Corporate Overview and Q3FY24 Financial Results

February 29, 2024

Forward Looking Statements; Use of Non-GAAP Measures

This presentation and the accompanying oral presentation contain forward-looking statements that involve substantial risks and uncertainties, which include, but are not limited to, statements regarding our expected financial results for the fiscal quarter and the fiscal year ending April 30, 2024, our strategic areas of focus, expectations and plans regarding our future growth, our go-to-market and growth strategies and the effectiveness of such strategies, assessments of our strategic partnerships, the expected performance or benefits of our offerings, our assessments of our competitive advantages, the strength of and demand for our solutions and products, and growth opportunities as well as our ability to address those opportunities. Actual outcomes and results may differ materially from those contemplated by these forward-looking statements due to uncertainties, risks, and changes in circumstances, including but not limited to those related to: our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (which include changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve and maintain future profitability; our ability to continue to deliver and improve our offerings and develop new offerings (including innovations around AI use cases); customer acceptance and purchase of our new and existing offerings; the expansion and adoption of our Elastic Cloud offerings; our ability to realize value from investments in the business; our ability to maintain and expand our user and customer base; the impact of the evolving macroeconomic and geopolitical environments on our business, operations, hiring and financial results, and on businesses and spending priorities of our customers and partners; the impact of our pricing model strategies on our business; the impact of foreign currency exchange rate fluctuations and the uncertain inflation and interest rate environment on our results; our international expansion strategy; our operating results and cash flows; the sufficiency of our capital resources; our ability to successfully execute our go-to-market strategy, our forecasts regarding our business; and general market, political, economic and business conditions.

Any additional or unforeseen effect from the evolving macroeconomic and geopolitical environments may exacerbate these risks. Additional risks and uncertainties that could cause actual outcomes and results to differ materially are included in our filings with the Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the fiscal year ended April 30, 2023 and subsequent reports filed with the SEC. SEC filings are available on the Investor Relations section of Elastic’s website at ir.elastic.co and the SEC’s website at www.sec.gov. Elastic assumes no obligation to, and does not currently intend to, update any such forward-looking statements, except as required by law.

In addition to GAAP financial information, this presentation and the accompanying oral presentation include certain non-GAAP financial measures. See the Appendix for a reconciliation of all historical non-GAAP financial measures to their nearest GAAP equivalent.

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We live in a world **powered by data**



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But the **Mountain of Data** is enormous

People can’t find **what they’re looking for**

480EB

1 EB = 1000 PB = 1,000,000 TB

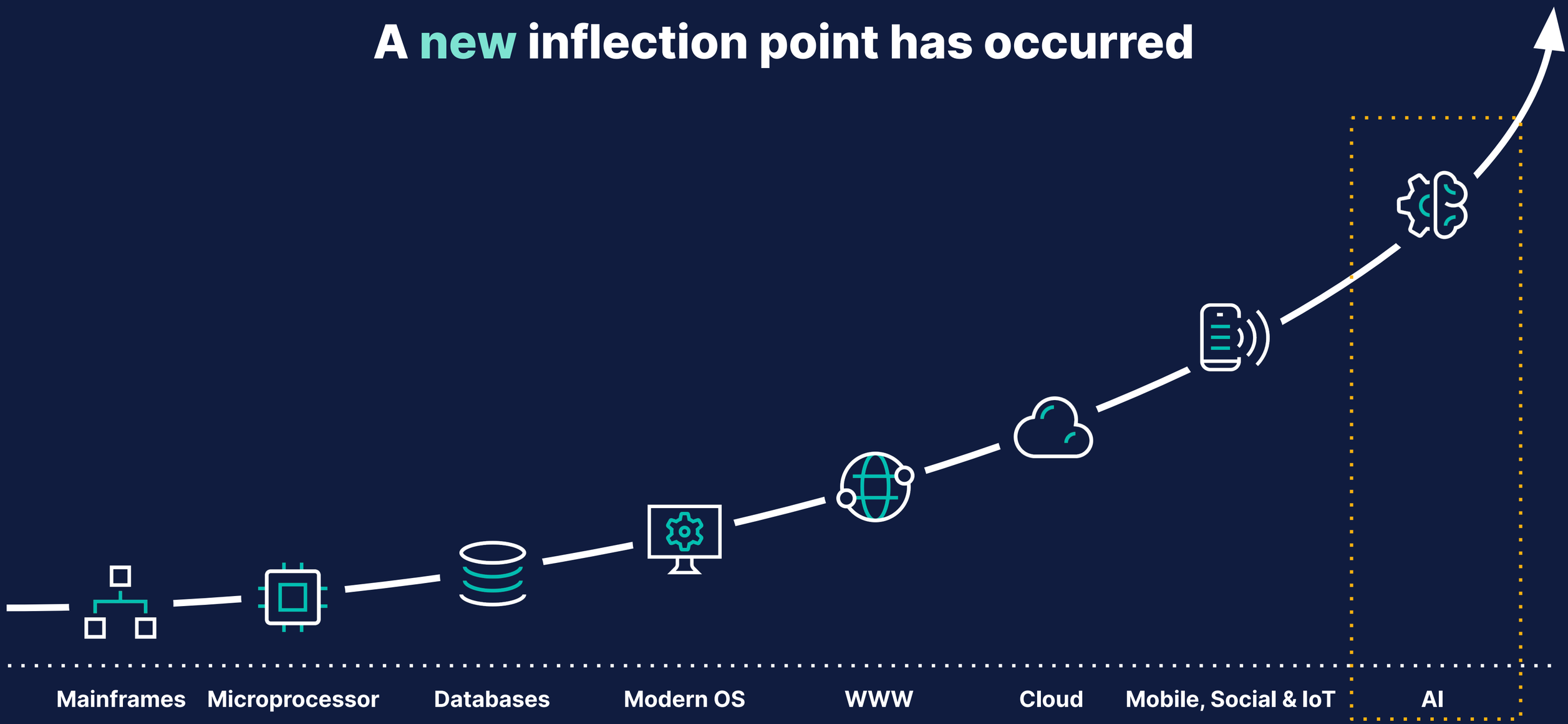
Data produced daily by 2025



*Source: IDC Global DataSphere and StorageSphere Forecasts

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A new inflection point has occurred



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Generative AI will disrupt every business

100M

Chat GPT growth

User adoption in less than 2 months

300M

Jobs automated

Forecasted impact of Generative AI*

10^n

Technology shifts

Personalization, automation & productivity

*Source: Goldman Sachs Economics Research, March 2023

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Search is critical for Generative AI



Relevance & natural language understanding

Search is at the forefront of latest advancements



Optimized to scale large data volumes

Search delivers results with speed and at a lower cost



Foundational framework for AI apps

Search is an investment in harvesting data and building for the future

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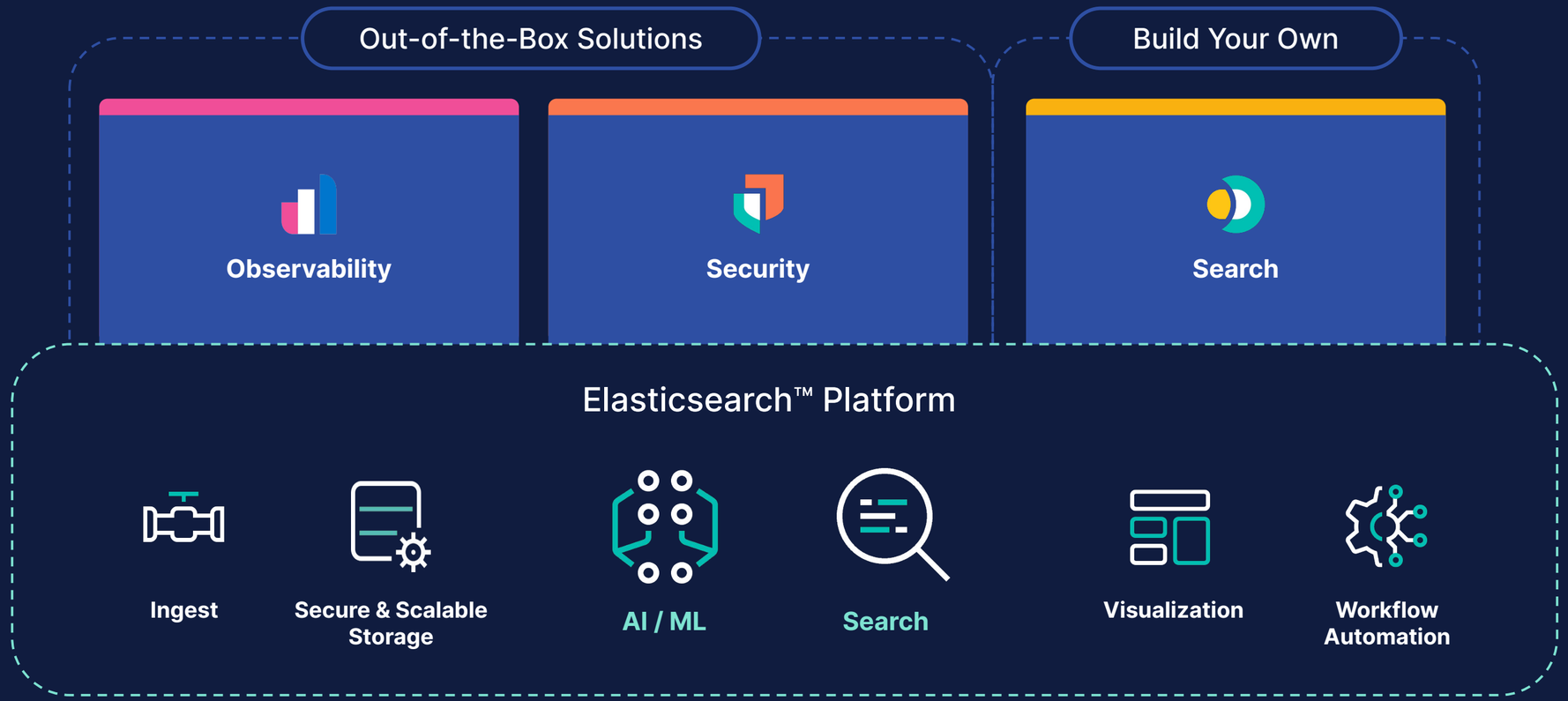
Find answers that matter.
From all data.
In real time.
At scale.

