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8X8 SAFE HARBOR STATEMENT

The conference call transcripts and other content we publish on our website may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Any statements that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends," and similar expressions are intended to identify forward-looking statements. These forward-looking statements, include but are not limited to: changing industry trends, operational and economic impacts of the COVID-19 pandemic, new product innovations and integrations, market demand for our products, channel and eCommerce growth, sales and marketing activities, strategic partnerships, business strategies, improved customer acquisition and support costs, customer churn, future operating performance and efficiencies, financial outlook, revenue growth, and profitability.

You should not place undue reliance on forward-looking statements. Actual results could differ materially from those projected in forward-looking statements depending on a variety of factors, including, but not limited to: market acceptance of new or existing services and features we may offer from time to time; customer acceptance and demand for our cloud communication and collaboration services, including voice, contact center, video, messaging, and communication APIs; competitive pressures, and any changes in the competitive dynamics of the markets in which we compete; the impact of economic downturns on us and our customers, including the impacts of the COVID-19 pandemic; the quality and reliability of our services; customer cancellations and rate of churn; our ability to scale our business; our reliance on infrastructure of third-party network services providers; risk of failure in our physical infrastructure; risk of defects or bugs in our software; risk of cybersecurity breaches and other unauthorized disclosures of customer data; our ability to maintain the compatibility of our software with third-party applications and mobile platforms; continued compliance with industry standards and regulatory requirements, including privacy, in the United States and foreign countries in which we make our software solutions available, and the costs of such compliance; risks relating to the acquisition and integration of businesses we have acquired (for example, Wavecell Pte. Ltd.) or may acquire in the future, particularly if the acquired business operates in a different market space from us or is based in a region where we do not have significant operations; the amount and timing of costs associated with recruiting, training and integrating new employees; timing and extent of improvements in operating results from increased spending in marketing, sales, and research and development; upfront investments, including the cost to support new strategic initiatives such as our cloud migration program with value-added resellers and other partners, to acquire more customers may not result in additional revenue from new or existing customers; introduction and adoption of our cloud software solutions in markets outside of the United States; risks related to our senior convertible notes and the related capped call transactions; implementation and effects of new accounting standards and policies in our reported financial results; and potential future intellectual property infringement claims and other litigation that could adversely affect our business and operating results.

All forward-looking statements are based on information available to us as of the date on which they were made, and we undertake no obligation to update any such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in our most recent reports on Forms 10-K and 10-Q, including those set forth under the section entitled "Risk Factors," which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

8x8, Inc. (NYSE: EGHT)
Q3 Fiscal 2021 Earnings Conference Call
January 28, 2021 – 2:00 PM PT/ 5:00 PM ET

Victoria Hyde-Dunn, Head of Investor Relations:

Thank you. Good afternoon and welcome to 8x8's third quarter fiscal 2021 earnings conference call.

Speaking on our call today is Dave Sipes, Chief Executive Officer and Sam Wilson, Chief Financial Officer.

Before we get started, just a reminder that our discussion today includes forward-looking statements about 8x8's future financial performance as well as its business, product, and growth strategies including the impact of the COVID-19 pandemic. We caution you not to put undue reliance on these forward-looking statements, as they involve risks and uncertainties that may cause actual results to vary materially from the forward-looking statements, as described in our "Risk Factors" in our reports filed with the SEC. Any forward-looking statements made on this call reflect our analysis as of today and we have no plans or obligation to update them.

In addition, some financial measures that will be discussed on this call, together with year-over-year comparisons in some cases, were not prepared in accordance with U.S. generally accepted accounting principles, or GAAP. A reconciliation of those non-GAAP measures to the closest comparable GAAP measures is provided with our earnings press release and power point presentation deck which are available on our Investor Relations website.

And with that, I'll turn the call over to Dave.

Dave Sipes, Chief Executive Officer:

Thank you, Victoria. Good afternoon everyone. I hope you and your families are healthy and safe.

I am pleased to speak with you today on my first earnings call with 8x8.

I will cover business highlights from our third quarter results and Sam will walk us through financial results and guidance for the fourth quarter and full-year. I will then share my observations from my first 50 days and initial thoughts on the company's next level of growth. Now let me start with Q3.

Q3 was a good quarter. Total revenue grew to $137 million, a 15% increase year-over-year, and above the high-end of our guidance range. Key drivers of growth were strong demand for our bundled CCaaS and UCaaS offering, continued upmarket focus, new logo acquisition, channel contribution, and improving operational execution. Our fully integrated CCaaS and UCaaS solution is a clear differentiator for us as mid-market and enterprise organizations replace legacy on-premise systems and shift employee and customer engagement to the cloud.

