



Third Quarter 2019 Earnings Presentation

November 6, 2019

Safe Harbor

Caution Concerning Forward-Looking Statements

Varius 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 OIBDA, 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; 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 operating income before depreciation and amortization ("adjusted OIBDA"), adjusted OIBDA minus capex, constant currency, net debt (cash), free cash flow, adjusted business revenue and adjusted business service revenue) 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>.

Third Quarter 2019 Highlights

- Increased Consolidated revenues to \$303 million, up 16% year-over-year GAAP
 - Vonage Business revenues of \$207 Million, up 34% year-over-year GAAP
- Grew Vonage Business Service revenues 23% adjusted¹, constant currency
 - Achieved 23rd consecutive quarter of above-20% Adjusted Business Service revenue growth
- Grew API Platform revenues 48% year-over-year adjusted¹, constant currency
- Positioned by Gartner, Inc. in the Leaders and Visionaries quadrants of the Magic Quadrant for Contact Center as a Service (CCaaS), for Western Europe and North America, respectively
- Delivered Income from Operations of \$6 million and Adjusted OIBDA¹ of \$45 million
- Unveiled the revitalized Vonage brand, unifying around a single global corporate identity

Vonage Campus

Inaugural user conference registered over 1,000 customers, developers and partners



Revitalized Vonage Brand

Capitalizes on the value of the Vonage name with a global, unified corporate identity

Drives a focused message and value proposition for both customers and partners



The world's most flexible cloud communications platform

This means you can eliminate the silos with a fully integrated stack that includes Applications, Communications APIs or best of both.

Vonage Communications Platform

APIs

Global Carrier Network

Global Footprint

Cloud Infrastructure

Third Party Integrations

Applications

Unified Communications & Contact Center

Communications APIs

CPaaS Programmable Communications

Best of Both

Customize Apps using APIs

Vonage Meetings Brings Video Communications to VBC

The screenshot displays the Vonage Meetings application interface, divided into three main sections:

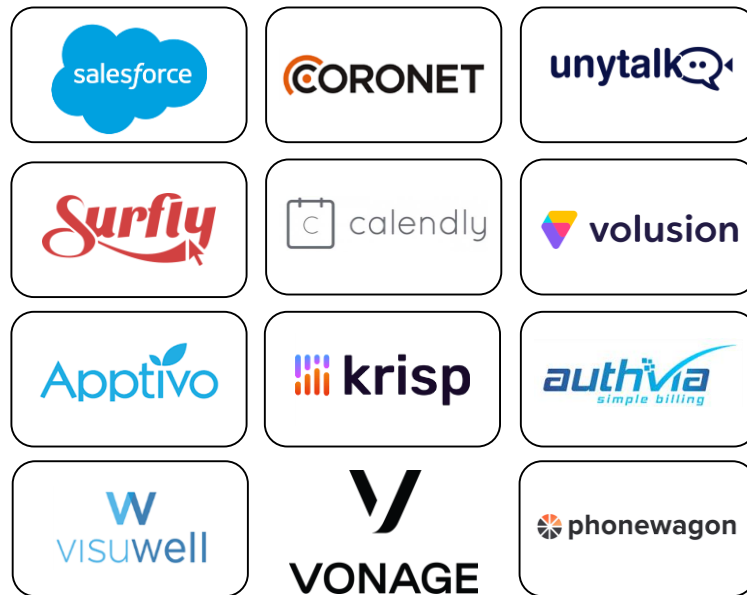
- Left Sidebar (Navigation):** A dark sidebar with a '+ New' button at the top. Below it are icons and labels for 'Calls', 'Voicemail', 'SMS', 'Team Messaging' (highlighted with a pink bar), 'Meetings', 'Favorites', 'Contacts', 'Call Dashboard', 'Reports', and 'Admin'.
- Team Messaging (Chat):** A central chat window for the 'Core Team' (12 Participants). It shows a list of messages from today and yesterday. Today's messages include:
 - Peter Smith** (1:08 pm): Image
 - David Tanner** (12:33 pm): 'Main business line: Maria S: Hello David, we haven't heare...' (truncated)
 - Core Team** (11:43 am): 'Matteo S: Works for me.'
 - Teresa Wolfe** (11:50 am): 'Sure, see you tomorrow.'
 - (301) 555-2456** (12:33 pm): 'Support: Jill G: While NASA has had many ups...' (truncated)Yesterday's messages include:
 - Kaylee Morrison** (1:22 pm): 'QD Voicemail, 0:30 min'
 - (432) 555-1484** (12:34 pm): 'Sales: Jill G: While NASA has had many ups...' (truncated)
- Video Meeting:** A large video window showing a meeting in progress. The main view is of a woman with long dark hair. At the bottom, there are four circular thumbnails for other participants: Adam Benett, Julie Sanchez, Jason Weinberg, and Tom Walker. A control bar at the top of the video window includes icons for mute, video off, screen share, and end call. To the right of the video is a 'Participants' list with names and roles (e.g., Tom Walker - Meeting Owner, Adam Benett, Jason Weinberg, Yenmy Lee, Julie Sanchez) and a 'Chat' section at the bottom.

