



arlo 

Investor Presentation

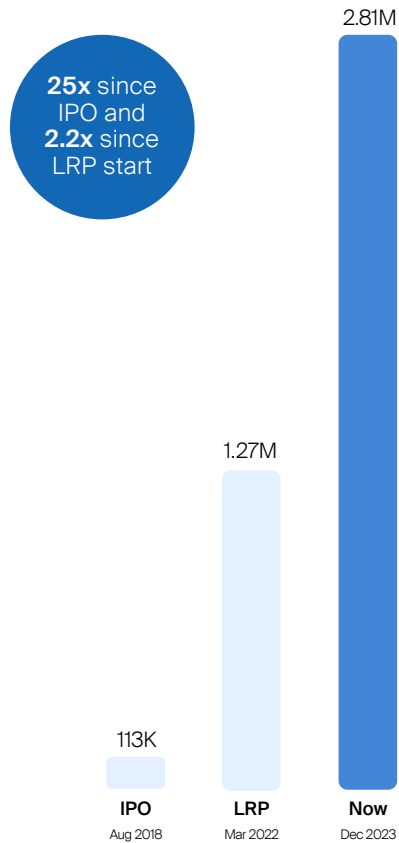
Q1 2024

SAFE HARBOR DISCLOSURE

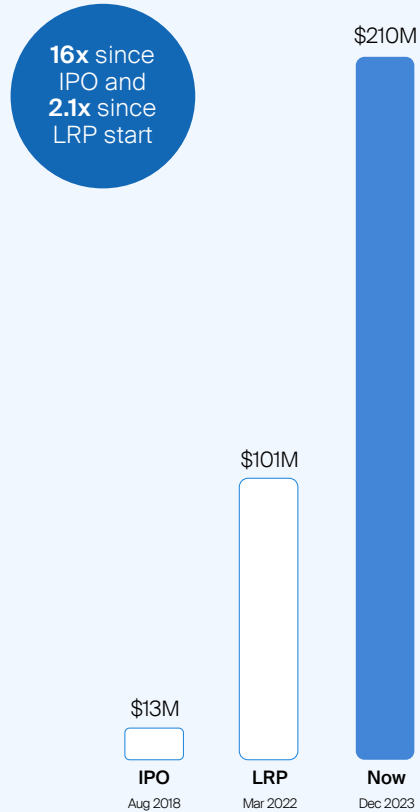
This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The words "anticipate," "expect," "believe," "will," "may," "should," "estimate," "project," "outlook," "forecast" or other similar words are used to identify such forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. The forward-looking statements represent our expectations or beliefs concerning future events based on information available at the time such statements were made and include statements regarding our potential future business, operating performance and financial condition, including descriptions of our expected revenue and profitability (and related timing), GAAP and non-GAAP gross margins, operating margins, tax rates, expenses, cash outlook, free cash flow and free cash flow margin; strategic objectives and initiatives; the recurring revenue business model; expectations regarding market expansion and future growth; subscriber growth; and others. These statements are based on management's current expectations and are subject to certain risks and uncertainties, including the following: future demand for our products may be lower than anticipated, including due to inflation, fluctuating consumer confidence, banking failures and rising interest rates; we may be unsuccessful in developing and expanding our sales and marketing capabilities; we may not be able to increase sales of our paid subscription services; consumers may choose not to adopt our new product offerings or adopt competing products; product performance may be adversely affected by real world operating conditions; we may be unsuccessful or experience delays in manufacturing and distributing our new and existing products; we may fail to manage costs and cost saving initiatives, including restructuring initiatives, the cost of developing new products and manufacturing and distribution of our existing offerings.

Further, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate. Therefore, actual outcomes and results may differ materially from what is expressed or forecast in such forward-looking statements. Further information on potential risk factors that could affect our business are detailed in our periodic filings with the Securities and Exchange Commission, including, but not limited to, those risks and uncertainties listed in the section entitled "Risk Factors" in the most recently filed Annual Report and Quarterly Report filed with the Securities and Exchange Commission (the "SEC") and subsequent filings with the SEC. Given these circumstances, you should not place undue reliance on these forward-looking statements. We undertake no obligation to release publicly any revisions to any forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

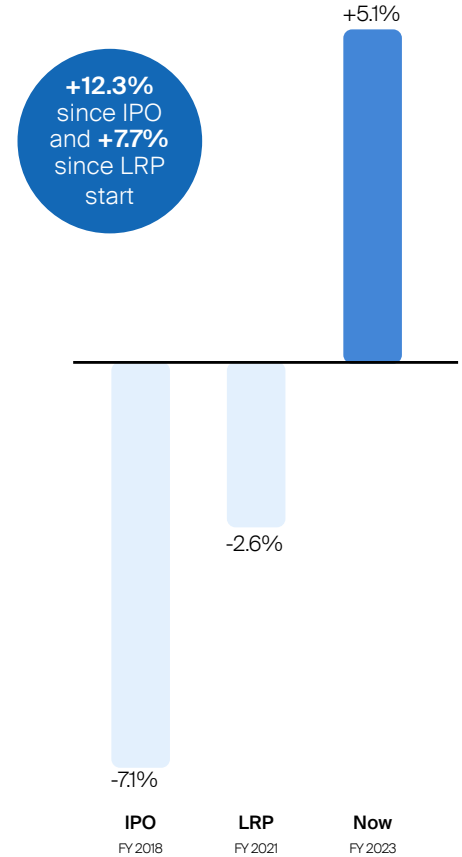
Use of Non-GAAP Financial Information In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the following non-GAAP metrics: non-GAAP gross margin, non-GAAP operating margin, and other non-GAAP measures specifically set forth in the Appendix to this presentation. 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. There are a number of limitations related to the use of these non-GAAP metrics versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP metrics differently or may use other metrics to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial metrics as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures set forth in the Appendix to this presentation, and not to rely on any single financial measure to evaluate our business. This presentation and the accompanying oral presentation also contain estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry and business. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the industry data generated by independent parties and contained in this presentation and, accordingly, we cannot guarantee their accuracy or completeness. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we compete are necessarily subject to a high degree of uncertainty and risk. In addition, we use free cash flow as non-GAAP measure when assessing the sources of liquidity, capital resources, and quality of earnings. We believe that free cash flow (usage) is helpful in understanding our capital requirements and provides an additional means to reflect the cash flow trends in our business.



