001                                | 61,161                                  |
| Finance lease liabilities, current                      | 22,233                                | 28,954                                  |
| Operating lease liabilities, current                    | 20,575                                | 23,026                                  |
| Other current liabilities                               | 36,234                                | 34,394                                  |
| <b>Total current liabilities</b>                        | <b>131,604</b>                        | <b>152,321</b>                          |
| Long-term debt  | 472,369                               | 704,710                                 |
| Finance lease liabilities, non-current                  | 7,026                                 | 15,507                                  |
| Operating lease liabilities, non-current                | 51,448                                | 61,341                                  |
| Other long-term liabilities                             | 7,217                                 | 7,076                                   |
| <b>Total liabilities</b>                                | <b>669,664</b>                        | <b>940,955</b>                          |
| <b>Stockholders' equity:</b>                            |                                       |   |
| Common stock  | 2                                     | 2                                       |
| Additional paid-in capital                              | 1,747,959                             | 1,666,106                               |
| Accumulated other comprehensive loss                    | (3,152)                               | (9,286)                                 |
| Accumulated deficit                                     | (757,055)                             | (701,664)                               |
| <b>Total stockholders' equity</b>                       | <b>987,754</b>                        | <b>955,158</b>                          |
| <b>Total liabilities and stockholders' equity</b>       | <b>\$ 1,657,418</b>                   | <b>\$ 1,896,113</b>                     |

**Condensed Consolidated Statements of Cash Flows**  
(in thousands, unaudited)

|  | Three months ended<br>June 30, |                  | Six months ended<br>June 30, |                  |
|--|--------------------------------|------------------|------------------------------|------------------|
|  | 2023                           | 2022             | 2023                         | 2022             |
| <b>Cash flows from operating activities:</b>   |                                |                  |                              |                  |
| Net loss   | \$ (10,704)                    | \$ (16,437)      | \$ (55,391)                  | \$ (80,701)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities:                      |                                |                  |                              |                  |
| Depreciation expense   | 12,920                         | 10,736           | 24,960                       | 20,586           |
| Amortization of intangible assets  | 5,175                          | 5,309            | 10,350                       | 10,618           |
| Non-cash lease expense   | 5,648                          | 5,608            | 11,763                       | 11,522           |
| Amortization of debt discount and issuance costs   | 803                            | 775              | 1,519                        | 1,739            |
| Amortization of deferred contract costs  | 3,746                          | 2,138            | 7,171                        | 3,989            |
| Stock-based compensation   | 36,992                         | 34,978           | 65,143                       | 75,000           |
| Provision for credit losses  | 567                            | 402              | 1,100                        | 529              |
| Loss on disposals of property and equipment  | 296                            | 586              | 547                          | 854              |
| Amortization and accretion of discounts and premiums on investments  | 298                            | 894              | 747                          | 1,851            |
| Impairment of operating lease right-of-use assets  | 187                            | —                | 187                          | —                |
| Net gain on extinguishment of debt   | (36,760)                       | (54,391)         | (36,760)                     | (54,391)         |
| Other adjustments  | (85)                           | (67)             | (328)                        | 61               |
| Changes in operating assets and liabilities:   |                                |                  |                              |                  |
| Accounts receivable  | 6,482                          | 5,097            | 10,183                       | (4,122)          |
| Prepaid expenses and other current assets  | 217                            | (2,701)          | (417)                        | (4,812)          |
| Other assets   | (4,771)                        | (3,948)          | (11,983)                     | (6,399)          |
| Accounts payable   | 1,119                          | 3,336            | 944                          | 844              |
| Accrued expenses   | 234                            | (3,729)          | (6,593)                      | 1,162            |
| Operating lease liabilities  | (6,682)                        | (5,349)          | (12,432)                     | (10,981)         |
| Other liabilities  | 9,308                          | 83               | 5,419                        | 2,781            |
| <b>Net cash provided by (used in) operating activities</b>   | <b>24,990</b>                  | <b>(16,680)</b>  | <b>16,129</b>                | <b>(29,870)</b>  |
| <b>Cash flows from investing activities:</b>   |                                |                  |                              |                  |
| Purchases of marketable securities   | —                              | (207,286)        | —                            | (355,479)        |
| Sales of marketable securities   | 774                            | 159,552          | 774                          | 161,853          |
| Maturities of marketable securities  | 114,884                        | 127,333          | 342,095                      | 367,880          |
| Business acquisitions, net of cash acquired  | —                              | (25,224)         | —                            | (25,999)         |
| Advance payment for purchase of property and equipment   | —                              | (29,310)         | —                            | (29,310)         |
| Purchases of property and equipment  | (4,464)                        | (4,151)          | (7,958)                      | (8,815)          |
| Proceeds from sale of property and equipment   | 14                             | 241              | 36                           | 241              |
| Capitalized internal-use software  | (6,230)                        | (4,926)          | (10,439)                     | (8,736)          |
| <b>Net cash provided by investing activities</b>   | <b>104,978</b>                 | <b>16,229</b>    | <b>324,508</b>               | <b>101,635</b>   |
| <b>Cash flows from financing activities:</b>   |                                |                  |                              |                  |
| Cash paid for debt extinguishment  | (196,934)                      | (177,082)        | (196,934)                    | (177,082)        |
| Repayments of finance lease liabilities  | (6,557)                        | (6,147)          | (15,202)                     | (11,029)         |
| Cash received for restricted stock sold in advance of vesting conditions                                       | —                              | —                | —                            | 10,655           |
| Cash paid for early sale of restricted shares  | —                              | (3,539)          | —                            | (7,037)          |
| Payment of deferred consideration for business acquisitions  | (4,393)                        | —                | (4,393)                      | —                |
| Proceeds from exercise of vested stock options   | 535                            | 1,721            | 871                          | 4,769            |
| Proceeds from employee stock purchase plan   | 2,191                          | 1,571            | 4,787                        | 3,977            |
| <b>Net cash used in financing activities</b>   | <b>(205,158)</b>               | <b>(183,476)</b> | <b>(210,871)</b>             | <b>(175,747)</b> |
| Effects of exchange rate changes on cash, cash equivalents, and restricted cash                                | 469                            | (100)            | 585                          | (319)            |
| <b>Net increase in cash, cash equivalents, and restricted cash</b>   | <b>(74,721)</b>                | <b>(184,027)</b> | <b>130,351</b>               | <b>(104,301)</b> |
| <b>Cash, cash equivalents, and restricted cash at beginning of period</b>                                      | <b>348,613</b>                 | <b>246,687</b>   | <b>143,541</b>               | <b>166,961</b>   |
| <b>Cash, cash equivalents, and restricted cash at end of period</b>  | <b>273,892</b>                 | <b>62,660</b>    | <b>273,892</b>               | <b>62,660</b>    |
| <b>Reconciliation of cash, cash equivalents, and restricted cash as shown in the statements of cash flows:</b> |                                |                  |                              |                  |
| Cash and cash equivalents  | 273,742                        | 62,510           | 273,742                      | 62,510           |
| Restricted cash, current   | 150                            | 150              | 150                          | 150              |
| <b>Total cash, cash equivalents, and restricted cash</b>   | <b>\$ 273,892</b>              | <b>\$ 62,660</b> | <b>\$ 273,892</b>            | <b>\$ 62,660</b> |

**Free Cash Flow**  
(in thousands, unaudited)

|   | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                    |
|---|--------------------------------|--------------------|------------------------------|--------------------|
|   | 2023                           | 2022               | 2023                         | 2022               |
| Cash flow provided by (used in) operations                            | \$ 24,990                      | \$ (16,680)        | \$ 16,129                    | \$ (29,870)        |
| Capital expenditures <sup>(1)</sup>                                   | (17,237)                       | (14,983)           | (33,563)                     | (28,339)           |
| Advance payment for purchase of property and equipment <sup>(2)</sup> | —                              | (29,310)           | —                            | (29,310)           |
| <b>Free Cash Flow</b>   | <b>\$ 7,753</b>                | <b>\$ (60,973)</b> | <b>\$ (17,434)</b>           | <b>\$ (87,519)</b> |

(1) Capital expenditures are defined as cash used for purchases of property and equipment, net of proceeds from sale of property and equipment, and capitalized internal-use software and payments on finance lease obligations, as reflected in our statement of cash flows.

