VONAGE

First Quarter 2020 Earnings Presentation

May 7, 2020

Safe Harbor

Caution Concerning Forward-Looking Statements

Various remarks that the Company makes contain forward-looking statements regarding acquisitions, 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 this 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.

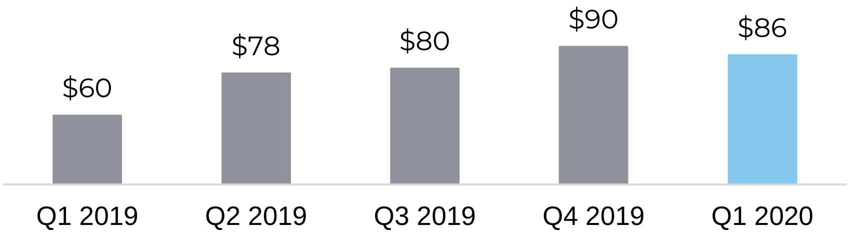
First Quarter 2020 Highlights

- Grew Consolidated revenues to $297 million, up 6% Y/Y and 9% excluding USF revenues
  - Business revenues of $210 Million, up 17% Y/Y and 20% excluding USF revenues
  - Business Service revenues of $196 million, up 23% Y/Y
- Increased API Service revenues to $86 million, up 44% Y/Y
  - Strong usage from healthcare and education verticals drove high-value revenue growth of ~70% Y/Y in Q1
  - Dollar-based net expansion of 138% driven by uptick in usage from existing customers
- Grew Applications Service revenues to $110 million, up 10% 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 21% Y/Y
- Experienced significant API platform and Applications usage driven by massive shift to remote work
- Launched significant new products and enhancements on the Vonage Communications Platform (VCP)
- Maintained strong liquidity position with approximately $150 million of cash & undrawn revolver capacity

API Platform Continues Robust Growth

- Q1 2020 service revenues of $86 million **increased 44% Y/Y or 47% Y/Y in constant currency**
- Grew **high value API revenue** (including video, IP messaging and voice) at **nearly 70%**, with **particular strength in telehealth**
- Growth from existing customers **drove dollar-based net expansion (DBNE) of 138%**
- Exceeded **1 million registered developers** on the API platform

API Service Revenue



World's Largest Health and Beauty Retailer — Messages API for SMS

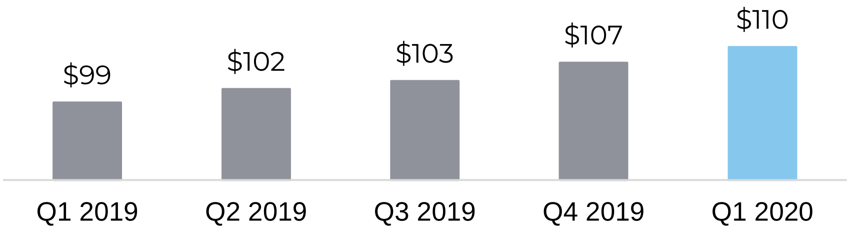
An Influential Global Lifestyle Brand — Two-Factor Authentication

singular it can be done. — Messages API for WhatsApp Integration

Applications Continues to Gain Upmarket Traction

- Q1 2020 service revenues of $110 million **increased 10% Y/Y or 11% in constant currency**
- Q1 2020 Service Revenue from Mid-Market & Enterprise customers (>$12K ARR) **grew 14% Y/Y**
- Q1 2020 Service Revenue from Enterprise customers (>$120K ARR) **grew 21% Y/Y**
- Q1 2020 Bookings from combined Mid-Market & Enterprise customers represented **64% of total bookings**, up from 36% in the prior year quarter

Applications Service Revenue



A Leading Mortgage Servicer	7-figure TCV bundled win driven by Salesforce integration
The Leading Online Marketplace for Investment Properties	7-figure TCV bundled win driven by product integration
AB InBev	7-figure, multi-year CC renewal resulting in doubled ARR