Vonage App Center

Curated set of first & third party applications

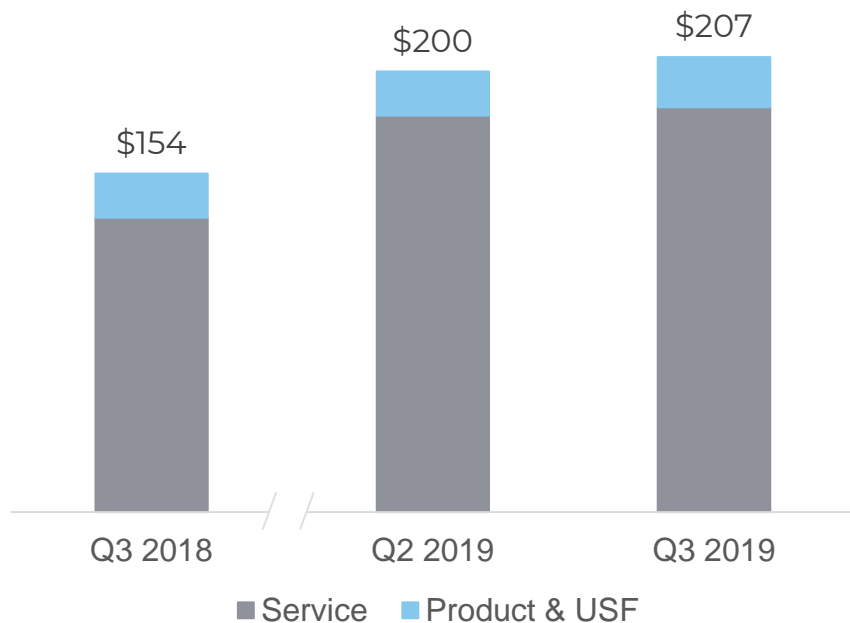
Integrated tightly with Vonage Integration Suite

Simple Purchase and Provisioning



Financial Results

Vonage Business Revenues



- Business revenues increased 34% GAAP year-over-year
- Business Service revenues grew 37% GAAP and 23% adjusted¹, constant currency

GAAP Business Revenues reflect acquisitions of TokBox on 7/31/18 and NewVoiceMedia on 10/31/18; adjusted growth rates reflect full-year ownership of these assets, and effects of significant one-time items.

