

Earnings Presentation

Q4 2024

February 25, 2025

Safe Harbor

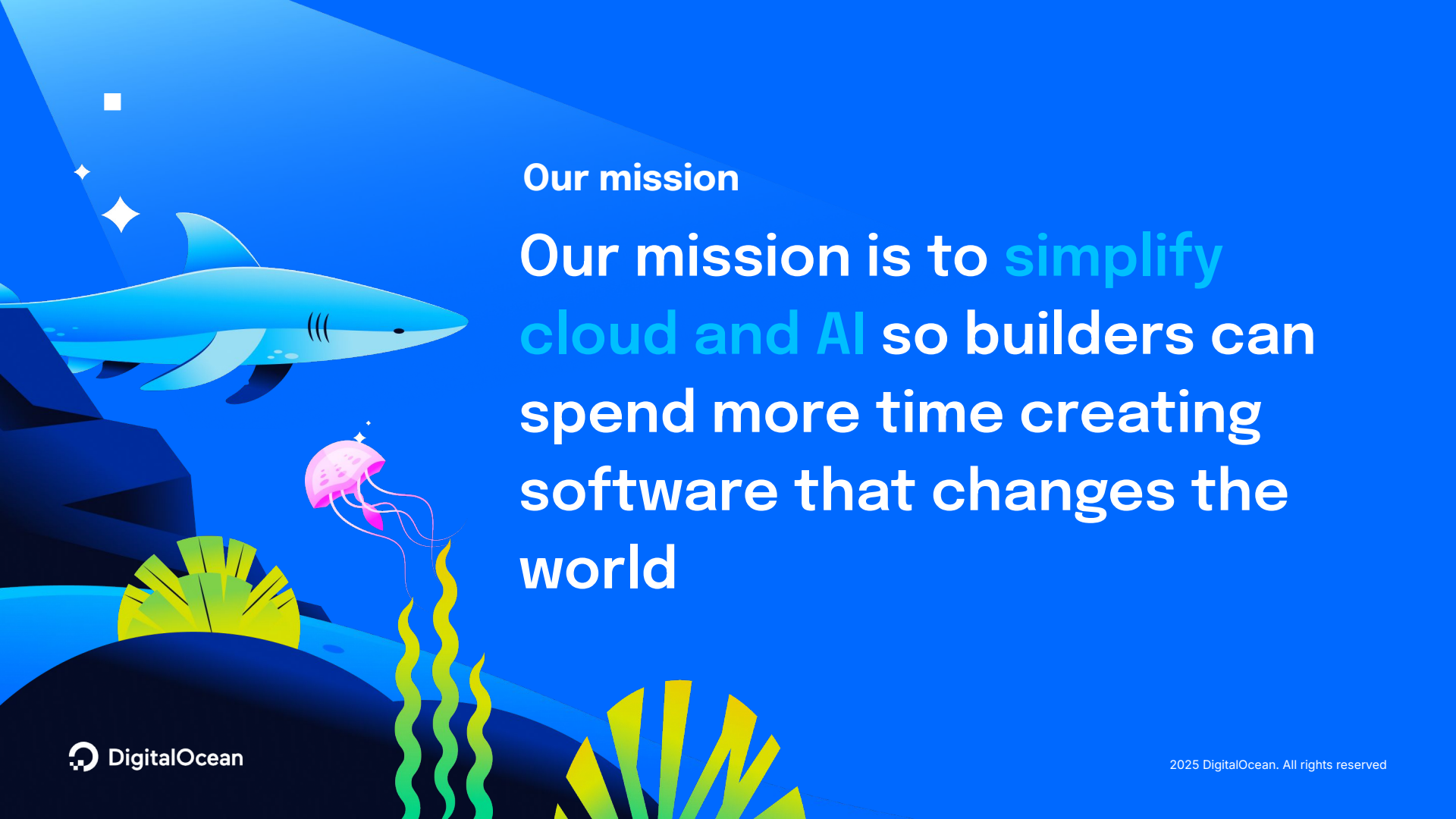
This presentation contains forward-looking statements that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative terms or other similar expressions intended to identify statements about the future. These statements speak only as of the date of this presentation and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations.

We cannot assure you that the forward-looking statements in this presentation will prove to be accurate.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. You should, however, review the factors and risks and other information we describe in the reports we file from time to time with the SEC.

This presentation includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties as well as our own estimates of potential market opportunities. All of the market data used involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data, industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our product candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and may fail to accurately reflect market opportunities. While we believe that our internal assumptions are reasonable, no independent source has verified such assumptions.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP. The non-GAAP financial measures used by DigitalOcean Holdings, Inc. may differ from the non-GAAP financial measures used by other companies. A reconciliation of these measures to the most directly comparable U.S. GAAP measure is included in our filings with the SEC.