$ IN MILLIONS

Financial Results

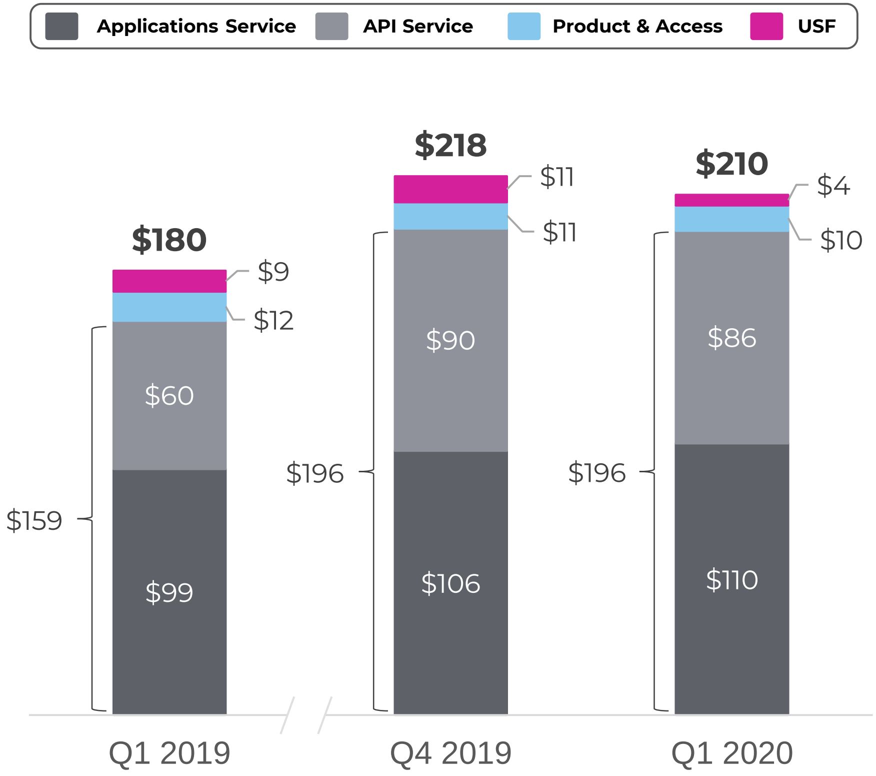
Q1 Results Exceeded Guidance

	Q1 2020 As Reported	Q1 2020 USF	Q1 2020 Ex-USF	Q1 2020 Guidance
Consolidated Revenues	$297	$14	$283	$277 area
Business Revenues	$210	$4	$206	$200 area
Consumer Revenues	$87	$10	$77	$77 area
Net Loss	$(4)			
Adjusted EBITDA[1]	$39			$32 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 $210 million increased 17% Y/Y
  - Reduction in USF revenues (pass through) driven by the conclusion of a study which determined Vonage services are mostly software rather than telecommunications
- Business Service revenues of $196 million grew 23% Y/Y

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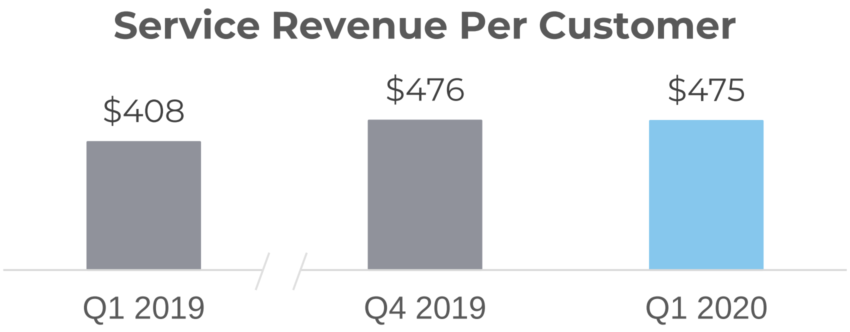
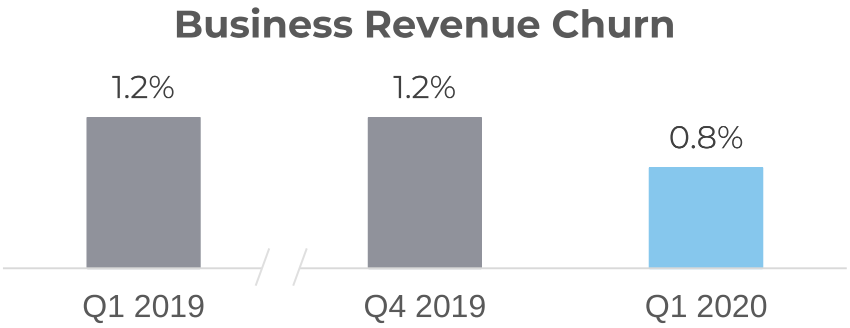
$ IN MILLIONS