(2) As reflected in our statement of cash flows. In the six months ended June 30, 2023, we received \$1.6 million of capital equipment that was prepaid prior to the current quarter.

**Contacts:**

**Investor Contact:**

Vernon Essi, Jr.  
ir@fastly.com

**Media Contact:**

press@fastly.com

Source: Fastly, Inc.



Product Developments

- Support for Mutual TLS two-way authentication released providing a higher security posture, requiring both the client and server to present trusted digital certificates, saving time and resources for our customers.
- Released Dynamic Backends, enabling customers to create new backend server definitions seamlessly.
- Introduced Core Cache API, enabling developers building on our Edge Compute platform to have access to our powerful, globally distributed cache network.
- Premier Edge Deployment of our Next-Gen WAF released, bringing Advanced Rate Limiting and the Site Flagged IP signal for the Next-Gen WAF to the edge.
- Limited availability of Certainly released, providing domain validated TLS certificates that are fully automated in our Fastly managed TLS services and enabling trusted identification of websites, improving security and reliability.

Customer and Partner Highlights

- Expanded market reach with new packaging and pricing for our core services, including flat-rate pricing and tiered packages, making it easy for companies of all sizes to try, buy, and use the powerful Fastly platform.
- Bonnier News, Sweden’s leading news provider and the Nordic region’s largest media conglomerate, selected Fastly’s full solution suite over an incumbent competitor.
- Tango, a leading global live streaming platform that empowers content creation, social connections, and fan monetization in real-time selected Fastly’s network services over an incumbent cloud provider.
- Bugcrowd, a multi-solution crowdsourced cybersecurity platform, selected Fastly’s delivery and security, including our edge rate limiting functionality for DDoS mitigation, over an incumbent competitor.
- Rockler, a world-renowned woodworking & hardware branded retailer selected Fastly’s delivery and NGWAF to improve website speed and security.

Corporate Highlights

- Expanded market reach with new packaging and pricing for our core services, including flat-rate pricing and tiered packages, making it easy for companies of all sizes to try, buy, and use the powerful Fastly platform.
- Repurchased \$236.4 million in aggregate principal amount of convertible debt for \$195.7 million, reflecting a 17% discount to par, and resulted in a \$36.8 million net gain.
- Peter Alexander joined Fastly as CMO, bringing his experience from Check Point as CMO in addition to CMO of Harmonic and marketing roles at Cisco.
- Marshal Erwin joined Fastly as CISO, bringing his experience from Mozilla as Chief Security Officer in addition to roles in the US intelligence community.
- Karen Greenstein was promoted to General Counsel, joining Fastly in 2019 and serving as interim GC in addition to legal roles in digital media and entertainment.

Key Metrics Highlights

- Trailing 12 month net retention rate (LTM NRR)<sup>1</sup> remained flat at 116% in the second quarter compared to the first quarter.
- Dollar-Based Net Expansion Rate (DBNER)<sup>2</sup> increased to 123% in the second quarter from 121% in the first quarter.
- Total customer count was 3,072 in the second quarter, down 28 from the first quarter; 551 were enterprise customers<sup>3</sup> in the second quarter, up 11 from the first quarter.
- Average enterprise customer spend<sup>7</sup> of \$818 thousand in the second quarter, up 3% quarter-over-quarter.

Third Quarter and Full Year 2023 Guidance:

|   | Q3 2023             | Full Year 2023      |
|---|---------------------|---------------------|
| <b>Total Revenue (millions)</b>                         | \$125 - \$128       | \$500 - \$510       |
| <b>Non-GAAP Operating Loss (millions)<sup>(4)</sup></b> | (\$15.0) - (\$13.0) | (\$49.0) - (\$43.0) |
| <b>Non-GAAP Net Loss per share<sup>(5) (6)</sup></b>    | (\$0.09) - (\$0.07) | (\$0.27) - (\$0.21) |

Calculations of Key and Other Selected Metrics – Quarterly (unaudited)

|   | Q3 2021    | Q4 2021    | Q1 2022    | Q2 2022    | Q3 2022    | Q4 2022    | Q1 2023    | Q2 2023    |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Customer Count <sup>(3)</sup>                                 | 2,848      | 2,929      | 2,965      | 3,025      | 3,039      | 3,062      | 3,100      | 3,072      |
| Enterprise Customer Count <sup>(3)</sup>                            | 457        | 467        | 488        | 499        | 511        | 533        | 540        | 551        |
| Average Enterprise Customer Spend (in thousands) <sup>(7)</sup>     | \$ 676     | \$ 751     | \$ 758     | \$ 742     | \$ 771     | \$ 822     | \$ 795     | \$ 818     |
| Enterprise Customer Revenue %                                       | 89 %       | 90 %       | 90 %       | 90 %       | 91 %       | 92 %       | 91 %       | 92 %       |
| Total Customer Count (prior methodology)                            | 2,748      | 2,804      | 2,880      | 2,894      | 2,925      | 2,958      | 3,001      | 2,965      |
| Enterprise Customer Count (prior methodology)                       | 430        | 445        | 457        | 471        | 482        | 493        | 514        | 520        |
| Average Enterprise Customer Spend (in thousands; prior methodology) | \$ 698     | \$ 704     | \$ 722     | \$ 730     | \$ 759     | \$ 782     | \$ 778     | \$ 809     |
| Enterprise Customer Revenue % (prior methodology)                   | 88 %       | 88 %       | 89 %       | 88 %       | 89 %       | 89 %       | 89 %       | 90 %       |
| Net Retention Rate (NRR) Quarter <sup>(8)</sup>                     | 112 %      | 107 %      | 114 %      | 128 %      | 115 %      | 111 %      | 105 %      | 106 %      |
| Net Retention Rate (NRR) LTM <sup>(1)</sup>                         | 114 %      | 118 %      | 115 %      | 117 %      | 118 %      | 119 %      | 116 %      | 116 %      |
| Dollar-Based Net Expansion Rate (DBNER) <sup>(2)</sup>              | 118 %      | 121 %      | 118 %      | 120 %      | 122 %      | 123 %      | 121 %      | 123 %      |
| Annual Revenue Retention Rate (ARR) <sup>(9)</sup>                  | — %        | 99.2 %     | — %        | — %        | — %        | 99.2 %     | — %        | — %        |
| Global Network Capacity   | 167 TB/sec | 184 TB/sec | 198 TB/sec | 215 TB/sec | 233 TB/sec | 252 TB/sec | 265 TB/sec | 277 TB/sec |
| Countries   | 21         | 22         | 24         | 24         | 25         | 25         | 25         | 25         |

|           |    |    |    |    |    |    |    |    |
|-----------|----|----|----|----|----|----|----|----|
| Countries | 31 | 32 | 34 | 34 | 35 | 35 | 35 | 35 |
| Markets   | 68 | 71 | 75 | 78 | 79 | 79 | 79 | 79 |

*\*Note: The reporting of the dual key metrics with respect to Total Customer and Enterprise Customer counts and associated key metrics will be disclosed through the fourth quarter of fiscal year 2023, ending December 31, 2023.*