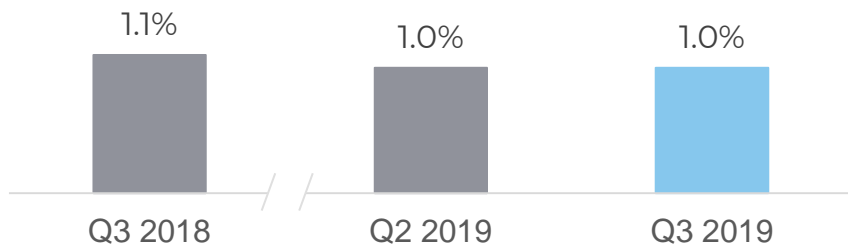
Vonage Business KPIs

Service Revenue Per Customer



- Service Revenue per customer increased 25% year-over-year
 - Successful move upmarket
 - Acquisitions of NewVoiceMedia and TokBox

Business Revenue Churn



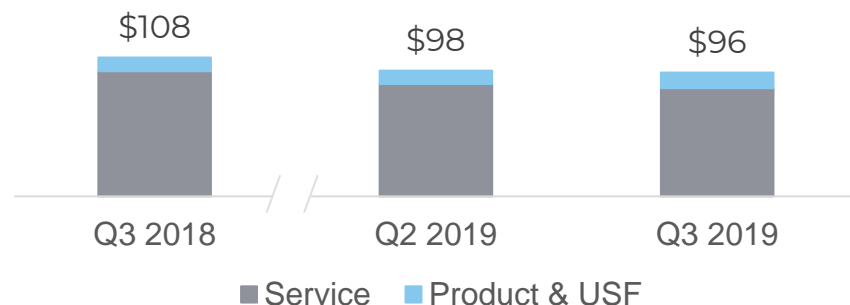
- Business Revenue churn improved versus the prior year period
 - Successful move upmarket
 - Product improvements

Consumer Segment

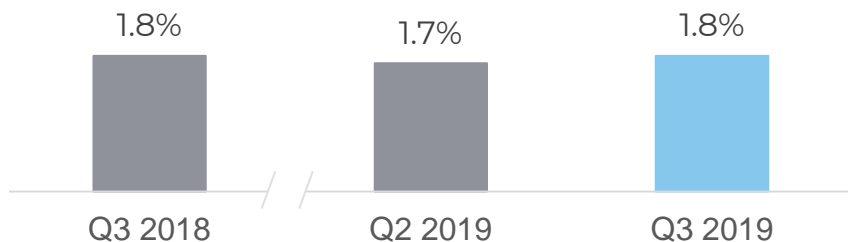
Consumer ARPU



Consumer Revenue

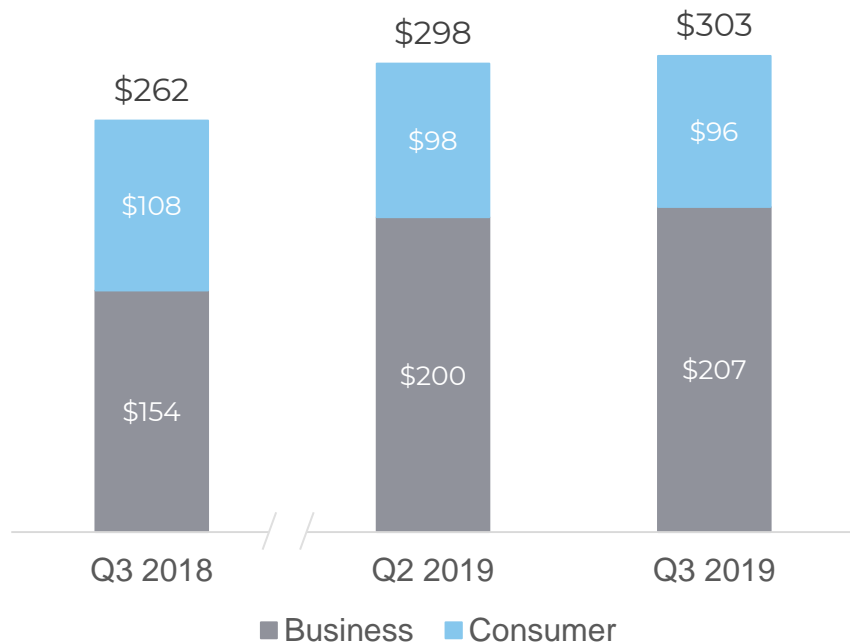


Consumer Customer Churn



- Consumer Revenues declined 11% year-over-year, better than expectations
- Average Revenue Per User up \$1.26 due to:
 - Higher USF fees (pass-through)
 - Selective pricing actions & maturity of the customer base
- Churn flat year-over-year at 1.8%