Business Segment KPIs



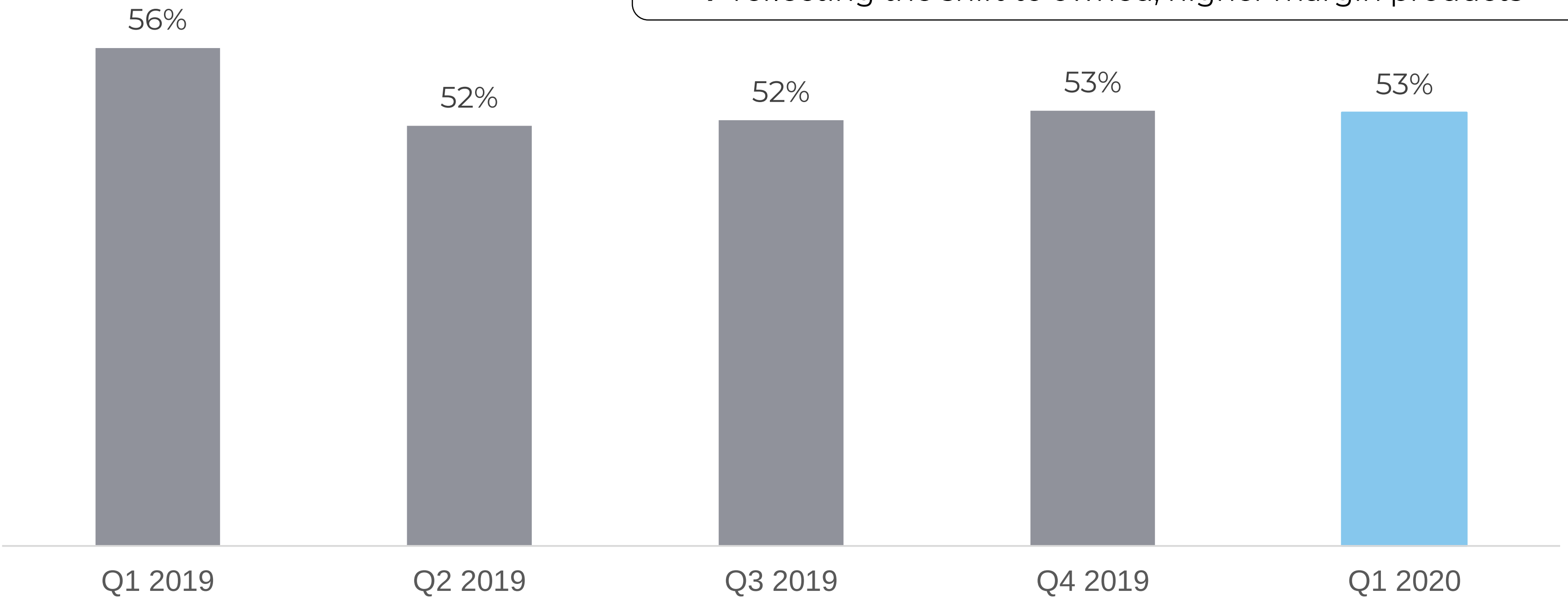


- Service Revenue per customer improved due to
  - Continued move upmarket in Applications
  - Increased enterprise adoption of API platform