## Key Metrics

1. We calculate LTM Net Retention Rate by dividing the total customer revenue for the prior twelve-month period (“prior 12-month period”) ending at the beginning of the last twelve-month period (“LTM period”) minus revenue contraction due to billing decreases or customer churn, plus revenue expansion due to billing increases during the LTM period from the same customers by the total prior 12-month period revenue. We believe the LTM Net Retention Rate is supplemental as it removes some of the volatility that is inherent in a usage-based business model.
2. We calculate Dollar-Based Net Expansion Rate by dividing the revenue for a given period from customers who remained customers as of the last day of the given period (the “current” period) by the revenue from the same customers for the same period measured one year prior (the “base” period). The revenue included in the current period excludes revenue from (i) customers that churned after the end of the base period and (ii) new customers that entered into a customer agreement after the end of the base period.
3. Under our new methodology, our number of customers are calculated based on the number of separate identifiable operating entities with which we have a billing relationship in good standing, from which we recognized revenue during the current quarter. Under our prior methodology, our number of customers are calculated based on the number of separate identifiable operating entities with which we have a billing relationship in good standing, from which we recognized revenue during the last month of the quarter. Under our new methodology, our enterprise customers are defined as those with annualized current quarter revenue in excess of \$100,000. This is calculated by taking the revenue for each customer within the quarter and multiplying it by four. Under our prior methodology, our enterprise customers are defined as those with revenue in excess of \$100,000 in the trailing 12-month period. Under our prior methodology, our total customer count was 2,965 in the second quarter, down 36 from the first quarter of 2023; 520 were enterprise customers in the second quarter, up 6 from the first quarter of 2023.
4. For a reconciliation of non-GAAP financial measures to their corresponding GAAP measures, please refer to the reconciliation table at the end of this letter.
5. Assumes weighted average basic shares outstanding of 129.9 million in Q3 2023 and 128.6 million for the full year 2023.
6. Non-GAAP Net Loss per share is calculated as Non-GAAP Net Loss divided by weighted average basic shares for 2023.
7. Under our new methodology, our average enterprise customer spend is calculated by taking the annualized current quarter revenue contributed by enterprise customers existing as of the current period, and dividing that by the number of enterprise customers as of the current period. Under our prior methodology, our average enterprise customer spend is calculated by taking the sum of the trailing 12-month revenue contributed by enterprise customers existing as of the current period, and dividing that by the number of enterprise customers as of the current period. Under our prior methodology, our average enterprise customer spend was \$809 thousand in the second quarter, up 4% quarter-over-quarter.
8. Net Retention Rate measures the net change in monthly revenue from existing customers in the last month of the period (the “current” period month) compared to the last month of the same period one year prior (the “prior” period month). The revenue included in the current period month includes revenue from (i) revenue contraction due to billing decreases or customer churn and (ii) revenue expansion due to billing increases, but excludes revenue from new customers. We calculate Net Retention Rate by dividing the revenue from the current period month by the revenue in the prior period month.
9. Annual revenue retention rate is calculated by subtracting the quotient of the Annual Revenue Churn from all of our Churned Customers divided by our annual revenue of the same calendar year from 100%. Our “Annual Revenue Churn” is calculated by multiplying the final full month of revenue from a customer that terminated its contract with us (a “Churned Customer”) by the number of months remaining in the same calendar year.

## Forward-Looking Statements

This investor supplement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, about us and our industry that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or Fastly's future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "going to," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," "continue," "would," or the negative of these words or other similar terms or expressions that concern Fastly's expectations, goals, strategy, priorities, plans, projections, or intentions. Forward-looking statements in this investor supplement include, but are not limited to, statements regarding Fastly's future financial and operating performance, including its outlook and guidance; the performance of our products; the growth and success of Fastly's partner program; and Fastly's strategies, product and business plans. Fastly's expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include the possibility that: Fastly is unable to attract and retain customers; Fastly's existing customers and partners do not maintain or increase usage of Fastly's platform; Fastly's platform and product features do not meet expectations, including due to defects, interruptions, security breaches, delays in performance or other similar problems; Fastly is unable to adapt to meet evolving market and customer demands and rapid technological change; Fastly is unable to comply with modified or new industry standards, laws and regulations; Fastly is unable to generate sufficient revenues to achieve or sustain profitability; Fastly's limited operating history makes it difficult to evaluate its prospects and future operating results; Fastly is unable to effectively manage its growth; and Fastly is unable to compete effectively. The forward-looking statements contained in this investor supplement are also subject to other risks and uncertainties, including those more fully described in Fastly's Annual Report on Form 10-K for the year ended December 31, 2022, and Fastly's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, and other filings and reports that we may file from time to time with the SEC. The forward-looking statements in this investor supplement are based on information available to Fastly as of the date hereof, and Fastly disclaims any obligation to update any forward-looking statements, except as required by law.

### Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), the Company uses the following non-GAAP measures of financial performance: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss, non-GAAP basic and diluted net loss per common share, non-GAAP research and development, non-GAAP sales and marketing, non-GAAP general and administrative, free cash flow and adjusted EBITDA. The presentation of this additional financial information is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. These non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In addition, these non-GAAP financial measures may be different from the non-GAAP financial measures used by other companies. These non-GAAP measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. Management compensates for these limitations by reconciling these non-GAAP financial measures to the most comparable GAAP financial measures within our earnings releases.

Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss and non-GAAP basic and diluted net loss per common share, non-GAAP research and development, non-GAAP sales and marketing, and non-GAAP general and administrative differ from GAAP in that they exclude stock-based compensation expense, amortization of acquired intangible assets, acquisition-related expenses, executive transition costs, net gain on extinguishment of debt and amortization of debt discount and issuance costs.

**Adjusted EBITDA:** excludes stock-based compensation expense, depreciation and other amortization expenses, amortization of acquired intangible assets, acquisition-related expenses, executive transition costs, interest income, interest expense, including amortization of debt discount and issuance costs, net gain on extinguishment of debt, other income (expense), net, and income taxes.

**Acquisition-related Expenses:** consists of acquisition-related charges that are not related to ongoing operations. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because these charges may not be reflective of our core business, ongoing operating results, or future outlook.

**Amortization of Acquired Intangible Assets:** consists of non-cash charges that can be affected by the timing and magnitude of asset purchases and acquisitions. Management considers its operating results without this activity when evaluating its ongoing non-GAAP performance and its adjusted EBITDA performance because these charges are non-cash expenses that can be affected by the timing and magnitude of asset purchases and acquisitions and may not be reflective of our core business, ongoing operating results, or future outlook.

**Amortization of Debt Discount and Issuance Costs:** consists primarily of amortization expense related to our debt obligations. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook. These are included in our total interest expense.

**Capital Expenditures:** consists of cash used for purchases of property and equipment, net of proceeds from sale of property and equipment, capitalized internal-use software and payments on finance lease obligations, as reflected in our statement of cash flows.

**Depreciation and Other Amortization Expense:** consists of non-cash charges that can be affected by the timing and magnitude of asset purchases. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because these charges are non-cash expenses that can be affected by the timing and magnitude of asset purchases and may not be reflective of our core business, ongoing operating results, or future outlook.

**Executive Transition costs:** consists of one-time cash and non-cash charges recognized with respect to changes in our executive's employment status. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Free Cash Flow:** calculated as net cash used in operating activities less purchases of property and equipment, net of proceeds from sale of property and equipment, principal payments of finance lease liabilities, capitalized internal-use software costs and advance payments made related to capital expenditures. Management specifically identifies adjusting items in the reconciliation of GAAP to non-GAAP financial measures. Management considers non-GAAP free cash flow to be a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that can possibly be used for investing in Fastly's business and strengthening its balance sheet, but it is not intended to represent the residual cash flow available for discretionary expenditures. The presentation of non-GAAP free cash flow is also not meant to be considered in isolation or as an alternative to cash flows from operating activities as a measure of liquidity.