The industry continues to recognize the value of 8x8's fully integrated platform. For the 9th consecutive year, Gartner named 8x8 as a Leader in the Magic Quadrant for Unified Communications as a Service, Worldwide. Also in the quarter, for the sixth year in a row Gartner named 8x8 as a Challenger in the Magic Quadrant for Contact Center as a Service. Of note, 8x8 is *the only* UCaaS Magic Quadrant leader that is also in the Contact Center as a Service Magic Quadrant.

Furthermore, we achieved our fourth sequential quarter of improved profitability. We exceeded top and bottom line guidance, improved operating efficiency and strengthened our cash position. With a clear line of sight to improving revenue growth and profitability in the fourth quarter, we are raising full-year guidance and cash balance outlook for the fiscal year. Sam will speak to this in a moment.

Now, let me turn to highlights from the quarter.

We are pleased with the success we are seeing from our channel-first strategy and upmarket focus with mid-market and enterprise customers.

- We had a record quarter upmarket with over 730 customers with greater than $100K in ARR, a 24% increase year-over-year. This was a result of strong execution across sales, marketing, and channel, and a combined product solution that is fit for purpose for enterprise customers.
- Channel execution was strong again driving 64% of bookings in the quarter, 8 out of our top 10 deals, and enterprise ARR growth of 46%. The channel team, across all regions, delivered their highest bookings quarter on record. Channel partners are turning to 8x8 because our integrated contact center and communications solutions deliver exceptional value for our mutual customers.
- Our UK value-added-reseller, or VAR, route-to-market is the fastest growing segment within our channel. Nearly 40% of channel pipeline in the quarter came from the UK VAR community and the number of partners registering deals grew by 70% year-over-year.
- We were also honored to be awarded the 2020 CRN UK Cloud Services Vendor of the Year and the 2020 TechTarget Archer Award for Best Channel Enablement Program in North America.

Turning to specific customer wins, we observed strong growth in new logos overall, representing 56% of new bookings, up from 44% last quarter. We saw strong execution in all geographies and in key verticals such as healthcare, retail, transportation, and public sector. Let me highlight a few recent examples.

In North America:

- A notable win was CEC Entertainment, which operates Chuck E. Cheese, the number one family entertainment center with operations in 47 states and 15 countries around the world. CEC Entertainment was looking to consolidate from multiple providers and lower their IT Infrastructure expense. They needed a vendor that could rapidly deploy a Unified Communications platform for their restaurants and their corporate offices. They found 8x8 was able to reduce their overall costs and completely deploy our UC platform within four weeks.
- An additional win is a 7-figure TCV competitive cloud replacement with a medical office solutions provider who wanted an integrated CCaaS and UCaaS solution. This customer required outstanding call quality and integration between its voice and contact center platforms. They selected 8x8 to deploy 800 UCaaS and 150 CCaaS licenses.

Outside of North America we also had many important customer wins attracted by our differentiated UCaaS and CCaaS bundled offering.

- A major example is Ryanair Holdings, Europe's largest airline group. Ryanair connects travelers to over 240 destinations in 40 countries on a fleet of 470 aircraft, with a further 210 on order. Ryanair chose 8x8 to support their expected growth and provide more than 600 agents with a unified UCaaS and CCaaS platform. Our platform will be used across Ryanair's Customer Service agents who will utilize our Zendesk integration to automatically log all customer activity within their CRM. Additionally, they will use our Speech Analytics and Quality Management solution to drive improvements in customer experience and to help upskill their agents.
- Next is Certas Energy UK Ltd, the UK's largest independent distributor of fuels and lubricants. They selected 8x8's CCaaS and UCaaS platform to modernize communication with their customers. 8x8 will

support 500 contact center agents and 1,000 back-office and depot-based staff. Our solution allows Certas to have a single operational view of their contact center functions and customer interactions.

- Another example comes from our Australia New Zealand region with a top multinational cyber security company. They wanted to replace their multi-vendor communication and contact center solutions with a single-vendor solution that could provide a higher level of voice quality, call routing, and reporting globally. They chose 8x8 for our combined CCaaS and UCaaS solution and integration capabilities with CRM systems. This 7-figure TCV win is for over 850 globally-distributed business users and multiple contact center locations across 44 countries. This is the initial deployment and has ample opportunity for future expansion.