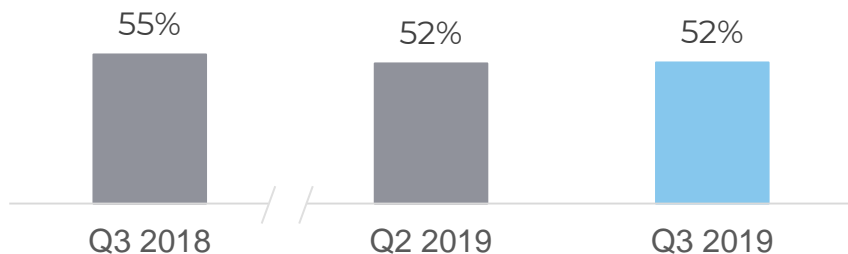
Consolidated Revenues



- Consolidated revenues increased 16% GAAP from the prior year due to:
 - Vonage Business organic growth
 - Acquisitions of NewVoiceMedia and TokBox
 - Offset by continued managed decline in Consumer

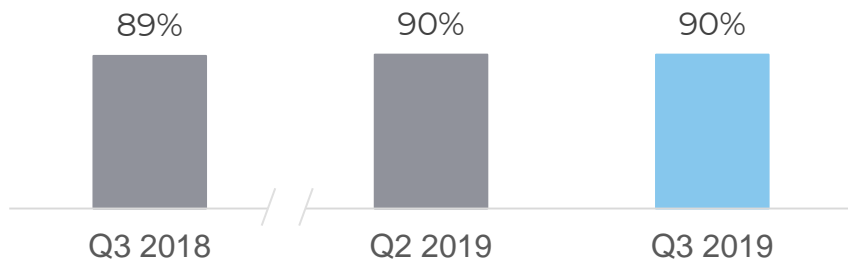
Service Margin

Business Service Margin



- Business Service Margin declined due to product mix shift and write-down of a portion of deferred revenue (from NewVoiceMedia acquisition)
 - Sequentially flat due to product margin increases offset by product mix shift

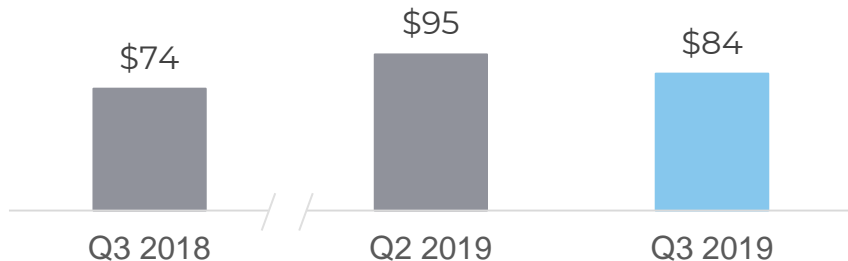
Consumer Service Margin



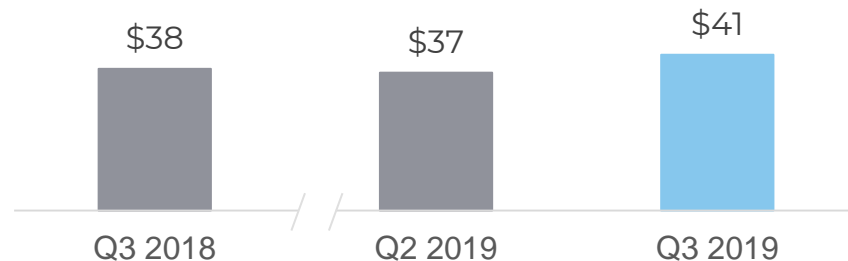
- Consumer Service Margin increased due to pricing actions and lower network cost allocation

