

### **Explanation of Non-GAAP Financial Measures**

In addition to our results determined in accordance with generally accepted accounting principles in the United States (U.S. GAAP), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with U.S. GAAP. In particular, free cash flow is not a substitute for cash provided by operating activities. Additionally, the utility of free cash flow as a measure of our liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

**Items Excluded from Non-GAAP Measures.** We exclude stock-based compensation expense, which is a non-cash expense, from certain of our non-GAAP financial measures because we believe that excluding this item provides meaningful supplemental information regarding operational performance. We exclude employer payroll tax expenses related to stock-based compensation, which is a cash expense, from certain of our non-GAAP financial measures because such expenses are dependent on the price of our Class A common stock and other factors that are beyond our control and do not correlate to the operation of our business. We exclude amortization of acquired intangible assets, which is a non-cash expense, related to business combinations from certain of our non-GAAP financial measures because such expenses are related to business combinations and have no direct correlation to the operation of our business. We exclude acquisition-related and other expenses from certain of our non-GAAP financial measures because such expenses are related to business combinations and have no direct correlation to the operation of our business. Acquisition-related and other expenses can be cash or non-cash expenses, and include third-party transaction costs and compensation expense for key acquired personnel. We exclude lease impairment charges related to real estate leases, which is a non-cash expense, from certain of our non-GAAP financial measures because they are not indicative of the Company's ongoing cost structure and core business performance. We exclude amortization of debt issuance costs, which is a non-cash expense, from certain of our non-GAAP financial measures because such expenses have no direct correlation to the operation of our business. We exclude legal reserve and settlements, which can be cash or non-cash expenses, from certain of our non-GAAP financial measures because they are not indicative of the Company's ongoing cost structure and core business performance. We also excluded the one-time cash compensation charge incurred during the three months ended March 31, 2024 from certain of our non-GAAP financial measures because it was not attributable to services provided and did not correlate to the ongoing operation of our business.

**Non-GAAP Gross Profit and Non-GAAP Gross Margin.** We define non-GAAP gross profit and non-GAAP gross margin as U.S. GAAP gross profit and U.S. GAAP gross margin, respectively, excluding stock-based compensation and related employer payroll taxes and amortization of acquired intangible assets.

**Non-GAAP Income from Operations and Non-GAAP Operating Margin.** We define non-GAAP income from operations and non-GAAP operating margin as U.S. GAAP loss from operations and U.S. GAAP operating margin, respectively, excluding stock-based compensation expense and its related employer payroll taxes, amortization of acquired intangible assets, acquisition-related and other expenses, lease impairment charges, and legal reserve and settlements.

**Non-GAAP Net Income and Non-GAAP Net Income per Share, Diluted.** We define non-GAAP net income as GAAP net loss adjusted for stock-based compensation expense and its related employer payroll taxes, amortization of acquired intangible assets, acquisition-related and other expenses, amortization of issuance costs, lease impairment charges, legal reserve and settlements, and a non-GAAP provision for (benefit from) income taxes. Generally, the difference between our GAAP and non-GAAP income tax expense (benefit) is primarily due to adjustments in stock-based compensation and related employer payroll taxes, amortization of acquired intangibles associated with business combinations, acquisition-related and other expenses, amortization of issuance costs, lease impairment charges, and legal reserve and settlements. We define non-GAAP net income per share, diluted, as non-GAAP net income divided by the weighted-average common shares outstanding, adjusted for dilutive potential shares that were assumed outstanding during period. Currently, potential dilutive effect mainly consists of

employee equity incentive plans and convertible senior notes. We believe that excluding these items from non-GAAP net income per share, diluted, provides management and investors with greater visibility into the underlying performance of our core business operating results.

**Free Cash Flow and Free Cash Flow Margin.** Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by operating activities less cash used for purchases of property and equipment and capitalized internal-use software. Free cash flow margin is calculated as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the amount of cash generated from our operations that, after the investments in property and equipment and capitalized internal-use software, can be used for strategic initiatives, including investing in our business, and strengthening our financial position. We believe that historical and future trends in free cash flow and free cash flow margin, even if negative, provide useful information about the amount of cash generated by our operating activities that is available (or not available) to be used for strategic initiatives. For example, if free cash flow is negative, we may need to access cash reserves or other sources of capital to invest in strategic initiatives. One limitation of free cash flow and free cash flow margin is that they do not reflect our future contractual commitments. Additionally, free cash flow does not represent the total increase or decrease in our cash balance for a given period.

## Key Business Metrics

In addition to our results determined in accordance with U.S. GAAP and the non-GAAP measures discussed above, we also review the key business metrics discussed below to assist us in evaluating our business, measuring performance, identifying trends, formulating business plans, and making strategic decisions. There are a number of limitations associated with the use of key business metrics as analytical tools, however, and we do not rely upon any single key business metric to evaluate our business. In addition, other companies, including companies in our industry, may calculate similarly-titled business metrics differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of these business metrics as tools for comparison to such companies.

