Second Quarter 2020 Earnings Presentation

August 6, 2020

Safe Harbor

Caution Concerning Forward-Looking Statements

Various remarks that the Company makes contain forward-looking statements regarding acquisition integration, growth, growth priorities or plans, new products and related investment, revenues, adjusted EBITDA, churn, seats, lines or accounts, average revenues per customer, cost of communications services, new products and related investment, capital expenditures, and other statements that are not historical facts or information constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. The forward-looking statements are based on information available at the time the statements are made and/or management's belief as of that time with respect to future events and involve risks and uncertainties that could cause actual results and outcomes to be materially different. Important factors that could cause such differences include but are not limited to: the competition we face; the expansion of competition in the cloud communications market; risks related to the acquisition or integration of businesses we have acquired; the impact of the COVID-19 pandemic; our ability to adapt to rapid changes in the cloud communications market; the nascent state of the cloud communications for business market; our ability to retain customers and attract new customers cost-effectively; the risk associated with developing and maintaining effective internal sales teams and effective distribution channels; security breaches and other compromises of information security; risks associated with sales of our services to medium-sized and enterprise customers; our reliance on third-party hardware and software; our dependence on third-party facilities, equipment, systems and services; system disruptions or flaws in our technology and systems; our ability to comply with data privacy and related regulatory matters; our ability to scale our business and grow efficiently; our dependence on third party vendors; the impact of fluctuations in economic conditions, particularly on our small and medium business customers; our ability to obtain or maintain relevant intellectual property licenses or to protect our trademarks and internally developed software; restrictions in our debt agreements that may limit our operating flexibility; our ability to obtain additional financing if required; our ability to raise funds necessary to settle conversion of the 2024 convertible senior notes; conditional conversion features of the convertible senior notes; the cash settlement of the convertible senior notes; the effects of the capped call transactions in connection with the convertible senior notes; fraudulent use of our name or services; intellectual property and other litigation that have been and may be brought against us; fraudulent use of our name or services; intellectual property and other litigation that have been and may be brought against us; reliance on third parties for our 911 services; uncertainties relating to regulation of business services; risks associated with legislative, regulatory or judicial actions regarding our business products; risks associated with operating abroad; risks associated with the taxation of our business; governmental regulation and taxes in our international operations; liability under anti-corruption laws or from governmental export controls or economic sanctions; our dependence on our customers' unimpeded access to broadband connections; foreign currency exchange risk; our history of net losses and ability to achieve consistent profitability in the future; our ability to fully realize the benefits of our net operating loss carry-forwards if an ownership change occurs; certain provisions of our charter documents; and other factors that are set forth in the “Risk Factors” section and other sections of our Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and amendments to these reports. While the Company may elect to update forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so, and therefore, you should not rely on these forward-looking statements as representing the Company's views as of any date subsequent to today.

Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures (including adjusted EBITDA, adjusted EBITDA minus capex, constant currency, net debt (cash), free cash flow), as defined in Regulation G adopted by the SEC. The Company provides a reconciliation of these non-GAAP financial measures to the most directly comparable financial measure at the end of the presentation and in the Company's quarterly earnings releases, which can be found on the Vonage Investor Relations website at http://ir.vonage.com.

Second Quarter 2020 Highlights

- Grew Consolidated revenues to $311 million, up 6% (excluding USF revenues)
  - Business revenues of $226 Million, up 15% (excluding USF revenues)
  - Business Service revenues of $212 million, up 18% Y/Y
- Increased API Service revenues to $103 million, up 32% Y/Y
  - Video leadership continued to drive high-value revenue growth of 163% Y/Y
  - Added a record number of new customers in the quarter
- Grew Applications Service revenues to $109 million, up 7% Y/Y
  - Applications Service revenues from midmarket and enterprise customers (>$12K ARR) grew 14% Y/Y
  - Applications Service revenues from enterprise customers (>$120K ARR) grew 22% Y/Y
- Appointed Rory Read as Chief Executive Officer and a member of the Board of Directors
- Began a business optimization and alignment project, to focus resources and drive improved operational execution
- Reduced net debt to 3.2x adjusted EBITDA and maintain strong liquidity through undrawn revolver

Leading Vonage to a New Level of Execution and Growth

Rory Read brings more than 30 years of technology industry experience and a deep background in executive leadership, business execution excellence and driving key strategic and transformational objectives