Our mission

Our mission is to **simplify**
cloud and AI so builders can
spend more time creating
software that changes the
world

Large and Rapidly Growing Market Opportunity

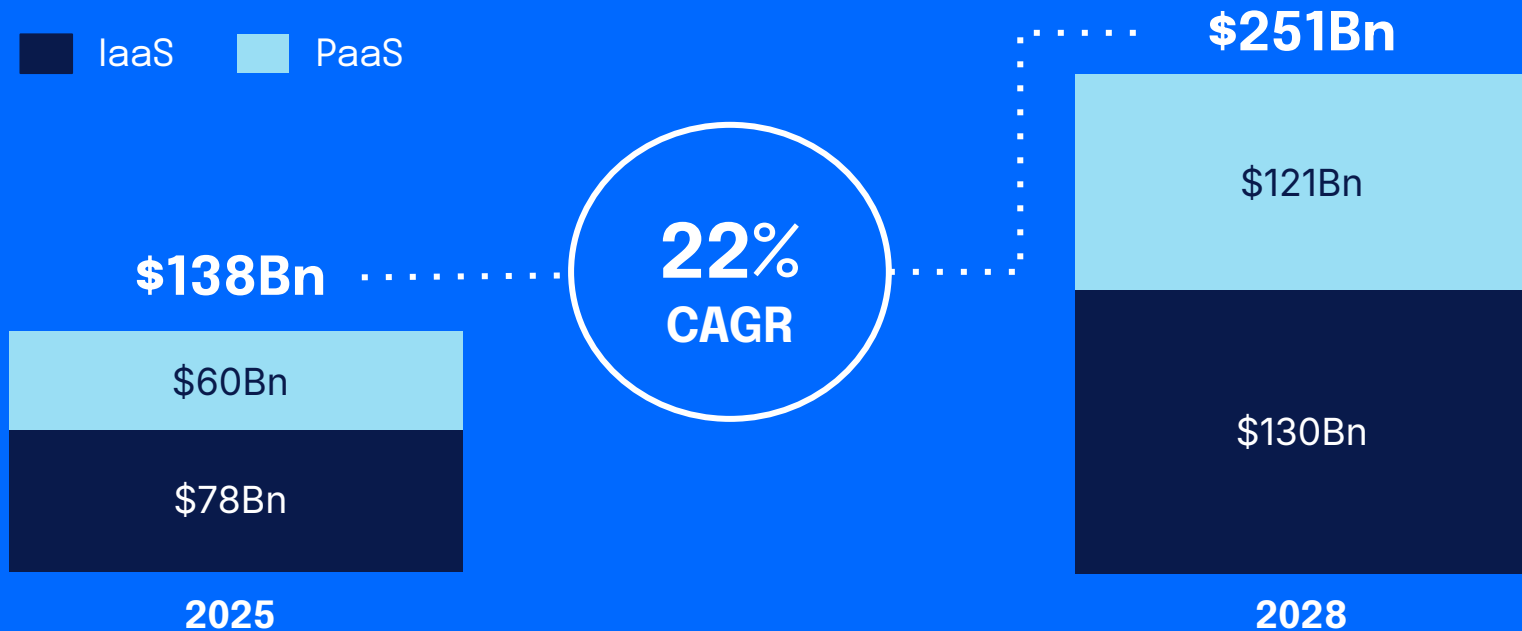
Individuals and Companies
with <500 Employees



IaaS



PaaS



DigitalOcean Differentiators



Simple

Pay less for reliable, highly capable infrastructure that just works.



Scalable

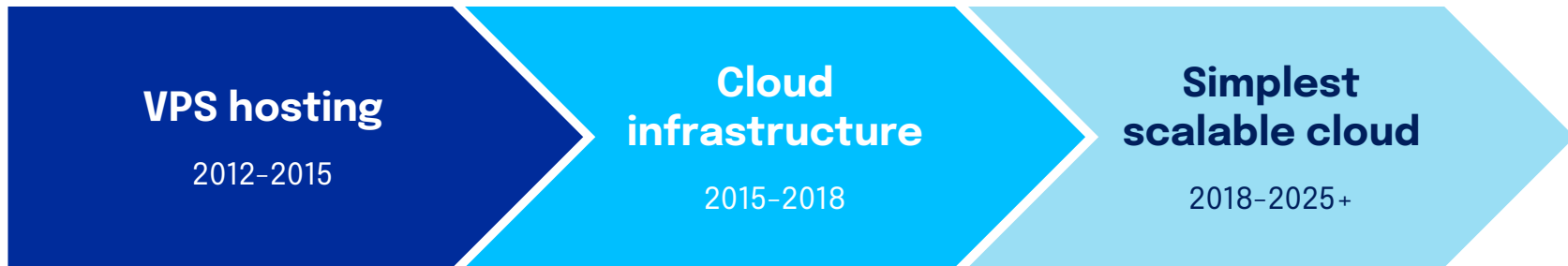
Build your business on a solid—yet flexible—foundation with expert support.



Approachable

Get the most out of your infrastructure with robust developer resources and hands-on help when you need it.

