

Q1 Fiscal 2023 Earnings Results

braze

June 13, 2022

Forward Looking Statements and Disclaimer

Forward-Looking Statements

This presentation contains, and statements made during this presentation contain, "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding Braze's financial outlook for the second quarter of and full fiscal year ended January 31, 2023. Words such as "anticipate," "believe," "could," "estimate," "expect," "goal," "hope," "intend," "may," "might," "potential," "predict," "project," "shall," "should," "target," "will" and variations of these terms and similar expressions are intended to identify these forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on Braze's current assumptions, expectations and beliefs and are subject to substantial risks, uncertainties, assumptions and changes in circumstances that may cause Braze's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks include, but are not limited to, risks and uncertainties related to: (1) unstable market and economic conditions may have serious adverse consequences on Braze's business, financial condition and share price; (2) Braze's recent rapid revenue growth may not be indicative of its future revenue growth; (3) Braze's history of operating losses; (4) Braze's limited operating history at its current scale; (5) Braze's ability to successfully manage its growth; (6) the accuracy of estimates of market opportunity and forecasts of market growth and the impact that global macroeconomic uncertainty, including from the ongoing COVID-19 pandemic and ongoing conflict between Russia and Ukraine, and general market, political, economic and business conditions could have on Braze's or its customers' businesses, financial condition and results of operations; (7) Braze's ability and the ability of its platform to adapt and respond to changing customer or consumer needs, requirements or preferences; (8) Braze's ability to attract new customers and renew existing customers; (9) the competitive markets in which Braze participates and the intense competition that it faces; (10) Braze's ability to adapt and respond effectively to rapidly changing technology, evolving cybersecurity and data privacy risks, evolving industry standards or changing regulations; and (11) Braze's reliance on third-party providers of cloud-based infrastructure. Further information on potential factors that could affect Braze's business and financial results is included in Braze's Quarterly Report on Form 10-Q that will be filed with the SEC for the fiscal quarter and year ended April 30, 2022. The forward-looking statements included in this presentation represent Braze's views only as of the date of this presentation and Braze assumes no obligation, and does not intend to update these forward-looking statements, except as required by law.

Use of Non-GAAP Financial Measures

This presentation contains the following non-GAAP financial measures: non-GAAP gross profit and margin, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP operating loss, non-GAAP net loss, non-GAAP net loss per share, basic and diluted, and non-GAAP free cash flow and non-GAAP free cash flow margin. Braze defines non-GAAP gross profit and margin, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP operating loss and non-GAAP net loss as the respective GAAP balances, adjusted for stock-based compensation expense employer taxes related to stock-based compensation and charitable contribution expense. Prior to the first quarter of the fiscal year ended January 31, 2023, Braze did not adjust non-GAAP gross profit and margin, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP operating loss or non-GAAP net loss for employer taxes related to stock-based compensation or charitable contribution expense, because these amounts were immaterial in prior periods. Braze defines non-GAAP free cash flow as net cash used in operating activities, minus purchases of property and equipment and minus capitalized internal use software costs. Investors are encouraged to review the reconciliation of these historical non-GAAP financial measures to their most directly comparable GAAP financial measures. Braze uses this non-GAAP financial information internally in analyzing its financial results and believes that this non-GAAP financial information, when taken collectively with GAAP financial measures, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only, and should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles in the United States (GAAP), and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses that are required by GAAP to be recorded in Braze's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by Braze's management about which expenses are excluded or included in determining these non-GAAP financial measures. A reconciliation is provided at the end of this presentation for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Braze encourages investors to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, which it includes in press releases announcing quarterly and fiscal year financial results, and not to rely on any single financial measure to evaluate Braze's business.

Customer Metrics and Market Data

Unless otherwise noted, information in this presentation concerning Braze's industry, including industry statistics and forecasts, competitive position and the markets in which Braze operates is based on information from independent industry and research organizations, other third-party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third party sources, as well as data from Braze's internal research, and are based on assumptions made by Braze upon reviewing such data, and Braze's experience in, and knowledge of, such industry and markets, which it believes to be reasonable. Projections, forecasts, assumptions and estimates of the future performance of the industry in which Braze operates and Braze's future performance are necessarily subject to uncertainty and risk due to a variety of factors. Braze has not independently verified the accuracy or completeness of the information provided by independent industry and research organizations, other third parties or other publicly available information. Accordingly, Braze makes no representations as to the accuracy or completeness of that information nor does Braze undertake to update such information after the date of this presentation.