**Income Taxes:** consists primarily of expenses recognized related to state and foreign income taxes. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Interest Expense:** consists primarily of interest expense related to our debt instruments, including amortization of debt discount and issuance costs. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Interest Income:** consists primarily of interest income related to our marketable securities. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Net Gain on Debt Extinguishment:** relates to net gain on the partial repurchase of our outstanding convertible debt. Management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Other Income (Expense), Net:** consists primarily of foreign currency transaction gains and losses. Management considers its operating results without this activity when evaluating its ongoing adjusted EBITDA performance because it is not believed by management to be reflective of our core business, ongoing operating results or future outlook.

**Stock-based Compensation Expense:** consists of expenses for stock options, restricted stock units, performance awards, restricted stock awards and Employee Stock Purchase Plan ("ESPP") under our equity incentive plans. Although stock-based compensation is an expense for the Company and is viewed as a form of compensation, management considers its operating results without this activity when evaluating its ongoing non-GAAP net loss performance and its adjusted EBITDA performance, primarily because it is a non-cash expense not believed by management to be reflective of our core business, ongoing operating results, or future outlook. In addition, the value of some stock-based instruments is determined using formulas that incorporate variables, such as market volatility, that are beyond our control.



Management believes these non-GAAP financial measures and adjusted EBITDA serve as useful metrics for our management and investors because they enable a better understanding of the long-term performance of our core business and facilitate comparisons of our operating results over multiple periods and to those of peer companies, and when taken together with the corresponding GAAP financial measures and our reconciliations, enhance investors' overall understanding of our current financial performance.

In the financial tables below, the Company provides a reconciliation of the most comparable GAAP financial measure to the historical non-GAAP financial measures used in this investor supplement.

**Consolidated Statements of Operations – Quarterly**  
(unaudited, in thousands, except per share amounts)

|  | Q3 2021            | Q4 2021            | Q1 2022            | Q2 2022            | Q3 2022            | Q4 2022            | Q1 2023            | Q2 2023            |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue  | \$ 86,735          | \$ 97,717          | \$ 102,382         | \$ 102,518         | \$ 108,504         | \$ 119,321         | \$ 117,564         | \$ 122,831         |
| Cost of revenue <sup>(1)</sup>   | 41,244             | 47,944             | 53,915             | 56,466             | 55,825             | 56,738             | 57,310             | 58,617             |
| <b>Gross profit</b>  | <b>45,491</b>      | <b>49,773</b>      | <b>48,467</b>      | <b>46,052</b>      | <b>52,679</b>      | <b>62,583</b>      | <b>60,254</b>      | <b>64,214</b>      |
| <b>Operating expenses:</b>   |                    |                    |                    |                    |                    |                    |                    |                    |
| Research and development <sup>(1)</sup>  | 32,528             | 34,997             | 40,437             | 38,717             | 38,957             | 37,197             | 37,431             | 37,421             |
| Sales and marketing <sup>(1)</sup>   | 39,288             | 42,151             | 41,480             | 46,760             | 47,006             | 44,623             | 44,271             | 47,797             |
| General and administrative <sup>(1)</sup>  | 28,609             | 29,281             | 29,554             | 29,543             | 32,481             | 29,225             | 25,827             | 28,823             |
| <b>Total operating expenses</b>  | <b>100,425</b>     | <b>106,429</b>     | <b>111,471</b>     | <b>115,020</b>     | <b>118,444</b>     | <b>111,045</b>     | <b>107,529</b>     | <b>114,041</b>     |
| <b>Loss from operations</b>  | <b>(54,934)</b>    | <b>(56,656)</b>    | <b>(63,004)</b>    | <b>(68,968)</b>    | <b>(65,765)</b>    | <b>(48,462)</b>    | <b>(47,275)</b>    | <b>(49,827)</b>    |
| Net gain on extinguishment of debt   | —                  | —                  | —                  | 54,391             | —                  | —                  | —                  | 36,760             |
| Interest income  | 280                | 552                | 681                | 1,502              | 1,967              | 2,894              | 4,186              | 4,508              |
| Interest expense   | (1,555)            | (1,593)            | (1,622)            | (1,530)            | (1,381)            | (1,354)            | (1,213)            | (1,232)            |
| Other income (expense)   | 41                 | 201                | (279)              | (1,673)            | 1,877              | 46                 | (250)              | (803)              |
| Loss before income taxes   | (56,168)           | (57,496)           | (64,224)           | (16,278)           | (63,302)           | (46,876)           | (44,552)           | (10,594)           |
| Income tax expense (benefit)   | 30                 | 25                 | 40                 | 159                | 118                | (223)              | 135                | 110                |
| <b>Net loss</b>  | <b>\$ (56,198)</b> | <b>\$ (57,521)</b> | <b>\$ (64,264)</b> | <b>\$ (16,437)</b> | <b>\$ (63,420)</b> | <b>\$ (46,653)</b> | <b>\$ (44,687)</b> | <b>\$ (10,704)</b> |
| <b>Net loss per share attributable to common stockholders, basic and diluted</b>   | <b>\$ (0.48)</b>   | <b>\$ (0.49)</b>   | <b>\$ (0.54)</b>   | <b>\$ (0.14)</b>   | <b>\$ (0.52)</b>   | <b>\$ (0.38)</b>   | <b>\$ (0.36)</b>   | <b>\$ (0.08)</b>   |
| <b>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</b> | <b>116,475</b>     | <b>118,161</b>     | <b>119,673</b>     | <b>121,242</b>     | <b>122,339</b>     | <b>123,587</b>     | <b>125,418</b>     | <b>127,863</b>     |

(1) Includes stock-based compensation expense as follows:

|                            | Q3 2021          | Q4 2021          | Q1 2022          | Q2 2022          | Q3 2022          | Q4 2022          | Q1 2023          | Q2 2023          |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cost of revenue            | \$ 1,897         | \$ 2,316         | \$ 2,946         | \$ 3,188         | \$ 2,978         | \$ 2,938         | \$ 2,681         | \$ 2,837         |
| Research and development   | 14,752           | 15,675           | 18,589           | 13,889           | 14,488           | 11,469           | 11,481           | 12,205           |
| Sales and marketing        | 9,121            | 11,399           | 10,094           | 10,184           | 10,920           | 7,885            | 6,705            | 9,877            |
| General and administrative | 10,866           | 10,198           | 8,393            | 7,717            | 10,992           | 9,126            | 7,284            | 12,073           |
| <b>Total</b>               | <b>\$ 36,636</b> | <b>\$ 39,588</b> | <b>\$ 40,022</b> | <b>\$ 34,978</b> | <b>\$ 39,378</b> | <b>\$ 31,418</b> | <b>\$ 28,151</b> | <b>\$ 36,992</b> |