DigitalOcean offers comprehensive cloud and AI services that are developer-friendly and built to scale with growing businesses

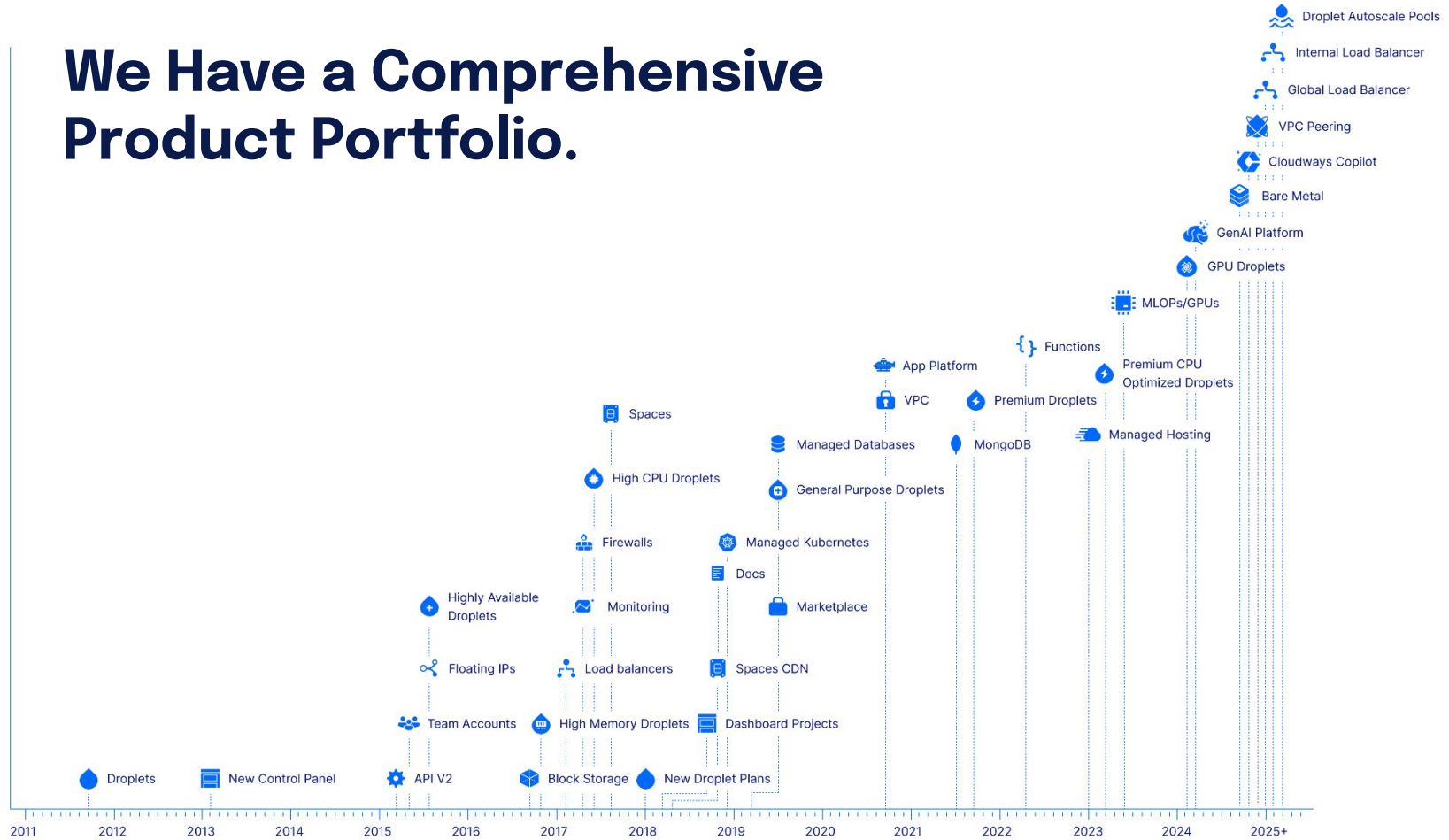


Droplets: Simple and scalable virtual machines

Key components underpinning cloud such as Volumes, Load Balancers, Spaces, and Firewalls

Essential elements to help developers and growing technology companies scale such as Managed Kubernetes, Managed Databases, Marketplace, App Platform, Functions, Managed Hosting and AI/ML offerings