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Braze at a Glance

\$310M



QUARTERLY REVENUE
RUN RATE¹

62%



Y/Y REVENUE
GROWTH

1,503



CUSTOMERS IN OVER
60 COUNTRIES

127%



DOLLAR-BASED NET
RETENTION RATE

94%



SUBSCRIPTION
REVENUE

\$40M



GAAP
NET LOSS

Data as of April 30, 2022 or the three months ended, as applicable
1. Represents quarterly GAAP revenue multiplied by 4

Q1'23 Results Highlights

Financial Highlights:

- Revenue of \$77.5 million, up 61.9% YoY and 10.0% sequentially
- GAAP gross margin of 66.6%, down 40 basis points YoY; non-GAAP gross margin of 67.8%, up 40 basis points YoY
- Dollar-based net retention rate of 127% compared to 128% in Q4 and 124% in the prior year quarter
- GAAP operating loss of \$39.6 million compared to a loss of \$13.0 million in the prior year quarter; non-GAAP operating loss of \$18.0 million compared to a loss of \$6.1 million in the prior year quarter
- GAAP net loss per basic and diluted shares attributable to Braze stockholders was \$0.42, compared to a loss of \$0.65 in the prior year quarter; non-GAAP net loss per basic and diluted shares attributable to Braze stockholders was \$0.19 compared to a loss of \$0.30 in the prior year quarter
- Net cash provided by operating activities was \$17.9 million compared to net cash used in operating activities of \$3.8 million in the prior year quarter
- Free cash flow was \$15.7 million compared to \$(4.6) million in the prior year quarter

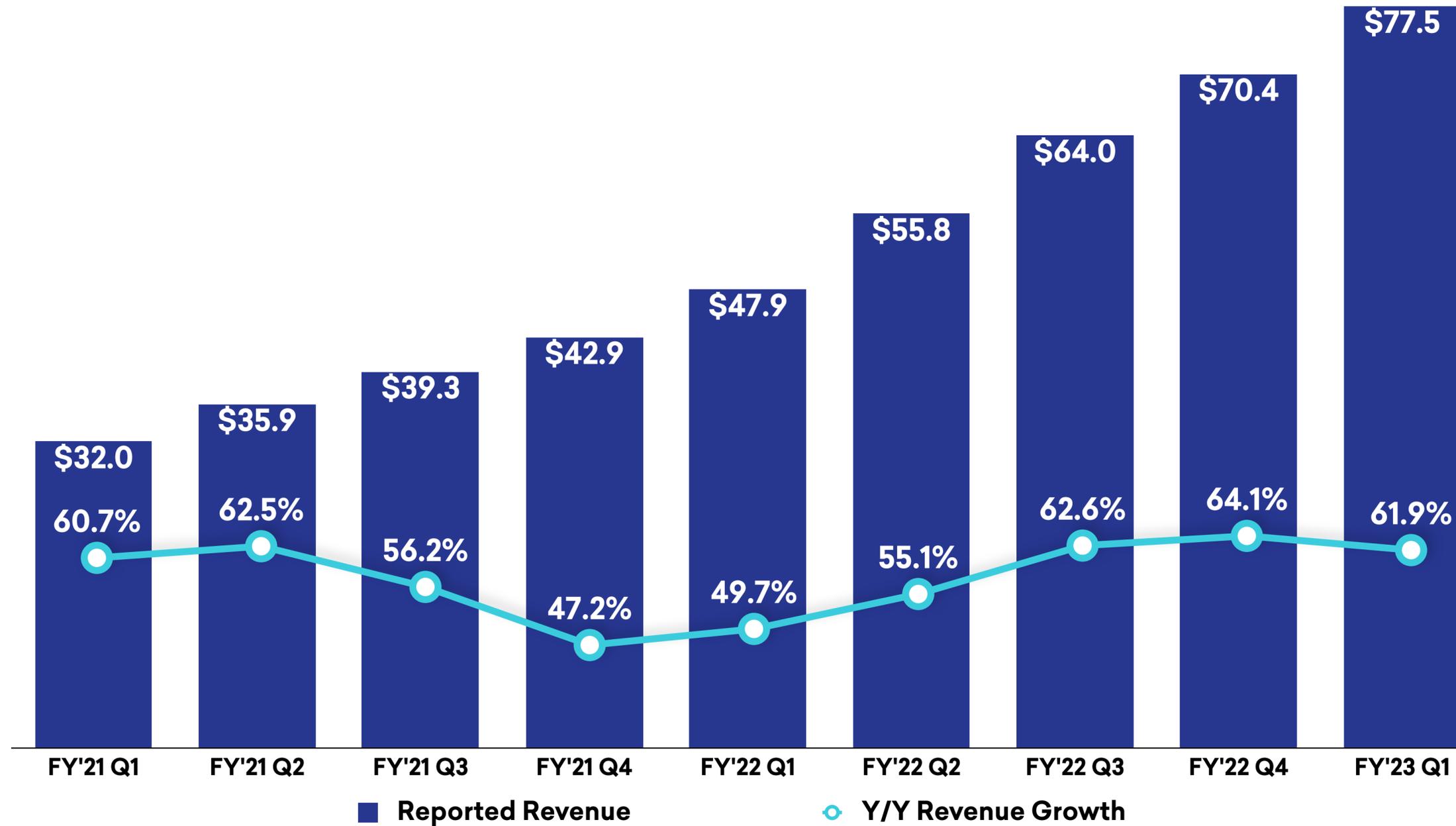
Customer and Strategic Highlights:

- Customer count increased to 1,503 as of April 30, 2022
- New business wins and upsells included, Little Spoon, Mercari, PaulCamper (Germany), and Pizza Hut (Australia)
- Continued to acquire talent, adding 120 employees in the fiscal quarter, bringing the total team to over 1,280

See Appendix for GAAP to non-GAAP reconciliation

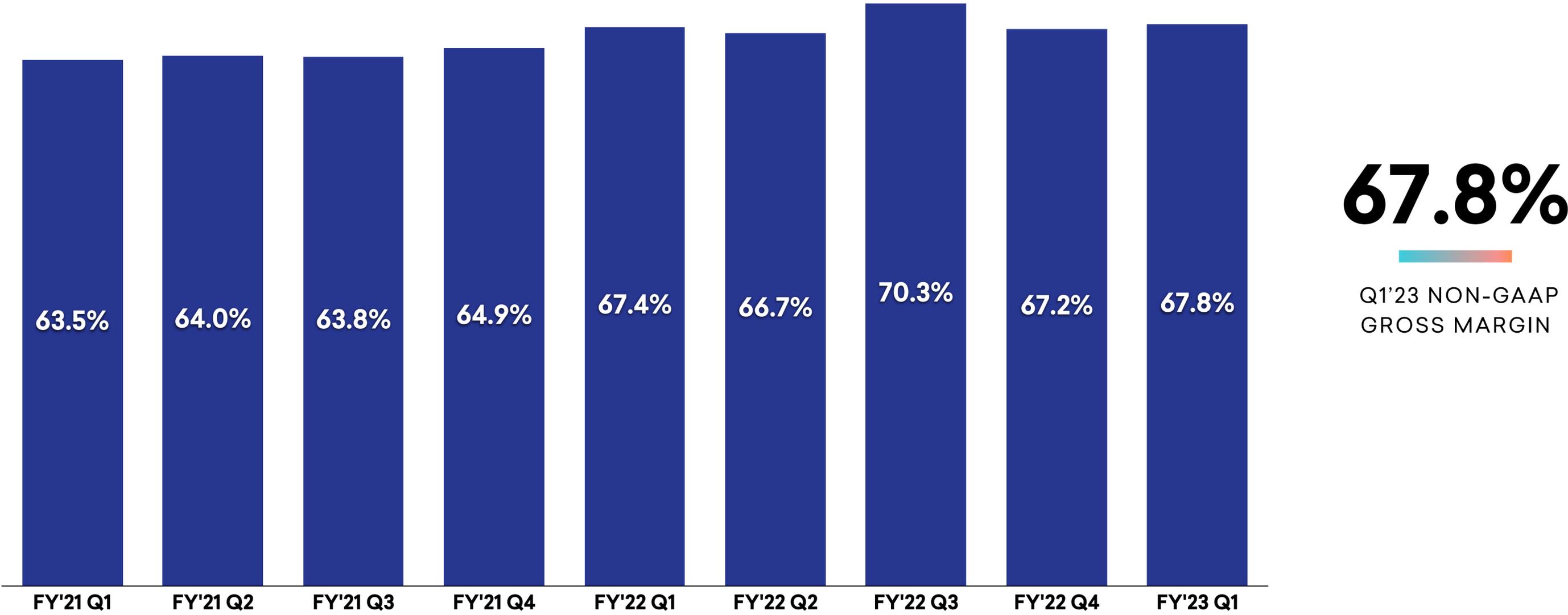
Quarterly Revenue

UNAUDITED, DOLLARS IN MILLIONS



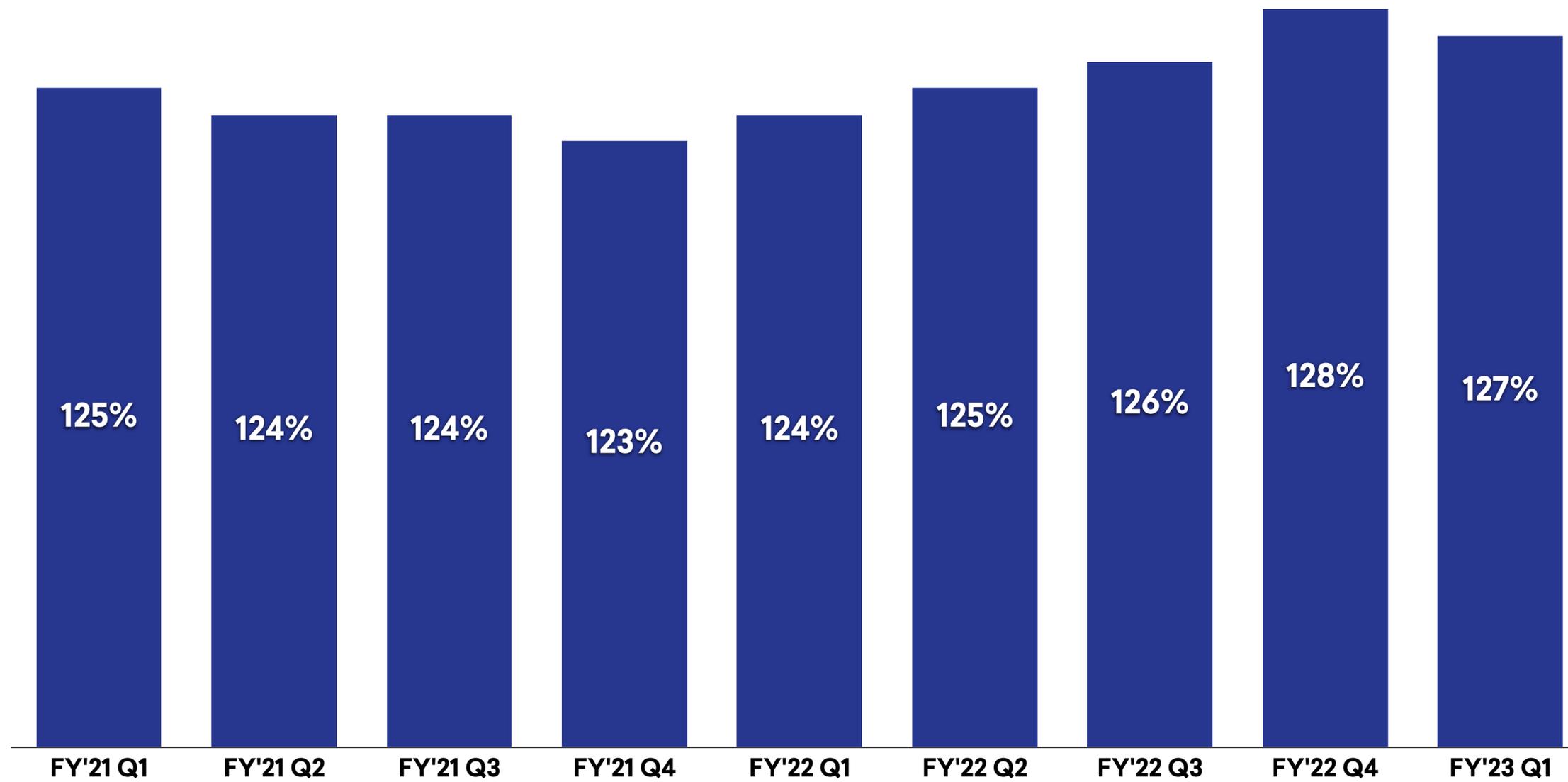
61.9%
Q1'23 Y/Y
REVENUE GROWTH

Non-GAAP Gross Margin