**Paying Customers.** We believe our ability to grow the number of paying customers on our network provides a key indicator of growth of our business and our future business opportunities. We define a paying customer at the end of the quarter as a person or entity who has generated revenue and has an active contract with us or one of our partners during such quarter, excluding (i) customers that were not acquired through ordinary sales channels, (ii) customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and WARP, which agreements and customers together represent an insignificant amount of our revenue. An entity is defined as a company, a government institution, a non-profit organization, or a distinct business unit of a large company. An active contract is defined as a customer relationship for which we have provided services during the quarter.

**Paying Customers (> \$100,000 Annualized Revenue).** While we continue to grow customers across all sizes, over time, our large customers have contributed an increasing share of our revenue. We view the number of customers with Annualized Revenue greater than \$100,000 as indicative of our penetration within large enterprise accounts. To measure Annualized Revenue at the end of a quarter, we take the sum of revenue for each customer in the quarter and multiply that amount by four. For example, if we signed a new customer that generated \$1,800 of revenue in a quarter, that customer would account for \$7,200 of Annualized Revenue for that year. Our Annualized Revenue calculation excludes (i) agreements that were not entered into through ordinary sales channels, (ii) revenue generated from customers using only our registrar product, and (iii) customers using our consumer applications, such as 1.1.1.1 and WARP, which agreements and customers together represent an insignificant amount of our revenue. Our Annualized Revenue metric also includes any usage charges by a customer during a period. As a result, Annualized Revenue may be higher than actual revenue over the course of the year.

**Dollar-Based Net Retention Rate.** Our ability to maintain long-term revenue growth and achieve profitability is dependent on our ability to retain and grow revenue generated from our existing paying customers. We believe that we will achieve these objectives by continuing to focus on customer loyalty and adding additional products and functionality to our network. Our dollar-based net retention rate is a key way we measure our performance in these areas. Dollar-based net retention rate measures our ability to retain and expand recurring revenue from existing customers. To calculate dollar-based net retention rate for a quarter, we compare the Annualized Revenue from paying customers four quarters prior to the Annualized Revenue from the same set of customers in the most recent quarter. Our dollar-based net retention rate includes expansion and is net of contraction and attrition, but excludes Annualized Revenue from new customers in the current period. Our dollar-based net retention rate excludes professional services and the benefit of free customers that upgrade to a paid subscription between the prior and current periods, even though this is an important source of incremental growth. We believe this provides a more meaningful representation of our ability to add incremental business from existing paying customers as they renew and expand their contracts.

**CLOUDFLARE, INC.**
**Consolidated Statements of Operations – Quarterly**

(unaudited, in thousands, except per share amounts)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Revenue	\$378,602	\$400,996	\$430,082	\$459,946	\$479,087	\$512,316	\$562,027	\$614,507
Cost of revenue <sup>(1)(2)</sup>	85,038	89,011	95,967	108,686	115,576	128,677	146,316	161,956
Gross profit	293,564	311,985	334,115	351,260	363,511	383,639	415,711	452,551
Operating expenses:								
Sales and marketing <sup>(1)(2)(4)</sup>	194,102	174,501	185,221	191,967	214,011	219,359	236,309	251,138
Research and development <sup>(1)</sup>	87,703	102,547	110,911	120,213	115,089	134,557	120,956	141,887
General and administrative <sup>(1)(3)(6)(7)</sup>	66,309	69,635	68,777	73,799	87,658	96,987	95,906	108,760
Total operating expenses	348,114	346,683	364,909	385,979	416,758	450,903	453,171	501,785
Loss from operations	(54,550)	(34,698)	(30,794)	(34,719)	(53,247)	(67,264)	(37,460)	(49,234)
Non-operating income (expense):								
Interest income	21,252	21,715	22,471	21,988	21,399	25,406	42,529	41,885
Interest expense <sup>(5)</sup>	(1,100)	(1,218)	(1,433)	(1,445)	(1,443)	(1,524)	(2,912)	(2,887)
Other income (expense), net	1,124	269	(3,066)	3,333	(3,468)	(3,907)	(307)	(272)
Total non-operating income, net	21,276	20,766	17,972	23,876	16,488	19,975	39,310	38,726
Income (loss) before income taxes	(33,274)	(13,932)	(12,822)	(10,843)	(36,759)	(47,289)	1,850	(10,508)
Provision for income taxes	2,269	1,146	2,509	2,005	1,695	3,157	3,140	1,569
Net loss	<u>\$ (35,543)</u>	<u>\$ (15,078)</u>	<u>\$ (15,331)</u>	<u>\$ (12,848)</u>	<u>\$ (38,454)</u>	<u>\$ (50,446)</u>	<u>\$ (1,290)</u>	<u>\$ (12,077)</u>
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.10)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.11)	\$ (0.15)	\$ (0.00)	\$ (0.03)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	338,583	340,648	342,356	344,003	345,723	347,489	349,312	351,087

(1) Includes stock-based compensation and related employer payroll taxes as follows:

Cost of revenue	\$ 2,822	\$ 3,011	\$ 2,943	\$ 2,821	\$ 2,906	\$ 3,693	\$ 4,031	\$ 3,975
Sales and marketing	21,775	24,629	24,677	24,682	30,205	36,818	34,787	36,038
Research and development	28,980	37,106	40,459	45,391	38,269	50,956	38,450	46,947
General and administrative	23,150	24,761	23,688	25,528	34,515	40,526	42,431	45,391
Total stock-based compensation and related employer payroll taxes	<u>\$ 76,727</u>	<u>\$ 89,507</u>	<u>\$ 91,767</u>	<u>\$ 98,422</u>	<u>\$ 105,895</u>	<u>\$ 131,993</u>	<u>\$ 119,699</u>	<u>\$ 132,351</u>

(2) Includes amortization of acquired intangible assets as follows:

Cost of revenue	\$ 4,691	\$ 1,619	\$ 2,054	\$ 2,720	\$ 2,853	\$ 3,329	\$ 3,337	\$ 3,653
Sales and marketing	575	363	363	362	388	417	362	659
Total amortization of acquired intangible assets	<u>\$ 5,266</u>	<u>\$ 1,982</u>	<u>\$ 2,417</u>	<u>\$ 3,082</u>	<u>\$ 3,241</u>	<u>\$ 3,746</u>	<u>\$ 3,699</u>	<u>\$ 4,312</u>

(3) Includes acquisition-related and other expenses as follows:

General and administrative	\$ —	\$ 162	\$ 78	\$ 462	\$ 112	\$ —	\$ —	\$ 3,797
Total acquisition-related and other expenses	<u>\$ —</u>	<u>\$ 162</u>	<u>\$ 78</u>	<u>\$ 462</u>	<u>\$ 112</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,797</u>

(4) Includes one-time compensation charge as follows:

Sales and marketing	\$ 15,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total one-time compensation charge	<u>\$ 15,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(5) Includes amortization of debt issuance costs as follows:

Interest expense	\$ 990	\$ 990	\$ 990	\$ 989	\$ 990	\$ 1,199	\$ 2,441	\$ 2,440
Total amortization of debt issuance costs	<u>\$ 990</u>	<u>\$ 990</u>	<u>\$ 990</u>	<u>\$ 989</u>	<u>\$ 990</u>	<u>\$ 1,199</u>	<u>\$ 2,441</u>	<u>\$ 2,440</u>

(6) Includes lease impairment charges as follows:

General and administrative	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,840	\$ —	\$ 1,257
Total lease impairment charges	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,840</u>	<u>\$ —</u>	<u>\$ 1,257</u>

(7) Includes legal reserve and settlements as follows:

General and administrative	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	(2,886)
Total legal reserve and settlements	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	(2,886)

**CLOUDFLARE, INC.****Non-GAAP Consolidated Statements of Operations - Quarterly**

(unaudited, in thousands, except per share amounts)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Revenue	\$378,602	\$400,996	\$430,082	\$459,946	\$479,087	\$ 512,316	\$562,027	\$ 614,507
Cost of revenue <sup>(1)(2)</sup>	77,525	84,381	90,970	103,145	109,817	121,655	138,948	154,328
Gross profit	301,077	316,615	339,112	356,801	369,270	390,661	423,079	460,179
Operating expenses:								
Sales and marketing <sup>(1)(2)(4)</sup>	156,752	149,509	160,181	166,923	183,418	182,124	201,160	214,441
Research and development <sup>(1)</sup>	58,723	65,441	70,452	74,822	76,820	83,601	82,506	94,940
General and administrative <sup>(1)(3)(6)(7)</sup>	43,159	44,712	45,011	47,809	53,031	52,621	53,475	61,201
Total operating expenses	258,634	259,662	275,644	289,554	313,269	318,346	337,141	370,582
Income from operations	42,443	56,953	63,468	67,247	56,001	72,315	85,938	89,597
Non-operating income (expense):								
Interest income	21,252	21,715	22,471	21,988	21,399	25,406	42,529	41,885
Interest expense <sup>(5)</sup>	(110)	(228)	(443)	(456)	(453)	(325)	(471)	(447)
Other income (expense), net	1,124	269	(3,066)	3,333	(3,468)	(3,907)	(307)	(272)
Total non-operating income, net	22,266	21,756	18,962	24,865	17,478	21,174	41,751	41,166
Income before income taxes	64,709	78,709	82,430	92,112	73,479	93,489	127,689	130,763
Provision for income taxes	6,559	9,228	9,855	23,305	15,064	18,432	25,062	23,980
Net income	\$ 58,150	\$ 69,481	\$ 72,575	\$ 68,807	\$ 58,415	\$ 75,057	\$102,627	\$106,783
Net income per share, basic	\$ 0.17	\$ 0.20	\$ 0.21	\$ 0.20	\$ 0.17	\$ 0.22	\$ 0.29	\$ 0.30
Weighted-average shares used in computing net income per share attributable to common stockholders, basic	338,583	340,648	342,356	344,003	345,723	347,489	349,312	351,087
Net income per share, diluted	\$ 0.16	\$ 0.20	\$ 0.20	\$ 0.19	\$ 0.16	\$ 0.21	\$ 0.27	\$ 0.28
Weighted-average shares used in computing net income per share attributable to common stockholders, diluted	356,206	356,096	356,855	359,255	362,340	365,264	375,098	375,478

(1) Excludes stock-based compensation and related employer payroll taxes. See GAAP to Non-GAAP reconciliations.