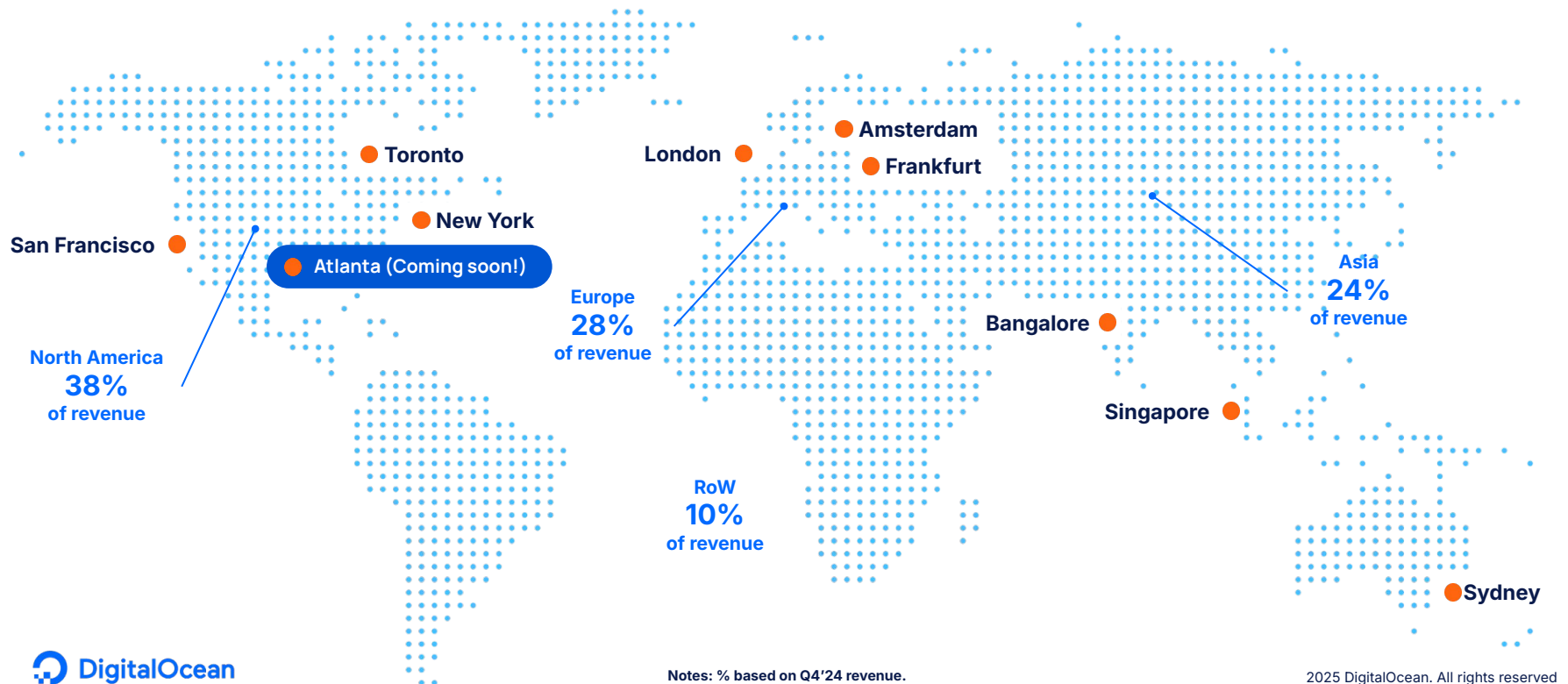
We Have a Comprehensive Product Portfolio.



Global Infrastructure Supports Customers in approximately 190 Countries

16 Data Centers Across 9 Regions

Customers in ~190 Countries



Notes: % based on Q4'24 revenue.

2025 DigitalOcean. All rights reserved

Q4'24 Earnings Key Takeaways

Entered 2025 with momentum

Increased NDR to **99%**, grew revenue **13%** year-over-year and delivered **18%** free cash flow margin

Increased product velocity

Released more than **four times** the amount of product features vs Q4'23

Traction with Higher Spend Customers

Drove **37%** year-over year revenue growth with **500+** customers having \$100K+ run-rate, driving **22%** of revenue

Key Growth Performance Indicators: Q4 & FY2024

	Q4'23	Q4'24	Y-o-Y Growth	FY'23	FY'24	Y-o-Y Growth
Revenue	\$181M	\$205M	13%	\$693M	\$781M	13%
Annual Run-rate Revenue (“ARR”)	\$723M	\$820M	13%			
Net Dollar Retention Rate (“NDR”)	96%	99%	+300 bps	101%	98%	-300 bps
Average Revenue per User (“ARPU”)	\$92.63	\$105.75	14%	\$90.99	\$100.71	11%

Note: Refer to the Appendix for revised definitions of customer categories, customer count and ARR metrics and our Form 10-K filed with the SEC for a presentation of each metric using our prior and current methodology.

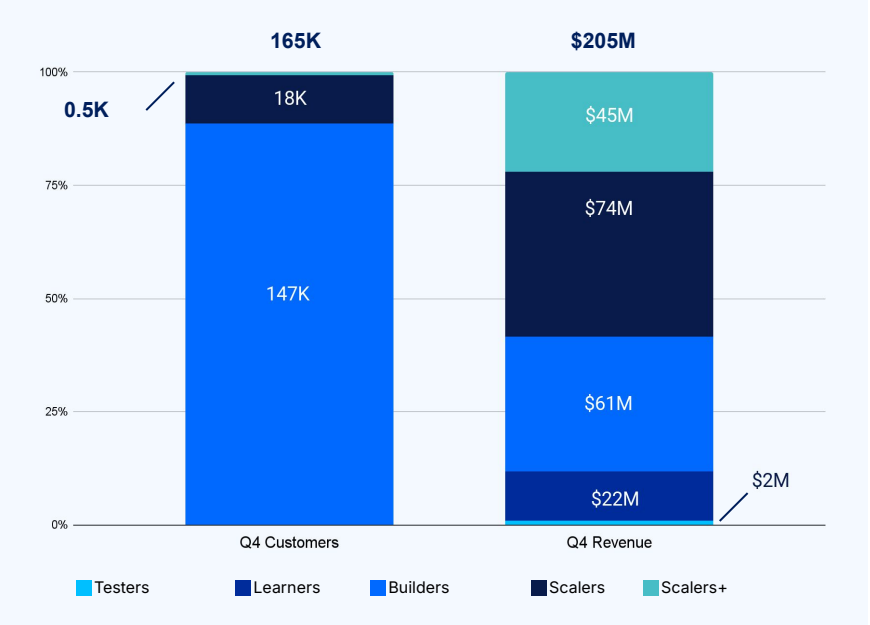
Key Profitability Performance Indicators: Q4 & FY2024