Elastic - The Search Analytics Company



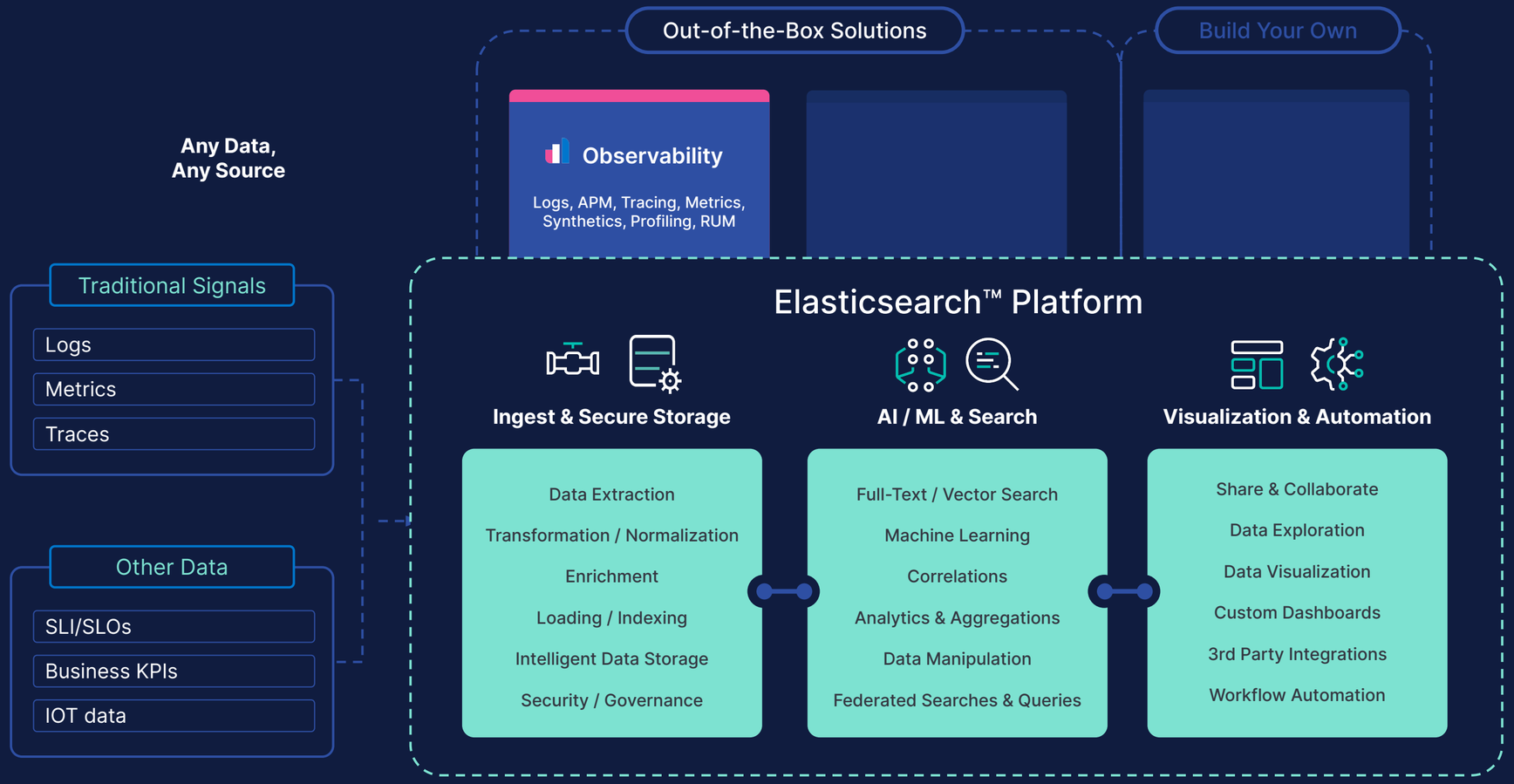
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Meet Elastic - The Search Analytics Company



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A Comprehensive Observability Solution



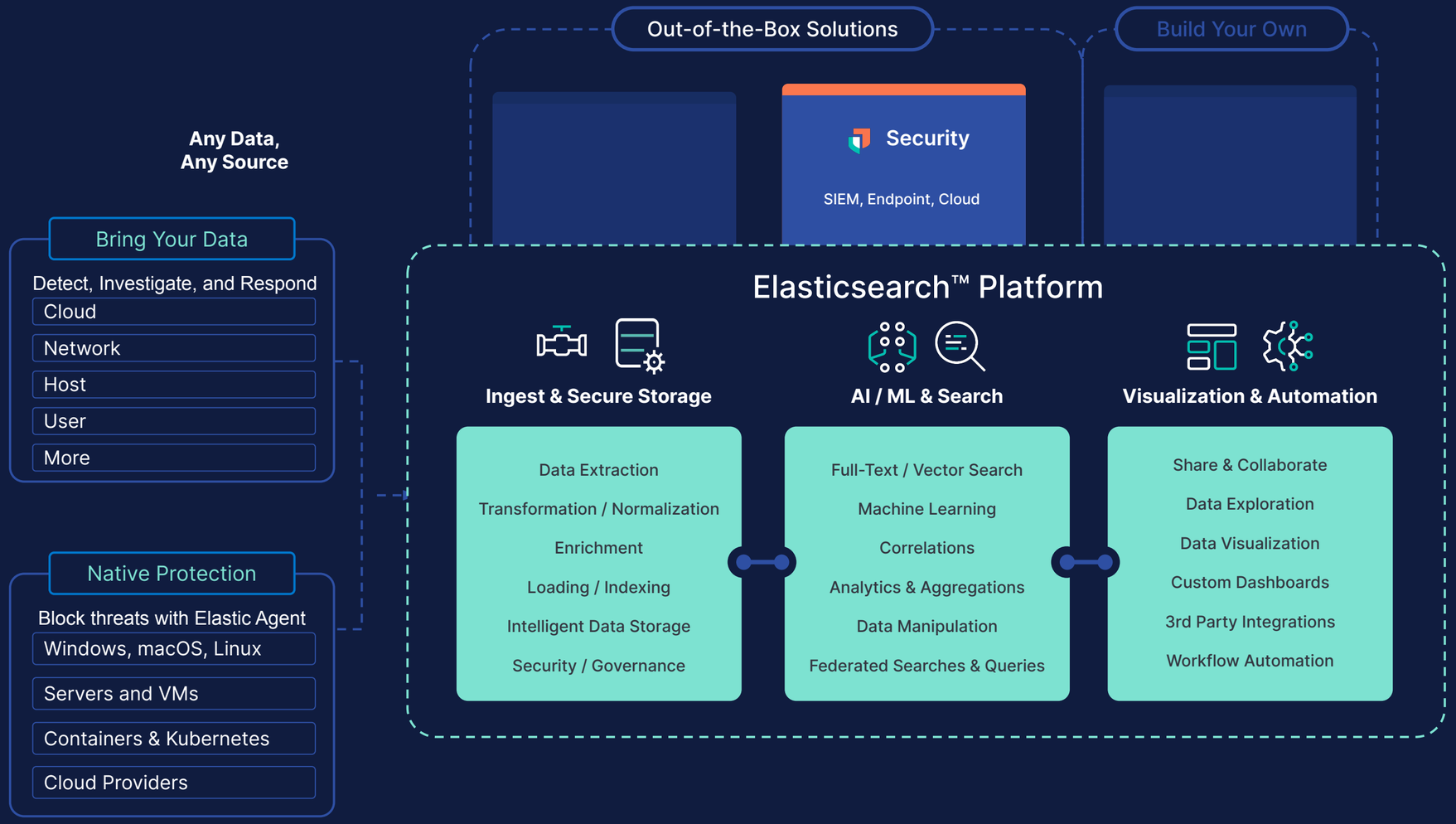
WHY CUSTOMERS CHOOSE ELASTIC OBSERVABILITY

COMCAST

+ Ingests 400 terabytes of telemetry data per day with Elastic Observability
+ Provides a single view across infrastructure, monitoring changes including more than 50,000 software builds a day
+ “Elastic provides us with the essential feedback that enables our engineers to iterate faster and increase the speed of innovation”

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A Comprehensive Security Solution