(2) Excludes amortization of acquired intangible assets. See GAAP to Non-GAAP reconciliations.

(3) Excludes acquisition-related and other expenses. See GAAP to Non-GAAP reconciliations.

(4) Excludes one-time compensation charge. See GAAP to Non-GAAP reconciliations.

(5) Excludes amortization of debt issuance costs. See GAAP to Non-GAAP reconciliations.

(6) Excludes lease impairment charges. See GAAP to Non-GAAP reconciliations.

(7) Excludes legal reserve and settlements. See GAAP to Non-GAAP reconciliations.

**CLOUDFLARE, INC.**  
**Consolidated Balance Sheets - Quarterly**  
(unaudited, in thousands, except par value)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 254,401	\$ 156,967	\$ 182,883	\$ 147,691	\$ 204,459	\$1,518,608	\$1,052,644	\$ 943,536
Available-for-sale securities	1,461,801	1,600,430	1,640,963	1,708,228	1,710,415	2,441,112	2,990,864	3,157,715
Accounts receivable, net	213,183	250,213	252,927	316,753	286,319	307,507	351,890	382,488
Contract assets	11,589	12,917	13,458	16,568	15,988	21,275	22,645	23,531
Restricted cash short-term	5,535	1,000	1,000	4,273	4,373	4,373	4,373	9,364
Prepaid expenses and other current assets	69,663	71,491	72,647	75,484	402,737	112,956	114,349	128,203
Total current assets	2,016,172	2,093,018	2,163,878	2,268,997	2,624,291	4,405,831	4,536,765	4,644,837
Property and equipment, net	329,422	339,124	396,552	467,420	513,866	547,349	588,361	618,691
Goodwill	148,047	156,162	157,200	181,087	181,087	181,087	181,087	226,563
Acquired intangible assets, net	14,298	21,663	19,247	21,865	23,896	22,110	18,411	41,799
Operating lease right-of-use assets	141,820	141,870	151,513	168,379	178,091	185,355	222,148	237,646
Deferred contract acquisition costs, noncurrent	137,527	144,330	152,380	172,217	174,543	183,919	194,035	219,499
Restricted cash	1,838	2,023	2,023	2,250	2,250	2,475	2,475	1,457
Other noncurrent assets	12,506	18,483	19,953	18,947	23,235	34,235	43,113	45,764
Total assets	\$2,801,630	\$2,916,673	\$3,062,746	\$3,301,162	\$3,721,259	\$5,562,361	\$5,786,395	\$6,036,256
<b>Liabilities and Stockholders' Equity</b>								
Current liabilities:								
Accounts payable	\$ 47,832	\$ 59,528	\$ 74,110	\$ 105,807	\$ 93,781	\$ 95,680	\$ 85,878	\$ 84,115
Accrued expenses and other current liabilities	68,412	66,916	68,885	81,602	89,615	80,463	92,514	109,054
Accrued compensation	62,299	57,813	65,797	80,854	76,457	77,940	90,201	111,005
Operating lease liabilities	39,273	40,740	43,028	47,626	53,062	56,812	65,321	70,901
Deferred revenue	356,243	370,968	389,795	477,765	508,094	546,698	598,978	684,207
Current portion of convertible senior notes, net	—	—	—	—	—	—	1,290,291	1,291,281
Total current liabilities	574,059	595,965	641,615	793,654	821,009	857,593	2,223,183	2,350,563
Convertible senior notes, net	1,284,352	1,285,342	1,286,332	1,287,321	1,288,311	3,260,506	1,972,707	1,974,120
Operating lease liabilities, noncurrent	113,017	112,508	121,374	128,266	134,521	144,795	173,432	182,025
Deferred revenue, noncurrent	17,645	23,579	21,990	22,095	27,555	35,805	45,900	41,088
Other noncurrent liabilities	15,333	17,734	18,345	23,625	23,985	23,935	24,157	29,337
Total liabilities	2,004,406	2,035,128	2,089,656	2,254,961	2,295,381	4,322,634	4,439,379	4,577,133
<b>Stockholders' Equity</b>								
Class A common stock; \$0.001 par value	300	302	305	307	309	312	314	317
Class B common stock; \$0.001 par value	39	39	37	37	37	36	35	34
Additional paid-in capital	1,857,168	1,956,984	2,046,593	2,152,750	2,562,972	2,414,291	2,525,193	2,651,420
Accumulated deficit	(1,059,383)	(1,074,461)	(1,089,792)	(1,102,640)	(1,141,094)	(1,191,540)	(1,192,830)	(1,204,907)
Accumulated other comprehensive income (loss)	(900)	(1,319)	15,947	(4,253)	3,654	16,628	14,304	12,259
Total stockholders' equity	797,224	881,545	973,090	1,046,201	1,425,878	1,239,727	1,347,016	1,459,123
Total liabilities and stockholders' equity	\$2,801,630	\$2,916,673	\$3,062,746	\$3,301,162	\$3,721,259	\$5,562,361	\$5,786,395	\$6,036,256