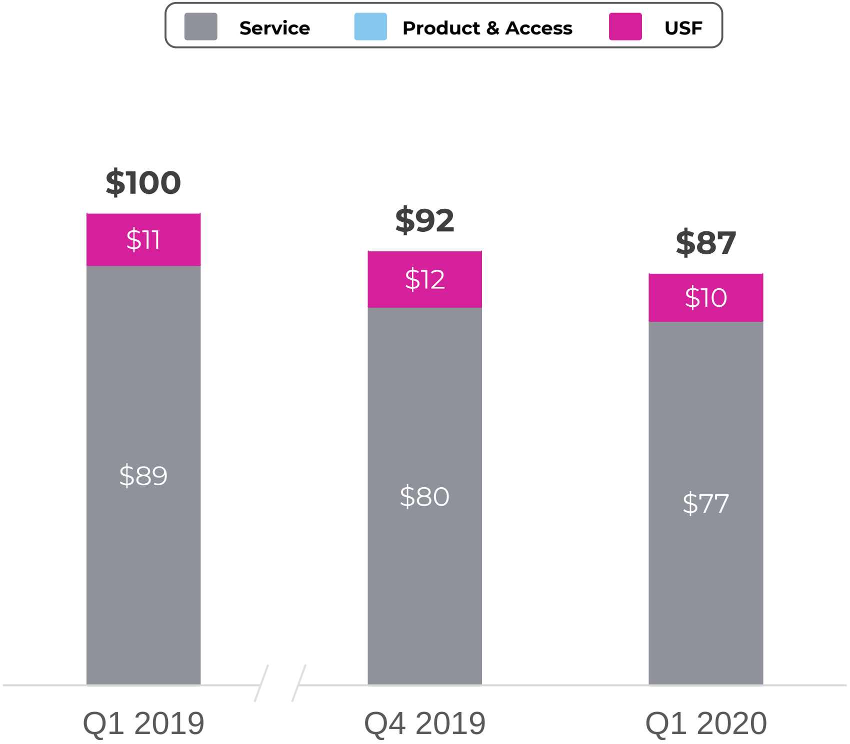
- Monthly Business Revenue churn improved due to
  - Continued move upmarket
  - Product improvements

Business Service Margins Have Stabilized

Four consecutive quarters of stable Business Service margins
→ reflecting the shift to owned, higher margin products



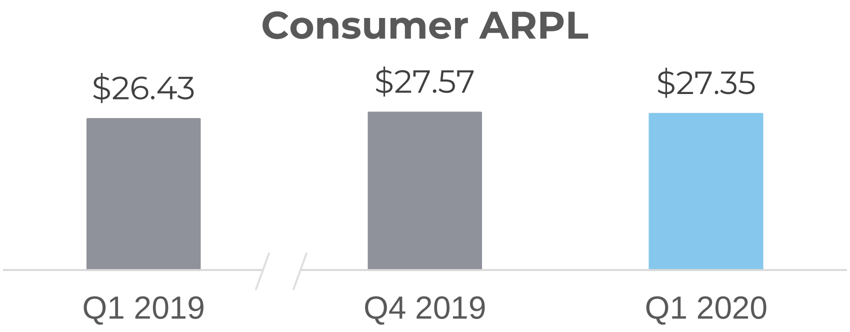
Consumer Segment Revenues

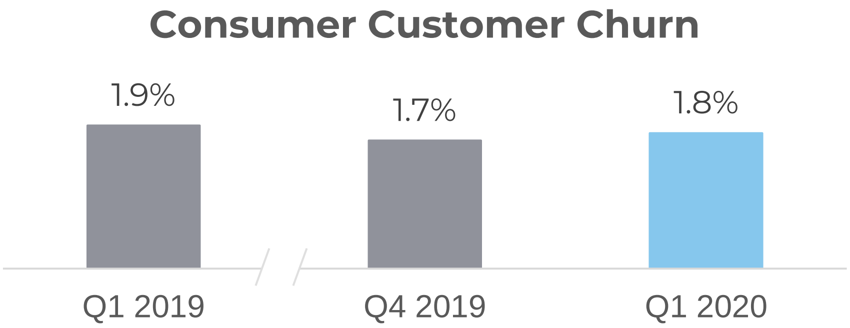


- Consumer Revenues declined 13% Y/Y, in line with expectations
- Ended the quarter with 1 million subscriber lines
  - Tenured customers >2 years represent 92% of the customer base while those >5 years represent 74%