- **Since joining on July 1st**, conducted business reviews with team members across the company, as well as with partners and customers
- **Embarked on a business optimization and alignment project** to focus resources and drive improved operational execution in the next 90 days
- The business optimization and alignment project will also inform strategy and operating plans for 2021 and 2022, **and include the completion of the ongoing Consumer segment review**
- Opportunity exists to further optimize the business by **being more efficient, speeding innovation, and streamlining the organization and processes**
- Committed to managing the Company for **strong growth and profitability**

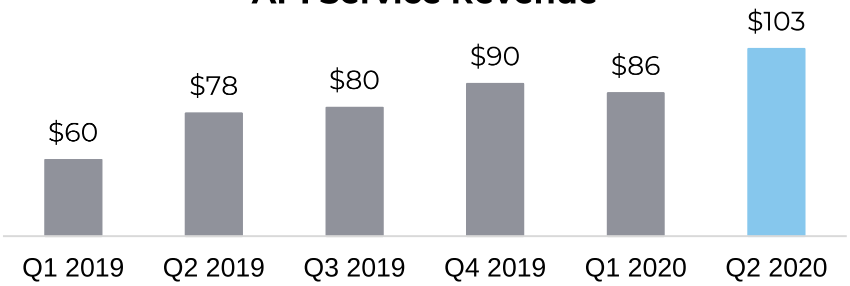
"I'm excited to leverage my experience driving large global transformations and operational execution to help lead Vonage forward, into its next chapter."

Rory Read, CEO

Second Quarter API Platform Highlights

- Revenues **increased 32% Y/Y**
- **High value API revenues** (including video, IP messaging and voice) **increased 163% Y/Y**
- Growth from existing customers **drove dollar-based net expansion (DBNE) of 119%,** while DBNE for high value revenues **exceeded 200%**
- Added a record number of new customers, **over 70% of which utilize high value services**

API Service Revenue

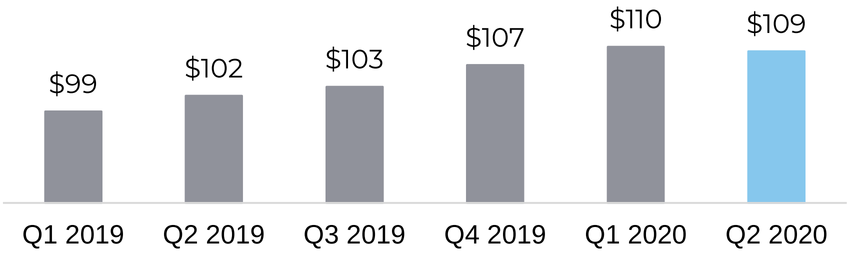


doxy.me	Programmable Video
ujet	Programmable Voice
Next Education® Transforming Education	Programmable Video

Second Quarter Applications Highlights

- Service Revenues **increased 7% Y/Y**
- Service Revenues from **Mid-Market & Enterprise customers (>$12K ARR) grew 14% Y/Y**
- Service Revenue from **Enterprise customers (>$120K ARR) grew 22% Y/Y**
- Signed **11 seven-figure TCV deals** and the average deal size increased
- Focused on **improving GTM efficiency and scalability**

Applications Service Revenue



Domino's — Bundled win including UC and API platform integration

San Bernardino County — Enterprise-scale UC win driven by speed of implementation