**CLOUDFLARE, INC.**  
**Consolidated Statements of Cash Flows – Quarterly**  
(unaudited, in thousands)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Cash Flows from Operating Activities</b>								
Net loss	\$(35,543)	\$(15,078)	\$(15,331)	\$(12,848)	\$(38,454)	\$(50,446)	\$(1,290)	\$(12,077)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	30,112	29,655	31,709	36,246	42,207	45,481	49,468	52,586
Non-cash operating lease costs	11,863	11,261	12,500	13,852	14,657	15,215	17,310	19,245
Amortization of deferred contract acquisition costs	18,107	18,884	19,716	21,115	23,132	24,164	26,404	27,923
Stock-based compensation expense	69,723	85,991	88,255	94,492	95,535	122,377	109,917	123,625
Amortization of debt issuance costs	990	990	990	989	990	1,199	2,441	2,440
Net accretion of discounts and amortization of premiums on available-for-sale securities	(12,713)	(11,315)	(9,952)	(8,101)	(6,372)	(5,615)	(9,557)	(8,353)
Deferred income taxes	(276)	(1,034)	(28)	3,449	(156)	(324)	—	1,813
Provision for bad debt	3,223	1,547	2,587	2,681	3,274	4,541	4,963	2,211
Other	106	185	70	282	507	2,720	(153)	(3,112)
Changes in operating assets and liabilities, net of effect of asset acquisitions and business combinations:								
Accounts receivable, net	31,862	(38,577)	(5,301)	(66,507)	27,160	(25,729)	(49,346)	(32,680)
Contract assets	(548)	(1,328)	(541)	(3,110)	580	(5,287)	(1,370)	1,570
Deferred contract acquisition costs	(22,398)	(25,687)	(27,766)	(40,952)	(25,458)	(33,540)	(36,520)	(53,387)
Prepaid expenses and other current assets	(23,022)	(1,704)	(587)	(12,914)	(27,289)	(19,050)	(15,939)	(17,717)
Other noncurrent assets	760	1,181	(1,320)	1,549	5,118	(806)	130	2,350
Accounts payable	3,073	12,923	(8,179)	10,809	(842)	595	(4,082)	13,193
Accrued expenses and other current liabilities	5,340	(787)	3,078	2,269	12,219	(11,461)	16,852	(2,188)
Accrued compensation	(1,502)	(2,797)	7,984	15,057	(4,397)	1,483	12,261	17,328
Operating lease liabilities	(14,678)	(10,353)	(10,989)	(19,228)	(12,678)	(12,295)	(16,957)	(21,827)
Deferred revenue	9,036	20,659	17,238	88,075	35,789	46,854	62,375	78,797
Other noncurrent liabilities	64	199	594	103	262	(280)	216	(1,329)
<b>Net cash provided by operating activities</b>	<b>73,579</b>	<b>74,815</b>	<b>104,727</b>	<b>127,308</b>	<b>145,784</b>	<b>99,796</b>	<b>167,123</b>	<b>190,411</b>
<b>Cash Flows from Investing Activities</b>								
Purchases of property and equipment	(32,056)	(29,625)	(50,203)	(73,153)	(85,889)	(59,897)	(84,641)	(85,190)
Capitalized internal-use software	(5,916)	(6,915)	(9,245)	(6,401)	(7,028)	(6,619)	(7,511)	(5,777)
Asset acquisitions and business combinations, net of cash acquired	—	(13,977)	(1,038)	(22,976)	(4,856)	(1,606)	—	(44,422)
Purchases of available-for-sale securities	(298,995)	(491,680)	(396,612)	(384,826)	(403,672)	(1,127,103)	(1,055,794)	(950,516)
Maturities of available-for-sale securities	433,903	358,451	380,687	320,315	408,769	402,056	518,131	793,037
Other investing activities	14	4	11	9	238	144	297	1,149
<b>Net cash provided by (used in) investing activities</b>	<b>96,950</b>	<b>(183,742)</b>	<b>(76,400)</b>	<b>(167,032)</b>	<b>(92,438)</b>	<b>(793,025)</b>	<b>(629,518)</b>	<b>(291,719)</b>
<b>Cash Flows from Financing Activities</b>								
Proceeds from settlement of the 2025 Capped Calls	—	—	—	—	—	309,616	—	—
Gross proceeds from issuance of 2030 convertible senior notes	—	—	—	—	—	2,000,000	—	—
Purchases of capped calls related to the 2030 convertible senior notes	—	—	—	—	—	(283,400)	—	—
Cash paid for issuance costs on 2030 convertible senior notes	—	—	—	—	—	(27,873)	(1,116)	(15)
Cash paid for issuance costs on revolving credit facility	—	(2,148)	—	—	—	—	—	—
Proceeds from the exercise of stock options	4,422	3,192	1,417	3,874	11,229	6,713	11,513	3,668
Proceeds from the early exercise of stock options	—	6	—	—	—	—	—	—
Proceeds from the issuance of common stock for employee stock purchase plan	—	10,455	—	9,341	—	13,057	—	12,378
Payment of tax withholding obligation on RSU and PSU settlement	(4,401)	(4,362)	(3,828)	(4,183)	(7,707)	(10,510)	(13,966)	(16,071)
Payment of indemnity holdback	—	—	—	(1,000)	—	—	—	(3,787)
<b>Net cash provided by (used in) financing activities</b>	<b>21</b>	<b>7,143</b>	<b>(2,411)</b>	<b>8,032</b>	<b>3,522</b>	<b>2,007,603</b>	<b>(3,569)</b>	<b>(3,827)</b>
Net increase (decrease) in cash, cash equivalents, and restricted cash	170,550	(101,784)	25,916	(31,692)	56,868	1,314,374	(465,964)	(105,135)
Cash, cash equivalents, and restricted cash, beginning of period	91,224	261,774	159,990	185,906	154,214	211,082	1,525,456	1,059,492
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$261,774</b>	<b>\$159,990</b>	<b>\$185,906</b>	<b>\$154,214</b>	<b>\$211,082</b>	<b>\$1,525,456</b>	<b>\$1,059,492</b>	<b>\$954,357</b>