**Reconciliation of GAAP to Non-GAAP Financial Measures - Quarterly**  
(unaudited, in thousands, except per share amounts)

|   | Q3 2021            | Q4 2021            | Q1 2022            | Q2 2022            | Q3 2022            | Q4 2022           | Q1 2023            | Q2 2023           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| <b>Gross Profit</b>   |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP gross Profit   | \$ 45,491          | \$ 49,773          | \$ 48,467          | \$ 46,052          | \$ 52,679          | \$ 62,583         | \$ 60,254          | \$ 64,214         |
| Stock-based compensation                                    | 1,897              | 2,316              | 2,946              | 3,188              | 2,978              | 2,938             | 2,681              | 2,837             |
| Amortization of acquired intangible assets                  | 2,475              | 2,475              | 2,475              | 2,475              | 2,475              | 2,475             | 2,475              | 2,475             |
| <b>Non-GAAP gross profit</b>                                | <b>49,863</b>      | <b>54,564</b>      | <b>53,888</b>      | <b>51,715</b>      | <b>58,132</b>      | <b>67,996</b>     | <b>65,410</b>      | <b>69,526</b>     |
| <b>GAAP gross margin</b>                                    | <b>52.4 %</b>      | <b>50.9 %</b>      | <b>47.3 %</b>      | <b>44.9 %</b>      | <b>48.6 %</b>      | <b>52.4 %</b>     | <b>51.3 %</b>      | <b>52.3 %</b>     |
| <b>Non-GAAP gross margin</b>                                | <b>57.5 %</b>      | <b>55.8 %</b>      | <b>52.6 %</b>      | <b>50.4 %</b>      | <b>53.6 %</b>      | <b>57.0 %</b>     | <b>55.6 %</b>      | <b>56.6 %</b>     |
| <b>Research and development</b>                             |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP research and development                               | 32,528             | 34,997             | 40,437             | 38,717             | 38,957             | 37,197            | 37,431             | 37,421            |
| Stock-based compensation                                    | (14,752)           | (15,675)           | (18,589)           | (13,889)           | (14,488)           | (11,469)          | (11,481)           | (12,205)          |
| <b>Non-GAAP research and development</b>                    | <b>17,776</b>      | <b>19,322</b>      | <b>21,848</b>      | <b>24,828</b>      | <b>24,469</b>      | <b>25,728</b>     | <b>25,950</b>      | <b>25,216</b>     |
| <b>Sales and marketing</b>                                  |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP sales and marketing                                    | 39,288             | 42,151             | 41,480             | 46,760             | 47,006             | 44,623            | 44,271             | 47,797            |
| Stock-based compensation                                    | (9,121)            | (11,399)           | (10,094)           | (10,184)           | (10,920)           | (7,885)           | (6,705)            | (9,877)           |
| Amortization of acquired intangible assets                  | (2,709)            | (2,710)            | (2,709)            | (2,710)            | (2,897)            | (2,575)           | (2,575)            | (2,575)           |
| <b>Non-GAAP sales and marketing</b>                         | <b>27,458</b>      | <b>28,042</b>      | <b>28,677</b>      | <b>33,866</b>      | <b>33,189</b>      | <b>34,163</b>     | <b>34,991</b>      | <b>35,345</b>     |
| <b>General and administrative</b>                           |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP general and administrative                             | 28,609             | 29,281             | 29,554             | 29,543             | 32,481             | 29,225            | 25,827             | 28,823            |
| Stock-based compensation                                    | (10,866)           | (10,198)           | (8,393)            | (7,717)            | (7,959)            | (9,126)           | (7,284)            | (12,073)          |
| Executive transition costs                                  | —                  | —                  | —                  | —                  | (4,207)            | —                 | —                  | —                 |
| Acquisition-related expenses                                | (179)              | (149)              | (58)               | (1,912)            | —                  | —                 | —                  | —                 |
| <b>Non-GAAP general and administrative</b>                  | <b>17,564</b>      | <b>18,934</b>      | <b>21,103</b>      | <b>19,914</b>      | <b>20,315</b>      | <b>20,099</b>     | <b>18,543</b>      | <b>16,750</b>     |
| <b>Operating loss</b>                                       |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP operating loss   | (54,934)           | (56,656)           | (63,004)           | (68,968)           | (65,765)           | (48,462)          | (47,275)           | (49,827)          |
| Stock-based compensation                                    | 36,636             | 39,588             | 40,022             | 34,978             | 36,345             | 31,418            | 28,151             | 36,992            |
| Executive transition costs                                  | —                  | —                  | —                  | —                  | 4,207              | —                 | —                  | —                 |
| Amortization of acquired intangible assets                  | 5,184              | 5,185              | 5,184              | 5,185              | 5,372              | 5,050             | 5,050              | 5,050             |
| Acquisition-related expenses                                | 179                | 149                | 58                 | 1,912              | —                  | —                 | —                  | —                 |
| <b>Non-GAAP operating loss</b>                              | <b>(12,935)</b>    | <b>(11,734)</b>    | <b>(17,740)</b>    | <b>(26,893)</b>    | <b>(19,841)</b>    | <b>(11,994)</b>   | <b>(14,074)</b>    | <b>(7,785)</b>    |
| <b>Net loss</b>   |                    |                    |                    |                    |                    |                   |                    |                   |
| GAAP net loss   | (56,198)           | (57,521)           | (64,264)           | (16,437)           | (63,420)           | (46,653)          | (44,687)           | (10,704)          |
| Stock-based compensation                                    | 36,636             | 39,588             | 40,022             | 34,978             | 36,345             | 31,418            | 28,151             | 36,992            |
| Executive transition costs                                  | —                  | —                  | —                  | —                  | 4,207              | —                 | —                  | —                 |
| Amortization of acquired intangible assets                  | 5,184              | 5,185              | 5,184              | 5,185              | 5,372              | 5,050             | 5,050              | 5,050             |
| Acquisition-related expenses                                | 179                | 149                | 58                 | 1,912              | —                  | —                 | —                  | —                 |
| Net gain on extinguishment of debt                          | —                  | —                  | —                  | (54,391)           | —                  | —                 | —                  | (36,760)          |
| Amortization of debt issuance costs                         | 967                | 947                | 963                | 776                | 714                | 716               | 716                | 803               |
| <b>Non-GAAP net loss</b>                                    | <b>\$ (13,232)</b> | <b>\$ (11,652)</b> | <b>\$ (18,037)</b> | <b>\$ (27,977)</b> | <b>\$ (16,782)</b> | <b>\$ (9,469)</b> | <b>\$ (10,770)</b> | <b>\$ (4,619)</b> |
| <b>GAAP net loss per common share—basic and diluted</b>     | <b>\$ (0.48)</b>   | <b>\$ (0.49)</b>   | <b>\$ (0.54)</b>   | <b>\$ (0.14)</b>   | <b>\$ (0.52)</b>   | <b>\$ (0.38)</b>  | <b>\$ (0.36)</b>   | <b>\$ (0.08)</b>  |
| <b>Non-GAAP net loss per common share—basic and diluted</b> | <b>\$ (0.11)</b>   | <b>\$ (0.10)</b>   | <b>\$ (0.15)</b>   | <b>\$ (0.23)</b>   | <b>\$ (0.14)</b>   | <b>\$ (0.08)</b>  | <b>\$ (0.09)</b>   | <b>\$ (0.04)</b>  |
| <b>Weighted average basic common shares</b>                 | <b>116,475</b>     | <b>118,161</b>     | <b>119,673</b>     | <b>121,242</b>     | <b>122,339</b>     | <b>123,587</b>    | <b>125,418</b>     | <b>127,863</b>    |