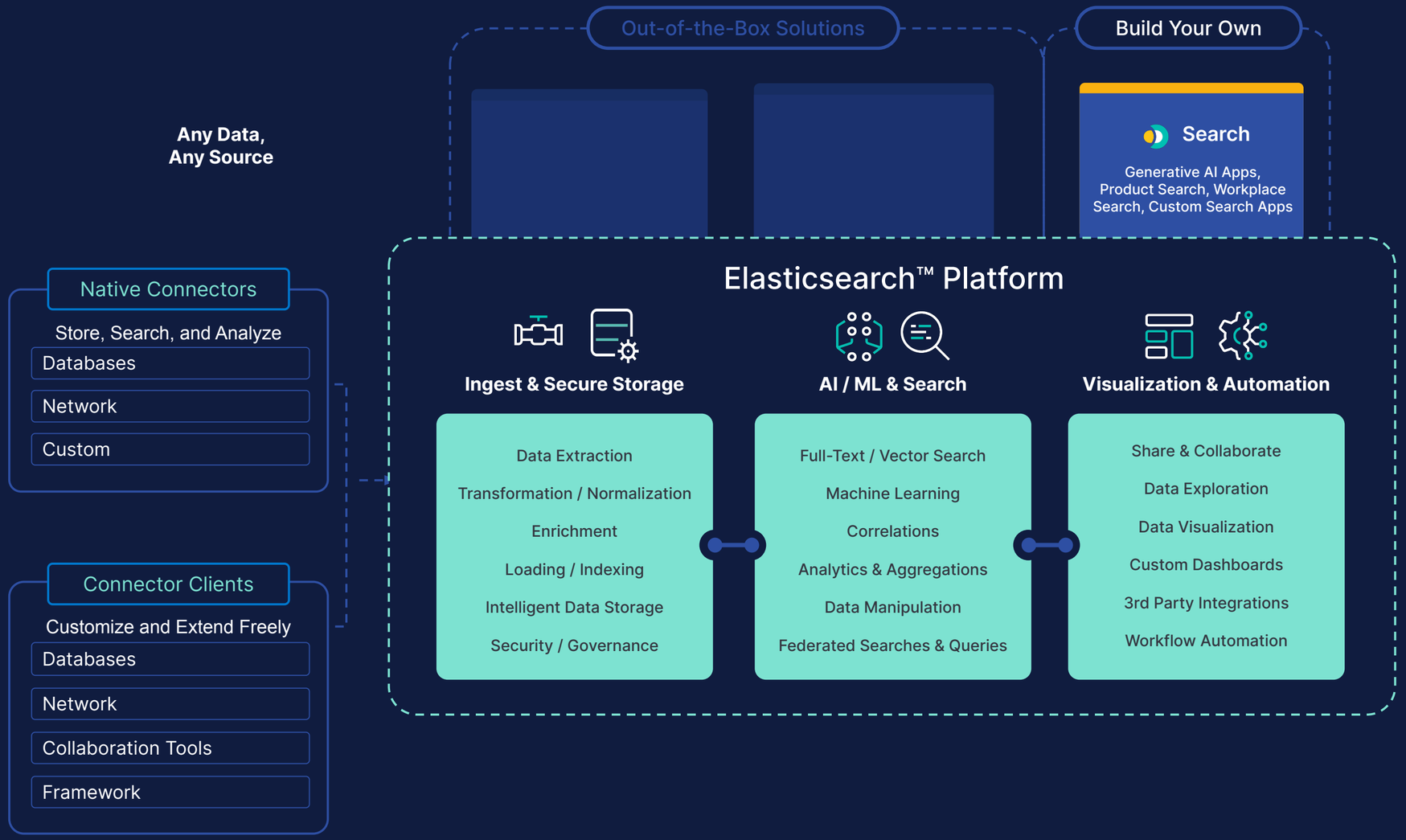
WHY CUSTOMERS CHOOSE ELASTIC SECURITY

orange™ Business Services

+ Over 1,000 pieces of internal network equipment and multiple security data silos
+ Chose Elastic for the ability to ingest all their security data, standardize it, and automatically detect threats
+ Now they can concentrate all their security workflows into a single solution - reducing MTTX

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The Flexibility to Build Your Own Solution



WHY CUSTOMERS CHOOSE ELASTICSEARCH

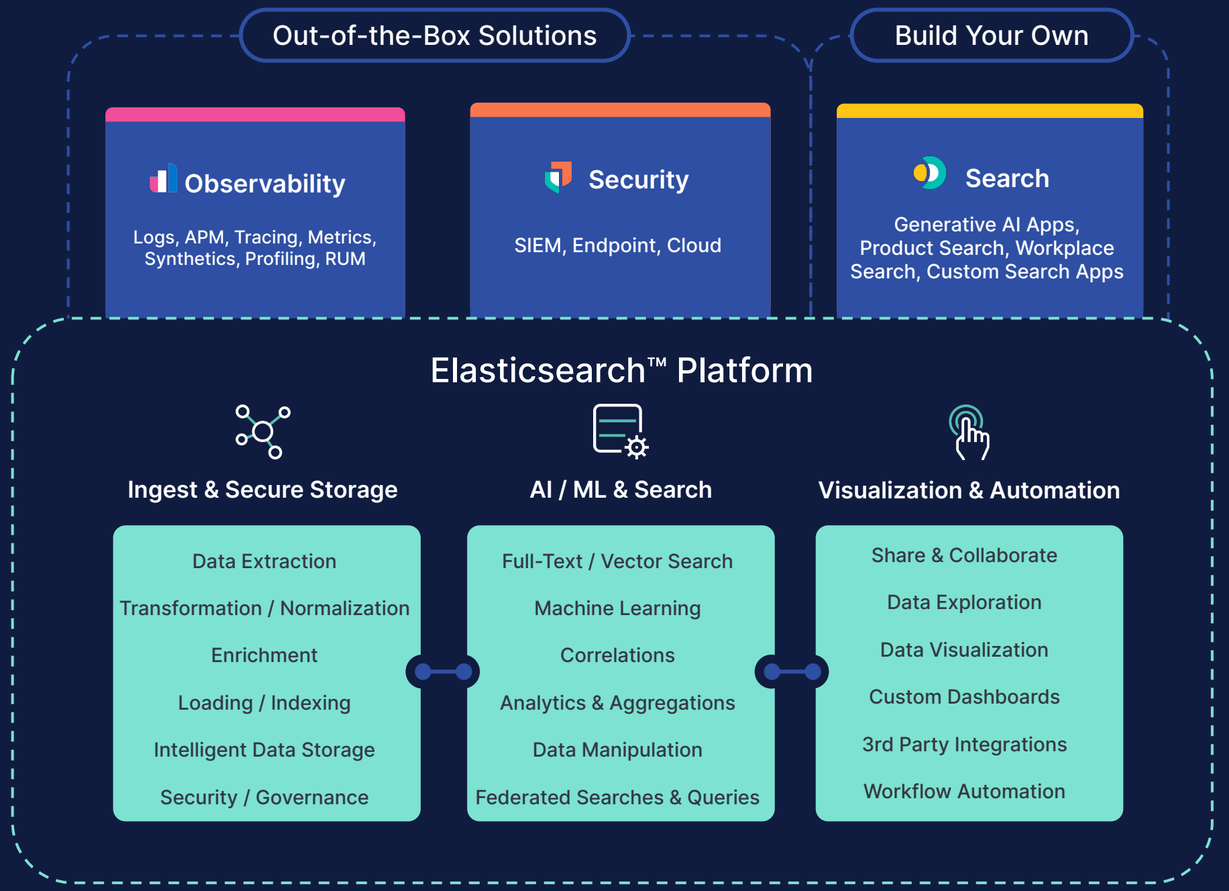
+ Customers worldwide searching across millions of unique permutations of car configurations
+ Chose Elastic for the ability to deliver a centralized, searchable repository, tailored to different sales channels, markets, and audiences
+ Now they are driving increased revenue across the globe

The Speed, Scale, and Flexibility of the Platform

WHY CUSTOMERS CHOOSE THE ELASTICSEARCH SEARCH ANALYTICS PLATFORM

Booking.com

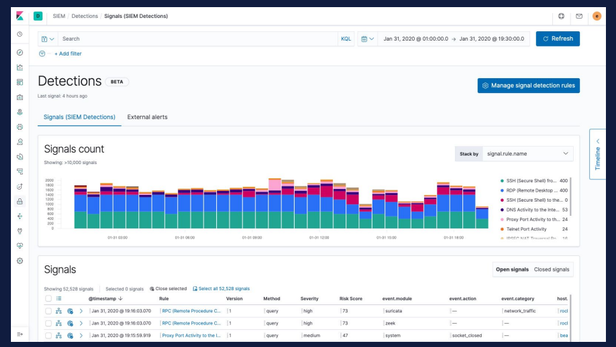
+ One of the world's leading digital travel companies, ingesting 100 terabytes of data per day to support customers
+ Chose Elastic to tackle the challenges of unparalleled growth, complexity, and scale with Elastic Security, Search, and Observability on Elastic Cloud
+ Now they can minimize risk and fraud while reducing the chance of damage to the reputation of the Booking.com brand



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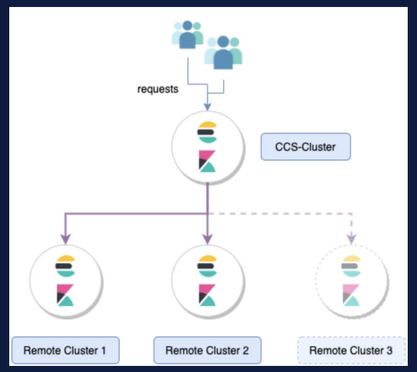
The Performance Today's Organizations Need to Win

Speed



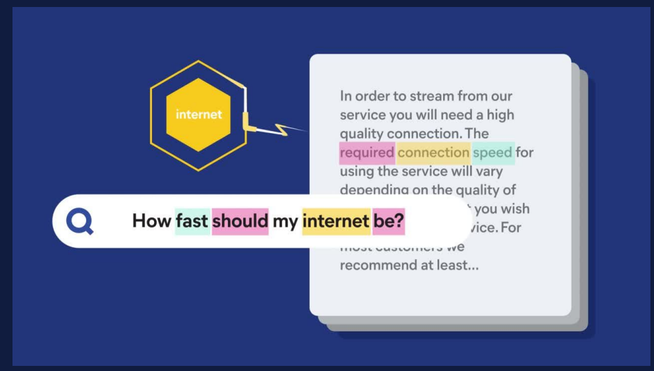
Millisecond Response Times across Solutions

Scale



Multi-Petabyte Scale Across Environments

Relevance



AI Powered Relevance Engine - ESRE

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Elasticsearch Query Language (ES|QL)

Elastic’s new piped query language and query engine



Improves SRE, security analyst, and developer productivity



Transforms, enriches and simplifies data investigation



Unifies data exploration, transformation and visualization

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Years of ML & AI Expertise



Foundational technical building blocks within the Elastic Stack

2018

Support for supervised and unsupervised learning

2021

Bring your own transformer models (e.g. Hugging Face, or proprietary)

2022

Native support for vector search and embedding creation

2023+

Support for domain- specific generative AI models



AI-powered features that enhance our solutions

2018

Support for forecasting in Observability

2019

Support for anomaly detection and AIOps

2022

Support for ML-powered detection rules in Security

2023+

Support for GAI-powered security playbooks, O11y runbooks, AI Assistant

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Foundational AI tools — why Elastic?