**CLOUDFLARE, INC.**
**GAAP to Non-GAAP Reconciliations – Quarterly**

(unaudited, in thousands, except per share amounts)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Reconciliation of cost of revenue:</b>								
GAAP cost of revenue	\$85,038	\$ 89,011	\$ 95,967	\$108,686	\$115,576	\$128,677	\$146,316	\$161,956
Less: Stock-based compensation and related employer payroll taxes	(2,822)	(3,011)	(2,943)	(2,821)	(2,906)	(3,693)	(4,031)	(3,975)
Less: Amortization of acquired intangible assets	(4,691)	(1,619)	(2,054)	(2,720)	(2,853)	(3,329)	(3,337)	(3,653)
Non-GAAP cost of revenue	<u>\$77,525</u>	<u>\$ 84,381</u>	<u>\$ 90,970</u>	<u>\$103,145</u>	<u>\$109,817</u>	<u>\$121,655</u>	<u>\$138,948</u>	<u>\$154,328</u>
<b>Reconciliation of gross profit:</b>								
GAAP gross profit	\$293,564	\$311,985	\$334,115	\$351,260	\$363,511	\$383,639	\$415,711	\$452,551
Add: Stock-based compensation and related employer payroll taxes	2,822	3,011	2,943	2,821	2,906	3,693	4,031	3,975
Add: Amortization of acquired intangible assets	4,691	1,619	2,054	2,720	2,853	3,329	3,337	3,653
Non-GAAP gross profit	<u>\$301,077</u>	<u>\$316,615</u>	<u>\$339,112</u>	<u>\$356,801</u>	<u>\$369,270</u>	<u>\$390,661</u>	<u>\$423,079</u>	<u>\$460,179</u>
GAAP gross margin	77.5%	77.8%	77.7%	76.4%	75.9%	74.9%	74.0%	73.6%
Non-GAAP gross margin	79.5%	79.0%	78.8%	77.6%	77.1%	76.3%	75.3%	74.9%
<b>Reconciliation of operating expenses:</b>								
GAAP sales and marketing	\$194,102	\$174,501	\$185,221	\$191,967	\$214,011	\$219,359	\$236,309	\$251,138
Less: Stock-based compensation and related employer payroll taxes	(21,775)	(24,629)	(24,677)	(24,682)	(30,205)	(36,818)	(34,787)	(36,038)
Less: Amortization of acquired intangible assets	(575)	(363)	(363)	(362)	(388)	(417)	(362)	(659)
Less: One-time compensation charge	(15,000)	—	—	—	—	—	—	—
Non-GAAP sales and marketing	<u>\$156,752</u>	<u>\$149,509</u>	<u>\$160,181</u>	<u>\$166,923</u>	<u>\$183,418</u>	<u>\$182,124</u>	<u>\$201,160</u>	<u>\$214,441</u>
GAAP research and development	\$87,703	\$102,547	\$110,911	\$120,213	\$115,089	\$134,557	\$120,956	\$141,887
Less: Stock-based compensation and related employer payroll taxes	(28,980)	(37,106)	(40,459)	(45,391)	(38,269)	(50,956)	(38,450)	(46,947)
Non-GAAP research and development	<u>\$58,723</u>	<u>\$ 65,441</u>	<u>\$ 70,452</u>	<u>\$ 74,822</u>	<u>\$ 76,820</u>	<u>\$ 83,601</u>	<u>\$ 82,506</u>	<u>\$ 94,940</u>
GAAP general and administrative	\$66,309	\$69,635	\$ 68,777	\$ 73,799	\$ 87,658	\$ 96,987	\$ 95,906	\$108,760
Less: Stock-based compensation and related employer payroll taxes	(23,150)	(24,761)	(23,688)	(25,528)	(34,515)	(40,526)	(42,431)	(45,391)
Less: Acquisition-related and other expenses	—	(162)	(78)	(462)	(112)	—	—	(3,797)
Less: Lease impairment charges	—	—	—	—	—	(3,840)	—	(1,257)
Less: Legal reserve and settlements	—	—	—	—	—	—	—	2,886
Non-GAAP general and administrative	<u>\$ 43,159</u>	<u>\$ 44,712</u>	<u>\$ 45,011</u>	<u>\$ 47,809</u>	<u>\$ 53,031</u>	<u>\$ 52,621</u>	<u>\$ 53,475</u>	<u>\$ 61,201</u>
<b>Reconciliation of income (loss) from operations:</b>								
GAAP loss from operations	\$(54,550)	\$(34,698)	\$(30,794)	\$(34,719)	\$(53,247)	\$(67,264)	\$(37,460)	\$(49,234)
Add: Stock-based compensation and related employer payroll taxes	76,727	89,507	91,767	98,422	105,895	131,993	119,699	132,351
Add: Amortization of acquired intangible assets	5,266	1,982	2,417	3,082	3,241	3,746	3,699	4,312
Add: Acquisition-related and other expenses	—	162	78	462	112	—	—	3,797
Add: One-time compensation charge	15,000	—	—	—	—	—	—	—
Add: Lease impairment charges	—	—	—	—	—	3,840	—	1,257
Add: Legal reserve and settlements	—	—	—	—	—	—	—	(2,886)
Non-GAAP income from operations	<u>\$42,443</u>	<u>\$ 56,953</u>	<u>\$ 63,468</u>	<u>\$ 67,247</u>	<u>\$ 56,001</u>	<u>\$ 72,315</u>	<u>\$ 85,938</u>	<u>\$ 89,597</u>
GAAP operating margin	(14.4)%	(8.7)%	(7.2)%	(7.5)%	(11.1)%	(13.1)%	(6.7)%	(8.0)%
Non-GAAP operating margin	11.2%	14.2%	14.8%	14.6%	11.7%	14.1%	15.3%	14.6%

