Analyst & Investor Day

May 17, 2018
Marc Cabi
VP, Strategy & Head of Investor Relations
This presentation includes forward-looking statements, including, among other things, statements regarding Zendesk’s future financial performance, its continued investment to grow its business, and progress towards its long-term financial objectives. The words such as “may,” “should,” “will,” “believe,” “expect,” “anticipate,” “target,” “project,” and similar phrases that denote future expectation or intent regarding Zendesk’s financial results, operations, and other matters are intended to identify forward-looking statements. You should not rely upon forward-looking statements as predictions of future events.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors that may cause Zendesk’s actual results, performance, or achievements to differ materially, including (i) adverse changes in general economic or market conditions; (ii) Zendesk’s ability to adapt its products to changing market dynamics and customer preferences or achieve increased market acceptance of its products; (iii) Zendesk’s ability to effectively expand its sales capabilities, (iv) Zendesk’s ability to effectively market and sell its products to larger enterprises, (v) Zendesk’s expectation that the future growth rate of its revenues will decline, and that, as its costs increase, Zendesk may not be able to generate sufficient revenues to achieve or sustain profitability; (vi) the market in which Zendesk operates is intensely competitive, and Zendesk may not compete effectively; (vii) the development of the market for software as a service business software applications; (viii) Zendesk’s ability to introduce and market new products and to support its products on a shared services platform; (ix) Zendesk’s ability to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions; (x) Zendesk’s ability to effectively manage its growth and organizational change; (xi) breaches in Zendesk’s security measures or unauthorized access to its customers’ data; (xii) service interruptions or performance problems associated with Zendesk’s technology and infrastructure; (xiii) real or perceived errors, failures, or bugs in its products; and (xiv) Zendesk’s substantial reliance on its customers renewing their subscriptions and purchasing additional subscriptions.

The forward-looking statements contained in this presentation are also subject to additional risks, uncertainties, and factors, including those more fully described in Zendesk’s filings with the Securities and Exchange Commission, including its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and its Annual Report on Form 10-K for the year ended December 31, 2017. Further information on potential risks that could affect actual results will be included in the subsequent periodic and current reports and other filings that Zendesk makes with the Securities and Exchange Commission from time to time.

Forward-looking statements represent Zendesk’s management’s beliefs and assumptions only as of the date such statements are made. Zendesk undertakes no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

This presentation and the accompanying oral presentation include a number of operating metrics that Zendesk uses to evaluate its business, measure performance, identify trends, formulate business plans, and make strategic decisions. These operating metrics include the number of paid customer accounts, dollar-based net expansion rate, and the percentage of its monthly recurring revenue from Zendesk Support originating from customers with more than 100 agents on Zendesk Support. Please see the Appendix for details regarding the definition and calculation of these operating metrics.

This presentation utilizes certain trademarks and service marks for reference purposes. All such trademarks and service marks are and remain the property of their respective owners. Any unreleased services or features referenced in this or other presentations, press releases or public statements are not currently available and may not be delivered or released on time or at all. Customers who purchase our services should make their purchase decisions based upon features that are currently available.
Key takeaways

Our biggest market opportunity is ahead

We sit at the intersection of two massive trends

Growth drivers
Agenda

Mikkel Svane, Founder, CEO
The big market opportunity ahead of us

Tom Keiser, Chief Operating Officer
The modern application landscape

Norman Gennaro, SVP Worldwide Sales
How we win in the enterprise

Adrian McDermott, President of Products
Taking advantage of the cloud replatforming

Elena Gomez, Chief Financial Officer
Becoming a multi-billion dollar company

Q&A
Mikkel Svane
Founder & CEO, Zendesk
Zendesk Presents
The Future of Customer Experience
New York City
May 17th 2018

1,200+ registrations

16 presentations

The Zendesk Suite

connect
<table>
<thead>
<tr>
<th>Paid Customer Accounts</th>
<th>Countries We Do Business In</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>125,000</td>
<td>160+</td>
<td>2,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yearly Interactions Run Rate</th>
<th>Languages Available</th>
<th>Global Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7 Billion</td>
<td>30+</td>
<td>16</td>
</tr>
</tbody>
</table>

Q1 2018 Revenue $129.8M
Massive volume of customer interactions
Delivering rapid growth and gaining share

Annual revenue

May 2014*
IPO

Today*

2020

Future

*$Annual revenue run rates for May 2014 and today
*Reached $100M annual revenue run rate with 3/31/14 quarterly results and exceeded $500M annual revenue run rate with 3/31/18 quarterly results.
MRR grew 80% from customers with two or more products year over year in Q1 2018.

ASPs increased 19% in Q1 2018 over the 2017 annual average for sub-100 employee customers.

Omnichannel opportunity in small & mid-market
Upmarket momentum

- Support MRR from customers with 100+ agents: 38%
- More $50K+ ACV deals in Q1'18 than Q1'17: 60%

Enterprise products

- Support
- Guide
- Chat
- Talk

Logos: Stanley Black & Decker, Peet's Coffee, Relais & Chateaux, Vorwerk
Our biggest market opportunity is ahead of us
“One thing I love about customers is that they are divinely discontent. Their expectations are never static...People have a voracious appetite for a better way, and yesterday’s ‘wow’ quickly becomes today’s ‘ordinary’. I see that cycle of improvement happening at a faster rate than ever before. It may be because customers have such easy access to more information than ever before...”