Advantages of Machine Learning with Elastic



Comprehensive

Vector Search
HNSW, Approximate Nearest Neighbors (ANN)

Transformer Models & NLP
Embedding, Sentiment, Named Entity Recognition, Zero Shot recall

Supervised & Unsupervised
Classification, Regression, Anomaly Detection, and Clustering



Enterprise Scale

Automate and Manage
ML APIs , Data Frames, Inference Pipeline, Model Management, Visualization

Scale Up
Cloud Infrastructure, Auto Scaling, Model Optimization, Cost Management & Optimization



Fast Time to Value

Custom
Code: Train, engineer and deploy model

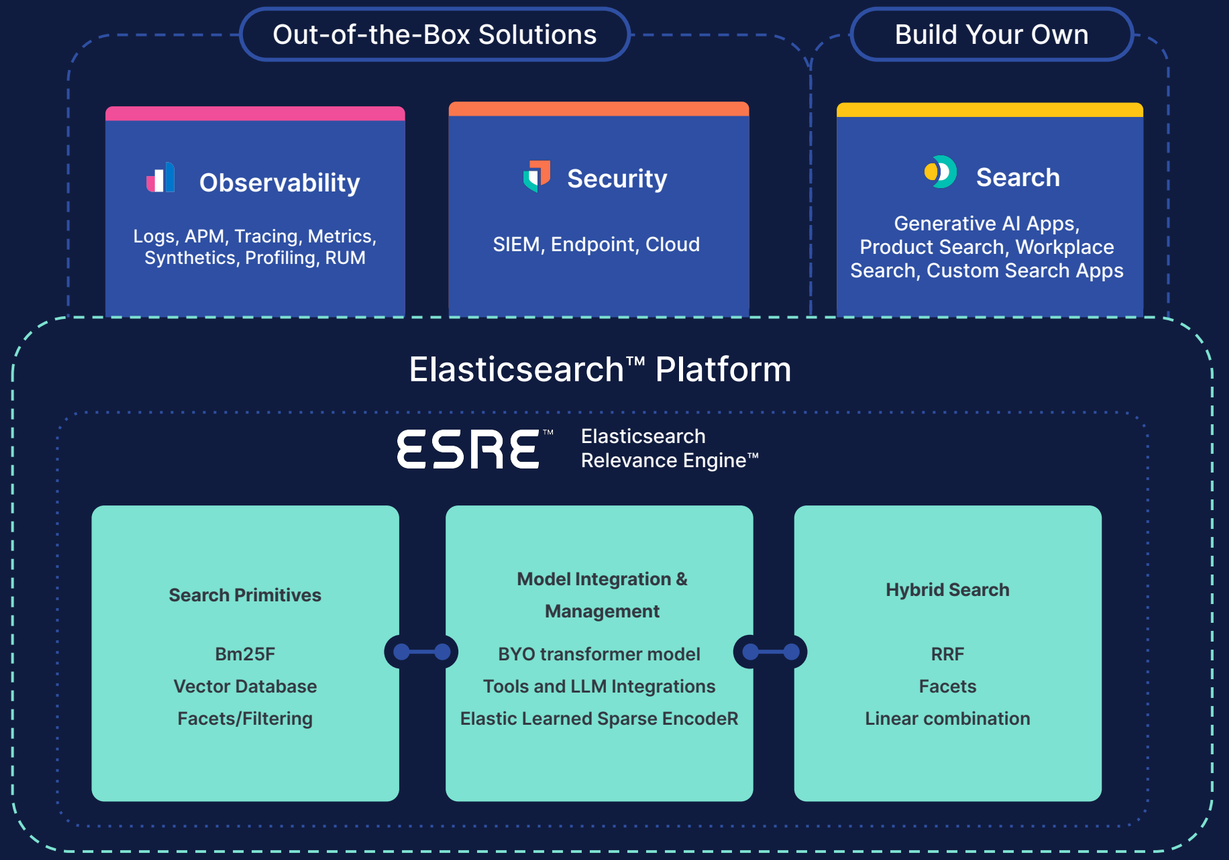
Guided
Low Code: Start quickly and customize

Pre Built
No Code: Get results instantly with ML

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Elasticsearch Relevance Engine, Democratizing AI

Gives developers a powerful set of **machine learning tools** to **build AI-powered search applications** that **integrate with large language models**



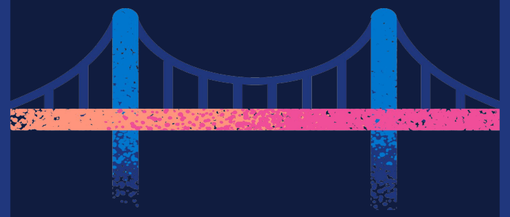
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Tools to make the most of your data with AI

- Sensitive databases
- Multi-system / cloud information
- Private knowledge bases
- Case histories
- Runbooks



ESRE Elasticsearch Relevance Engine™











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A safer, more cost effective approach to GenAI for more relevant results



Delivers the most relevant content

Before GenAI composes a response, Elasticsearch delivers the most relevant content to best answer the query



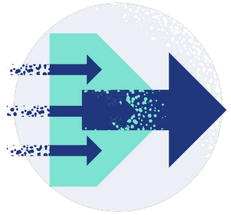
Maintains security and confidentiality

Recognizes and implements the appropriate access to the user and data, removes private information



Reduces costs

By providing the information most relevant to the query, less compute and storage resources are required

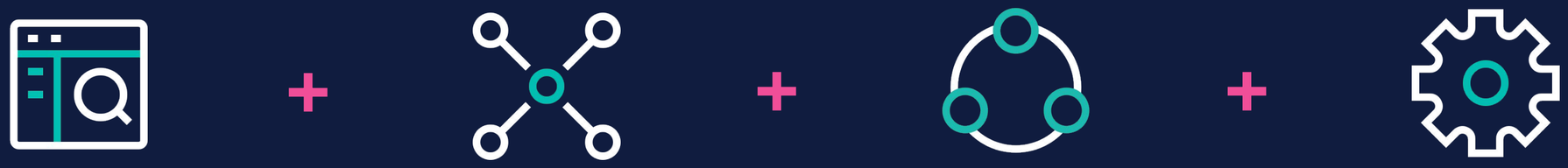


Complete platform for AI apps

End to end platform to build and deliver AI search applications

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The ingredients of search with generative AI