	Q4'23	Q4'24	Y-o-Y Growth	FY'23	FY'24	Y-o-Y Growth
Gross Margin	57%	62%	+500 bps	57%	60%	+300 bps
Adjusted EBITDA Margin	41%	42%	+100 bps	40%	42%	+200 bps
Adjusted Free Cash Flow Margin	16%	18%	+200 bps	22%	17%	-500 bps
Non-GAAP Diluted Net Income Per Share	\$0.44	\$0.49	11%	\$1.59	\$1.92	21%

Note: Refer to the Appendix for revised definitions of customer categories, customer count and ARR metrics and our Form 10-K filed with the SEC for a presentation of each metric using our prior and current methodology.

Note: Refer to our Form 10-K filed with the SEC for a discussion of reclassification of certain costs to Gross Margin. Prior period Gross Margin has been recast to conform to the current period presentation.

Customer Concentration, Revenue Contribution and Growth



<i>(figures as of Q4-24)</i>	% of Revenue	Customer Growth % YoY	ARPU Growth % YoY	ARR Growth % YoY
Total Higher Spend Customers	88%	6%	9%	16%
Scalers+	22%	17%	18%	37%
Scalers	36%	10%	2%	12%
Builders	30%	6%	2%	7%

Note: Refer to the Appendix for revised definitions of customer categories, customer count and ARR metrics and our Form 10-K filed with the SEC for a presentation of each metric using our prior and current methodology.

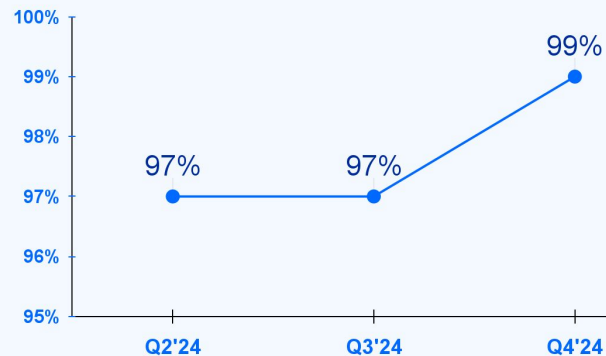
Financials

Revenue Details

Revenue (M)

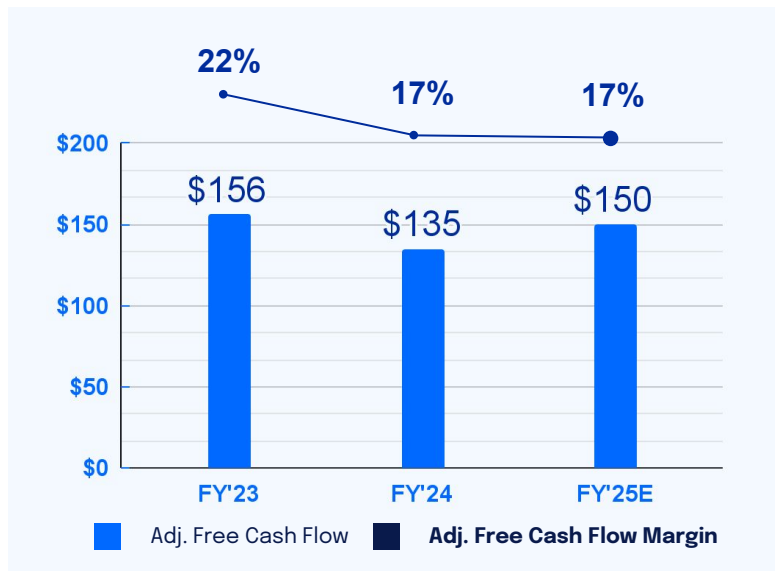


Net Dollar Retention Rate

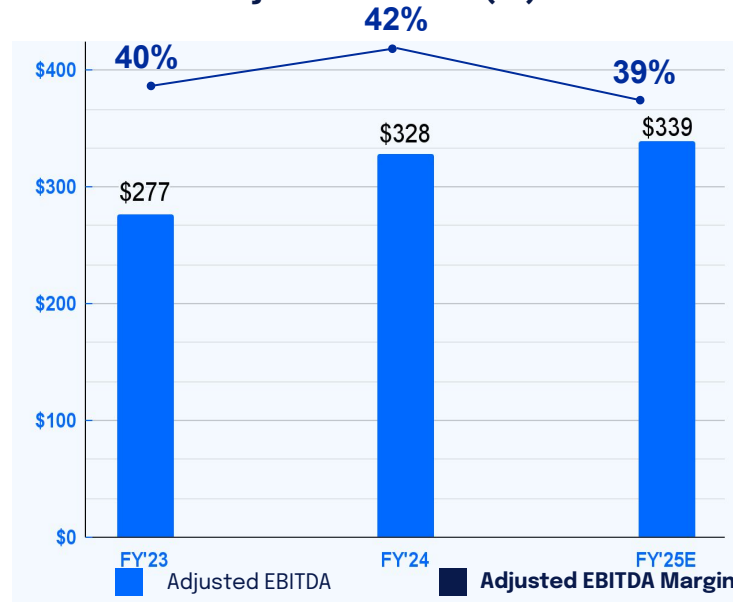


Healthy Profitability Metrics

Adjusted Free Cash Flow (M)