ABB — 7-figure TCV CC upsell driven by Salesforce integration and call analytics

Financial Results

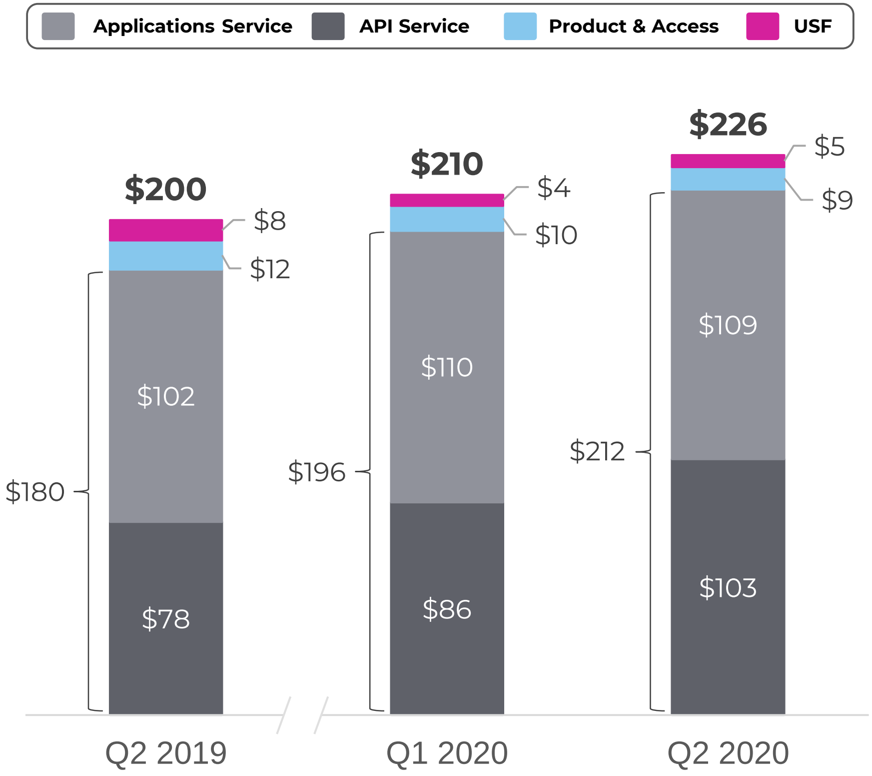
Second Quarter Results Exceeded Guidance

	Q2 2020 Results	Q2 2020 Guidance
Consolidated Revenues	$311	$295 to $298
Business Revenues	$226	$213 to $216
Consumer Revenues	$84	$82 area
Net Loss	$(8)	
Adjusted EBITDA[1]	$42	$36 area

$ IN MILLIONS

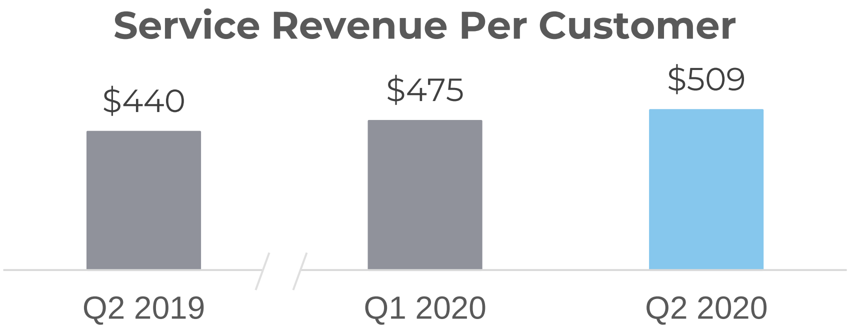
(1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

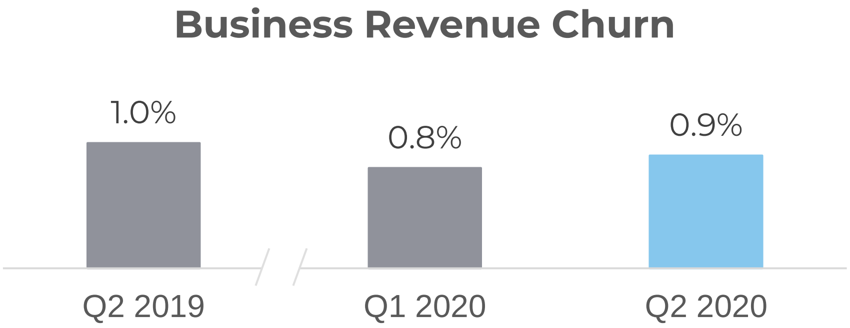
Business Segment Revenues



- Business revenues of $226 million
  - Y/Y reduction in USF revenues (pass through) driven by a study which determined Vonage services are mostly software rather than telecommunications
- Business Service revenues of $212 million grew 18% Y/Y
- API Platform revenues now represent 47% of Business segment revenues (ex-USF)
  - Up from 41% a year ago
  - Will become the majority of Business segment revenue in 2021