Text, vector, and hybrid search

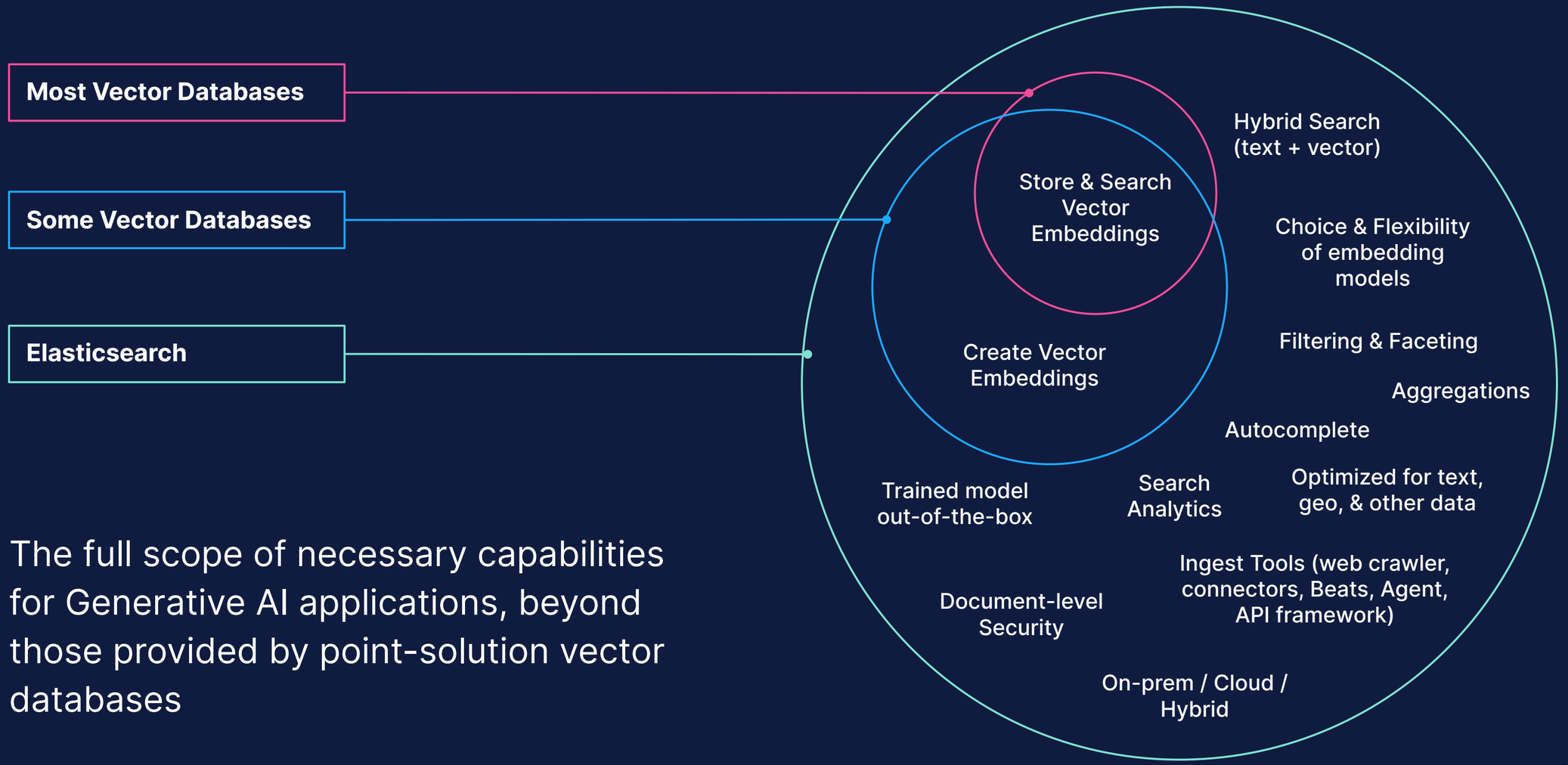
Vector database capabilities

Choice of embedding models

Tools & APIs to build search apps

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Only Elastic provides ALL the capabilities you need



The full scope of necessary capabilities for Generative AI applications, beyond those provided by point-solution vector databases

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Enabling the creation of new contextual Generative AI applications

HR helpdesk

What are key aspects of the company's 401k policy for an employee in my location? How do I enroll?

Customer Success

Are customers in San Francisco buying products with the deepest discounts? Which promotions are doing well?

Ecommerce

What material list and tools do I need to build an irrigation system for 1 acre back yard in Gilroy, CA?

Regulatory Compliance

Which recent transactions are not compliant with upcoming 2025 regulatory requirement X?

Corporate Finance

Summarize changes to revenue recognition and expense categorization for FY 2024

Predictive Maintenance

Based on sensor data and recent customer reviews, when do I schedule repair unit Y?

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“The expertise of Elastic in enterprise search is evident in the way the company thinks about how to incorporate generative AI into it. We’re working closely together to help companies leverage the power of Azure OpenAI and ChatGPT over all of an organization's proprietary data in Elasticsearch to help our joint customers deliver a richer and more seamless experience.”

President of Microsoft’s Developer Division
Julia Liuson



“Ensuring our customers and partners have industry-leading search capabilities is vital to our mission to help them organize data, discover the truth and act on it. To that end, I’m thrilled about the benefits we can bring to customers through our investments to harness Elasticsearch within RelativityOne. We're experimenting with ESRE right now and are excited about its potential to deliver powerful, AI-augmented search results to our customers."

Chief Product Officer at Relativity
Chris Brown



“Enterprises are excited about the potential for generative AI in their applications and workflows, but are all also swamped by the pace of innovation in the field. ESRE is designed to ease adoption of transformers, homemade and third-party LLM models, building on the original core strengths of Elastic in search.”

Co-founder of RedMonk
James Governor

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AI Expertise Built into Each Elastic Solution

From Observability to Security to Search

Observability

Anomaly Detection

AIOps

Interactive Root Cause Analysis

Integrated Case Management

AI Assistant

Security

Threat Intelligence

Automated Alerting

AI Assistant

Search

Semantic Search

Image Search

Sentiment Analysis

Recommendations

Named Entity Recognition

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Leadership in Security Analytics, Log Analytics, and Search

Observability

Strong Performer in The Forrester Wave™: **AIOps**, Dec. 2022

Visionary in the Gartner® Magic Quadrant™ for **APM and Observability**, Dec. 2022

Representative Vendor in the Gartner® Market Guide for **AIOps Platforms**, May 2022

Security

Leader in The Forrester Wave™: **Security Analytics Platforms**, Dec. 2022

Visionary in Gartner® Magic Quadrant™ for **SIEM**, Oct. 2022

Major Player in the IDC MarketScape: Worldwide **SIEM** 2022 Vendor Assessment

Search

Leader in the Gartner® Magic Quadrant™ for **Insight Engines**, Dec. 2022

Strong Performer in The Forrester Wave™: **Cognitive Search**, Dec. 2023

Leader in the IDC MarketScape: **Knowledge Discovery Software** 2023-2024

Gartner® FORRESTER® IDC

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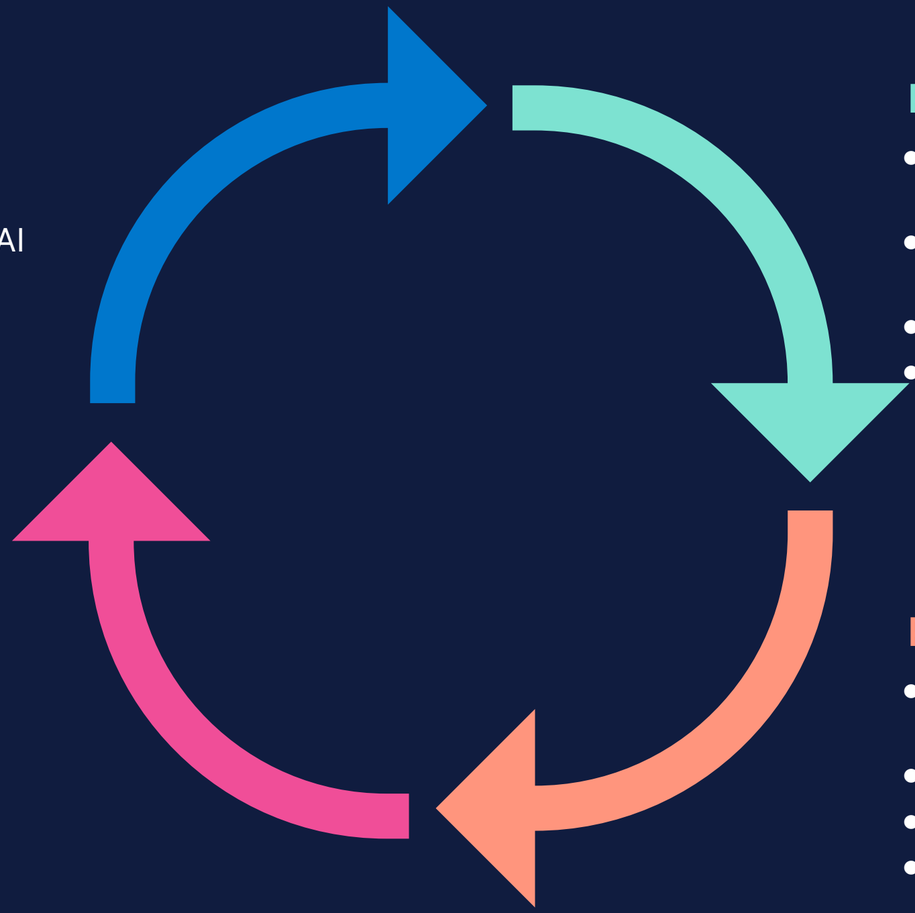
Trusted by Organizations Around the World

TECHNOLOGY	FINANCE	TELCO	CONSUMER	HEALTHCARE	PUBLIC SECTOR	AUTOMOTIVE / TRANSPORTATION	RETAIL
Adobe	BARCLAYS	orange	Uber	VITAS Healthcare	Lawrence Livermore National Laboratory	VOLVO Volvo Group	AutoZone
CISCO	ZURICH	dish media	Grab	UCLA Health	OAK RIDGE National Laboratory	Airbus	The Home Depot
workday	USAA	COMCAST	Miles & More Lufthansa	Yale NewHaven Health	United States Census Bureau	Travelport	ebay
Microsoft	collector bank	verizon	Activision Blizzard	MAYO CLINIC	JPL Jet Propulsion Laboratory	BMW	Kroger
INGRAM MICRO	Postbank	T-Mobile	lyft	Pfizer	WILSON NORTH CAROLINA	Volkswagen	Walgreens

Why Elastic Wins

Power of the Platform

- Solving problems from a search and AI lens: speed, scale, relevance
- Strong foundation in AI/ML, with support for AI across solutions
- Unstructured data from any source
- All solutions on a single stack
- Deploy anywhere - cloud, hybrid, on-prem



Power of the Community

- Millions of developers with billions of downloads
- Facilitates bottom up adoption within enterprises
- Generates an entry point into new markets
- Engaging with open communities across solutions (Open Security, OpenTelemetry)

Power of the Commercial Model

- Compelling TCO advantages and greater business value
- Uniform resource-based pricing model
- Consumption-based model for Cloud

Power of Partnerships

- Strategic partnerships with hyperscalers, including co-investments
- Powerful technology integrations
- Preferential access and relationships
- Joint sales pursuits