**Reconciliation of GAAP to Non-GAAP Financial Measures - Quarterly (Continued)**  
(unaudited, in thousands, except per share amounts)

|  | <u>Q3 2021</u>    | <u>Q4 2021</u>    | <u>Q1 2022</u>    | <u>Q2 2022</u>     | <u>Q3 2022</u>    | <u>Q4 2022</u> | <u>Q1 2023</u>    | <u>Q2 2023</u>  |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|----------------|-------------------|-----------------|
| <b>Adjusted EBITDA</b>                           |                   |                   |                   |                    |                   |                |                   |                 |
| GAAP net loss                                    | \$ (56,198)       | \$ (57,521)       | \$ (64,264)       | \$ (16,437)        | \$ (63,420)       | \$ (46,653)    | \$ (44,687)       | \$ (10,704)     |
| Stock-based compensation                         | 36,636            | 39,588            | 40,022            | 34,978             | 36,345            | 31,418         | 28,151            | 36,992          |
| Executive transition costs                       | —                 | —                 | —                 | —                  | 4,207             | —              | —                 | —               |
| Depreciation and other amortization              | 7,489             | 8,228             | 9,975             | 10,860             | 10,786            | 11,903         | 12,179            | 13,030          |
| Amortization of acquired intangible assets       | 5,184             | 5,185             | 5,184             | 5,185              | 5,372             | 5,050          | 5,050             | 5,050           |
| Acquisition-related expenses                     | 179               | 149               | 58                | 1,912              | —                 | —              | —                 | —               |
| Interest income                                  | (280)             | (552)             | (681)             | (1,502)            | (1,967)           | (2,894)        | (4,186)           | (4,508)         |
| Interest expense                                 | 588               | 646               | —                 | 754                | 667               | 638            | 497               | 429             |
| Amortization of debt discount and issuance costs | 967               | 947               | 963               | 776                | 714               | 716            | 716               | 803             |
| Net gain on extinguishment of debt               | —                 | —                 | —                 | (54,391)           | —                 | —              | —                 | (36,760)        |
| Other (income) expense, net                      | (41)              | (201)             | 279               | 1,673              | (1,877)           | (46)           | 250               | 803             |
| Income tax (benefit) expense                     | 30                | 25                | 40                | 159                | 118               | (223)          | 135               | 110             |
| <b>Adjusted EBITDA</b>                           | <b>\$ (5,446)</b> | <b>\$ (3,506)</b> | <b>\$ (7,765)</b> | <b>\$ (16,033)</b> | <b>\$ (9,055)</b> | <b>\$ (91)</b> | <b>\$ (1,895)</b> | <b>\$ 5,245</b> |

**Non-GAAP Consolidated Statements of Operations - Quarterly**  
(unaudited, in thousands, except per share amounts)

|  | Q3 2021            | Q4 2021            | Q1 2022            | Q2 2022            | Q3 2022            | Q4 2022           | Q1 2023            | Q2 2023           |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| Revenue  | \$ 86,735          | \$ 97,717          | \$ 102,382         | \$ 102,518         | \$ 108,504         | \$ 119,321        | \$ 117,564         | \$ 122,831        |
| Cost of revenue <sup>(1)(2)</sup>  | 36,872             | 43,153             | 48,494             | 50,803             | 50,372             | 51,325            | 52,154             | 53,305            |
| <b>Gross profit</b>  | <b>49,863</b>      | <b>54,564</b>      | <b>53,888</b>      | <b>51,715</b>      | <b>58,132</b>      | <b>67,996</b>     | <b>65,410</b>      | <b>69,526</b>     |
| <b>Operating expenses:</b>   |                    |                    |                    |                    |                    |                   |                    |                   |
| Research and development <sup>(1)</sup>  | 17,776             | 19,322             | 21,848             | 24,828             | 24,469             | 25,728            | 25,950             | 25,216            |
| Sales and marketing <sup>(1)(2)</sup>  | 27,458             | 28,042             | 28,677             | 33,866             | 33,189             | 34,163            | 34,991             | 35,345            |
| General and administrative <sup>(1)(3)(7)</sup>  | 17,564             | 18,934             | 21,103             | 19,914             | 20,315             | 20,099            | 18,543             | 16,750            |
| <b>Total operating expenses</b>  | <b>62,798</b>      | <b>66,298</b>      | <b>71,628</b>      | <b>78,608</b>      | <b>77,973</b>      | <b>79,990</b>     | <b>79,484</b>      | <b>77,311</b>     |
| <b>Loss from operations <sup>(1)(2)(3)(7)</sup></b>  | <b>(12,935)</b>    | <b>(11,734)</b>    | <b>(17,740)</b>    | <b>(26,893)</b>    | <b>(19,841)</b>    | <b>(11,994)</b>   | <b>(14,074)</b>    | <b>(7,785)</b>    |
| Interest income  | 280                | 552                | 681                | 1,502              | 1,967              | 2,894             | 4,186              | 4,508             |
| Interest expense <sup>(4)</sup>  | (588)              | (646)              | (659)              | (754)              | (667)              | (638)             | (497)              | (429)             |
| Other income (expense), net  | 41                 | 201                | (279)              | (1,673)            | 1,877              | 46                | (250)              | (803)             |
| <b>Loss before income tax expense (benefit)<sup>(5)</sup></b>  | <b>(13,202)</b>    | <b>(11,627)</b>    | <b>(17,997)</b>    | <b>(27,818)</b>    | <b>(16,664)</b>    | <b>(9,692)</b>    | <b>(10,635)</b>    | <b>(4,509)</b>    |
| Income tax expense (benefit) <sup>(6)</sup>  | 30                 | 25                 | 40                 | 159                | 118                | (223)             | 135                | 110               |
| <b>Net loss <sup>(1)(2)(3)(4)(5)(6)(7)</sup></b>   | <b>\$ (13,232)</b> | <b>\$ (11,652)</b> | <b>\$ (18,037)</b> | <b>\$ (27,977)</b> | <b>\$ (16,782)</b> | <b>\$ (9,469)</b> | <b>\$ (10,770)</b> | <b>\$ (4,619)</b> |
| <b>Net loss per share attributable to common stockholders, basic and diluted</b>   | <b>\$ (0.11)</b>   | <b>\$ (0.10)</b>   | <b>\$ (0.15)</b>   | <b>\$ (0.23)</b>   | <b>\$ (0.14)</b>   | <b>\$ (0.08)</b>  | <b>\$ (0.09)</b>   | <b>\$ (0.04)</b>  |
| <b>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</b> | <b>116,475</b>     | <b>118,161</b>     | <b>119,673</b>     | <b>121,242</b>     | <b>122,339</b>     | <b>123,587</b>    | <b>125,418</b>     | <b>127,863</b>    |

(1) Excludes stock-based compensation. See GAAP to Non-GAAP reconciliations.

(2) Excludes amortization of acquired intangible assets. See GAAP to Non-GAAP reconciliations.

(3) Excludes acquisition-related and other expenses. See GAAP to Non-GAAP reconciliations.

(4) Excludes amortization of debt discount and issuance costs. See GAAP to Non-GAAP reconciliations.

(5) Excludes net gain on extinguishment of debt. See GAAP to Non-GAAP reconciliations.

(6) Excludes acquisition-related tax benefit. See GAAP to Non-GAAP reconciliations.

(7) Excludes executive transition costs. See GAAP to Non-GAAP reconciliations.