Business Segment KPIs

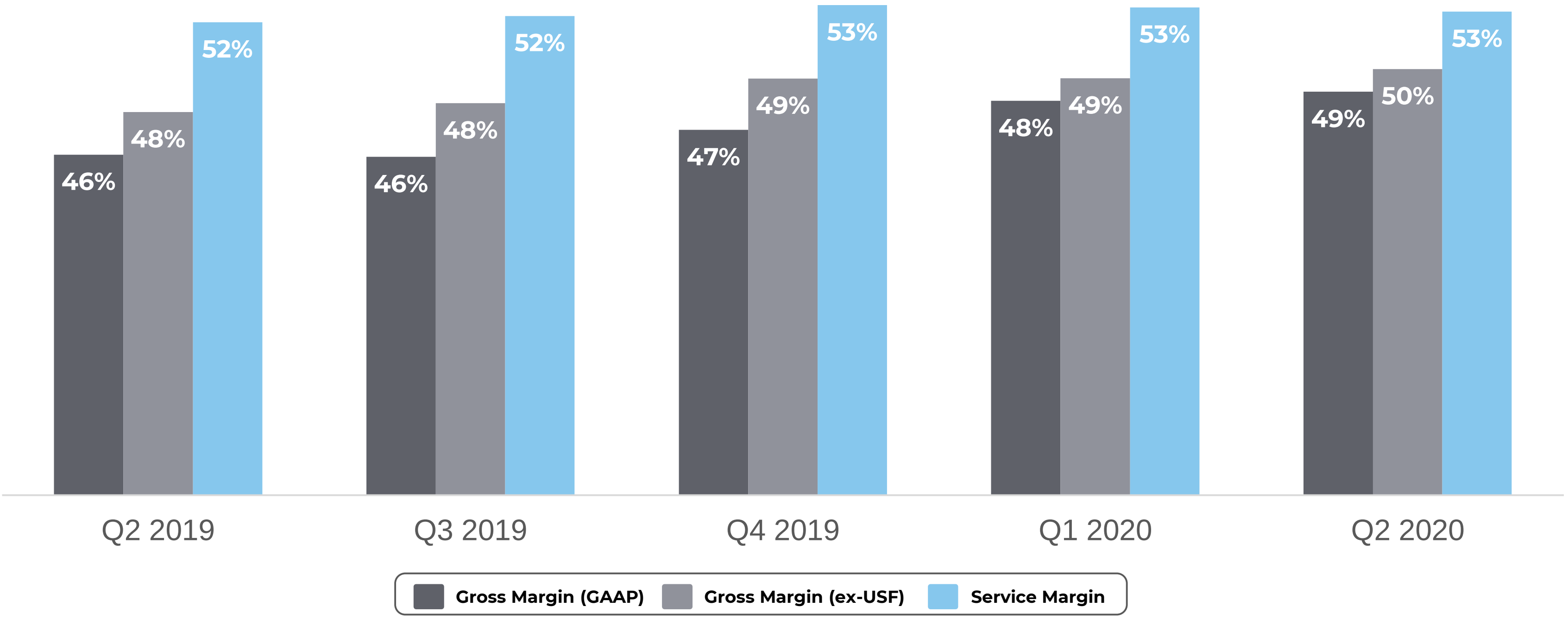




- Service Revenue per customer up 16% driven by:
  - Continued move upmarket in Applications
  - Increased enterprise adoption of API platform
- Monthly Business Revenue churn improved driven by
  - Continued move upmarket
  - High utility of cloud product

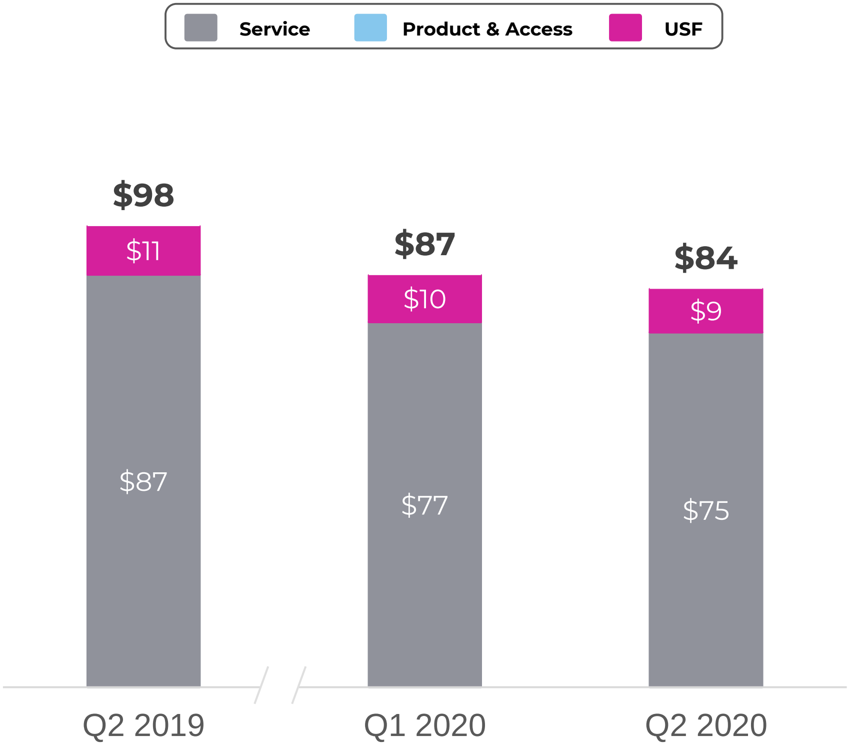
Business Segment Margins Have Stabilized