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Elastic’s Growth Vectors



New customers adopt Elastic



Customer data volume grows



Customers adopt more use cases



Customers adopt more solutions



Customers adopt the cloud



Customers adopt higher subscription tiers

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Distribution and Monetization Model



Elastic Cloud

Paid

Standard	Gold	Platinum	Enterprise



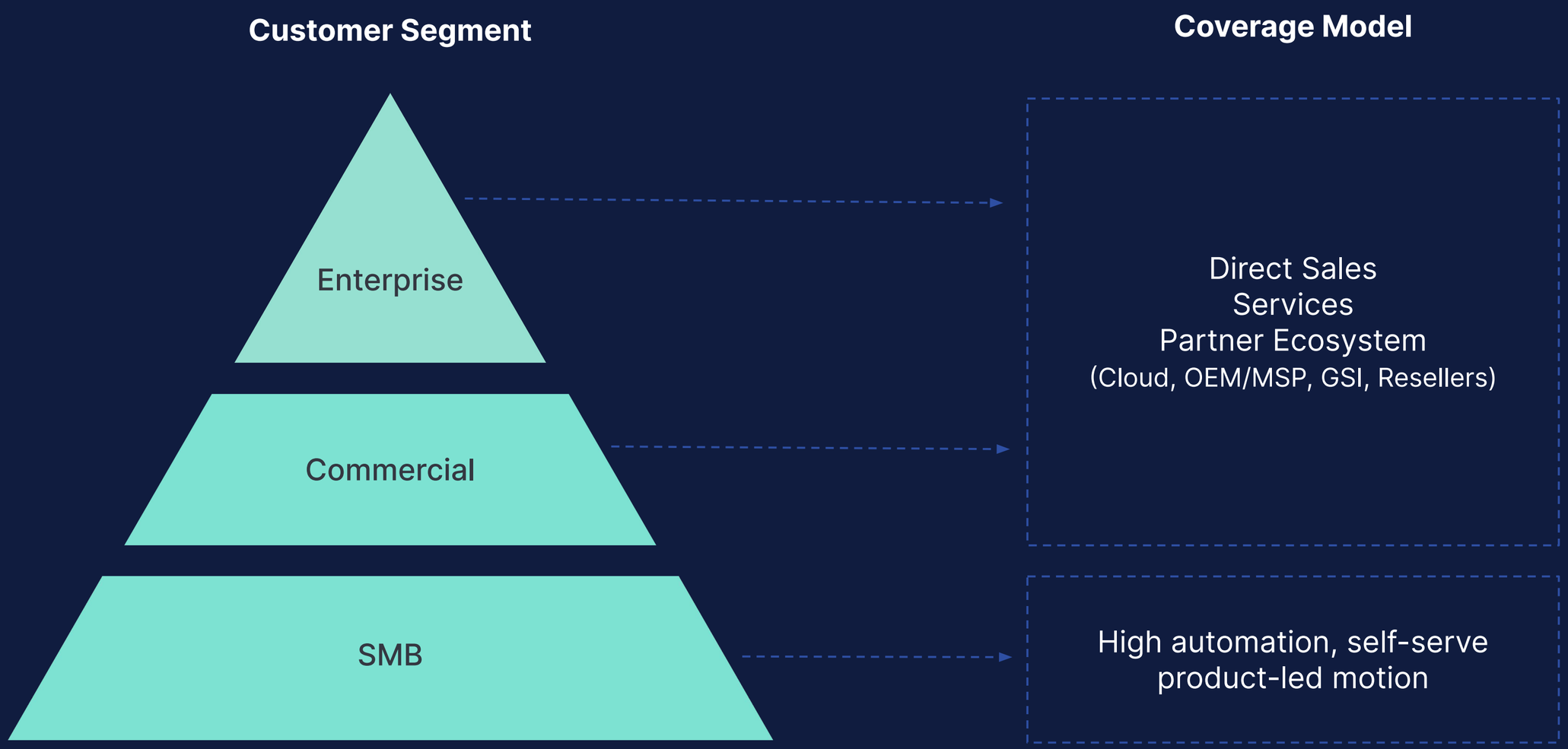
Self-managed

Free & Open	Paid	
No Support	Platinum	Enterprise

- Resource-based pricing model ↔ Consumption-based subscriptions on Elastic Cloud
- Subscriptions generally 1 to 3 years, invoiced annually in advance
- Elastic Cloud also has month-to-month web-based self-service option

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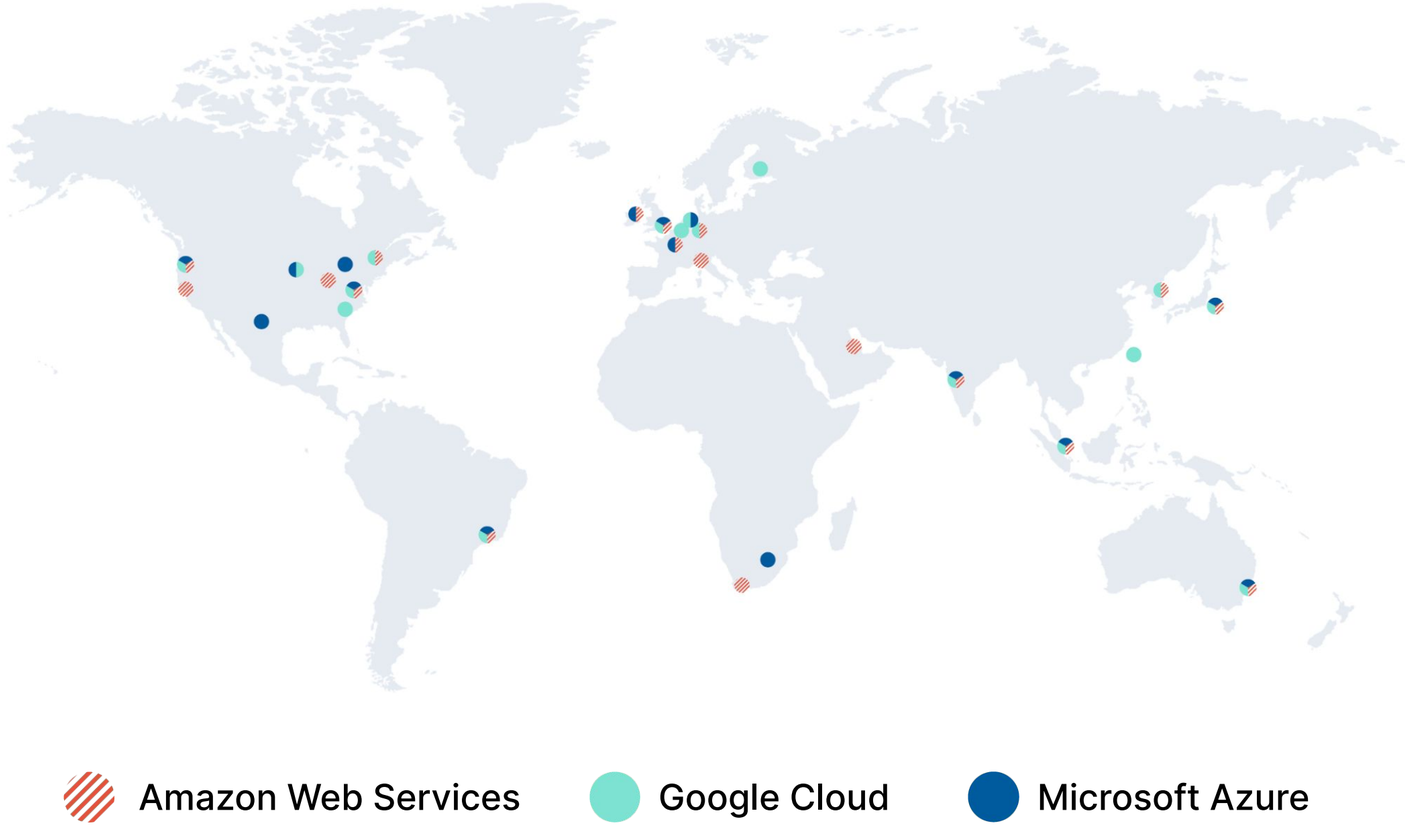
Low-friction Go-to-Market Model



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The flexibility to deploy wherever our customers are

- Public Cloud
- Hybrid
- On-Premises



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Scaling with Hyperscaler Cloud Partners







- Multi-year strategic agreements with co-investments
- Powerful technology integrations to accelerate Elastic Cloud adoption
- Preferential access and relationships under ISV programs
- Joint sales pursuits with sales incentives for hyperscaler sales teams

Sustaining the Cloud Momentum



Track record of growth at scale



Organic Growth



Strong Customer Acquisition



Robust Expansion



Strong Consumption Patterns



Sustained, Organic Mix Shift to Cloud



GTM Momentum



Thriving Hyperscaler Partnerships

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Q3 FY24 Results

Q3 FY24 Results At a Glance



19%
Total Revenue Growth year-over-year



29%
Elastic Cloud Revenue Growth year-over-year

44% of Total Revenue



13%
Non-GAAP Operating Margin*



>1,270
Customers with ACV > $100K

ACV = Annual contract value

*See appendix for reconciliation to GAAP operating margin

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Revenue Highlights

$ millions	Q3 FY24	Y/Y	Y/Y CC
Total Revenue	$328	19%	18%
Total Subscription Revenue	$308	20%	19%
Elastic Cloud Revenue	$143	29%	29%
Subscription % of Total Revenue	94%		
Professional Services Revenue	$20	7%	6%