**Consolidated Balance Sheets - Quarterly**  
(unaudited, in thousands)

|   | Q3 2021             | Q4 2021             | Q1 2022             | Q2 2022             | Q3 2022             | Q4 2022             | Q1 2023             | Q2 2023             |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>                                     |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Current assets:</b>                            |                     |                     |                     |                     |                     |                     |                     |                     |
| Cash and cash equivalents                         | \$ 282,131          | \$ 166,068          | \$ 245,794          | \$ 62,510           | \$ 87,897           | \$ 143,391          | \$ 348,463          | \$ 273,742          |
| Marketable securities                             | 361,290             | 361,795             | 393,950             | 419,905             | 445,048             | 374,581             | 198,116             | 123,605             |
| Accounts receivable, net                          | 54,234              | 64,625              | 73,717              | 68,218              | 72,914              | 89,578              | 85,344              | 78,295              |
| Prepaid expenses and other current assets         | 22,230              | 32,160              | 23,616              | 29,037              | 31,321              | 28,933              | 29,717              | 29,500              |
| <b>Total current assets</b>                       | <b>719,885</b>      | <b>624,648</b>      | <b>737,077</b>      | <b>579,670</b>      | <b>637,180</b>      | <b>636,483</b>      | <b>661,640</b>      | <b>505,142</b>      |
| Property and equipment, net                       | 147,729             | 166,961             | 174,550             | 173,950             | 179,080             | 180,378             | 179,922             | 179,045             |
| Operating lease right-of-use assets, net          | 70,149              | 69,631              | 63,455              | 69,861              | 72,374              | 68,440              | 60,615              | 56,733              |
| Goodwill  | 635,635             | 636,805             | 637,570             | 670,186             | 670,158             | 670,185             | 670,192             | 670,356             |
| Intangible assets, net                            | 107,905             | 102,596             | 97,287              | 93,978              | 88,482              | 82,900              | 77,725              | 72,550              |
| Marketable securities, non-current                | 429,489             | 528,911             | 394,464             | 284,951             | 186,066             | 165,105             | 117,518             | 78,042              |
| Other assets                                      | 28,142              | 29,468              | 30,020              | 60,199              | 73,258              | 92,622              | 94,798              | 95,550              |
| <b>Total assets</b>                               | <b>\$ 2,138,934</b> | <b>\$ 2,159,020</b> | <b>\$ 2,134,423</b> | <b>\$ 1,932,795</b> | <b>\$ 1,906,598</b> | <b>\$ 1,896,113</b> | <b>\$ 1,862,410</b> | <b>\$ 1,657,418</b> |
| <b>Liabilities and Stockholders' Equity</b>       |                     |                     |                     |                     |                     |                     |                     |                     |
| <b>Current liabilities:</b>                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Accounts payable                                  | \$ 7,766            | \$ 9,257            | \$ 8,248            | \$ 10,011           | \$ 8,265            | \$ 4,786            | \$ 4,668            | \$ 5,561            |
| Accrued expenses                                  | 36,063              | 36,112              | 49,902              | 49,943              | 54,186              | 61,161              | 42,311              | 47,001              |
| Finance lease liabilities                         | 18,675              | 21,125              | 26,766              | 28,088              | 27,807              | 28,954              | 24,763              | 22,233              |
| Operating lease liabilities                       | 20,007              | 20,271              | 18,688              | 19,243              | 20,919              | 23,026              | 20,516              | 20,575              |
| Other current liabilities                         | 24,758              | 45,107              | 36,569              | 33,705              | 33,422              | 34,394              | 32,942              | 36,234              |
| <b>Total current liabilities</b>                  | <b>107,269</b>      | <b>131,872</b>      | <b>140,173</b>      | <b>140,990</b>      | <b>144,599</b>      | <b>152,321</b>      | <b>125,200</b>      | <b>131,604</b>      |
| Long-term debt, less current portion              | 932,305             | 933,205             | 934,121             | 703,375             | 704,042             | 704,710             | 705,378             | 472,369             |
| Finance lease liabilities, noncurrent             | 24,659              | 22,293              | 28,867              | 26,479              | 21,027              | 15,507              | 10,858              | 7,026               |
| Operating lease liabilities, noncurrent           | 54,066              | 55,114              | 52,334              | 60,657              | 62,750              | 61,341              | 56,275              | 51,448              |
| Other long-term liabilities                       | 5,056               | 2,583               | 2,205               | 7,556               | 7,201               | 7,076               | 6,144               | 7,217               |
| <b>Total liabilities</b>                          | <b>1,123,355</b>    | <b>1,145,067</b>    | <b>1,157,700</b>    | <b>939,057</b>      | <b>939,619</b>      | <b>940,955</b>      | <b>903,855</b>      | <b>669,664</b>      |
| <b>Stockholders' equity:</b>                      |                     |                     |                     |                     |                     |                     |                     |                     |
| Class A and Class B common stock                  | 2                   | 2                   | 2                   | 2                   | 2                   | 2                   | 2                   | 2                   |
| Additional paid-in capital                        | 1,469,366           | 1,527,468           | 1,561,371           | 1,597,869           | 1,634,666           | 1,666,106           | 1,710,498           | 1,747,959           |
| Accumulated other comprehensive loss              | (420)               | (2,627)             | (9,496)             | (12,542)            | (12,678)            | (9,286)             | (5,594)             | (3,152)             |
| Accumulated deficit                               | (453,369)           | (510,890)           | (575,154)           | (591,591)           | (655,011)           | (701,664)           | (746,351)           | (757,055)           |
| <b>Total stockholders' equity</b>                 | <b>1,015,579</b>    | <b>1,013,953</b>    | <b>976,723</b>      | <b>993,738</b>      | <b>966,979</b>      | <b>955,158</b>      | <b>958,555</b>      | <b>987,754</b>      |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 2,138,934</b> | <b>\$ 2,159,020</b> | <b>\$ 2,134,423</b> | <b>\$ 1,932,795</b> | <b>\$ 1,906,598</b> | <b>\$ 1,896,113</b> | <b>\$ 1,862,410</b> | <b>\$ 1,657,418</b> |