**CLOUDFLARE, INC.**
**GAAP to Non-GAAP Reconciliations – Quarterly**

(unaudited, in thousands, except per share amounts)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Reconciliation of interest expense:</b>								
GAAP interest expense	\$ (1,100)	\$ (1,218)	\$ (1,433)	\$ (1,445)	\$ (1,443)	\$ (1,524)	\$ (2,912)	\$ (2,887)
Add: Amortization of debt issuance costs	990	990	990	989	990	1,199	2,441	2,440
Non-GAAP interest expense	\$ (110)	\$ (228)	\$ (443)	\$ (456)	\$ (453)	\$ (325)	\$ (471)	\$ (447)
<b>Reconciliation of provision for income taxes:</b>								
GAAP provision for income taxes	\$ 2,269	\$ 1,146	\$ 2,509	\$ 2,005	\$ 1,695	\$ 3,157	\$ 3,140	\$ 1,569
Income tax effect of non-GAAP adjustments	4,290	8,082	7,346	21,300	13,369	15,275	21,922	22,411
Non-GAAP provision for income taxes	\$ 6,559	\$ 9,228	\$ 9,855	\$ 23,305	\$ 15,064	\$ 18,432	\$ 25,062	\$ 23,980
<b>Reconciliation of net income (loss) and net income (loss) per share:</b>								
GAAP net loss attributable to common stockholders	\$(35,543)	\$(15,078)	\$(15,331)	\$(12,848)	\$(38,454)	\$(50,446)	\$(1,290)	\$(12,077)
Add: Stock-based compensation and related employer payroll taxes	76,727	89,507	91,767	98,422	105,895	131,993	119,699	132,351
Add: Amortization of acquired intangible assets	5,266	1,982	2,417	3,082	3,241	3,746	3,699	4,312
Add: Acquisition-related and other expenses	—	162	78	462	112	—	—	3,797
Add: One-time compensation charge	15,000	—	—	—	—	—	—	—
Add: Amortization of debt issuance costs	990	990	990	989	990	1,199	2,441	2,440
Add: Lease impairment charges	—	—	—	—	—	3,840	—	1,257
Add: Legal reserve and settlements	—	—	—	—	—	—	—	(2,886)
Income tax effect of non-GAAP adjustments	(4,290)	(8,082)	(7,346)	(21,300)	(13,369)	(15,275)	(21,922)	(22,411)
Non-GAAP net income	\$ 58,150	\$ 69,481	\$ 72,575	\$ 68,807	\$ 58,415	\$ 75,057	\$ 102,627	\$ 106,783
<b>GAAP net loss per share, basic</b>								
	\$ (0.10)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.11)	\$ (0.15)	\$ (0.00)	\$ (0.03)
<b>GAAP net loss per share, diluted</b>								
	\$ (0.10)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.11)	\$ (0.15)	\$ (0.00)	\$ (0.03)
Add: Stock-based compensation and related employer payroll taxes	0.23	0.26	0.27	0.29	0.31	0.38	0.34	0.38
Add: Amortization of acquired intangible assets	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Add: Acquisition-related and other expenses	—	—	—	—	—	—	—	0.01
Add: One-time compensation charge	0.04	—	—	—	—	—	—	—
Add: Amortization of debt issuance costs	—	—	—	—	—	—	0.01	0.01
Add: Lease impairment charges	—	—	—	—	—	0.01	—	—
Add: Legal reserve and settlements	—	—	—	—	—	—	—	(0.01)
Income tax effect of non-GAAP adjustments	(0.01)	(0.02)	(0.02)	(0.06)	(0.04)	(0.04)	(0.06)	(0.06)
Effect of dilutive shares	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	—	(0.03)	(0.03)
Non-GAAP net income per share, diluted <sup>(1)</sup>	\$ 0.16	\$ 0.20	\$ 0.20	\$ 0.19	\$ 0.16	\$ 0.21	\$ 0.27	\$ 0.28
<b>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic</b>								
	338,583	340,648	342,356	344,003	345,723	347,489	349,312	351,087
<b>Weighted-average shares used in computing non-GAAP net income per share attributable to common stockholders, diluted</b>								
	356,206	356,096	356,855	359,255	362,340	365,264	375,098	375,478