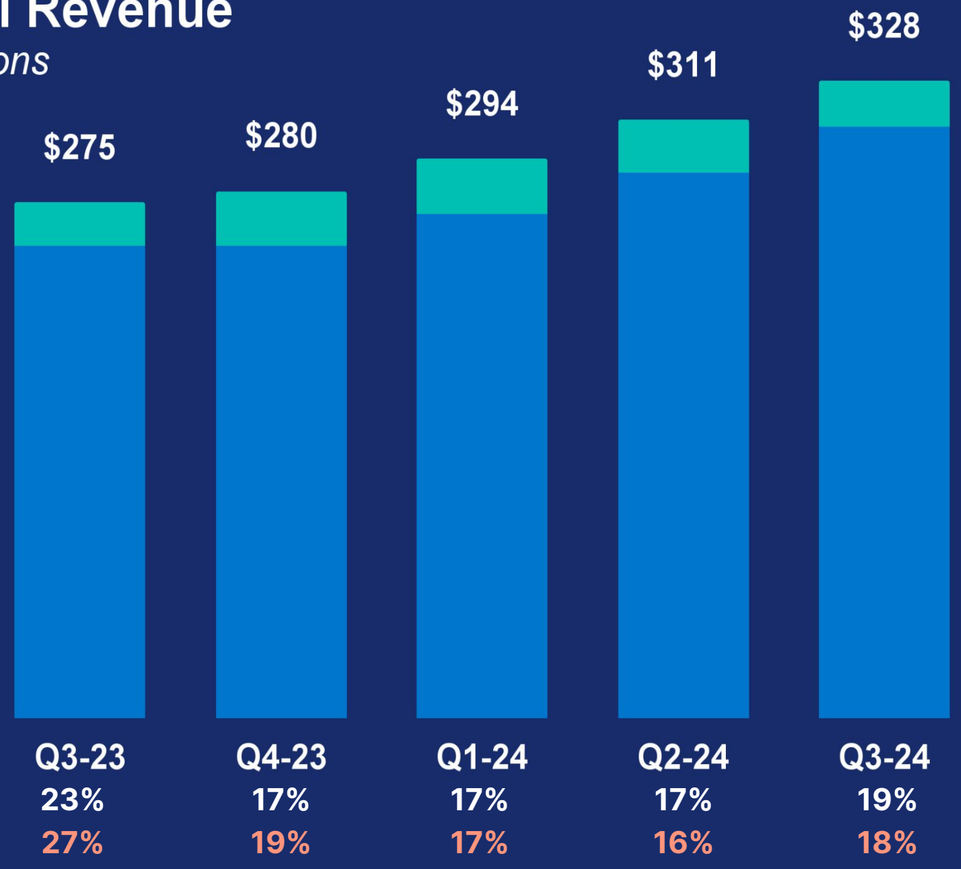
CC = Constant Currency

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Strong track record of driving growth