$ IN MILLIONS

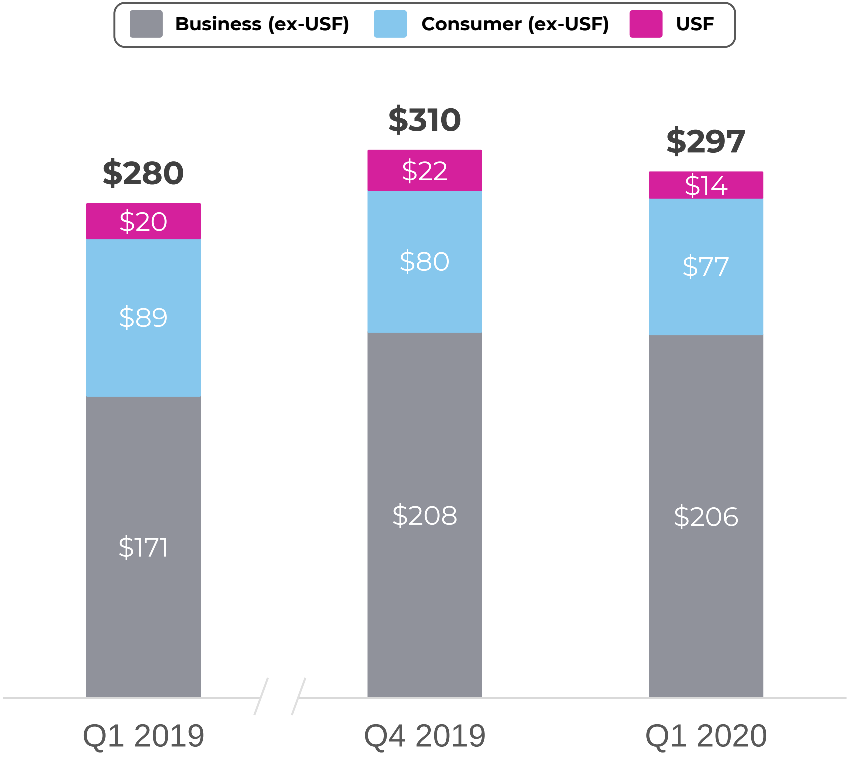
Consumer Segment KPIs





- Average Revenue Per Line up $0.92 due to:
  - Selective pricing actions & maturity of the customer base