Adjusted EBITDA (M)



Financial Outlook

Metric	Q1 2025	FY 2025 (as of 2/25)
Revenue	\$207-\$209M	\$870-\$890M
<i>Revenue Growth</i>	12%-13%	11.5%-14%
<i>Adjusted EBITDA Margin</i>	38%-40%	37%-40%
Non-GAAP Diluted Net Income Per Share	\$0.41-\$0.46	\$1.85-\$1.95
<i>Adjusted Free Cash Flow Margin</i>	NA	16%-18%
Non-GAAP Diluted Weighted Average Shares Outstanding	103-104M	104-105M

Appendix

Key Business Metrics Definitions

Customers

Beginning in the fourth quarter of 2024, we changed our methodology to calculate customer count as the average number of customers as of the last day of the month for each month in the most recent quarter. Customers are classified in separate categories based on the amount of their spend in a given month and individual customers may fall within different categories within a reporting period:

- Testers: users that both (i) spend less than or equal to \$50 in a month and (ii) have been on our platform for three months or less.
- Learners: users that both (i) spend less than or equal to \$50 in a month and (ii) have been on our platform for more than three months.
- Builders: users that spend more than \$50 and less than or equal to \$500 in a month.
- Scalers: users that spend more than \$500 and less than or equal to \$8,333 in a month.
- Scalers+: users that spend more than \$8,333 in a month.

We refer to our Builders, Scalers and Scalers+ customer categories collectively as our Higher Spend Customers.

ARPU

We calculate ARPU on a monthly basis as our total revenue from Learners, Builders, Scalers and Scalers+ in that period divided by the total number of Learners, Builders, Scalers and Scalers+ customer categories as determined as of the last day of that month. For a quarterly or annual period, ARPU is determined as the weighted average monthly ARPU over such three or 12-month period.

Key Business Metrics Definitions

ARR

Beginning in the fourth quarter of 2024, we changed our methodology to calculate ARR by multiplying the revenue for the most recent quarter by four. For our ARR calculations, we include the total revenue from all customers, including Testers, Learners, Builders, Scalars, and Scalars+.

Net Dollar Retention Rate

We calculate net dollar retention rate monthly by starting with the revenue from all customers, including Testers, Learners, Builders, Scalars and Scalars+ for our IaaS and PaaS/SaaS offerings during the corresponding month 12 months prior, or the Prior Period Revenue. We then calculate the revenue from these same customers as of the current month, or the Current Period Revenue, including any expansion and net of any contraction or attrition from these customers over the last 12 months. The calculation also includes revenue from customers that generated revenue before, but not in, the corresponding month 12 months prior, but subsequently generated revenue in the current month and are therefore reflected in the Current Period Revenue. We include this group of re-engaged customers in this calculation because some of our customers use our platform for projects that stop and start over time. We then divide the total Current Period Revenue by the total Prior Period Revenue to arrive at the net dollar retention rate for the relevant month. For a quarterly or annual period, the net dollar retention rate is determined as the average monthly net dollar retention rates over such three or 12-month period.

Refer to our Form 10-K filed with the SEC for the year ended December 31, 2024 for additional details, including a comparison of our customer count and ARR to our prior methodology for each period presented.

Financial Highlights and Key Business Metrics

	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
Revenue (M)	\$163.0	\$165.1	\$169.8	\$177.1	\$180.9	\$184.7	\$192.5	\$198.5	\$204.9
Revenue Growth Year-over-year	36%	30%	27%	16%	11%	12%	13%	12%	13%
ARR (M)	\$652	\$661	\$679	\$708	\$723	\$739	\$770	\$794	\$820
ARR Increase (M)	\$44	\$9	\$19	\$29	\$15	\$15	\$31	\$24	\$26
Adj. EBITDA (M)	\$54.7	\$55.7	\$72.2	\$75.8	\$73.5	\$74.3	\$81.6	\$86.7	\$85.9
Net Dollar Retention Rate (NDR)	112%	107%	104%	96%	96%	97%	97%	97%	99%
Average Revenue Per Customer (ARPU)	\$87.52	\$88.35	\$90.84	\$92.06	\$92.63	\$95.13	\$99.45	\$102.51	\$105.75
Higher Spend Customers (Builders, Scalars, and Scalars+)	142.5k	145.4k	149.8k	153.6k	155.9k	157.2K	160.0K	162.7K	165.4K
Higher Spend Customers % of total company revenue	86%	86%	86%	86%	86%	87%	87%	88%	88%
Capex as % of Revenue	18%	15%	15%	12%	30%	24%	18%	30%	23%