**Consolidated Statements of Cash Flows – Quarterly  
(unaudited, in thousands)**

|   | Q3 2021           | Q4 2021           | Q1 2022           | Q2 2022          | Q3 2022          | Q4 2022           | Q1 2023           | Q2 2023           |
|---|-------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>                                    |                   |                   |                   |                  |                  |                   |                   |                   |
| Net loss  | \$ (56,198)       | \$ (57,521)       | \$ (64,264)       | \$ (16,437)      | \$ (63,420)      | \$ (46,653)       | \$ (44,687)       | \$ (10,704)       |
| Adjustments to reconcile net loss to net cash used in operating activities:     |                   |                   |                   |                  |                  |                   |                   |                   |
| Depreciation expense  | 7,364             | 8,089             | 9,850             | 10,736           | 10,662           | 11,371            | 12,040            | 12,920            |
| Amortization of intangible assets   | 5,309             | 5,309             | 5,309             | 5,309            | 5,496            | 5,582             | 5,175             | 5,175             |
| Non-cash lease expense  | 6,176             | 6,085             | 5,914             | 5,608            | 8,133            | 5,793             | 6,115             | 5,648             |
| Amortization of debt discount and issuance costs                                | 966               | 950               | 964               | 775              | 715              | 715               | 716               | 803               |
| Amortization of deferred contract costs   | 1,621             | 1,727             | 1,851             | 2,138            | 2,031            | 2,896             | 3,425             | 3,746             |
| Stock-based compensation  | 36,636            | 39,588            | 40,022            | 34,978           | 39,378           | 31,418            | 28,151            | 36,992            |
| Provision for credit losses   | 236               | 155               | 127               | 402              | 1,253            | 624               | 533               | 567               |
| (Gain) loss on disposals of property and equipment                              | (204)             | (123)             | 268               | 586              | —                | —                 | 251               | 296               |
| Amortization and accretion of discounts and premiums on investments             | —                 | —                 | 957               | 894              | 771              | 515               | 449               | 298               |
| Impairment of operating lease right-of-use assets                               | —                 | —                 | —                 | —                | —                | 2,083             | —                 | 187               |
| Net gain on extinguishment of debt  | —                 | —                 | —                 | (54,391)         | —                | —                 | —                 | (36,760)          |
| Other adjustments   | 683               | 729               | 128               | (67)             | (353)            | 3,980             | (243)             | (85)              |
| <b>Changes in operating assets and liabilities:</b>                             |                   |                   |                   |                  |                  |                   |                   |                   |
| Accounts receivable   | 1,595             | (10,546)          | (9,219)           | 5,097            | (5,949)          | (17,288)          | 3,701             | 6,482             |
| Prepaid expenses and other current assets                                       | (8)               | 725               | (2,111)           | (2,701)          | (975)            | (971)             | (634)             | 217               |
| Other assets  | (2,231)           | (3,103)           | (2,451)           | (3,948)          | (13,505)         | (15,492)          | (7,212)           | (4,771)           |
| Accounts payable  | (1,815)           | 1,799             | (2,492)           | 3,336            | (4,301)          | (1,267)           | (175)             | 1,119             |
| Accrued expenses  | 6,548             | 1,548             | 4,891             | (3,729)          | 3,328            | 3,799             | (6,827)           | 234               |
| Operating lease liabilities   | (5,897)           | (5,732)           | (5,632)           | (5,349)          | (7,462)          | (4,335)           | (5,750)           | (6,682)           |
| Other liabilities   | (3,472)           | 2,413             | 2,698             | 83               | (3,436)          | 5,102             | (3,889)           | 9,308             |
| <b>Net cash provided by (used in) operating activities</b>                      | <b>(2,691)</b>    | <b>(7,908)</b>    | <b>(13,190)</b>   | <b>(16,680)</b>  | <b>(27,634)</b>  | <b>(12,128)</b>   | <b>(8,861)</b>    | <b>24,990</b>     |
| <b>Cash flows from investing activities:</b>                                    |                   |                   |                   |                  |                  |                   |                   |                   |
| Purchases of marketable securities  | (443,701)         | (150,586)         | (148,193)         | (207,286)        | —                | —                 | —                 | —                 |
| Sales of marketable securities  | 51,739            | 2,291             | 2,301             | 159,552          | —                | 65                | —                 | 774               |
| Maturities of marketable securities   | 15,600            | 45,232            | 240,547           | 127,333          | 72,857           | 94,303            | 227,211           | 114,884           |
| Business acquisitions, net of cash acquired                                     | —                 | (1,169)           | (775)             | (25,224)         | (1,746)          | 1,843             | —                 | —                 |
| Advance payment for purchase of property and equipment                          | —                 | —                 | —                 | (29,310)         | (1,964)          | (10,923)          | —                 | —                 |
| Purchases of property and equipment <sup>(1)</sup>                              | (20,254)          | (3,549)           | (2,387)           | (6,428)          | (2,631)          | (8,529)           | (3,494)           | (4,464)           |
| Proceeds from sale of property and equipment                                    | 291               | 297               | —                 | 241              | 125              | 126               | 22                | 14                |
| Capitalized internal-use software   | (7,619)           | (3,180)           | (3,810)           | (4,926)          | (5,120)          | (4,290)           | (4,209)           | (6,230)           |
| Purchases of intangible assets  | 1                 | —                 | —                 | —                | —                | —                 | —                 | —                 |
| <b>Net cash provided by (used in) investing activities<sup>(1)</sup></b>        | <b>(403,943)</b>  | <b>(110,664)</b>  | <b>87,683</b>     | <b>13,952</b>    | <b>61,521</b>    | <b>72,595</b>     | <b>219,530</b>    | <b>104,978</b>    |
| <b>Cash flows from financing activities:</b>                                    |                   |                   |                   |                  |                  |                   |                   |                   |
| Cash paid for debt extinguishment   | —                 | —                 | —                 | (177,082)        | —                | —                 | —                 | (196,934)         |
| Repayments of finance lease liabilities <sup>(1)</sup>                          | (3,985)           | (3,004)           | (7,159)           | (3,870)          | (7,076)          | (4,427)           | (8,645)           | (6,557)           |
| Cash received for restricted stock sold in advance of vesting conditions        | —                 | —                 | 10,655            | —                | —                | —                 | —                 | —                 |
| Cash paid for early sale of restricted shares                                   | —                 | —                 | (3,498)           | (3,539)          | (3,618)          | —                 | —                 | —                 |
| Payment of deferred consideration for business acquisitions                     | —                 | —                 | —                 | —                | —                | —                 | —                 | (4,393)           |
| Proceeds from exercise of vested stock options                                  | 3,489             | 3,532             | 3,048             | 1,721            | 555              | 364               | 336               | 535               |
| Proceeds from employee stock purchase plan                                      | 1,430             | 2,075             | 2,406             | 1,571            | 1,749            | (949)             | 2,596             | 2,191             |
| <b>Net cash provided by (used in) financing activities<sup>(1)</sup></b>        | <b>934</b>        | <b>2,603</b>      | <b>5,452</b>      | <b>(181,199)</b> | <b>(8,390)</b>   | <b>(5,012)</b>    | <b>(5,713)</b>    | <b>(205,158)</b>  |
| Effects of exchange rate changes on cash, cash equivalents, and restricted cash | (242)             | (94)              | (219)             | (100)            | (110)            | 39                | 116               | 469               |
| Net increase (decrease) in cash, cash equivalents, and restricted cash          | (405,942)         | (116,063)         | 79,726            | (184,027)        | 25,387           | 55,494            | 205,072           | (74,721)          |
| Cash, cash equivalents, and restricted cash at beginning of period              | 688,966           | 283,024           | 166,961           | 246,687          | 62,660           | 88,047            | 143,541           | 348,613           |
| <b>Cash, cash equivalents, and restricted cash at end of period</b>             | <b>\$ 283,024</b> | <b>\$ 166,961</b> | <b>\$ 246,687</b> | <b>\$ 62,660</b> | <b>\$ 88,047</b> | <b>\$ 143,541</b> | <b>\$ 348,613</b> | <b>\$ 273,892</b> |

(1) Amounts disclosed for Q1 2022 and Q2 2022 have been revised from the amounts disclosed in our previous investor supplements to match amounts reported in the applicable Quarterly Reports on Form 10-Q.

**Free Cash Flow**  
(in thousands, unaudited)

|   | Quarter ended      |                    |                    |                    |                    |                    |                    |                 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------|
|   | Q3 2021            | Q4 2021            | Q1 2022            | Q2 2022            | Q3 2022            | Q4 2022            | Q1 2023            | Q2 2023         |
| Cash flow provided by (used in) operations                            | \$ (2,691)         | \$ (7,908)         | \$ (13,190)        | \$ (16,680)        | \$ (27,634)        | \$ (12,128)        | \$ (8,861)         | \$ 24,990       |
| Capital expenditures <sup>(1)</sup> :                                 |                    |                    |                    |                    |                    |                    |                    |                 |
| Purchases of property and equipment                                   | (20,254)           | (3,549)            | (2,387)            | (6,428)            | (2,631)            | (8,529)            | (3,494)            | (4,464)         |
| Proceeds from sale of property and equipment                          | 291                | 297                | —                  | 241                | 125                | 126                | 22                 | 14              |
| Capitalized internal-use software                                     | (7,619)            | (3,180)            | (3,810)            | (4,926)            | (5,120)            | (4,290)            | (4,209)            | (6,230)         |
| Repayments of finance lease liabilities                               | (3,985)            | (3,004)            | (7,159)            | (3,870)            | (7,076)            | (4,427)            | (8,645)            | (6,557)         |
| Advance payment for purchase of property and equipment <sup>(2)</sup> | —                  | —                  | —                  | (29,310)           | (1,964)            | (10,923)           | —                  | —               |
| <b>Free Cash Flow</b>   | <u>\$ (34,258)</u> | <u>\$ (17,344)</u> | <u>\$ (26,546)</u> | <u>\$ (60,973)</u> | <u>\$ (44,300)</u> | <u>\$ (40,171)</u> | <u>\$ (25,187)</u> | <u>\$ 7,753</u> |

(1) Capital expenditures are defined as cash used for purchases of property and equipment, net of proceeds from sale of property and equipment, and capitalized internal-use software and payments on finance lease obligations, as reflected in our statement of cash flows.

(2) As reflected in our statement of cash flows. In the six months ended June 30, 2023, we received \$1.6 million of capital equipment that was prepaid prior to the current quarter.