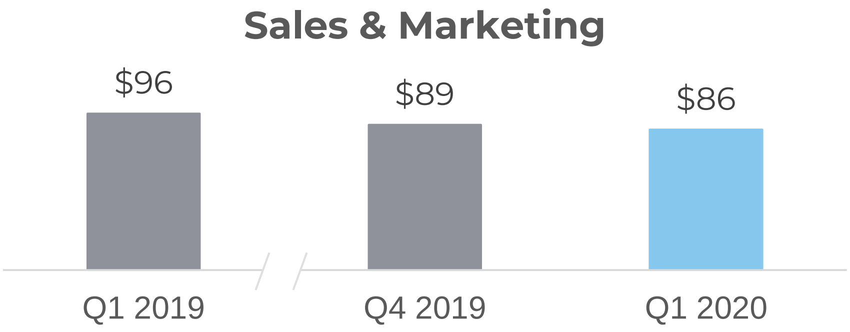
Consolidated Revenues

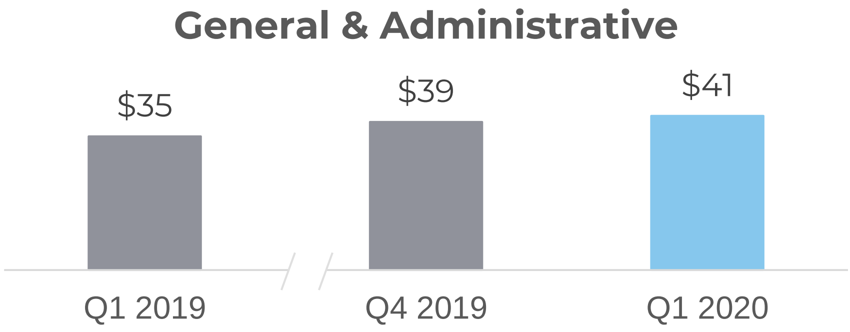


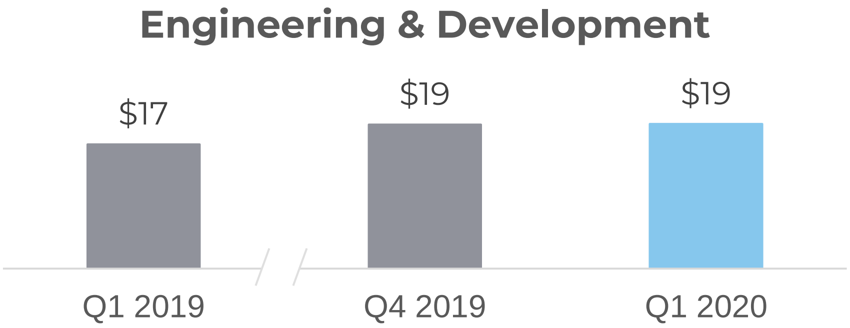
- Consolidated revenues increased 6% Y/Y or 9% excluding USF revenues due to:
  - Business segment organic growth
  - Offset by continued managed decline in Consumer

$ IN MILLIONS

Income Statement Cost Items







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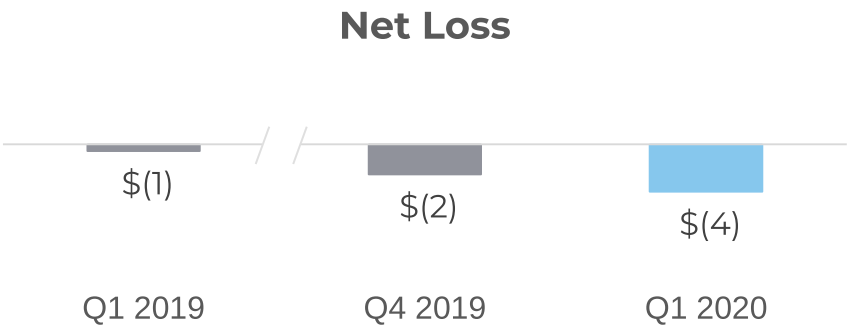
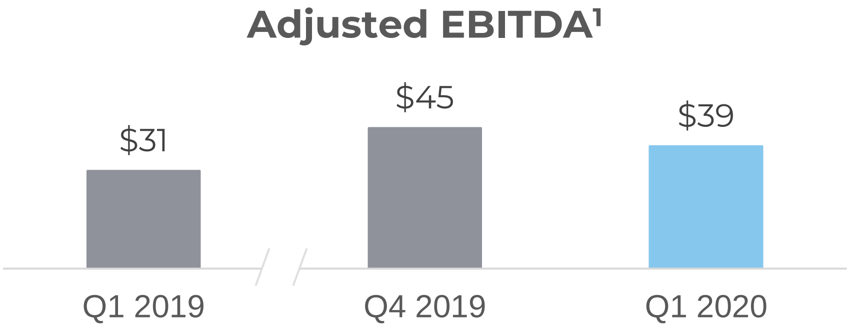
$ IN MILLIONS

Net Loss & Adjusted EBITDA[1]



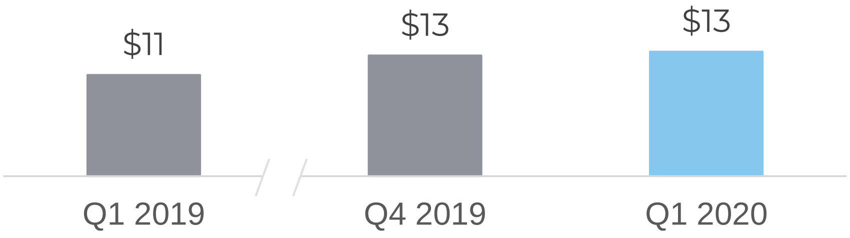


- Net Loss increased year-over-year primarily due to a stock compensation-related tax benefit in the prior year quarter
- Adjusted EBITDA[1] increased year-over-year primarily due to lower Sales & Marketing expenses