Five consecutive quarters of stable and increasing Business margins
→ reflecting the shift to owned, higher margin products



VONAGE

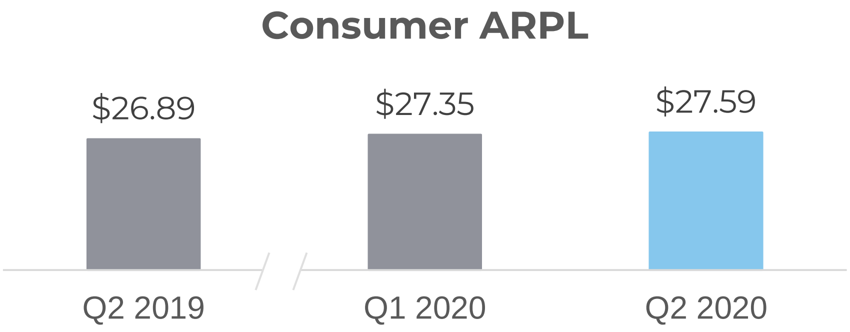
Consumer Segment Revenues

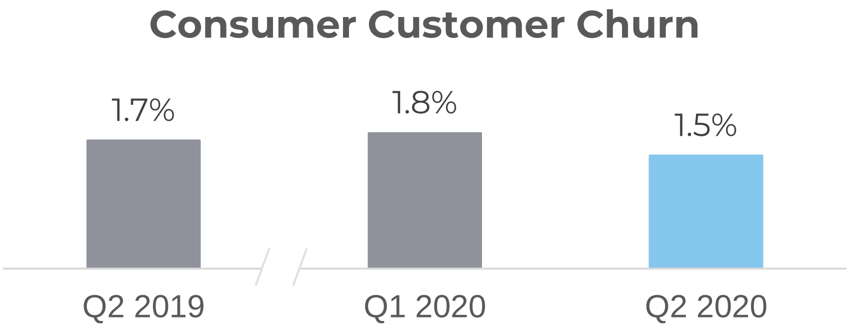


- Consumer Revenues declined 14% Y/Y, in line with expectations
- Ended the quarter with 1 million subscriber lines
  - Tenured customers >2 years represent 93% of the customer base while those >5 years represent 76%
- Expect the Consumer Segment to provide ~$600 million in after-tax free cash flow over the next five years