Adjusted EBITDA and Adjusted EBITDA Margin

	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<i>(In thousands)</i>				
GAAP Net income attributable to common stockholders	\$ 18,266	\$ 15,938	\$ 84,492	\$ 19,409
Adjustments:				
Depreciation and amortization	29,227	30,781	130,052	117,866
Stock-based compensation ⁽¹⁾	22,886	22,265	90,398	115,019
Interest expense	2,226	2,311	9,113	8,945
Acquisition related compensation	1,222	5,187	12,661	27,763
Acquisition and integration related costs	—	1,032	—	6,145
Income tax expense	10,728	(2,407)	13,207	7,367
Restructuring and other charges ⁽¹⁾	—	25	—	20,887
Restructuring related charges ⁽¹⁾⁽²⁾	—	3,222	4,025	(23,535)
Impairment of certain long-lived assets	—	—	356	1,140
Interest income and other (expense) income, net ⁽³⁾	1,315	(4,857)	(15,805)	(23,825)
Adjusted EBITDA	<u>\$ 85,870</u>	<u>\$ 73,497</u>	<u>\$ 328,499</u>	<u>\$ 277,181</u>
As a percentage of revenue:				
Net income margin	9 %	9 %	11 %	3 %
Adjusted EBITDA margin	42 %	41 %	42 %	40 %

1) For the year ended December 31, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the \$31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as \$3.9 million that is reported in Restructuring and other charges.

2) For the year ended December 31, 2024, primarily consists of executive reorganization charges. For the year ended December 31, 2023, primarily consists of the \$31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs.

3) For the years ended December 31, 2024 and 2023, primarily consists of interest and accretion income from our cash and cash equivalents and marketable securities.

Non-GAAP Net Income

	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<i>(In thousands)</i>				
GAAP Net income attributable to common stockholders	\$ 18,266	\$ 15,938	\$ 84,492	\$ 19,409
Stock-based compensation ⁽¹⁾	22,886	22,265	90,398	115,019
Acquisition related compensation	1,222	5,187	12,661	27,763
Amortization of acquired intangible assets	5,385	5,736	22,426	18,967
Acquisition and integration related costs	—	1,032	—	6,145
Restructuring and other charges ⁽¹⁾	—	25	—	20,887
Restructuring related charges ⁽¹⁾⁽²⁾	—	3,222	4,025	(23,535)
Impairment of certain long-lived assets	—	—	356	1,140
Non-GAAP income tax adjustment ⁽³⁾	1,371	(11,076)	(23,202)	(25,469)
Non-GAAP Net income	<u>\$ 49,130</u>	<u>\$ 42,329</u>	<u>\$ 191,156</u>	<u>\$ 160,326</u>
Non-cash charges related to convertible notes ⁽⁴⁾	\$ 1,592	\$ 1,565	\$ 6,357	\$ 6,249
Non-GAAP Net income used to compute net income per share, diluted	<u>\$ 50,722</u>	<u>\$ 43,894</u>	<u>\$ 197,513</u>	<u>\$ 166,575</u>

1) For the year ended December 31, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the \$31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as \$3.9 million that is reported in Restructuring and other charges.

2) For the year ended December 31, 2024, primarily consists of executive reorganization charges. For the year ended December 31, 2023, primarily consists of the \$31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs.

3) For the years ended December 31, 2024 and 2023, we used a tax rate of 16% and 17%, respectively, which we believe is a reasonable estimate of our long-term effective tax rate applicable to non-GAAP pre-tax income for 2024 and 2023, respectively.

4) Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

Non-GAAP Diluted Net Income per Share

	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<i>(In thousands, except per share amounts)</i>				
GAAP Net income per share attributable to common stockholders, diluted	\$ 0.19	\$ 0.17	\$ 0.89	\$ 0.20
Stock-based compensation ⁽¹⁾	0.22	0.22	0.88	1.10
Acquisition related compensation	0.01	0.05	0.12	0.26
Amortization of acquired intangible assets	0.05	0.06	0.22	0.18
Acquisition and integration related costs	—	0.01	—	0.06
Restructuring and other charges ⁽¹⁾	—	—	—	0.20
Restructuring related charges ⁽¹⁾⁽²⁾	—	0.03	0.04	(0.23)
Impairment of certain long-lived assets	—	—	—	0.01
Non-cash charges related to convertible notes ⁽⁴⁾	0.02	0.02	0.06	0.06
Non-GAAP income tax adjustment ⁽³⁾	—	(0.12)	(0.30)	(0.25)
Non-GAAP Net income per share, diluted*	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.92</u>	<u>\$ 1.59</u>
GAAP Weighted-average shares used to compute net income per share, diluted	94,404	92,028	94,503	96,415
Weighted-average dilutive effect of potentially dilutive securities	8,403	8,403	8,403	8,403
Non-GAAP Weighted-average shares used to compute net income per share, diluted	<u>102,807</u>	<u>100,431</u>	<u>102,906</u>	<u>104,818</u>

*May not foot due to rounding

1) For the year ended December 31, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the \$31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges, as well as \$3.9 million that is reported in Restructuring and other charges.