Total Revenue

$ millions



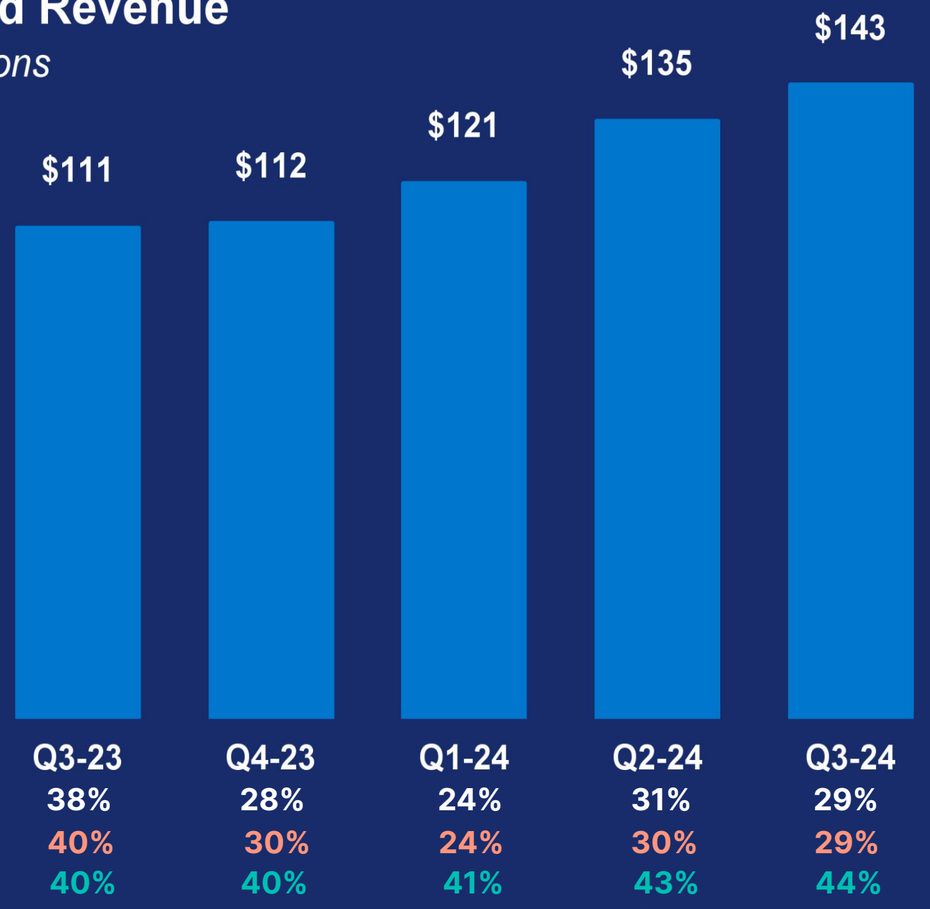
As Reported Y/Y Growth %

Constant Currency Y/Y Growth %

■ Professional Services ■ Subscription Revenue

Cloud Revenue

$ millions



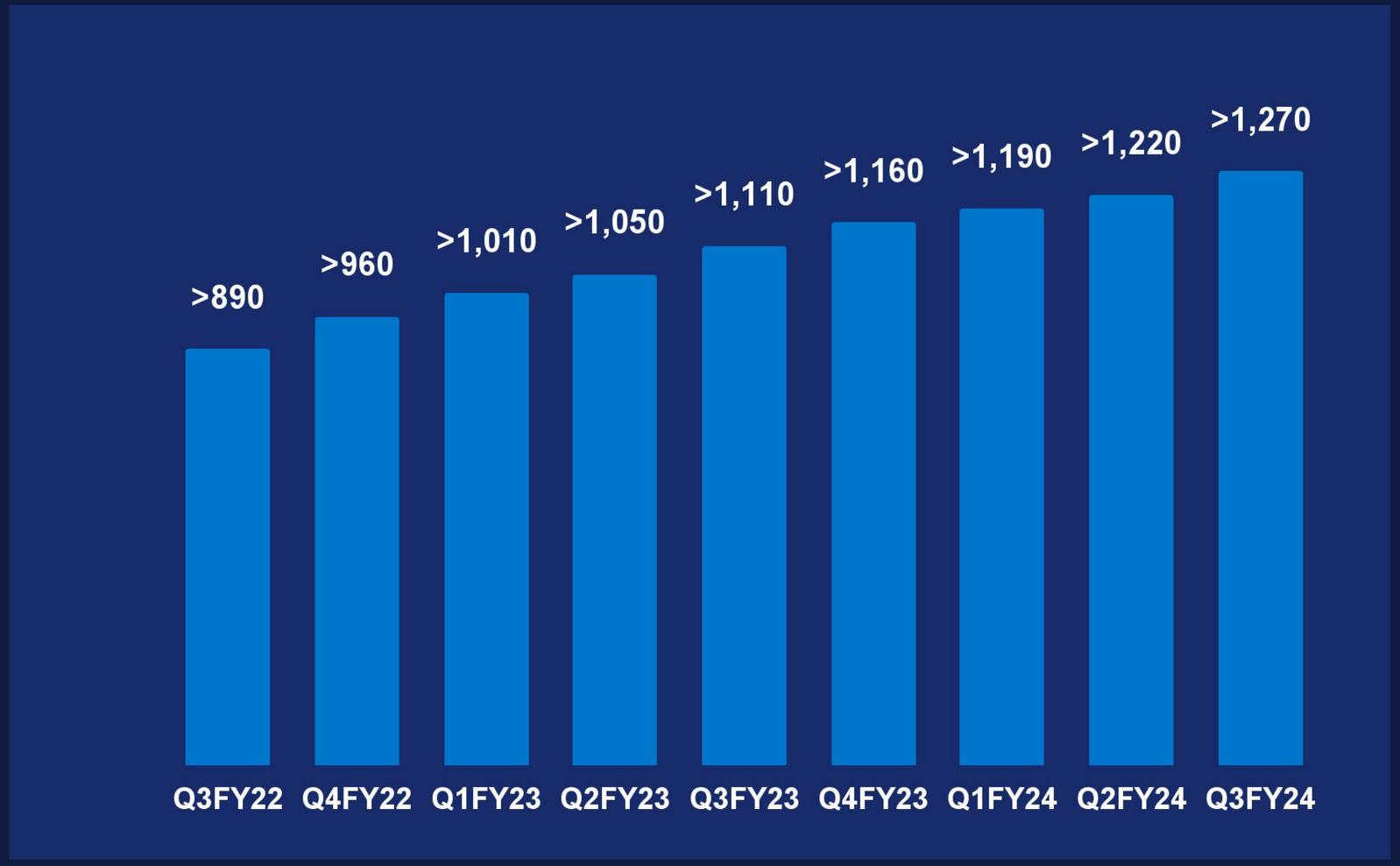
As Reported Y/Y Growth %

Constant Currency Y/Y Growth %

Cloud Revenue as a % of Total Revenue

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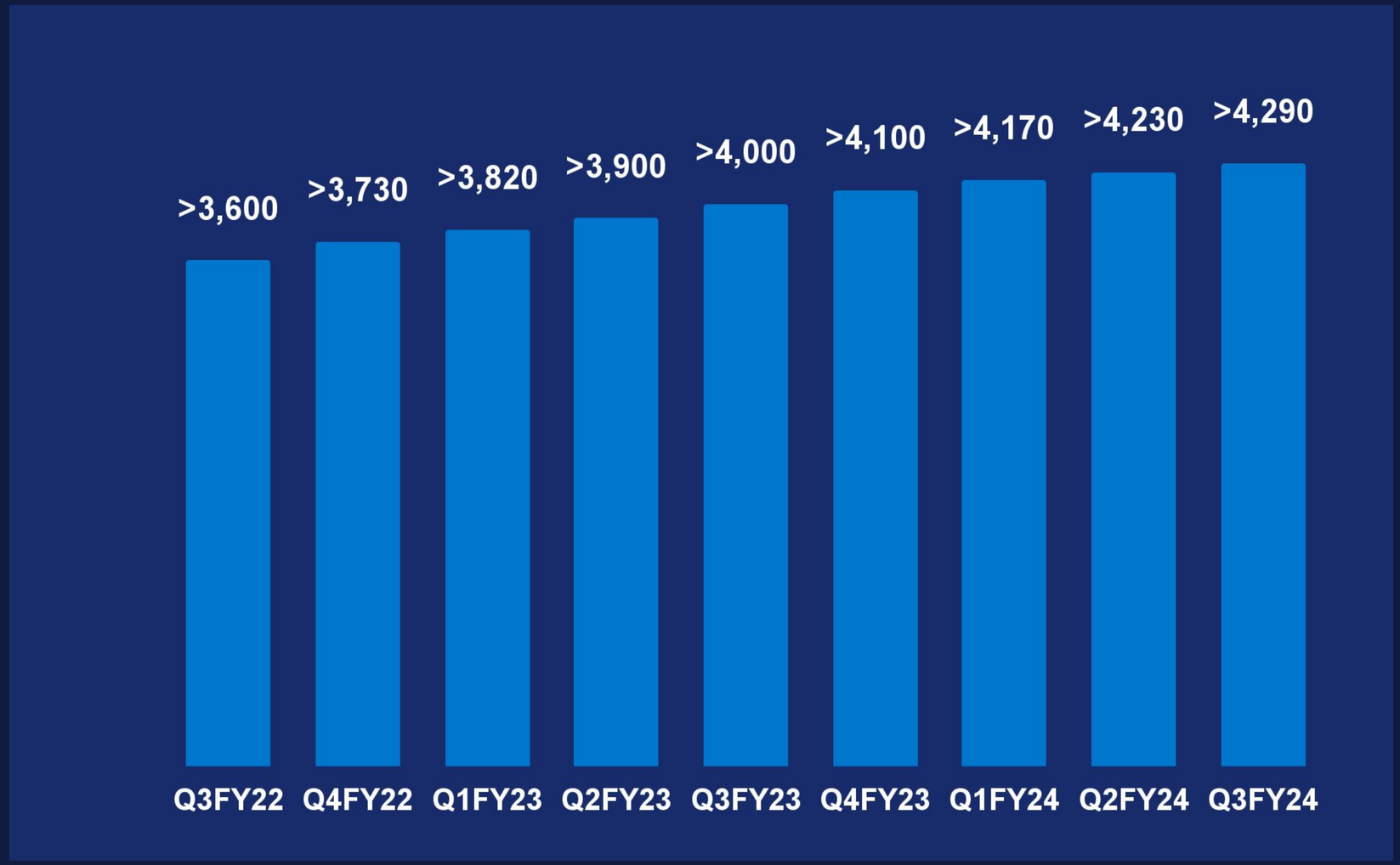
>$100K ACV Customer Trend



Change from Prior Quarter	60	70	50	40	60	50	30	30	50

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>$10K ACV Customer Trend



Change from Prior Quarter	70	130	90	80	100	100	70	60	60

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Healthy Net Expansion Rate

~109%

Q3 FY24

Trailing twelve month measure

Includes only consumption, not commitments, for customers on Cloud consumption contracts

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Non-GAAP Income Statement Highlights

$ millions, except per share amounts	Q3 FY24	% OF REVENUE
Total Revenue	$328	100%
Gross Profit/Margin	$252	77%
Research & Development Expense	$61	19%
Sales & Marketing Expense	$120	37%
General & Administrative Expense	$27	8%
Operating Income/Margin	$43	13%
Earnings per share - Diluted	$0.36	

See appendix for reconciliation to GAAP

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Select Financial Measures

$ millions, except employees	Q3 FY24
Adjusted Free Cash Flow*	$63
Cash, Cash Equivalents, and Marketable Securities	$1,015
Total Deferred Revenue	$585
Remaining Performance Obligations	$1,176
Employees	3,161

*See appendix for reconciliation to GAAP

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Q4 and Full Year FY2024 Guidance

	Q4 FY24	FY24
Total Revenue	$328M - $330M	$1.260B - $1.262B
Year-over-year growth %	18%	18%
Constant currency year-over-year growth %	18%	17%
Non-GAAP Operating Margin	7.4% - 7.8%	~11%
Non-GAAP Diluted Earnings Per Share	$0.18 - $0.20	$1.15 - $1.18
Diluted Weighted Average Shares Outstanding	105.5M - 106.5M	103.0M - 104.0M

A reconciliation of non-GAAP guidance measures to corresponding GAAP measures for operating margin and net earnings/(loss) per share is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of, many of the costs and expenses that may be incurred in the future. These items necessary to reconcile such non-GAAP measures could be material and have a significant impact on the Company's results computed in accordance with GAAP.

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Appendix

GAAP to Non-GAAP Reconciliations

Gross Profit and Gross Margin

$ in millions except percentages	**Q3 FY24**
GAAP gross profit	$243
Stock-based compensation expense and related employer taxes	6
Amortization of acquired intangibles	3
Non-GAAP gross profit	$252
GAAP subscription gross margin %	79 %
Stock-based compensation expense and related employer taxes	1 %
Amortization of acquired intangibles	1 %
Non-GAAP subscription gross margin %	81 %
GAAP professional services gross margin %	(2)%
Stock-based compensation expense and related employer taxes	17 %
Non-GAAP professional services gross margin %	16 %
GAAP gross margin %	74 %
Stock-based compensation expense and related employer taxes	2 %
Amortization of acquired intangibles	1 %
Non-GAAP gross margin %	77 %

Sums may not add to totals due to rounding

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GAAP to Non-GAAP Reconciliations

Operating Expenses

$ in millions except percentages	**Q3 FY24**
GAAP sales & marketing expenses	$142
Stock-based compensation expense and related employer taxes	(21)
Amortization of acquired intangibles	—
Non-GAAP sales & marketing expenses	$120
Y/Y	*14 %*
GAAP research & development expenses	$87
Stock-based compensation expense and related employer taxes	(26)
Acquisition-related expenses	—
Non-GAAP research & development expenses	$61
Y/Y	*11 %*
GAAP general & administrative expenses	$41
Stock-based compensation expense and related employer taxes	(13)
Acquisition-related expenses	(1)
Non-GAAP general & administrative expenses	$27
Y/Y	*10 %*

Sums may not add to totals due to rounding

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GAAP to Non-GAAP Reconciliations

Operating Income/(Loss) and Operating Margin

$ in millions except percentages	**Q3 FY24**
GAAP operating loss	$(26)
Stock-based compensation expense and related employer taxes	66
Amortization of acquired intangibles	3
Acquisition-related expenses	1
Non-GAAP operating income	$43
GAAP operating margin %	(8)%
Stock-based compensation expense and related employer taxes	20 %
Amortization of acquired intangibles	1 %
Acquisition-related expenses	— %
Non-GAAP operating margin %	13 %

Sums may not add to totals due to rounding

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GAAP to Non-GAAP Reconciliations

Earnings/(loss) per share

$ in millions except per share amounts	**Q3 FY24**
GAAP earnings per share - Basic	$1.76
Stock-based compensation expense and related employer taxes	0.66
Amortization of acquired intangibles	0.03
Acquisition-related expenses	0.01
Tax adjustment	(2.08)
Non-GAAP earnings per share - Basic	$0.37
GAAP earnings per share - Diluted	$1.69
Stock-based compensation	0.63
Amortization of acquired intangibles	0.03
Acquisition-related expenses	0.01
Tax adjustment	(1.99)
Non-GAAP earnings per share - Diluted	$0.36

Sums may not add to totals due to rounding

elastic

GAAP to Non-GAAP Reconciliations

Adjusted Free Cash Flow

$ in millions	**Q3 FY24**
Net cash provided by operating activities	$52.4
Less: Purchases of property and equipment	(1.1)
Add: Interest paid on long-term debt	11.9
Adjusted free cash flow	$63.2
Net cash provided by operating activities (as a percentage of total revenue)	16 %
Less: Purchases of property and equipment (as a percentage of total revenue)	— %
Add: Interest paid on long-term debt (as a percentage of total revenue)	3 %
Adjusted free cash flow margin*	19 %

Sums may not add to totals due to rounding.

Adjusted free cash flow is a non-GAAP financial measure that we define as net cash provided by operating activities adjusted for cash paid for interest less cash used for investing activities for purchases of property and equipment. Adjusted free cash flow margin is calculated as adjusted free cash flow divided by total revenue. Adjusted free cash flow does not represent residual cash flow available for discretionary expenditures since, among other things, we have mandatory debt service requirements.

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