(1) Totals may not sum due to rounding. Figures are calculated based upon the respective underlying non-rounded data.

**CLOUDFLARE, INC.****Calculations of Key and Other Selected Metrics – Quarterly**

(unaudited, in thousands, except percentages, customer / headcount data, and remaining performance obligations)

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
<b>Free Cash Flow</b>								
Net cash provided by operating activities	\$ 73,579	\$ 74,815	\$ 104,727	\$ 127,308	\$ 145,784	\$ 99,796	\$ 167,123	\$ 190,411
Less: Purchases of property and equipment	(32,056)	(29,625)	(50,203)	(73,153)	(85,889)	(59,897)	(84,641)	(85,190)
Less: Capitalized internal-use software	(5,916)	(6,915)	(9,245)	(6,401)	(7,028)	(6,619)	(7,511)	(5,777)
Free cash flow	\$ 35,607	\$ 38,275	\$ 45,279	\$ 47,754	\$ 52,867	\$ 33,280	\$ 74,971	\$ 99,444
Net cash provided by (used in) investing activities	\$ 96,950	\$ (183,742)	\$ (76,400)	\$ (167,032)	\$ (92,438)	\$ (793,025)	\$ (629,518)	\$ (291,719)
Net cash provided by (used in) financing activities	\$ 21	\$ 7,143	\$ (2,411)	\$ 8,032	\$ 3,522	\$ 2,007,603	\$ (3,569)	\$ (3,827)
Net cash provided by operating activities (percentage of revenue)	19%	19%	24%	28%	30%	19%	30%	31%
Less: Purchases of property and equipment (percentage of revenue)	(8)%	(7)%	(11)%	(16)%	(18)%	(12)%	(15)%	(14)%
Less: Capitalized internal-use software (percentage of revenue)	(2)%	(2)%	(2)%	(2)%	(1)%	(1)%	(2)%	(1)%
Free cash flow margin	9%	10%	11%	10%	11%	6%	13%	16%
<b>Key Business Metrics</b>								
Paying Customers	197,138	210,166	221,540	237,714	250,819	265,929	295,552	332,466
y-y growth	17%	21%	22%	25%	27%	27%	33%	40%
Paying Customers (> \$100,000 Annualized Revenue)	2,878	3,046	3,265	3,497	3,527	3,712	4,009	4,298
y-y growth	33%	30%	28%	27%	23%	22%	23%	23%
% of revenue	67%	67%	67%	69%	69%	71%	73%	73%
Dollar-Based Net Retention Rate	115%	112%	110%	111%	111%	114%	119%	120%
Remaining Performance Obligations (RPO) (in millions)	\$1,342.8	\$ 1,421.0	\$ 1,503.4	\$ 1,686.5	\$ 1,864.2	\$ 1,976.7	\$ 2,143.1	\$ 2,495.8
Current RPO as a percentage of total RPO	70%	69%	70%	70%	66%	66%	64%	63%
<b>Headcount</b>								
Total Headcount	3,704	3,902	4,160	4,263	4,400	4,616	4,838	5,156
<b>Revenue by Region</b>								
US	\$196,463	\$ 207,008	\$ 214,955	\$ 231,074	\$ 234,887	\$ 251,894	\$ 282,604	\$ 303,611
EMEA	105,384	110,968	121,802	128,345	133,853	143,438	153,298	168,035
APAC	47,651	52,126	59,103	64,354	73,395	75,144	84,667	96,554
Other	29,104	30,894	34,222	36,173	36,952	41,840	41,458	46,307
Total	\$378,602	\$ 400,996	\$ 430,082	\$ 459,946	\$ 479,087	\$ 512,316	\$ 562,027	\$ 614,507
<b>Revenue by Type of Customer</b>								
Channel partners	\$ 70,451	\$ 76,686	\$ 88,865	\$ 101,392	\$ 112,555	\$ 130,415	\$ 149,859	\$ 176,038
Direct customers	308,151	324,310	341,217	358,554	366,532	381,901	412,168	438,469
Total	\$378,602	\$ 400,996	\$ 430,082	\$ 459,946	\$ 479,087	\$ 512,316	\$ 562,027	\$ 614,507