Jeff Bezos, Letter to Shareholders, April 2018
Customer experiences are being deconstructed and reinvented

Pace of change is increasing

Customer experience is where businesses are innovating

Customer experience leaders grow revenue 5x faster than customer experience laggards

Direct-to-consumer is a new expansion of the market
Direct-to-consumer is a new expansion of the market.
Enterprises undergoing the biggest replatforming of IT stack in last 20 years
Rise of the public clouds

Amazon Web Services

Google Cloud

Microsoft Azure
Need for Control vs. Need for Innovation
Trends play to our strengths

- Easy to integrate
- Highly adaptable
- Secure
- Easy to configure
- Scalable
- Fast to implement
We’re investing in a new open platform paradigm

Develop and deploy open CRM infrastructure components

Move faster in expanding our product portfolio and market
No more silos.
The best customer experiences are built inside out, transcending marketing, sales, and service.
Summary - Key growth drivers

- Expanding TAM through changing market dynamics
- Product innovation opens up adjacent markets
- Enterprise momentum is strong
Tom Keiser
Chief Operating Officer, Zendesk
My job as COO

- Goal alignment & prioritization
- Health metrics & corrective measures
- GTM growth & scale
The CIO role is rapidly evolving in large enterprises.

Or not, and your company is falling further and further behind.
Trends are driving change

Public cloud

Speed & agility

Collaboration tools

Machine learning

2013 CIO
Making technology decisions with the expectation that the technology would be in place for 10+ years

2018 CIO
Making technology decisions with the expectation that the technology will be in place for 12-36 months

Source: Forbes Insights: The Ascent of the CIO report
The customer expectations bar is rising on companies and on CIOs
IT struggles to keep up

It takes a shift in mindset
It’s the CIO’s job to keep up with modern technology and to architect agility.
The best customer experiences are built with Zendesk.
If you were starting your business today, you would use completely different technologies than what you are currently operating your business on.
Over the last 12 months we changed 17% of our landscape.

We average 15%-20% change every year.

Mindset

Zendesk internally architected to fully take advantage of best SaaS applications.
*The companies above are a selection of vendors who provide software used by Zendesk*
We are both adopters and beneficiaries of cloud replatforming to the public cloud of Zendesk customers have been migrated to AWS.

As of Q1-2018.
Norman Gennaro
Senior Vice President, Worldwide Sales
What I have observed

Commitment to public cloud platforms
Performance and scale at low cost
Flexibility at the infrastructure level
Monolithic platforms

Public cloud
Where SaaS platform is headed

- Open
- Flexible
- Agile
- Extensible
This is Zendesk

Open, modern & extensible platform

Easy to implement, use and scale

Designed to provide flexibility

Built on an open platform

Agility and innovation
The Zendesk platform is real

Embeddables
23k
Web Widgets

APIs
65%
Support customers have integrations with APIs

Apps & integrations
190k
public & private app installs
The sales model is working

New bookings MRR Velocity

<table>
<thead>
<tr>
<th>Velocity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'16</td>
</tr>
<tr>
<td>Q2'16</td>
</tr>
<tr>
<td>Q3'16</td>
</tr>
<tr>
<td>Q4'16</td>
</tr>
<tr>
<td>Q1'17</td>
</tr>
<tr>
<td>Q2'17</td>
</tr>
<tr>
<td>Q3'17</td>
</tr>
<tr>
<td>Q4'17</td>
</tr>
<tr>
<td>Q1'18</td>
</tr>
</tbody>
</table>
The sales model is working

<table>
<thead>
<tr>
<th></th>
<th>Q1'16</th>
<th>Q2'16</th>
<th>Q3'16</th>
<th>Q4'16</th>
<th>Q1'17</th>
<th>Q2'17</th>
<th>Q3'17</th>
<th>Q4'17</th>
<th>Q1'18</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRR</td>
<td>3164</td>
<td>3325</td>
<td>3164</td>
<td>3325</td>
<td>3085</td>
<td>3085</td>
<td>2822</td>
<td>2884</td>
<td>2272</td>
</tr>
<tr>
<td>Upmarket</td>
<td>2414</td>
<td>2188</td>
<td>2188</td>
<td>2039</td>
<td>2039</td>
<td>2039</td>
<td>2039</td>
<td>2039</td>
<td>2039</td>
</tr>
</tbody>
</table>
How we evolve

Small & mid-market

Increase volume & velocity
Maintain ownership and capture companies early in their growth phase

Enterprise

Increase new business and logos
Build executive relationships
Priorities

Volume & velocity

Partner channel

Push to enterprise
Volume & velocity

Increasing sales efficiency

Sales assisted + Self-service
Partner channels

The right partners to drive revenue growth

Executing partner channel strategy

Hiring a VP of Channel & Alliances
Foundational investments in 2018
Scale and revenue starting 2019

- Referral / reseller program
- Enterprise & BPO program
- Implementation partners
- Tech alliances
Push to enterprise

How we are winning in the enterprise
We are winning upmarket
Adrian McDermott
President of Products
Rapid pace of innovation

The Zendesk Suite

Private
Tickets
Call Monitoring
Call back from queue
Outbound caller ID
Partner Edition
Chat Enterprise
Skills-based routing
Roles & Permissions
Chat Apps
Talk Enterprise
Enhanced IVR
Success Program
SLAs & Failover
Multi-select Ticket
Field Betas
Skills-based Routing
Custom Resources

Q1 '17
Q2 '17
Q3 '17
Q4 '17
Q1 '18
Q2 '18

Real-Time
Analytics
Guide
Launch
Article Revision
History
Answer Bot
Launch
Analytics Dashboard
Callback from Widget
Guide Enterprise
Launch
Connect
Launch
Omnichannel
Web Widget
Omnichannel
Bringing omnichannel into our end user, agent, and admin product experience
Upmarket

Enterprise

support
chat
talk
guide
Use relevant answers from SMEs that has been hidden away in your support desk to create new articles

Content Cues adds AI-powered recommendations to fill knowledge gaps
Contextual Workspaces is designed for support teams at scale.
Convergence of trends fuels even bigger enterprise opportunity

Replatforming on public cloud

Rising customer expectations
We are already a platform...