See Appendix for GAAP to non-GAAP reconciliation

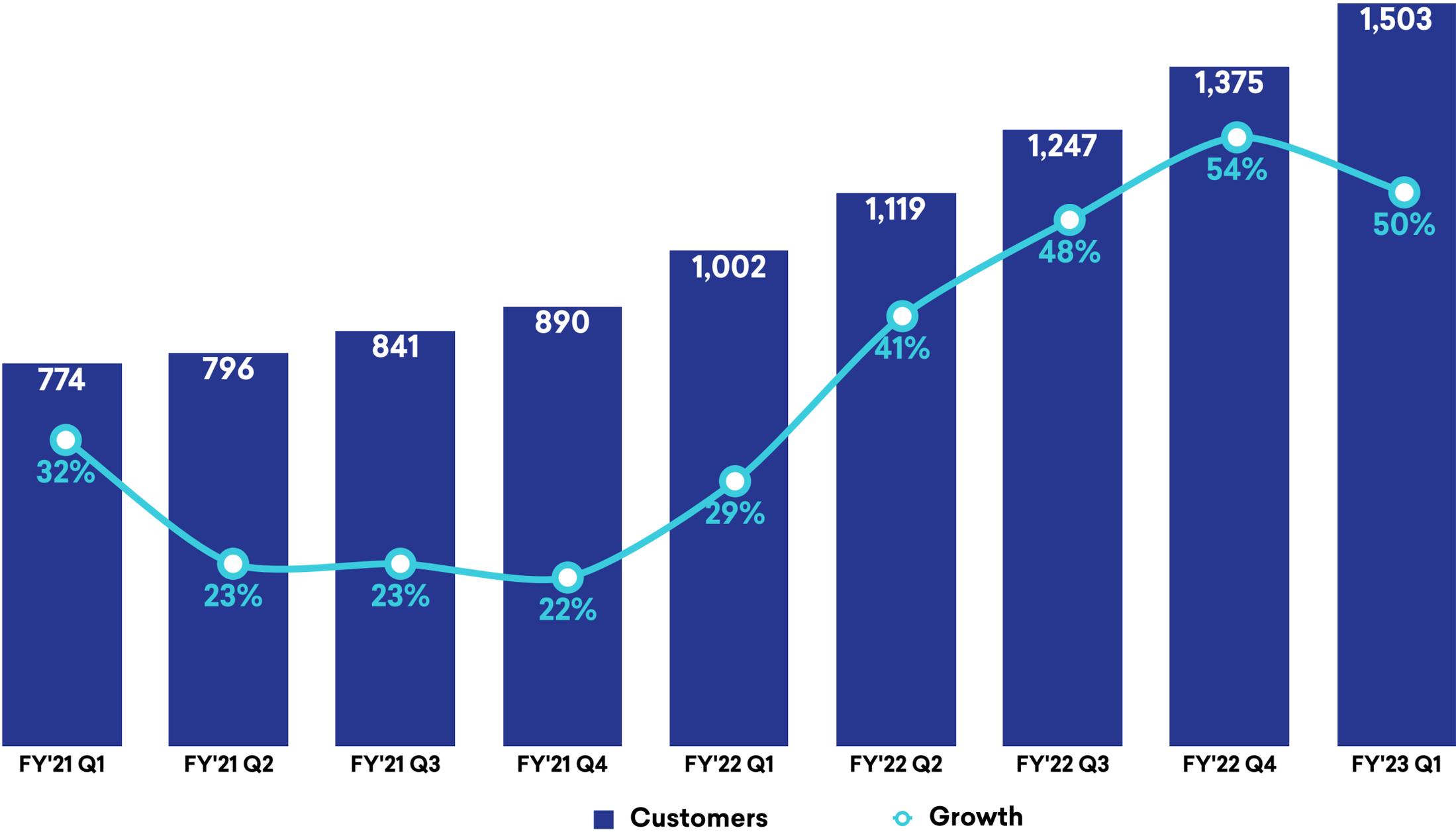
Dollar-Based Net Retention



127%
Q1'23 NET DOLLAR-BASED RETENTION RATE

See Appendix for definitions

Braze Customers



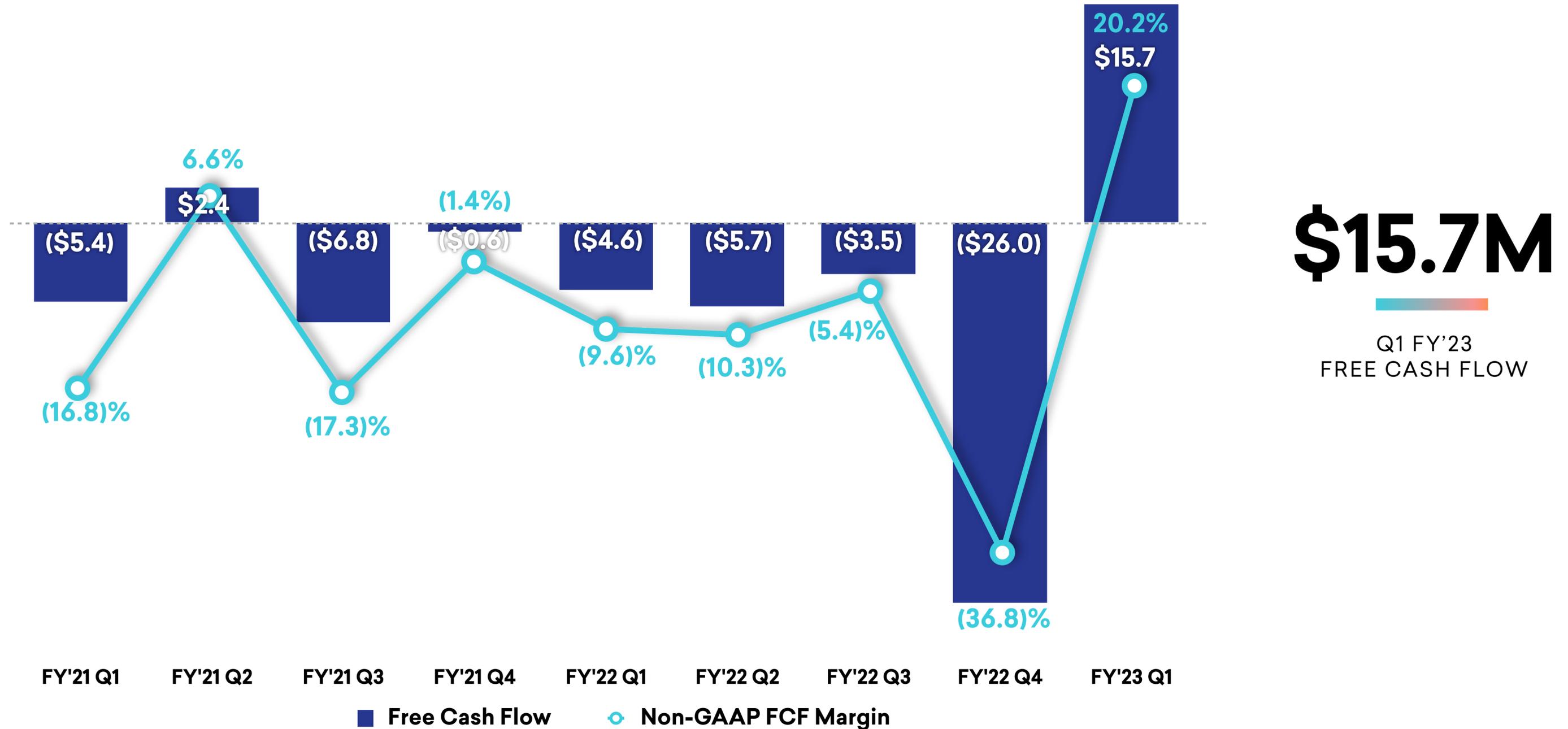
50%
Q1'23 Y/Y
CUSTOMER GROWTH

129 CUSTOMERS
WITH \$500K+ ARR, UP
65% Y/Y

See Appendix for definitions

Free Cash Flow

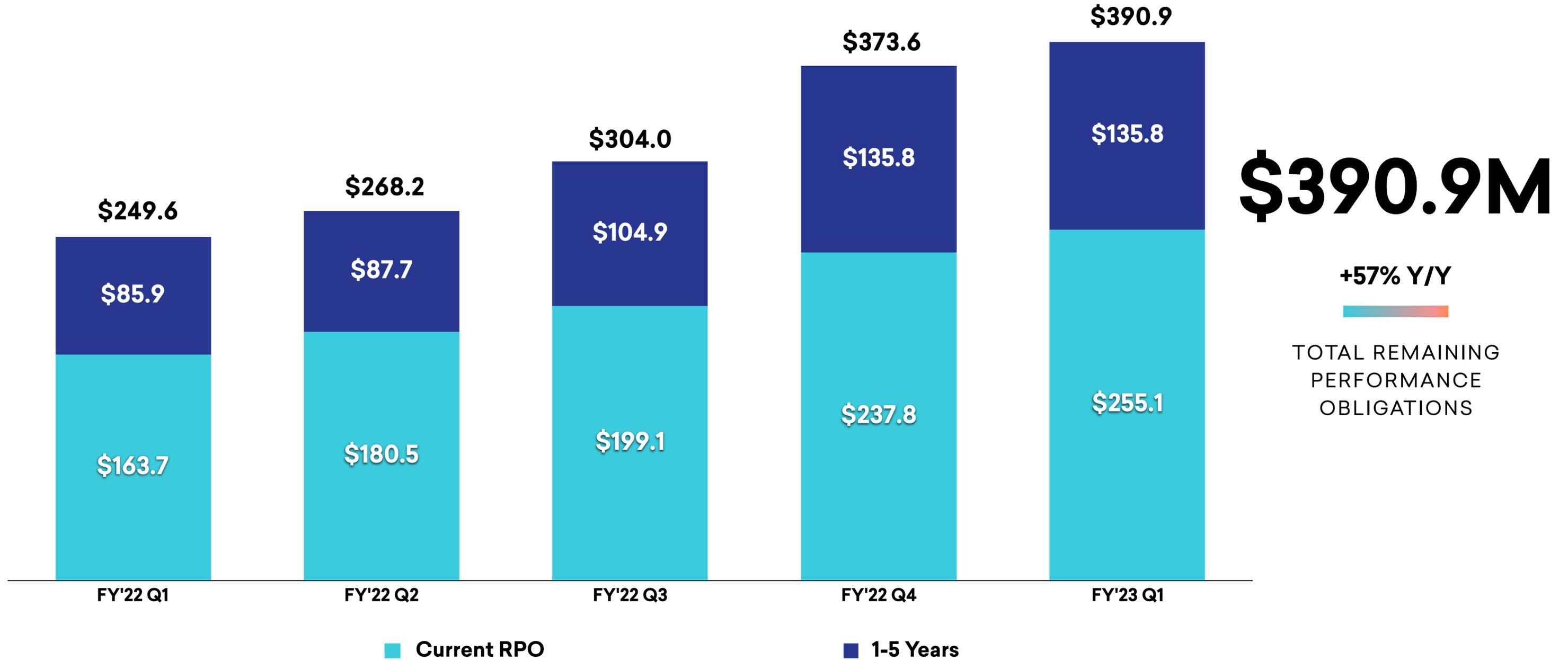
DOLLARS IN MILLIONS



See Appendix for GAAP to non-GAAP reconciliation

Remaining Performance Obligations