Income Statement Cost Items

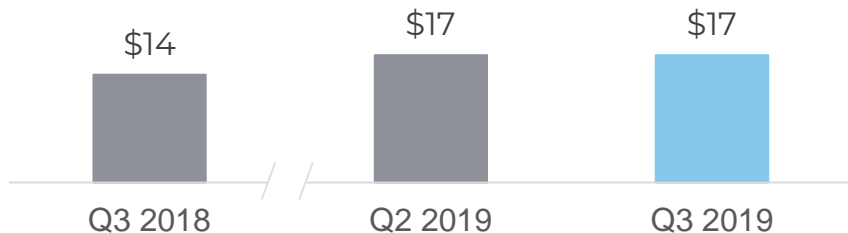
Sales & Marketing



General & Administrative



Engineering & Development



- In general, total operating expenses are higher versus the year ago period due to the acquisitions of NewVoiceMedia and TokBox in the second half of 2018
 - Engineering & Development plus capitalized software totaled \$25 million in Q3 2019

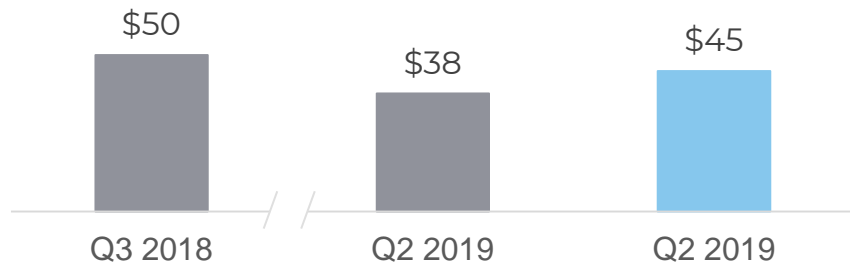
Operating Income (Loss) & Adjusted OIBDA¹

Operating Income (Loss)



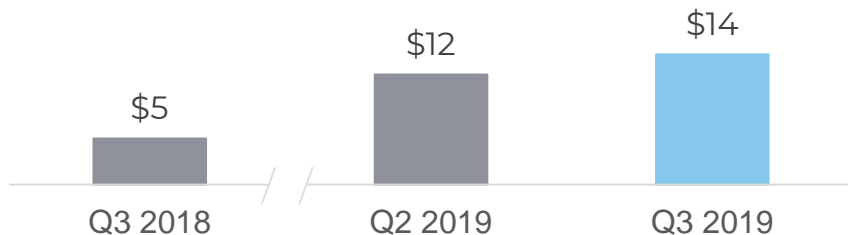
- Operating Income (Loss) and Adjusted OIBDA¹ decreased year-over-year due to acquisition-related costs including:
 - Increased operating costs
 - Increased amortization
 - Write-down of a portion of deferred revenue (from NewVoiceMedia acquisition)

Adjusted OIBDA¹



Capital Expenditures & Adjusted OIBDA Less Capex¹

Capital Expenditures (Capex)



- Capex increased due to higher capitalized software in support of the OneVantage programmable platform

Adjusted OIBDA Less Capex¹



- AOIBDA less Capex decreased year-over-year due to acquisitions and increased sequentially due to higher AOIBDA

Cash Flow and Balance Sheet

Cash Flow (\$ in millions)	Q3 2019
Cash from Operations	\$32
Capital Expenditures and Software	(\$14)
Free Cash Flow ¹	\$18

- Cash: \$19 million
- Gross Debt: \$581 million
- Net Debt¹: \$562 million (Gross Debt less Unrestricted Cash)
- Net Debt / LTM Adjusted OIBDA: 3.6x