2) For the year ended December 31, 2024, primarily consists of executive reorganization charges. For the year ended December 31, 2023, primarily consists of the \$31.3 million reversal of stock-based compensation related to the former CEO's forfeited MRSU award, partially offset by salary continuation charges, executive reorganization charges including severance, CEO search firm fees, and other legal and professional service costs.

3) For the years ended December 31, 2024 and 2023, we used a tax rate of 16% and 17%, respectively, which we believe is a reasonable estimate of our long-term effective tax rate applicable to non-GAAP pre-tax income for 2024 and 2023, respectively.

4) Consists of non-cash interest expense for amortization of deferred financing fees related to the Convertible Notes.

Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin

	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<i>(In thousands)</i>				
GAAP Net cash provided by operating activities	\$ 71,339	\$ 80,515	\$ 282,725	\$ 234,942
Adjustments:				
Capital expenditures - property and equipment	(45,280)	(52,222)	(178,167)	(119,299)
Capital expenditures - internal-use software development	(1,864)	(1,439)	(8,356)	(5,514)
Restructuring and other charges	—	17	60	16,792
Restructuring related charges ⁽¹⁾	129	1,413	5,049	5,371
Acquisition related compensation	12,386	—	33,099	16,851
Acquisition and integration related costs	—	544	302	6,611
Adjusted free cash flow	<u>\$ 36,710</u>	<u>\$ 28,828</u>	<u>\$ 134,712</u>	<u>\$ 155,754</u>
As a percentage of revenue:				
GAAP Net cash provided by operating activities	35 %	45 %	36 %	34 %
Adjusted free cash flow margin	18 %	16 %	17 %	22 %

1) For the year ended December 31, 2024, primarily consists of executive reorganization charges. For the year ended December 31, 2023, primarily consists of salary continuation charges and executive reorganization charges, including CEO search firm fees and other legal and professional service costs.

Non-GAAP Operating Expenses

<i>(In thousands)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
GAAP cost of revenue	\$ 78,842	\$ 77,612	\$ 314,672	\$ 295,387
Amortization of acquired intangible assets	(2,906)	(3,181)	(12,357)	(9,985)
Stock-based compensation	(1,508)	(1,627)	(5,889)	(5,685)
Acquisition and integration related costs	—	—	—	(15)
Restructuring related charges	—	—	—	(154)
Impairment of certain long-lived assets	—	—	(356)	(1,129)
Non-GAAP cost of revenue	<u>\$ 74,428</u>	<u>\$ 72,804</u>	<u>\$ 296,070</u>	<u>\$ 278,419</u>
GAAP research and development	\$ 40,310	\$ 29,976	\$ 142,499	\$ 136,917
Amortization of acquired intangible assets	—	—	—	(275)
Stock-based compensation	(10,394)	(7,680)	(38,285)	(42,040)
Acquisition related compensation	—	(250)	—	(1,000)
Acquisition and integration related costs	—	(134)	—	(705)
Restructuring related charges	—	(226)	—	(2,794)
Impairment of certain long-lived assets	—	—	—	(11)
Non-GAAP research and development	<u>\$ 29,916</u>	<u>\$ 21,686</u>	<u>\$ 104,214</u>	<u>\$ 90,092</u>
GAAP sales and marketing	\$ 19,405	\$ 17,395	\$ 71,570	\$ 65,055
Amortization of acquired intangible assets	(2,479)	(2,554)	(10,069)	(8,706)
Stock-based compensation	(2,576)	(3,208)	(10,093)	(13,177)
Acquisition and integration related costs	—	(20)	—	(120)
Restructuring related charges	—	(27)	—	(389)
Non-GAAP sales and marketing	<u>\$ 14,350</u>	<u>\$ 11,586</u>	<u>\$ 51,408</u>	<u>\$ 42,663</u>

Non-GAAP Operating Expenses (cont.)

	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<i>(In thousands)</i>				
GAAP general and administrative	\$ 33,833	\$ 44,881	\$ 160,867	\$ 162,742
Amortization of acquired intangible assets	—	—	—	—
Stock-based compensation ⁽¹⁾⁽²⁾	(8,408)	(9,753)	(36,131)	(54,115)
Acquisition related compensation	(1,222)	(4,937)	(12,661)	(26,763)
Acquisition and integration related costs	—	(878)	—	(5,305)
Restructuring related charges ⁽¹⁾	—	(2,969)	(4,025)	26,872
Impairment of certain long-lived assets	—	—	—	—
Non-GAAP general and administrative	\$ 24,203	\$ 26,344	\$ 108,050	\$ 103,431
GAAP restructuring and other charges	\$ —	\$ 25	\$ —	\$ 20,887
Restructuring and other charges ⁽²⁾	—	(25)	—	(20,887)
Non-GAAP restructuring and other charges	\$ —	\$ —	\$ —	\$ —

1) For the year ended December 31, 2024, non-GAAP stock-based compensation excludes \$0.1 million as it is presented in Restructuring related charges. For the year ended December 31, 2023, non-GAAP stock-based compensation excludes the \$31.3 million reversal related to the former CEO's forfeited MRSU award that is reported in Restructuring related charges.

2) For the year ended December 31, 2023, non-GAAP stock-based compensation excludes \$3.9 million, as it is presented in Restructuring and other charges.