<table>
<thead>
<tr>
<th>Metric</th>
<th>Change QoQ</th>
<th>Change YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public app installs</td>
<td>+2%</td>
<td>+14%</td>
</tr>
<tr>
<td>Private app installs</td>
<td>+5%</td>
<td>+17%</td>
</tr>
<tr>
<td>Total public marketplace apps</td>
<td>+6%</td>
<td>+18%</td>
</tr>
<tr>
<td>Support customers have integrated with the API</td>
<td>+1%</td>
<td>+6%</td>
</tr>
<tr>
<td>Active Web Widgets</td>
<td>+9%</td>
<td>+27%</td>
</tr>
<tr>
<td>Apps using the Support SDK</td>
<td>+7%</td>
<td>+29%</td>
</tr>
<tr>
<td>Apps using the Chat SDK</td>
<td>+17%</td>
<td>+58%</td>
</tr>
<tr>
<td>Hours given back to customers in Q1 via Answer Bot</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our best customers have transformed Zendesk at the platform level.
Stack Overflow Developer Survey results 2018

Most loved and hated platforms for development

- **AWS**: 68.6%
- **Linux**: 76.5%
- **Serverless**: 67.7%
- **Raspberry Pi**: 64.6%
- **ESP8266**: 64.0%
- **iOS**: 67.4%
- **Apple Watch/TV**: 64.0%
- **Mac OS**: 64.6%
- **Firebase**: 64.0%
- **Android**: 63.9%
- **Google Cloud**: 63.8%
- **Gaming Console**: 63.8%
- **Windows**: 63.8%
- **Azure**: 62.5%
- **Arduino**: 61.3%
- **Google Home**: 61.2%
- **Amazon Echo**: 61.0%
- **Heroku**: 58.1%
- **IBM Cloud**: 57.6%
- **Predix**: 53.2%
- **Wordpress**: 52.2%
- **Windows Phone**: 43.7%
- **Mainframe**: 39.1%
- **Salesforce**: 36.8%
- **Drupal**: 31.2%
- **Mainframe**: 31.1%

n = 100,000+
Custom Resources is Zendesk’s first platform-first feature

Store and connect additional data sources to the standard Zendesk data model
Custom Resources

- Vehicles
- Schedules
- Sensors

Enables unique use cases

- Proactive fleet management
- Associate vehicles and driver history
Be proactive

Z Mobile
You have used 95% of your data plan

Grab Grubz
Your food delivery is running 10 minutes behind!

Bank of the Z
Avoid overdraft fees! You have $20 left in your checking account

Carz
Save 10 minutes. Get picked up at 6th and Market St.

Z Bike
Uh oh! Don’t run out of battery. Next charge station is 5 minutes away
connect

FOLLOW UP
Level-up your follow up

ANTICIPATE
What your customers need

GROW AND RETAIN
Based on your support history
Zendesk’s platform is in and of the cloud

Zendesk’s products drive reactive/proactive omnichannel engagement

Customer experience data

- Behavioral data
- Customer analytics
- CRM
- Operational data

Custom apps and experiences

- Lambda
- Redshift
- S3
- Data Pipeline
- Kinesis
- Cloud Functions
- Big Query
- Cloud Storage
- Dataflow
- Pubsub

Customer Experience Data

- Conversations
- Relationships
- Workflow
- Content
- People
- AI/ML
- Resources
- Events
- Analytics

Built on AWS
Elena Gomez
Chief Financial Officer
We are scaling to be a multi-billion dollar company
Investing for growth and scale

- **Expanding TAM** through changing market dynamics
- **Product innovation** opens up adjacent markets
- **Enterprise momentum** is strong
Operational rigor

- Goal alignment & measurement
- Health metrics & corrective measures
- GTM growth & scale

Financial principles

Building the organization to scale
- Prioritize for growth
- Executing for scale
- Managing for long-term growth
Delivering rapid growth and gaining share

Annual revenue

- May 2014*: $100M
- Today*: $500M
- 2020: $1B
- Future:

*Annual revenue run rates for May 2014 and today
*Reached $100M annual revenue run rate with 3/31/14 quarterly results and exceeded $500M annual revenue run rate with 3/31/18 quarterly results.
Business model is driving significant growth
Delivering Strong Revenue And Cash Flow Growth

Revenue in $ millions


Free cash flow in $ millions


CAGR (2014-2017): 50%

*Midpoint of guidance provided on May 1, 2018. These objectives are forward-looking and subject to significant risks and uncertainties. See the Safe Harbor for additional information.


Free cash flow is a non-GAAP measurement. See appendix for discussion of non-GAAP measurements.
Consistent high revenue growth...

Revenue in $ Millions

$25 Q1'14, $30 Q2'14, $34 Q3'14, $39 Q4'14, $42 Q1'15, $48 Q2'15, $56 Q3'15, $63 Q4'15, $69 Q1'16, $75 Q2'16, $81 Q3'16, $89 Q4'16, $94 Q1'17, $102 Q2'17, $112 Q3'17, $122 Q4'17, $130 Q1'18

>5X

...driven by consistent high growth in number of customers...