Guidance

Fourth Quarter 2019

Vonage Business Revenues

\$214 to \$216

Consumer Revenues

\$90 to \$91

Adjusted OIBDA

\$43 to \$46

Adjusted Business Revenues Reconciliation

	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Vonage Business Revenues (GAAP)	\$ 153.6	\$ 170.0	\$ 179.6	\$ 200.0	\$ 206.5
<i>Y/Y Growth Rate</i>	19%	27%	31%	35%	34%
Deferred Revenue Adjustment from Acquired Companies	\$ -	\$ 2.2	\$ 2.5	\$ 1.6	\$ 0.8
Revenue from Acquired Companies (Prior to Acquisition) Less Revenue from Divested Businesses ²	\$ 19.1	\$ 6.1	\$ -	\$ -	\$ -
Outage Credits and Significant One-time Items	\$ -	\$ 1.5	\$ -	\$ (0.4)	\$ -
Vonage Business Revenues Adjusted for Acquisitions and Significant One-time Items	\$ 172.7	\$ 179.8	\$ 182.1	\$ 201.2	\$ 207.3
<i>Y/Y Growth Rate</i>	18%	19%	17%	20%	20%
Vonage Business Service Revenues (GAAP)	\$ 133.7	\$ 149.0	\$ 159.3	\$ 180.0	\$ 183.7
<i>Y/Y Growth Rate</i>	23%	32%	37%	41%	
Deferred Revenue Adjustment from Acquired Companies	\$ -	\$ 2.2	\$ 2.5	\$ 1.6	\$ 0.8
Service Revenue from Acquired Companies (Prior to Acquisition) Less Revenue from Divested Businesses ²	\$ 19.0	\$ 6.1	\$ -	\$ -	\$ -
Outage Credits and Significant One-time Items	\$ -	\$ 1.5	\$ -	\$ (0.4)	\$ -
Vonage Business Service Revenues Adjusted for Acquisitions and Significant One-time Items	\$ 152.7	\$ 158.8	\$ 161.8	\$ 181.2	\$ 184.5
<i>Y/Y Growth Rate</i>	21%	22%	20%	23%	21%

Disaggregation of Business Revenues

	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Applications Revenues	\$ 98.5	\$ 110.2	\$ 119.7	\$ 121.9	\$ 126.2
API Platform Revenues	\$ 55.1	\$ 59.8	\$ 59.9	\$ 78.1	\$ 80.3
Vonage Business Revenues (GAAP)	\$ 153.6	\$ 170.0	\$ 179.6	\$ 200.0	\$ 206.5
<i>Y/Y Growth Rate</i>	19%	27%	31%	35%	34%
Applications Service Revenues	\$ 78.6	\$ 89.2	\$ 99.4	\$ 101.9	\$ 103.4
API Platform Service Revenues	\$ 55.1	\$ 59.8	\$ 59.9	\$ 78.1	\$ 80.3
Vonage Business Service Revenues (GAAP)	\$ 133.7	\$ 149.0	\$ 159.3	\$ 180.0	\$ 183.7
<i>Y/Y Growth Rate</i>	23%	32%	37%	41%	37%

Adjusted Business Revenues Reconciliation

	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
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<i>Y/Y Growth Rate</i>	23%	32%	37%	41%	37%
Less: API Platform Service Revenues	\$ 55.1	\$ 59.8	\$ 59.9	\$ 78.1	\$ 80.3
Applications Service Revenues	\$ 78.6	\$ 89.2	\$ 99.5	\$ 101.9	\$ 103.4
Deferred Revenue Adjustment from Acquired Companies	\$ -	\$ 2.2	\$ 2.5	\$ 1.6	\$ 0.8
Revenue from Acquired Companies (Prior to Acquisition) Less Revenue from Divested Businesses ²	\$ 18.2	\$ 6.1	\$ -	\$ -	\$ -
Outage Credits and Significant One-time Items	\$ -	\$ 1.5	\$ -	\$ (0.4)	\$ -
Adjusted Applications Service Revenues	\$ 96.8	\$ 98.9	\$ 102.0	\$ 103.1	\$ 104.1
<i>Y/Y Growth Rate</i>	15%	12%	13%	11%	8%
Vonage Business Service Revenues (GAAP)	\$ 133.7	\$ 149.0	\$ 159.3	\$ 180.0	\$ 183.7
<i>Y/Y Growth Rate</i>	23%	32%	37%	41%	37%
Less: Applications Service Revenues	\$ 78.6	\$ 89.2	\$ 99.4	\$ 101.9	\$ 103.4
API Platform Service Revenues	\$ 55.1	\$ 59.8	\$ 59.9	\$ 78.1	\$ 80.3
Deferred Revenue Adjustment from Acquired Companies	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from Acquired Companies (Prior to Acquisition) Less Revenue from Divested Businesses ²	\$ 0.8	\$ -	\$ -	\$ -	\$ -
Outage Credits and Significant One-time Items	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted API Platform Service Revenues	\$ 55.9	\$ 59.8	\$ 59.9	\$ 78.1	\$ 80.3
<i>Y/Y Growth Rate</i>	36%	42%	34%	42%	44%