DOLLARS IN MILLIONS



Guidance

DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS

Metric	Q2'23 Guidance	FY'23 Guidance
Revenue	\$80.5 - 81.5	\$345.0 - 349.0
Non-GAAP Operating Loss	\$(19.5) - (20.5)	\$(77.0) - (81.0)
Non-GAAP Net Loss	\$(18.5) - (19.5)	\$(74.5) - (78.5)
Non-GAAP Net Loss Per Share	\$(0.19) - (0.20)	\$(0.78) - (0.82)
Weighted Average Shares Outstanding	~95.4M	~95.8M

Appendix

Operating Metrics - Definitions

Number of Customers: We define a customer as the separate and distinct, ultimate parent-level entity that has an active subscription with us to use our products. A single organization could have multiple distinct contracting divisions or subsidiaries, all of which together would be considered a single customer.

Dollar-based Net Retention Rate: We calculate our dollar-based net retention rate as of a period end by starting with the ARR from a cohort of customers as of 12 months prior to such period-end (the Prior Period ARR). We then calculate the ARR from the same cohort of customers as of the end of the current period (the Current Period ARR). Current Period ARR includes any expansion and is net of contraction or attrition over the last 12 months, but excludes ARR from new customers in the current period. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time dollar-based net retention rate. We then calculate the weighted average point-in-time dollar-based net retention rates as of the last day of each month in the current trailing 12-month period to arrive at the dollar-based net retention rate.