Paid Customer Accounts (in thousands)

See appendix for a description of this operating metric.
...and consistently high expansion in customer spend

Dollar based net expansion rate

See appendix for a description of this operating metric.
Our customers grow with us

Annualized recurring revenue


$600M

$400M

$200M

Strong double-digit revenue growth for each annual cohort

Note: Chart reflects growth in total annualized recurring revenue over time for the group of customers that joined Zendesk in each respective year. Annualized recurring revenue estimated by multiplying monthly recurring revenue by 12. See the Appendix for additional information regarding the cohort.
Enterprise customers are fueling our growth

Enterprise MRR growth faster than average growth rate

Small & midsized MRR growth remains strong

Both businesses important and growing

Support MRR from customers with 100+ Support agents

100+ agents

Q1 2018

See appendix for a description of this operating metric.
Multiproduct is fueling our growth and expanding our capabilities to sell to enterprise.

Growth from seats with:

- 2 products: >4x single product
- 3 products: >40x single product

*Growth comparison based on 2-year CAGR.
Strong global growth and reach

Revenue growth by geographic area

- 42% Outside US
- 35% US

160+ countries and territories

Revenue mix by geographic area

- 47% Outside US
- 53% US

for the quarter ended March 31, 2018 compared to the quarter ended March 31, 2017
Opportunities for leverage & scale
Non-GAAP gross margin opportunity

Near-term non-GAAP gross margin expected to incur up to approximately 100 bps of additional depreciation and related costs until all customers have been transitioned to AWS

Long-term non-GAAP gross margin target >78% driven by scale and operating efficiency

Investing in growth while achieving operating leverage

Realizing leverage in S&M and G&A

**Non-GAAP Research and Development**

- 2014: 20%
- 2015: 20%
- 2016: 20%
- 2017: 19%

**Non-GAAP Sales and Marketing**

- 2014: 52%
- 2015: 47%
- 2016: 44%
- 2017: 43%

**Non-GAAP General and Administrative**

- 2014: 19%
- 2015: 16%
- 2016: 15%
- 2017: 14%

Business model delivering significant leverage

Non-GAAP Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>-24%</td>
<td>-12%</td>
<td>-5%</td>
<td>-2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Free Cash Flow Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>-22%</td>
<td>-11%</td>
<td>-1%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>


*Based on full year 2018 revenue, non-GAAP operating income, and free cash flow guidance provided on May 1, 2018. Margins were calculated using midpoints of the guidance ranges for revenue, non-GAAP operating income, and free cash flow, respectively. These objectives are forward-looking and subject to significant risks and uncertainties. See the Safe Harbor for additional information.

See appendix for non-GAAP reconciliations and a discussion of non-GAAP financial measurements.
Our biggest market opportunity is ahead of us
Convergence of trends fuels even bigger enterprise opportunity

Replatforming on public cloud

Rising customer expectations
Customer service software market is large and growing, and we’re gaining significant share

$10.7B
Customer Service Software Total Addressable Market (2021)

10.6%
CSS TAM CAGR (2016-2021)

Opportunity to expand in adjacent customer experience markets

$10.7B
Customer Service Software TAM (2021)

$10.4B
Contact Center TAM (2021)

$17.5B
Marketing Applications TAM (2021)

$13.4B
Sales Applications TAM (2021)

Contact Center TAM Source: IDC, Worldwide Contact Center Applications Software Forecast, 2017-2021, Doc #US43009417, Sept 2017
Marketing Applications and Sales Applications TAM Source: IDC Semiannual Software Tracker Forecast 2017H1 Release on 09-Nov-2017
Opportunity to expand in adjacent customer experience markets

$10.7B
Customer Service Software TAM (2021)

$10.4B
Contact Center TAM (2021)

$17.5B
Marketing Applications TAM (2021)

~$20B opportunity

$13.4B
Sales Applications TAM (2021)

Contact Center TAM Source: IDC, Worldwide Contact Center Applications Software Forecast, 2017-2021, Doc #US43009417, Sept 2017
Marketing Applications and Sales Applications TAM Source: IDC Semiannual Software Tracker Forecast 2017H1 Release on 09-Nov-2017
Zendesk opportunity based on Zendesk’s estimates.
Intermediate and longer-term models
We are building a multi-billion dollar company

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2020 Target*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$209M</td>
<td>$313M</td>
<td>$430M</td>
<td>$1B</td>
</tr>
<tr>
<td>Dollar-Based Net Expansion Rate</td>
<td>119-125%</td>
<td>114-122%</td>
<td>115-119%</td>
<td>113-120%</td>
</tr>
<tr>
<td>Support MRR from 100+ Support Seats</td>
<td>32%</td>
<td>34%</td>
<td>38%</td>
<td>&gt;42%</td>
</tr>
</tbody>
</table>

**Non-GAAP Measurements:**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2020 Target*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>71%</td>
<td>74%</td>
<td>74%</td>
<td>&gt;77%</td>
</tr>
<tr>
<td>R&amp;D % of Revenue</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
<td>~18%</td>
</tr>
<tr>
<td>S&amp;M % of Revenue</td>
<td>47%</td>
<td>44%</td>
<td>43%</td>
<td>&lt;38%</td>
</tr>
<tr>
<td>G&amp;A % of Revenue</td>
<td>16%</td>
<td>15%</td>
<td>14%</td>
<td>&lt;11%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>(12%)</td>
<td>(5%)</td>
<td>(2%)</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>Free Cash Flow Margin</td>
<td>(11%)</td>
<td>(1%)</td>
<td>4%</td>
<td>&gt;13%</td>
</tr>
</tbody>
</table>

2015 reflects ASC 605, 2016+ reflects ASC 606. Please see appendix for information about Non-GAAP measurements and operating metrics.