Business Revenue: Year-over-Year Growth Rates²

		Q3'18	Q3'19
Vonage Business Revenues	GAAP	19%	34%
	Adjusted	18%	20%
	Adjusted (Constant Currency)		22%
Vonage Business Service Revenues	GAAP	23%	37%
	Adjusted	21%	21%
	Adjusted (Constant Currency)		23%
Applications Service Revenues	As Reported	12%	32%
	Adjusted	16%	8%
	Adjusted (Constant Currency)		8%
API Platform Service Revenues	As Reported	44%	46%
	Adjusted	32%	44%
	Adjusted (Constant Currency)		48%

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
TABLE 3. RECONCILIATION OF GAAP INCOME FROM OPERATIONS
TO ADJUSTED OIBDA AND TO ADJUSTED OIBDA MINUS CAPEX
(Dollars in thousands)
(unaudited)

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2019	2019	2018	2019	2018
Income (Loss) from operations	\$ 5,547	\$ (167)	\$ 14,847	\$ 2,788	\$ 45,890
Depreciation and amortization	21,319	20,662	16,024	63,195	51,886
Amortization of costs to implement cloud computing arrangements	411	146	—	682	—
Share-based expense	12,941	11,271	8,484	32,152	23,690
Acquisition related transaction and integration costs	174	256	9,509	621	9,941
Acquisition related consideration accounted for as compensation	—	—	39	—	1,425
Organizational transformation	4,331	5,371	923	14,360	4,043
Adjusted OIBDA	44,723	37,539	49,826	113,798	136,875
Less:					
Capital expenditures	(5,970)	(4,179)	(2,900)	(15,426)	(10,687)
Acquisition and development of software assets	(7,839)	(7,500)	(1,978)	(20,836)	(6,198)
Adjusted OIBDA Minus Capex	<u>\$ 30,914</u>	<u>\$ 25,860</u>	<u>\$ 44,948</u>	<u>\$ 77,536</u>	<u>\$ 119,990</u>

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
TABLE 6. FREE CASH FLOW
(Dollars in thousands)
(unaudited)

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2019	2019	2018	2019	2018
Net cash provided by operating activities	\$ 31,783	\$ 25,317	\$ 28,528	\$ 59,850	\$ 94,463
Less:					
Capital expenditures	(5,970)	(4,179)	(2,900)	(15,426)	(10,687)
Acquisition and development of software assets	(7,839)	(7,500)	(1,978)	(20,836)	(6,198)
Free cash flow	\$ 17,974	\$ 13,638	\$ 23,650	\$ 23,588	\$ 77,578

VONAGE HOLDINGS CORP.
TABLE 7. RECONCILIATION OF NOTES PAYABLE, INDEBTEDNESS UNDER REVOLVING CREDIT FACILITY, AND CAPITAL LEASES TO NET DEBT
(Dollars in thousands)
(unaudited)

	September 30, 2019	December 31, 2018
Current portion of notes payable	—	10,000
Notes payable and indebtedness under revolving credit facility, net of current maturities	235,500	509,228
Convertible senior notes, net	273,265	—
Unamortized discount on debt	64,229	—
Unamortized debt related costs	7,506	772
Gross debt	580,500	520,000
Less:		
Unrestricted cash	18,741	5,057
Net debt	\$ 561,759	\$ 514,943