The public sector in the UK also continues to be a bright spot. Our UK public sector customer base has nearly doubled year-over-year. Notable wins this quarter included:

- NHS Public Health Scotland, which provides specialist national health care services in Scotland to support the 14 regional NHS Health Boards. They are responsible for managing vaccination helplines and booking services for Scotland's COVID-19 response, and selected 8x8's CCaaS and UCaaS solution supporting over 3,300 seats.
- Kent Community Health, a UK NHS provider of community services, also selected 8x8 with 4,000 seats to accelerate their digital transformation and improve customer experience.
- Newham College of Further Education was an important VAR win with 480 seats secured through our partnership with Virgin Media Business.

Furthermore, we continue to see existing customers adopt more 8x8 services, creating a “land and expand” opportunity that will fuel future growth.

- A great example is Halfords Group, a British retailer of car parts and enhancement, tools, camping and touring equipment. Halfords selected 8x8’s CCaaS and UCaaS for more than 4,700 seats in 2019, and have now added an additional 450 CCaaS seats across their UK locations to further enhance their customer experience and solve compliance challenges after several acquisitions.
- Another notable example is a 7-figure TCV deal with one of Canada and Europe’s leading equipment services providers who placed an add-on order of approximately 2,300 bundled CCaaS and UCaaS seats.

Across almost all of these wins our channel partners were critical to our success, and I would like to thank them for their collaboration and support.

Now I’d like to discuss the market success of our products.

CCaaS and UCaaS bundled offerings continue to lead the way.

- Bundled contact center and communications represented 67% of upmarket bookings, bookings that were $12K or more in ARR.
- ARR from combo customers, customers who have purchased UC and CC, now represents over a third of total company ARR. Additionally, for the second quarter in a row, combo customer ARR grew at twice the rate of market growth.
- Also I’m proud to say that more than two-thirds of our field sales reps closed a bundled UC/CC deal last quarter.
- The channel is also seeing the benefit of bundled UC/CC. Our sub-agents who historically sold UCaaS are now selling more CCaaS. The number of partners selling our bundled solution grew by over 38% year-over-year.
- Finally, this week we announced a partnership with Verint to enhance our CCaaS offering by adding additional integrated cloud workforce management applications for mid-market and enterprise businesses worldwide.

Next is 8x8 Voice for Microsoft Teams, which continues to generate strong demand from customers that want to modernize their telephony platform with a direct routing solution from a proven UCaaS and CCaaS provider. The overall opportunity is extremely large. In a study we commissioned through Hanover Institute research found that more than three-quarters of organizations are likely to integrate Microsoft Teams with 3rd party telephony providers. In the quarter, we added the ability to manage settings such as calling configurations, voicemail, call forwarding, and logging in and out of call queues directly from Microsoft Teams. Additionally, 8x8 Contact Center is now included in Microsoft's Connected Contact Center for Microsoft Teams Certification program. A couple notable wins include:

- A fast growing retailer which operates 2,000 stores across 37 US states selected 8x8 for its ability to seamlessly integrate unified communications with Microsoft Teams. After a competitive RFP, 8x8 will deploy a mix and match solution of 10,000 UCaaS seats of which 3,500 will utilize Voice for MS Teams. This solved their need for a combined solution for both front-line and knowledge workers.
- A large win in EMEA is BDO, one of the largest global networks of public accounting, tax, consulting and business advisory firms. BDO had been working on a large-scale Digital Transformation initiative and needed a communications platform that would enhance Microsoft Teams functionality. They selected 8x8 in the UK with an initial 6,000 seat license for a mix-and-match solution across UCaaS, CCaaS, and utilizing Voice for Microsoft Teams.

Lastly, turning to CPaaS, 8x8's API offerings are also driving new customer acquisition.

- An Indonesian government ministry selected 8x8 as the CPaaS provider for an SMS-based application to support a job-creation initiative to up-skill blue-collar workers with an easily accessible learning platform. Their SMS usage increased 200% quarter on quarter to provide critical services to citizens.
- We also added support for KakaoTalk, a mobile messaging app with over 52 million monthly active users in South Korea. The 8x8 Chat Apps API now allows companies to reach customers across 7 different services, including WhatsApp, Viber, and Facebook Messenger.
- Additionally, the Google service, Google Verified SMS, is now available to 8x8 business customers through our 8x8 SMS API.

To sum up, CIOs and enterprises are moving with urgency to the cloud. Our integrated platform sets us apart in the market and continues to drive growth globally.

With that, let me now turn the call over to Sam to cover the financial results.

Sam Wilson, Chief Financial Officer:

Thanks, Dave and good afternoon. We appreciate you joining us as we report the third-quarter financial results. I want to echo Dave's comments that I hope you and your families are staying safe.