*These objectives are forward-looking and subject to significant risks and uncertainties. See the Safe Harbor for additional information.
We are building a multi-billion dollar company

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2020 Target*</th>
<th>3–5 Year Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$209M</td>
<td>$313M</td>
<td>$430M</td>
<td>$1B</td>
<td>&gt;25% growth/yr</td>
</tr>
<tr>
<td>Dollar-Based Net Expansion Rate</td>
<td>119-125%</td>
<td>114-122%</td>
<td>115-119%</td>
<td>113-120%</td>
<td>110-120%</td>
</tr>
<tr>
<td>Support MRR from 100+ Support Seats</td>
<td>32%</td>
<td>34%</td>
<td>38%</td>
<td>&gt;42%</td>
<td>~2pts/yr</td>
</tr>
<tr>
<td><strong>Non-GAAP Measurements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>71%</td>
<td>74%</td>
<td>74%</td>
<td>&gt;77%</td>
<td>&gt;78%</td>
</tr>
<tr>
<td>R&amp;D % of Revenue</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
<td>~18%</td>
<td>~18%</td>
</tr>
<tr>
<td>S&amp;M % of Revenue</td>
<td>47%</td>
<td>44%</td>
<td>43%</td>
<td>&lt;38%</td>
<td>&lt;35%</td>
</tr>
<tr>
<td>G&amp;A % of Revenue</td>
<td>16%</td>
<td>15%</td>
<td>14%</td>
<td>&lt;11%</td>
<td>&lt;9%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>(12%)</td>
<td>(5%)</td>
<td>(2%)</td>
<td>&gt;10%</td>
<td>&gt;16%</td>
</tr>
<tr>
<td>Free Cash Flow Margin</td>
<td>(11%)</td>
<td>(1%)</td>
<td>4%</td>
<td>&gt;13%</td>
<td>&gt;18%</td>
</tr>
</tbody>
</table>

2015 reflects ASC 605, 2016+ reflects ASC 606. Please see appendix for information about Non-GAAP measurements and operating metrics.

*These objectives are forward-looking and subject to significant risks and uncertainties. See the Safe Harbor for additional information.
Summary - Key growth drivers

- **Expanding TAM** through changing market dynamics
- **Product innovation** opens up adjacent markets
- **Enterprise momentum** is strong
Q&A

Mikkel Svane
Founder, CEO

Adrian McDermott
President of Products

Tom Keiser
Chief Operating Officer

Elena Gomez
Chief Financial Officer

Norman Gennaro
SVP Worldwide Sales

Marc Cabi
VP Strategy & IR
Appendix
## Appendix - Reconciliation of Non-GAAP Financial Measures

### Reconciliation of gross profit and gross margin

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2017 (Original)</th>
<th>Year ended December 31, 2017 (As Adjusted)</th>
<th>Year ended December 31, 2016 (Original)</th>
<th>Year ended December 31, 2016 (As Adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GAAP gross profit</strong></td>
<td>$303,070</td>
<td>$208,999</td>
<td>$218,944</td>
<td>$141,584</td>
</tr>
<tr>
<td>Plus: Share-based compensation</td>
<td>9,040</td>
<td>7,045</td>
<td>7,045</td>
<td>4,541</td>
</tr>
<tr>
<td>Plus: Employer tax related to employee stock transactions</td>
<td>530</td>
<td>383</td>
<td>383</td>
<td>175</td>
</tr>
<tr>
<td>Plus: Amortization of purchased intangibles</td>
<td>3,209</td>
<td>3,362</td>
<td>3,362</td>
<td>1,960</td>
</tr>
<tr>
<td>Plus: Amortization of share-based compensation capitalized in internal-use software</td>
<td>1,774</td>
<td>1,774</td>
<td>1,774</td>
<td>1,774</td>
</tr>
<tr>
<td><strong>Non-GAAP gross profit</strong></td>
<td><strong>$317,833</strong></td>
<td><strong>$219,719</strong></td>
<td><strong>$221,555</strong></td>
<td><strong>$147,054</strong></td>
</tr>
<tr>
<td><strong>GAAP gross margin</strong></td>
<td><strong>75%</strong></td>
<td><strong>70%</strong></td>
<td><strong>70%</strong></td>
<td><strong>68%</strong></td>
</tr>
<tr>
<td>Non-GAAP gross margin</td>
<td><strong>75%</strong></td>
<td><strong>74%</strong></td>
<td><strong>74%</strong></td>
<td><strong>71%</strong></td>
</tr>
</tbody>
</table>