$ IN MILLIONS

Consumer Segment KPIs

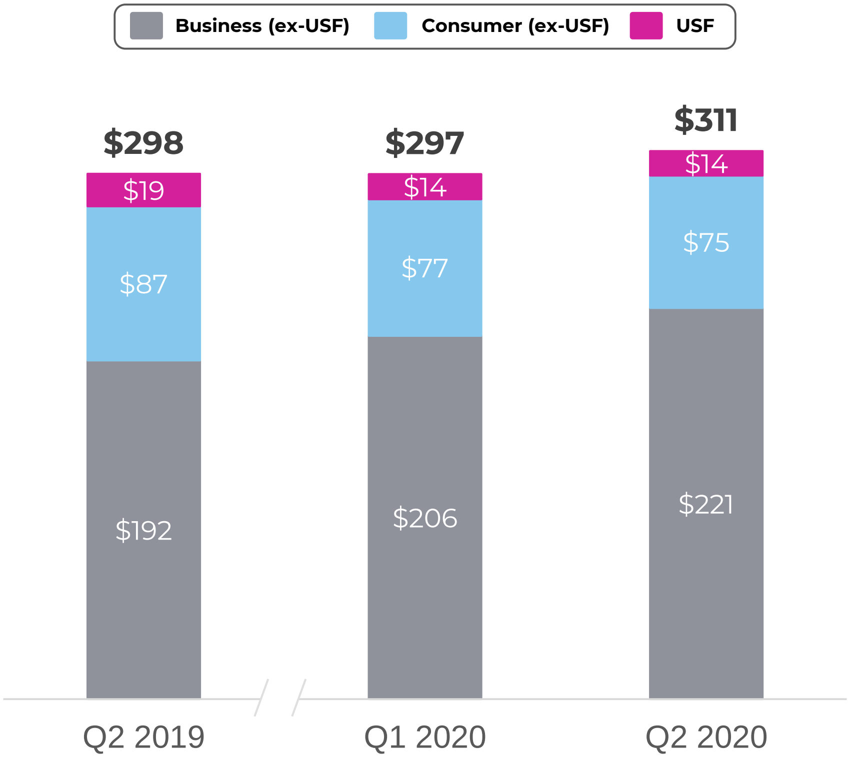




- Average Revenue Per Line up $0.70 due to:
  - Selective pricing actions & maturity of the customer base
- Churn decreased due to:
  - Lower churn rates among tenured customers
  - Terminated fewer customers for non-payment in Q2, due to COVID-19
    - Without this policy to support customers during the pandemic, churn would have been ~1.6%

VONAGE

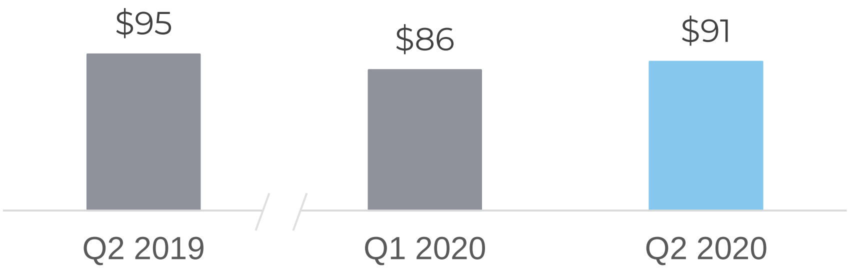
Consolidated Revenues



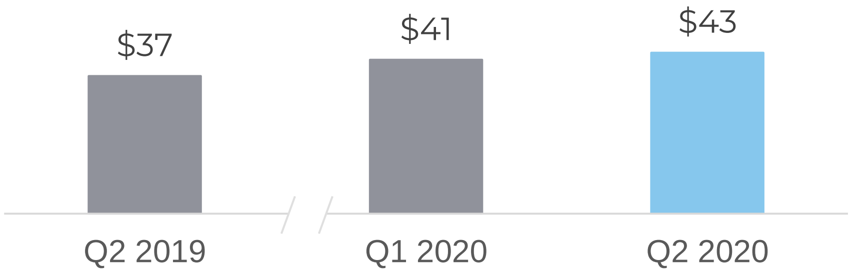
- Consolidated revenues of $311 million reflected:
  - 6% increase (ex-USF)
    - USF fees down significantly based on software composition of service offering
  - Business segment organic growth
  - Offset partially by continued managed decline in Consumer