We are pleased to have delivered results that exceeded guidance, improved operating leverage, and reflects increased confidence in achieving profitability. Key drivers were better than expected performance from product categories - UCaaS, CCaaS, and CPaaS - and bundled offerings. Total revenue for the quarter was $136.7 million, an increase of 15% year-over-year, and above our $132 to $133 million guidance. We had good sales linearity in the quarter, unexpectedly hardware grew sequentially as enterprise customers accelerated deployments, and professional services were strong.

Looking at service revenue, we generated $127.1 million, an increase of 15% year-over-year, and above our $124 to $125 million guidance. Total ARR was $494 million at quarter-end, up 20% year-over-year. Our strategic investments in the channel and product innovation over the last few years are delivering strong results.

Third-quarter non-GAAP Gross margin was 59.6%, as expected, lower sequentially and driven mainly by product mix. Non-GAAP Service Revenue margin declined 80 basis points over the last quarter to 66%. As we have previously mentioned, CPaaS margins are significantly lower than UCaaS and CCaaS margins. CPaaS usage increased during the quarter from holiday activities.

Non-GAAP Other Revenue margin came in at minus 25.6% for the quarter, a large improvement from the minus 73.5% a year ago and sequentially improved from minus 27.7%. Key drivers were continued growth in our professional services and the FLEX hardware rental program. Looking ahead to the fourth quarter, we currently expect overall gross margins to improve mainly due to better product mix and from CPaaS usage returning to pre-holiday levels.

Turning to third-quarter Operating Expenses, we continue to align the global business to drive both improved execution and efficiency. Non-GAAP Sales-and-Marketing expenses improved to 39.1% of revenue in Q3, 2.2% lower than last quarter. The combination of leverage from our digital marketing programs, optimization of media spend, and moving from physical to virtual events has driven spending efficiencies. We have also added domestic and international sales capacity and have improved sales productivity.

Non-GAAP R&D expenses were 10.7% of revenue in the quarter versus 9.9% last quarter. We continue to prioritize investing in our differentiated technology platform advantage. Non-GAAP G&A expenses improved to 10.8% of revenue in Q3 from 11.5% of revenue last quarter. We hope to gain further G&A advantage as we scale revenue and related operations.

Total non-GAAP operating expenses were down about 1% year-over-year, while total revenue grew 15% year-over-year, a reflection of tight expense management. We expect opex to be up single digits percentage year-over-year in the fourth quarter.

Non-GAAP Operating margins were -1.1% for the quarter, the best we have seen in 12 quarters. We believe we have a clear line-of-sight to non-GAAP pre-tax profitability exiting the March 2021 quarter and future cash generation. As a reminder, due to the timing of certain expenses, each expense metric will not necessarily improve each quarter in a linear fashion.

Our top-of-funnel metrics including pipeline coverage rates continue to be good and new logo growth was strong. These results demonstrate we are delivering solid returns on our previous investments in demand generation and the channel. We expect to see further improvement in unit economics as we continue to optimize our go-to-market motions.

Our Non-GAAP pre-tax loss was $1.9 million for the quarter ending December 31, 2020. This was better than the -$3.0 million guidance provided in October and the result of the combination of better than expected total revenue, tight expense management, offset by a currency headwind. I'm extremely pleased with how the team is being very diligent about each dollar spent.

Turning to the balance sheet. Total cash, restricted cash, and investments ended the third quarter at $168 million. Excluding $15.5 million of restricted cash, the balance was $152.5 million. This is a decline of approximately $7 million quarter-over-quarter and includes the corporate bonus payments we discussed last quarter. Our quarterly cash usage has improved by over $40 million since fourth quarter fiscal 2020. We remain focused on further reducing our cash burn and improving collections which continue to run ahead of expectations. Further, we believe the better than expected collections is a good sign that COVID-related risks are manageable. We are making steady progress towards zero net cash usage and expect to see further improvement in the fourth quarter.

Staying on the topic of cash, last quarter we discussed our intent to have approximately $135 million or more in cash, cash equivalents, and investments on the balance sheet at fiscal year-end. I am pleased to say we are raising our expectation again and to now over $148 million in cash, cash equivalents, and investments, excluding restricted cash. The program improvements we have put into place are performing significantly better than expected and we remain focused on being free cash flow positive in fiscal 2022, more likely in the second half of the year.

One final item under liabilities I'd like to discuss is deferred revenue, which increased during the quarter to over $20 million. We have moved towards billing contracts in advance of service delivery and expect deferred revenue will continue to grow on the balance sheet.

One metric we are regularly asked about is remaining performance obligations or RPO. Simply put, RPO is the aggregate of deferred revenue and committed revenue backlog for our subscription services. For the third quarter, RPO was approximately $365 million, up from $330 million in the second quarter and $245 million in the year-ago period, or nearly 50% growth.