### Reconciliation of operating expenses

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2017 (Original)</th>
<th>Year ended December 31, 2017 (As Adjusted)</th>
<th>Year ended December 31, 2016 (Original)</th>
<th>Year ended December 31, 2016 (As Adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GAAP research and development</strong></td>
<td><strong>$115,291</strong></td>
<td><strong>$91,067</strong></td>
<td><strong>$91,067</strong></td>
<td><strong>$62,615</strong></td>
</tr>
<tr>
<td>Less: Share-based compensation</td>
<td>(29,970)</td>
<td>(27,083)</td>
<td>(27,083)</td>
<td>(19,414)</td>
</tr>
<tr>
<td>Less: Employer tax related to employee stock transactions</td>
<td>(1,971)</td>
<td>(1,559)</td>
<td>(1,559)</td>
<td>(415)</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>(1,644)</td>
<td>(1,342)</td>
<td>(1,342)</td>
<td>(474)</td>
</tr>
<tr>
<td><strong>Non-GAAP research and development</strong></td>
<td><strong>$82,576</strong></td>
<td><strong>$62,428</strong></td>
<td><strong>$62,428</strong></td>
<td><strong>$42,786</strong></td>
</tr>
<tr>
<td><strong>GAAP research and development as percentage of revenue</strong></td>
<td><strong>27%</strong></td>
<td><strong>29%</strong></td>
<td><strong>29%</strong></td>
<td><strong>29%</strong></td>
</tr>
<tr>
<td>Non-GAAP research and development as percentage of revenue</td>
<td><strong>29%</strong></td>
<td><strong>30%</strong></td>
<td><strong>30%</strong></td>
<td><strong>30%</strong></td>
</tr>
<tr>
<td><strong>GAAP sales and marketing</strong></td>
<td><strong>$220,742</strong></td>
<td><strong>$166,987</strong></td>
<td><strong>$161,653</strong></td>
<td><strong>$114,052</strong></td>
</tr>
<tr>
<td>Less: Share-based compensation</td>
<td>(24,279)</td>
<td>(21,643)</td>
<td>(21,643)</td>
<td>(14,768)</td>
</tr>
<tr>
<td>Less: Employer tax related to employee stock transactions</td>
<td>(1,164)</td>
<td>(1,342)</td>
<td>(1,342)</td>
<td>(474)</td>
</tr>
<tr>
<td>Less: Amortization of purchased intangibles</td>
<td>(499)</td>
<td>(474)</td>
<td>(474)</td>
<td>(303)</td>
</tr>
<tr>
<td><strong>Non-GAAP sales and marketing</strong></td>
<td><strong>$173,166</strong></td>
<td><strong>$133,224</strong></td>
<td><strong>133,224</strong></td>
<td><strong>98,476</strong></td>
</tr>
<tr>
<td><strong>GAAP sales and marketing as percentage of revenue</strong></td>
<td><strong>51%</strong></td>
<td><strong>54%</strong></td>
<td><strong>54%</strong></td>
<td><strong>55%</strong></td>
</tr>
<tr>
<td>Non-GAAP sales and marketing as percentage of revenue</td>
<td><strong>54%</strong></td>
<td><strong>44%</strong></td>
<td><strong>44%</strong></td>
<td><strong>47%</strong></td>
</tr>
<tr>
<td><strong>GAAP general and administrative</strong></td>
<td><strong>$81,680</strong></td>
<td><strong>$64,371</strong></td>
<td><strong>$64,371</strong></td>
<td><strong>$47,902</strong></td>
</tr>
<tr>
<td>Less: Share-based compensation</td>
<td>(21,263)</td>
<td>(16,609)</td>
<td>(16,609)</td>
<td>(15,642)</td>
</tr>
<tr>
<td>Less: Employer tax related to employee stock transactions</td>
<td>(1,184)</td>
<td>(1,342)</td>
<td>(1,342)</td>
<td>(474)</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>(586)</td>
<td>(387)</td>
<td>(387)</td>
<td>(113)</td>
</tr>
<tr>
<td><strong>Non-GAAP general and administrative</strong></td>
<td><strong>$56,867</strong></td>
<td><strong>$47,177</strong></td>
<td><strong>47,177</strong></td>
<td><strong>32,676</strong></td>
</tr>
<tr>
<td><strong>GAAP general and administrative as percentage of revenue</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
</tr>
<tr>
<td>Non-GAAP general and administrative as percentage of revenue</td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
</tr>
<tr>
<td><strong>Reconciliation of operating loss and operating margin</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GAAP operating loss</strong></td>
<td><strong>($114,643)</strong></td>
<td><strong>($106,146)</strong></td>
<td><strong>($104,326)</strong></td>
<td><strong>($82,985)</strong></td>
</tr>
<tr>
<td>Plus: Share-based compensation</td>
<td>85,049</td>
<td>73,779</td>
<td>73,729</td>
<td>52,556</td>
</tr>
<tr>
<td>Plus: Employer tax related to employee stock transactions</td>
<td>4,849</td>
<td>3,970</td>
<td>3,970</td>
<td>1,451</td>
</tr>
<tr>
<td>Plus: Amortization of purchased intangibles</td>
<td>3,704</td>
<td>3,704</td>
<td>3,704</td>
<td>1,470</td>
</tr>
<tr>
<td>Plus: Acquisition-related expenses</td>
<td>2,159</td>
<td>—</td>
<td>998</td>
<td>649</td>
</tr>
<tr>
<td>Plus: Amortization of share-based compensation capitalized in internal-use software</td>
<td>1,774</td>
<td>1,774</td>
<td>1,774</td>
<td>1,774</td>
</tr>
<tr>
<td><strong>Non-GAAP operating loss</strong></td>
<td><strong>($94,185)</strong></td>
<td><strong>($98,766)</strong></td>
<td><strong>($98,766)</strong></td>
<td><strong>($72,319)</strong></td>
</tr>
<tr>
<td><strong>GAAP operating margin</strong></td>
<td><strong>22%</strong></td>
<td><strong>23%</strong></td>
<td><strong>23%</strong></td>
<td><strong>23%</strong></td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td><strong>23%</strong></td>
<td><strong>23%</strong></td>
<td><strong>23%</strong></td>
<td><strong>23%</strong></td>
</tr>
</tbody>
</table>

### Computation of free cash flow

**Net cash provided by operating activities** | **$42,095**                           | **$42,228**                             | **$24,522**                           | **$5,537**                               |
| Less: Purchases of property and equipment | (16,396)                              | (16,396)                                 | (20,647)                              | (22,889)                                 |
| Less: Internal-use software development costs | (7,521)                              | (6,310)                                  | (6,310)                               | (4,705)                                  |
| **Free cash flow** | **$18,178**                           | **$19,322**                             | **$7,565**                            | **$3,028**                               |

**Net cash provided by operating activities margin** | **10%**                               | **10%**                                  | **8%**                                | **8%**                                    |
| Non-GAAP adjustments | **-6%**                               | **-6%**                                  | **-6%**                               | **-6%**                                   |
| Fees cash flow margin | **-6%**                               | **-6%**                                  | **-6%**                               | **-6%**                                   |

*Adjusted to reflect the adoption of ASC 606 and ASU 2016-18
To provide investors and others with additional information regarding Zendesk's results, the following non-GAAP financial measures were disclosed: non-GAAP gross profit and gross margin, non-GAAP operating expenses, non-GAAP operating income (loss) and operating margin, free cash flow, and free cash flow margin.