Annual Recurring Revenue (ARR): We define ARR as the annualized value of customer subscription contracts, including certain premium professional services that are subject to contractual subscription terms, as of the measurement date, assuming any contract that expires during the next 12 months is renewed on its existing terms (including contracts for which we are negotiating a renewal). Our calculation of ARR is not adjusted for the impact of any known or projected future events (such as customer cancellations, expansion or contraction of existing customers relationships or price increases or decreases) that may cause any such contract not to be renewed on its existing terms.

Remaining Performance Obligations: The transaction price allocated to remaining performance obligations represents amounts under non-cancelable contracts expected to be recognized as revenue in future periods, and may be influenced by several factors, including seasonality, the timing of renewals, the timing of service delivery and contract terms. Unbilled portions of the remaining performance obligation are subject to future economic risks including bankruptcies, regulatory changes and other market factors.

GAAP to Non-GAAP Reconciliation

DOLLARS IN THOUSANDS

Reconciliation of GAAP to Non-GAAP Gross Margin

	Three Months Ended April 30,	
	2022	2021
Gross Profit	\$51,589	\$32,070
Plus:		
Stock-based compensation expense	920	190
Employer taxes related to stock-based compensation expense	16	-
Non-GAAP Gross Profit	\$52,525	\$32,260
GAAP Gross Margin	66.6%	67.0%
Non-GAAP Gross Margin	67.8%	67.4%

Reconciliation of GAAP to Non-GAAP Operating Expenses

	Three Months Ended April 30,	
	2022	2021
GAAP sales and marketing expense	\$46,044	\$24,351
Less:		
Stock-based compensation expense	5,667	2,338
Employer taxes related to stock-based compensation expense	167	-
Non-GAAP sales and marketing expense	\$40,210	\$22,013
GAAP research and development expense	\$21,620	\$11,797
Less:		
Stock-based compensation expense	6,173	2,587
Employer taxes related to stock-based compensation expense	127	-
Non-GAAP research and development expense	\$15,320	\$9,210
GAAP general and administrative expense	\$23,574	\$8,947
Less:		
Stock-based compensation expense	4,211	1,841
Employer taxes related to stock-based compensation expense	65	3
Charitable contribution expense	4,260	-
Non-GAAP general and administrative expense	\$15,038	\$7,103

GAAP to Non-GAAP Reconciliation

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

Reconciliation of GAAP to Non-GAAP Operating Loss

	Three Months Ended April 30,	
	2022	2021
Loss from operations	(\$39,649)	(\$13,025)
Plus:		
Stock-based compensation expense	16,971	6,956
Employer taxes related to stock-based compensation expense	375	3
Charitable contribution expense	4,260	-
Non-GAAP loss from operations	(\$18,043)	(\$6,066)

Reconciliation of GAAP to Non-GAAP Net Loss

	Three Months Ended April 30,	
	2022	2021
Net loss attributable to Braze, Inc.	(\$39,269)	(\$12,834)
Plus:		
Stock-based compensation expense	16,971	6,956
Employer taxes related to stock-based compensation expense	375	3
Charitable contribution expense	4,260	-
Non-GAAP net loss attributable to Braze, Inc. ¹	(\$17,663)	(\$5,875)
Non-GAAP net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	(\$0.19)	(\$0.30)
Weighted-average shares used to compute net loss per share attributable to Braze, Inc. common stockholders, basic and diluted	93,250	19,669

¹ Assumes no tax impact due to the Company's net loss position and deferred tax assets.

GAAP Cash Flows from Operations to Free Cash Flow

DOLLARS IN THOUSANDS

Reconciliation of GAAP Cash Flow from Operating Activities to Non-GAAP Free Cash Flow

	<u>Three Months Ended April 30,</u>	
	<u>2022</u>	<u>2021</u>
Net cash provided by/(used in) operating activities	\$17,921	(\$3,807)
Less:		
Purchases of property and equipment	(1,960)	(298)
Capitalized internal-use software costs	(306)	(498)
Free cash flow	<u>\$15,655</u>	<u>(\$4,603)</u>
Free cash flow margin	20.2%	(9.6%)

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