Income Statement Cost Items

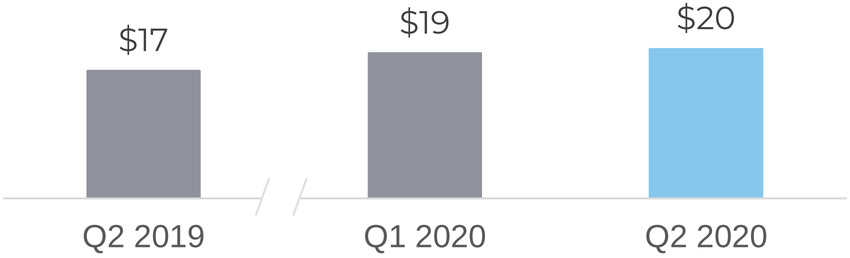
Sales & Marketing



General & Administrative



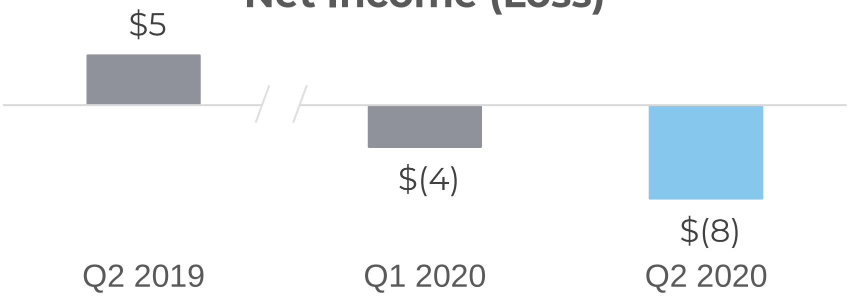
Engineering & Development



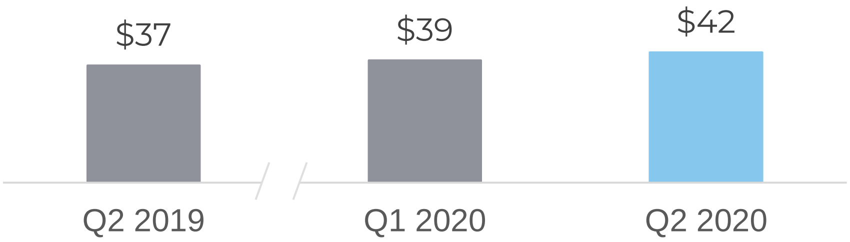
- General & Administrative expense increased primarily due to:
  - Consulting fees
  - CEO succession costs, including search, legal and severance

Net Loss & Adjusted EBITDA[1]

Net Income (Loss)



Adjusted EBITDA[1]

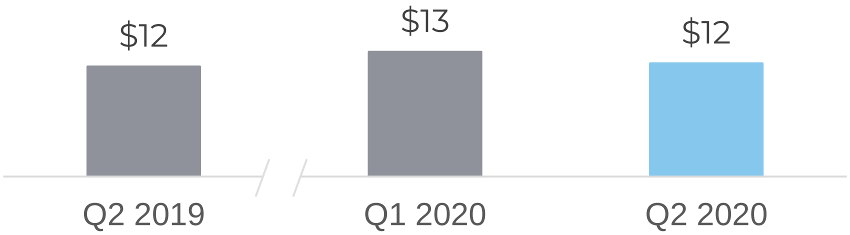


- Net Loss increased year-over-year primarily due to a tax benefit in the prior year quarter
- Adjusted EBITDA[1] increased year-over-year primarily due to higher gross profit and lower Sales & Marketing expenses

$ IN MILLIONS (1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

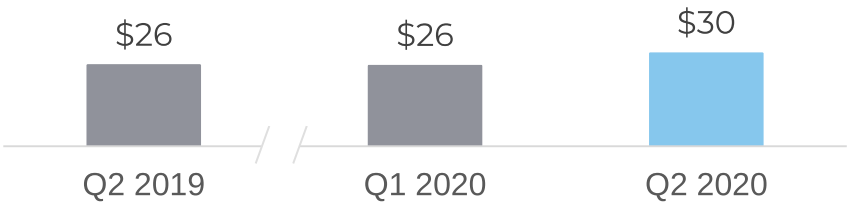
Capital Expenditures & Adjusted EBITDA Less Capex[1]

Capital Expenditures (Capex)



- Capex remained stable in support of the Vonage Communications Platform (VCP)

Adjusted EBITDA Less Capex[1]



- Adjusted EBITDA less Capex[1] increased year-over-year due to higher Adjusted EBITDA

$ IN MILLIONS

(1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

Cash Flow and Balance Sheet

Cash Flow ($ in millions)	Q2 2020
Cash from Operations	$36
Capital Expenditures, Software & Intangible Assets	($12)
Free Cash Flow[1]	$24

• Cash	$48 million
• Gross Debt	$591 million
• Net Debt[1]	$543 million (Gross Debt less Unrestricted Cash)
• Net Debt / LTM Adjusted EBITDA	3.2x (vs 4.5x total debt covenant)
• Debt Maturities	7/2023 and 6/2024

(1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

Updating FY 2020 Guidance

	Q3 2020	FY 2020 Previous	FY 2020 Updated
Consolidated Revenues	$307 to $309	$1,180 to $1,205	$1,215 to $1,230
Total Business Revenues	$226 to $228	$855 to $880	$885 to $900
Total Consumer Revenues	$81 area	$325 area	$330 area
Adjusted EBITDA[1]	$36 area	$150 to $155	$150 to $155
Capital Expenditures		$60 area	$55 area