Turning to financial outlook. As we enter the fourth quarter, we have good sales funnel metrics, and continued strong demand for our bundled UCaaS and CCaaS solution and Voice for Microsoft Teams. Offsetting this is continued uncertainty in the macroeconomic environment as a result of the pandemic.

Taking all this into account, we are establishing guidance for Q4 Fiscal 2021 ending March 31, 2021, as follows:

- We anticipate Total Revenue to be in the range of $138.5 million to $140.5 million, representing approximately 14% to 16% year-over-year growth.
- We anticipate Service Revenue to be in the range of $130.8 million to $131.8 million, representing approximately 16% to 17% year-over-year growth.
- And we anticipate a non-GAAP Pre-tax Loss of approximately $800 thousand.

Combining our outperformance for the third quarter with our forecast for the fourth quarter, we are raising guidance for Full-Year Fiscal 2021 ending March 31, 2021, as follows:

- We are raising our Total Revenue outlook from $519 million to $522 million, to a range of $526.1 million to $528.1 million, representing approximately 18% year-over-year growth.
- We are raising our Service Revenue range from $489 million to $492 million, to a range of $493 million to $494 million, representing approximately 19% year-over-year growth.
- And we anticipate a non-GAAP Pre-tax Loss of approximately $13.7 million.

The final topic I'd like to discuss is our IR metrics sheet. Based on the feedback from discussions we've had with the investor community, we will stop reporting certain bookings metrics after the fourth-quarter earnings results are published. We believe ARR metrics are a better indicator to measure business performance. We expect to discuss these changes in conjunction with our fourth-quarter results in May.

On a personal note, I'm excited to see the positive impact Dave has already had. His focus, operational excellence, and go-to-market expertise will help position 8x8 for our next phase of growth and profitability.

With that, let me turn the call back to Dave.

Dave Sipes, Chief Executive Officer:

Thank you, Sam.

In closing I'd like to share some of my initial observations and thoughts. This is now day 50 for me and I have been spending time with our employees, customers, and partners to better understand our strengths and where we can focus to make meaningful improvements. I have a deep appreciation and respect for the strong technology our team has built. I joined 8x8 because I believe we have an incredible market opportunity in front of us. Additionally I'm very encouraged by the talent and dedication I'm seeing amongst the 8x8 team. Looking forward, I see the opportunity to leverage my 20 years of experience to drive improved operational execution and transformation to help the company reach its full potential.

First, as has been demonstrated for years now, the resiliency of the business model really is special and the market opportunity is massive. Not many SaaS companies have reached the half a billion revenue size that 8x8 is today, yet we are just scratching the surface. Moving business communications to the cloud is one of the largest SaaS market opportunities there is, period. That transformation is still in the early innings, yet recently we have seen it become a top business priority. The urgent adoption of work-from- anywhere has accelerated the timeframe in which companies are making and planning to make the move to the cloud. Enterprises now see cloud communications as a critical component of employee enablement, customer connection and business continuity. Having been a pioneer in cloud business communications from the beginning, 8x8 is well suited from a product and experience base to capitalize on the accelerated nature of this transformation.

Second, 8x8 has unique technology to capitalize on this opportunity. I have spent a considerable amount of time with our engineering and product teams in strategic business review meetings. Based on my initial evaluations, I am confident in the platform and product suite of solutions. 8x8 has developed an integrated platform, leveraging a decade plus of innovation. We have consistently been recognized in two Gartner Magic Quadrants, both UCaaS and CCaaS. A tremendous business and customer base has already been built upon these products yet, and I find this an exciting positive, there is even more we can do to fulfill the promise of cloud communications to deliver amazing experiences for customers. In the quarters and years ahead, we will continue to be a Customer First, Product First and Team First company that consistently delivers amazing innovation for the business user.

Third, we are focused on execution. I have been impressed with the progress that has already been made towards revenue growth and profitability. In today's announcements you are already seeing some of those hard earned results. I do believe there are further additional opportunities to become more efficient and streamline processes. We are reviewing everything from top to bottom, including where to best focus our resources and drive stronger operational excellence. Building a highly scalable, efficient, streamlined go-to-market engine will be a strategic area of focus in the coming quarters.

I am excited about leading 8x8 into this next level of growth. I am confident that through our focus on execution, our differentiated technology and this unique massive market opportunity, we will progress down the right path to provide the best communication solutions for our customers and partners and will be recognized and rewarded for such. I look forward to discussing our strategies more in the future.

Lastly, I'd like to thank our customers and partners for their continued support and the 8x8 employees for making me feel welcome. Operator, we are ready to take questions.