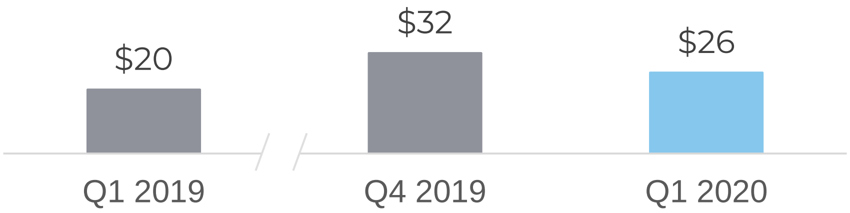
$ IN MILLIONS (1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

Capital Expenditures & Adjusted EBITDA Less Capex[1]

Capital Expenditures (Capex)



Adjusted EBITDA Less Capex[1]



- Capex increased due to higher capitalized software in support of the Vonage Communications Platform (VCP)
- Adjusted EBITDA less Capex 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)	Q1 2020
Cash from Operations	$3
Capital Expenditures, Software & Intangible Assets	($13)
Free Cash Flow[1]	($11)

• Cash	$43 million
• Gross Debt	$611 million
• Net Debt[1]	$567 million (Gross Debt less Unrestricted Cash)
• Net Debt / LTM Adjusted EBITDA	3.4x
• Debt Maturities	7/2023 and 6/2024
• Available Liquidity	Approximately $150 million

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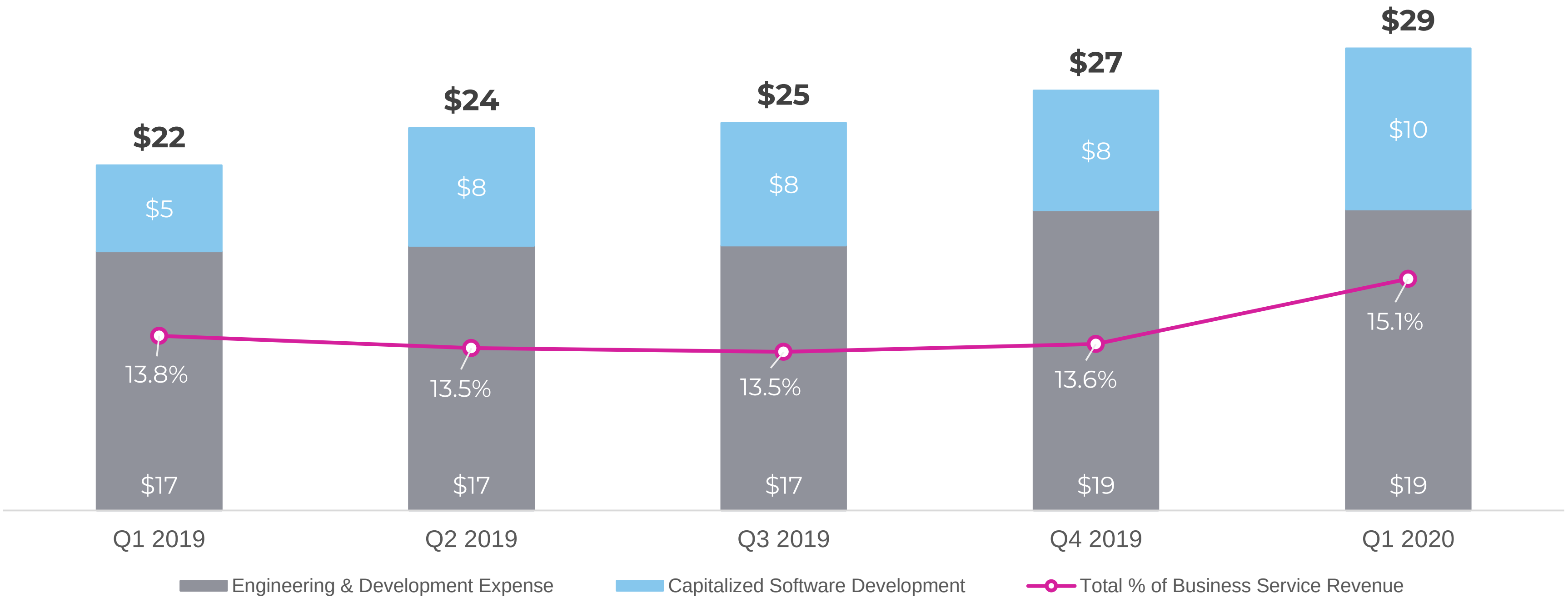
(1) NON-GAAP MEASURE. SEE SLIDES 22 AND 23 FOR A RECONCILIATION TO THE MOST COMPARABLE GAAP MEASURE