$ IN MILLIONS

(1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

Disaggregation of Business Revenues

	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Applications Service Revenues	$ 101.9	$ 103.4	$ 106.8	$ 109.7	$ 109.0
API Platform Service Revenues	$ 78.1	$ 80.3	$ 89.7	$ 86.0	$ 103.3
Business Service Revenues (GAAP)	$ 180.0	$ 183.7	$ 196.5	$ 195.7	$ 212.3
Y/Y Growth Rate	*41%*	*37%*	*32%*	*23%*	*18%*
Access and Product Revenues	$ 11.7	$ 12.1	$ 10.7	$ 10.1	$ 9.1
USF Revenues	$ 8.3	$ 10.7	$ 10.5	$ 4.5	$ 4.8
Total Business Revenues (GAAP)	$ 200.0	$ 206.5	$ 217.7	$ 210.3	$ 226.2
Y/Y Growth Rate	*35%*	*34%*	*28%*	*17%*	*13%*

$ IN MILLIONS

Business Revenue: Year-over-Year Growth Rates[2]

		Q2'19	Q2'20
Business Total Revenues	GAAP	35%	13%
	GAAP (Constant Currency)		14%
Business Service Revenues	GAAP	41%	18%
	GAAP (Constant Currency)		19%
Applications Service Revenues	As Reported	35%	7%
	As Reported (Constant Currency)		7%
API Platform Service Revenues	As Reported	49%	32%
	As Reported (Constant Currency)		34%

(2) INCLUDES UNAUDITED COMBINED FINANCIAL INFORMATION

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
TABLE 3. RECONCILIATION OF GAAP NET (LOSS) INCOME TO ADJUSTED EBITDA AND TO ADJUSTED EBITDA MINUS CAPEX
(Dollars in thousands)
(unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net (loss) income	$ (8,430)	$ (3,755)	$ 4,524	$ (12,185)	$ 3,990
Interest expense	9,321	8,082	8,487	17,403	16,063
Income tax	1,493	(250)	(13,325)	1,243	(23,375)
Depreciation and amortization	20,692	20,485	20,662	41,177	41,876
Amortization of costs to implement cloud computing arrangements	668	609	146	1,277	271
EBITDA	23,744	25,171	20,494	48,915	38,825
Share-based expense	11,326	11,116	11,271	22,442	19,211
Acquisition related transaction and integration costs	—	—	256	—	447
Organizational transformation [1]	3,925	1,194	3,884	5,119	7,869
Other non-recurring items [2]	2,549	1,356	1,487	3,905	2,160
Adjusted EBITDA	41,544	38,837	37,392	80,381	68,512
Less:					
Capital expenditures	(1,968)	(2,887)	(4,179)	(4,855)	(9,456)
Intangible assets	(115)	(75)	—	(190)	—
Acquisition and development of software assets	(9,926)	(10,273)	(7,500)	(20,199)	(12,997)
Adjusted EBITDA Minus Capex	$ 29,535	$ 25,602	$ 25,713	$ 55,137	$ 46,059

[1] The costs identified as "Organizational transformation" are related to the Company's announced goal of becoming a pure-play Business software-as-a-service ("SaaS") company, offering a suite of communications solutions for businesses. These costs include employee related exits including CEO succession, system change management, facility exit costs, and rebranding.

[2] Other non-recurring items principally include certain litigation charges and other non-recurring project costs.

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
TABLE 5. FREE CASH FLOW
(Dollars in thousands)
(unaudited)

	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net cash provided by operating activities	$ 36,300	$ 2,503	$ 25,317	$ 38,803	$ 28,067
Less:					
Capital expenditures	(1,968)	(2,887)	(4,179)	(4,855)	(9,456)
Intangible assets	(115)	(75)	—	(190)	—
Acquisition and development of software assets	(9,926)	(10,273)	(7,500)	(20,199)	(12,997)
Free cash flow	$ 24,291	$ (10,732)	$ 13,638	$ 13,559	$ 5,614

VONAGE HOLDINGS CORP.
TABLE 6. RECONCILIATION OF INDEBTEDNESS UNDER REVOLVING CREDIT FACILITY AND CONVERTIBLE SENIOR NOTES TO NET DEBT
(Dollars in thousands)
(unaudited)

	June 30, 2020	December 31, 2019
Notes payable and indebtedness under revolving credit facility, net of current maturities	245,500	220,500
Convertible senior notes, net	283,619	276,658
Unamortized discount on debt	6,310	7,108
Unamortized debt related costs	55,071	61,234
Gross debt	590,500	565,500
Less:		
Unrestricted cash	47,582	23,620
Net debt	$ 542,918	$ 541,880

Thank You