Specifically, Zendesk excludes the following from its historical and prospective non-GAAP financial measures, as applicable:

- **Share-based Compensation and Amortization of Share-based Compensation Capitalized in Internal-use Software**: Zendesk utilizes share-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its stockholders and at long-term retention, rather than to address operational performance for any particular period. As a result, share-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

- **Employer Tax Related to Employee Stock Transactions**: Zendesk views the amount of employer taxes related to its employee stock transactions as an expense that is dependent on its stock price, employee exercise and other award disposition activity, and other factors that are beyond Zendesk's control. As a result, employer taxes related to the employee stock transactions vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Amortization of Purchased Intangibles: Zendesk views amortization of purchased intangible assets, including the amortization of the cost associated with an acquired entity's developed technology, as items arising from pre-acquisition activities determined at the time of the acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of purchased intangibles is an expense that is not typically affected by operations during any particular period.

**Acquisition-Related Expenses**: Zendesk views acquisition-related expenses, such as transaction costs, integration costs, restructuring costs, and acquisition-related retention payments, including amortization of acquisition-related retention payments capitalized in internal-use software, as events that are not necessarily reflective of operational performance during a period. In particular, Zendesk believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses.

**Amortization of Debt Discount and Issuance Costs**: In March 2018, Zendesk issued $575 million of convertible senior notes due in 2023, which bear interest at an annual fixed rate of 0.25%. The imputed interest rate of the convertible senior notes was approximately 5.25%. This is a result of the debt discount recorded for the conversion feature that is required to be separately accounted for as equity, and debt issuance costs, which reduce the carrying value of the convertible debt instrument. The debt discount amortized as interest expense together with the issuance costs of the debt. The expense for the amortization of debt discount and debt issuance costs is a non-cash item, and we believe the exclusion of this interest expense will provide a more useful comparison of our operational performance in different periods.

Zendesk provides disclosures regarding its free cash flow, which is defined as net cash from operating activities, less purchases of property and equipment and internal-use software development costs. Free cash flow margin is calculated as free cash flow as a percentage of total revenue. Zendesk views free cash flow, free cash flow margin, and other measures, to evaluate the ability of its operations to generate cash that is available for purposes other than capital expenditures and capitalized software development costs. Zendesk believes that information regarding free cash flow and free cash flow margin provides investors with an important perspective on the cash available to fund ongoing operations.

Zendesk has not reconciled free cash flow guidance to net cash from operating activities for the year ending December 31, 2018 because Zendesk does not provide guidance on the reconciling items between net cash from operating activities and free cash flow, as a result of the uncertainty regarding, and the potential variability of, these items. The actual amount of such reconciling items will have a significant impact on Zendesk's non-GAAP gross margin and, accordingly, a reconciliation of non-GAAP operating margin for such periods is not available without unreasonable effort.

Zendesk's disclosures regarding its expectations for its non-GAAP operating margin include adjustments to its expectations for its GAAP operating margin that exclude the expected share-based compensation and related expenses, amortization of purchased intangibles, and acquisition-related expenses excluded from its expectations for non-GAAP operating income (loss) as compared to its expectation for GAAP operating income (loss) for the same period.

Zendesk does not provide a reconciliation of its non-GAAP operating margin guidance to GAAP operating margin for future periods beyond the current fiscal year because Zendesk does not provide guidance on the reconciling items between GAAP operating margin and non-GAAP operating margin for such periods, as a result of the uncertainty regarding, and the potential variability of, these items. The actual amount of such reconciling items will have a significant impact on Zendesk's non-GAAP operating margin and, accordingly, a reconciliation of GAAP operating margin to non-GAAP operating margin guidance for such periods is not available without unreasonable effort.

Zendesk's disclosures regarding its expectations for its non-GAAP gross margin include adjustments to its expectations for its GAAP gross margin that exclude share-based compensation and related expenses in Zendesk's cost of revenue and amortization of purchased intangibles related to developed technology. The share-based compensation and related expenses excluded due to such adjustments are primarily comprised of the share-based compensation and related expenses for employees associated with Zendesk's infrastructure and customer experience organization.

Zendesk does not provide a reconciliation of its non-GAAP gross margin guidance to GAAP gross margin for future periods because Zendesk does not provide guidance on the reconciling items between GAAP gross margin and non-GAAP gross margin, as a result of the uncertainty regarding, and the potential variability of, these items. The actual amount of such reconciling items will have a significant impact on Zendesk's non-GAAP gross margin and, accordingly, a reconciliation of GAAP gross margin to non-GAAP gross margin guidance for the period is not available without unreasonable effort.

Zendesk uses non-GAAP financial information to evaluate its ongoing operations and for internal planning and forecasting purposes. Zendesk's management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Zendesk presents such non-GAAP financial measures in reporting its financial results to provide investors with an additional tool to evaluate Zendesk's operating results. Zendesk believes these non-GAAP financial measures are useful because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. This allows investors and others to better understand and evaluate Zendesk's operating results and future prospects in the same manner as management.