Total Investment in the Vonage Communications Platform



Guidance

	Q2 2020		FY 2020 - Updated	
	Incl. USF	*Ex-USF*	Incl. USF	*Ex-USF*
Consolidated Revenues	$295 to $298	*$283 to $286*	$1,180 to $1,205	*$1,128 to $1,153*
Total Business Revenues	$213 to $216	*$209 to $212*	$855 to $880	*$838 to $863*
Total Consumer Revenues	$82 area	*$74 area*	$325 area	*$290 area*
Adjusted EBITDA[1]	$36 area		$150 to $155	
Capital Expenditures			$60 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

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Applications Service Revenues	$ 99.4	$ 101.9	$ 103.4	$ 106.8	$ 109.7
API Platform Service Revenues	$ 59.9	$ 78.1	$ 80.3	$ 89.7	$ 86.0
Business Service Revenues (GAAP)	$ 159.3	$ 180.0	$ 183.7	$ 196.5	$ 195.7
Y/Y Growth Rate	*37%*	*41%*	*37%*	*32%*	*23%*
Access and Product Revenues	$ 11.7	$ 11.7	$ 12.1	$ 10.7	$ 10.1
USF Revenues	$ 8.6	$ 8.3	$ 10.7	$ 10.5	$ 4.5
Total Business Revenues (GAAP)	$ 179.6	$ 200.0	$ 206.5	$ 217.7	$ 210.3
Y/Y Growth Rate	*31%*	*35%*	*34%*	*28%*	*17%*

$ IN MILLIONS

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

		Q1'19	Q1'20
Business Total Revenues	GAAP	31%	17%
	GAAP (Constant Currency)		18%
Business Service Revenues	GAAP	37%	23%
	GAAP (Constant Currency)		24%
Applications Service Revenues	As Reported	34%	10%
	As Reported (Constant Currency)		11%
API Platform Service Revenues	As Reported	43%	44%
	As Reported (Constant Currency)		47%

(2) INCLUDES UNAUDITED COMBINED FINANCIAL INFORMATION

Non-GAAP Reconciliation

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

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Net loss	$ (3,755)	$ (2,375)	$ (534)
Interest expense	8,082	8,304	7,576
Income tax	(250)	(1,499)	(10,050)
Depreciation and amortization	20,485	23,061	21,214
Amortization of costs to implement cloud computing arrangements	609	680	125
EBITDA	25,171	28,171	18,331
Share-based expense	11,116	13,090	7,940
Acquisition related transaction and integration costs	—	80	191
Organizational transformation [1]	1,194	3,347	3,985
Other non-recurring items [2]	1,356	115	673
Adjusted EBITDA	38,837	44,803	31,120
Less:			
Capital expenditures	(2,887)	(4,847)	(5,277)
Intangible assets	(75)	(318)	—
Acquisition and development of software assets	(10,273)	(7,652)	(5,497)
Adjusted EBITDA Minus Capex	$ 25,602	$ 31,986	$ 20,346

[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, 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		
	March 31, 2020	December 31, 2019	March 31, 2019
Net cash provided by operating activities	$ 2,503	$ 33,076	$ 2,750
Less:			
Capital expenditures	(2,887)	(4,847)	(5,277)
Intangible assets	(75)	(318)	—
Acquisition and development of software assets	(10,273)	(7,652)	(5,497)
Free cash flow	$ (10,732)	$ 20,259	$ (8,024)

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

	March 31, 2020	December 31, 2019
Notes payable and indebtedness under revolving credit facility, net of current maturities	265,500	220,500
Convertible senior notes, net	280,111	276,658
Unamortized discount on debt	6,709	7,108
Unamortized debt related costs	58,180	61,234
Gross debt	610,500	565,500
Less:		
Unrestricted cash	43,073	23,620
Net debt	$ 567,427	$ 541,880

Thank You