Zendesk's management believes it is useful for itself and investors to review, as applicable, both GAAP information that may include items such as share-based compensation and related expenses, amortization of purchased intangibles, and acquisition-related expenses, and the non-GAAP financial measures that exclude such information in order to assess the performance of Zendesk’s business and for planning and forecasting in subsequent periods. When Zendesk uses such a non-GAAP financial measure with respect to historical periods, it provides a reconciliation of the non-GAAP financial measure to the most closely comparable GAAP financial measure. When Zendesk uses such a non-GAAP financial measure in a forward-looking manner for future periods, and a reconciliation is not determinable without unreasonable effort, Zendesk provides the reconciling information that is determinable without unreasonable effort and identifies the information that would need to be added or subtracted from the non-GAAP measures to arrive at the most directly comparable GAAP measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure.
Zendesk reviews a number of operating metrics to evaluate its business, measure performance, identify trends, formulate business plans, and make strategic decisions. These include the number of paid customer accounts on Zendesk Support, Zendesk Chat, and its other products, dollar-based net expansion rate, and the percentage of its monthly recurring revenue from Support originating from customers with 100 or more agents on Support.

Zendesk defines the number of paid customer accounts at the end of any particular period as the sum of (i) the number of accounts on Support, exclusive of its legacy Starter plan, free trials, or other free services, (ii) the number of accounts using Chat, exclusive of free trials or other free services, and (iii) the number of accounts on all of its other products, exclusive of free trials and other free services, each as of the end of the period and as identified by a unique account identifier. Use of Support, Chat, and Zendesk’s other products requires separate subscriptions and each of these accounts are treated as a separate paid customer account. Existing customers may also expand their utilization of Zendesk’s products by adding new accounts and a single consolidated organization or customer may have multiple accounts across each of Zendesk’s products to service separate subsidiaries, divisions, or work processes. Each of these accounts is also treated as a separate paid customer account.

Zendesk’s dollar-based net expansion rate provides a measurement of its ability to increase revenue across its existing customer base through expansion of authorized agents associated with a paid customer account, upgrades in subscription plans, and the purchase of additional products as offset by churn, contraction in authorized agents associated with a paid customer account, and downgrades in subscription plans. Zendesk’s dollar-based net expansion rate is based upon monthly recurring revenue for a set of paid customer accounts on its products. Monthly recurring revenue for a paid customer account is a legal and contractual determination made by assessing the contractual terms of each paid customer account, as of the date of determination, to the revenue Zendesk expects to generate in the next monthly period for that paid customer account, assuming no changes to the subscription and without taking into account any one-time discounts or any platform usage above the subscription base, if any, that may be applicable to such subscription. Monthly recurring revenue is not determined by reference to historical revenue, deferred revenue, or any other GAAP financial measure over any period. It is forward-looking and contractually derived as of the date of determination.

Zendesk calculates its dollar-based net expansion rate by dividing the retained revenue net of contraction and churn by Zendesk’s base revenue. Zendesk defines its base revenue as the aggregate monthly recurring revenue across its products for customers with paid customer accounts on Support or Chat as of the date one year prior to the date of calculation. Zendesk defines the retained revenue net of contraction and churn as the aggregate monthly recurring revenue across its products for the same customer base included in the measure of base revenue at the end of the annual period being measured. The dollar-based net expansion rate is also adjusted to eliminate the effect of certain activities that Zendesk identifies involving the transfer of agents between paid customer accounts, consolidation of customer accounts, or the split of a single paid customer account into multiple paid customer accounts. In addition, the dollar-based net expansion rate is adjusted to include paid customer accounts in the customer base used to determine retained revenue net of contraction and churn that share common corporate information with customers in the customer base that are used to determine the base revenue. Giving effect to this consolidation results in Zendesk’s dollar-based net expansion rate being calculated across approximately 95,800 customers, as compared to the approximately 125,500 total paid customer accounts as of March 31, 2018.

To the extent that Zendesk can determine that the underlying customers do not share common corporate information, Zendesk does not aggregate paid customer accounts associated with reseller and other similar channel arrangements for the purposes of determining its dollar-based net expansion rate. While not material, Zendesk believes the failure to account for these activities would otherwise skew the dollar-based net expansion metrics associated with customers that maintain multiple paid customer accounts across its products and paid customer accounts associated with reseller and other similar channel arrangements.

Zendesk does not currently incorporate operating metrics associated with its analytics product or its Outbound product into its measurement of dollar-based net expansion rate. For a more detailed description of how Zendesk calculates its dollar-based net expansion rate, please refer to Zendesk’s periodic reports filed with the Securities and Exchange Commission.

 Zendesk’s percentage of monthly recurring revenue from Support that is generated by customers with 100 or more agents on Support is determined by dividing the monthly recurring revenue from Support for paid customer accounts with 100 or more agents on Support as of the measurement date by the monthly recurring revenue from Support for all paid customer accounts on Support as of the measurement date. Zendesk determines the customers with 100 or more agents on Support as of the measurement date based on the number of activated agents on Support at the measurement date and includes adjustments to aggregate paid customer accounts that share common corporate information.

Zendesk determines the annualized value of a contract by annualizing the monthly recurring revenue for such contract.

Zendesk does not currently incorporate operating metrics associated with products other than Support into its measurement of the percentage of monthly recurring revenue from Support that is generated by customers with 100 or more agents on Support.

In calculating the annual recurring revenue by cohort, Zendesk defines a cohort by grouping customers by the year in which Zendesk first records revenue from such customer.