PAID ACCOUNTS



ANNUAL RECURRING REVENUE



OPERATING MARGIN

(NON-GAAP)

ARR represents the amount of paid service revenue that we expect to recur annually and is calculated by taking our recurring paid service revenue for the last calendar month in the fiscal quarter, multiplied by 12 months. Recurring paid service revenue represents the revenue we recognize from our paid accounts and excludes prepaid service revenue. ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.



Who is Arlo?

COMPANY OVERVIEW



We bring peace of mind to people everywhere by connecting and protecting what they care about most.

Arlo protects your everything.



Security is more important than ever before.

Everyone has a right to feel safe in their own home. We're exclusively dedicated to ensuring everyone has access to security they can trust.



A home burglary occurs **every 30 seconds** in the United States¹



Homes without a security system are **300% more likely to be burglarized**²



1/3 of people globally feel less safe than they did five years ago³



Water leaks impact 14,000 homes per day in the U.S. causing over **>\$30 Billion in damages**⁴



Fires affect **1,000 homes per day** causing **>\$12 Billion** in damage annually and tragic loss of life⁵

1. FBI 2019 Crime in the U.S. Report <https://ucr.fbi.gov/crime-in-the-u.s/2019/crime-in-the-u.s.-2019/topic-pages/burglary>

2. Alarm.org Report. <https://www.thezebra.com/resources/research/burglary-statistics/>

3. 2021 Lloyd's Register Foundation World Risk Poll, powered by Gallup.

4. Water Damage Defense Report. <https://www.waterdamagedefense.com/pages/water-damage-by-the-numbers>

5. U.S. Fire Administration and NFPA. <https://www.thezebra.com/resources/research/house-fire-statistics/>

A rapidly growing security market.

Consumers everywhere expect smart, convenient, and affordable security solutions with advanced video monitoring at their core.

As security shifts towards mass market availability, solutions that fulfill these expectations, while delivering world-class privacy and customer experience are positioned to win.

1. Smart Home Security Market | 2021 - 26 | Industry Share, Size, Growth - Mordor Intelligence. (n.d.). [www.mordorintelligence.com](https://www.mordorintelligence.com/industry-reports/smart-home-security-market).
2. Global Smart Home Security Camera Market Size, Share, Growth Analysis By 2030. (n.d.). Spherical Insights. <https://www.sphericalinsights.com/reports/smart-home-security-camera-market#:~:text=Free%20Sample%20PDF->
3. *S7055. Who installed your home security system? | Source: Multiple Surveys: American Broadband Households and Their Technologies | © 2020 Parks Associates

14%

Smart Home Security
Market CAGR¹

2024-2029

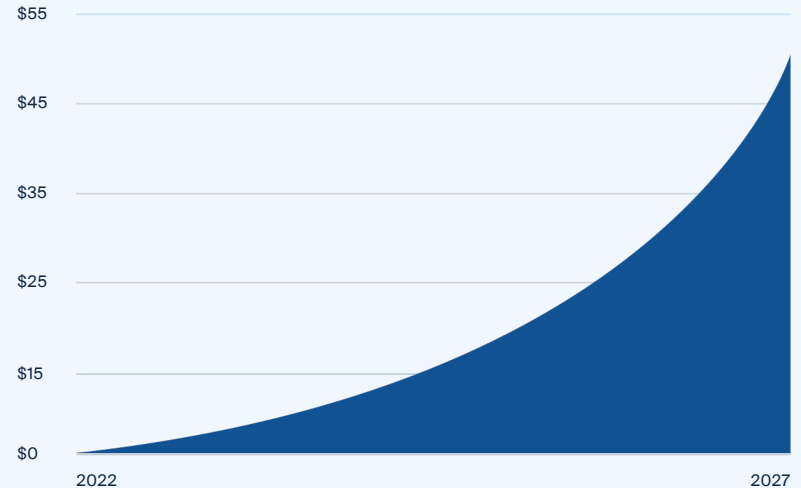
19%

Video Surveillance Systems
Sub-Segment CAGR²

2020-2030

Global Home Security + Growth TAM

Billions per year



Diving into retail & direct paid accounts⁽¹⁾ shows the outstanding performance of our services business

\$11.3

Retail ARPU⁽²⁾

\$700

Retail LTV⁽⁴⁾

89%

Retail Gross Margin⁽³⁾

\$100

Retail CAC⁽⁵⁾

LTV/CAC Ratio

arlo

7x

zoom

6x

shopify

5x

Roku

3x

Spotify

3x

NETFLIX

2x

PELOTON

2x

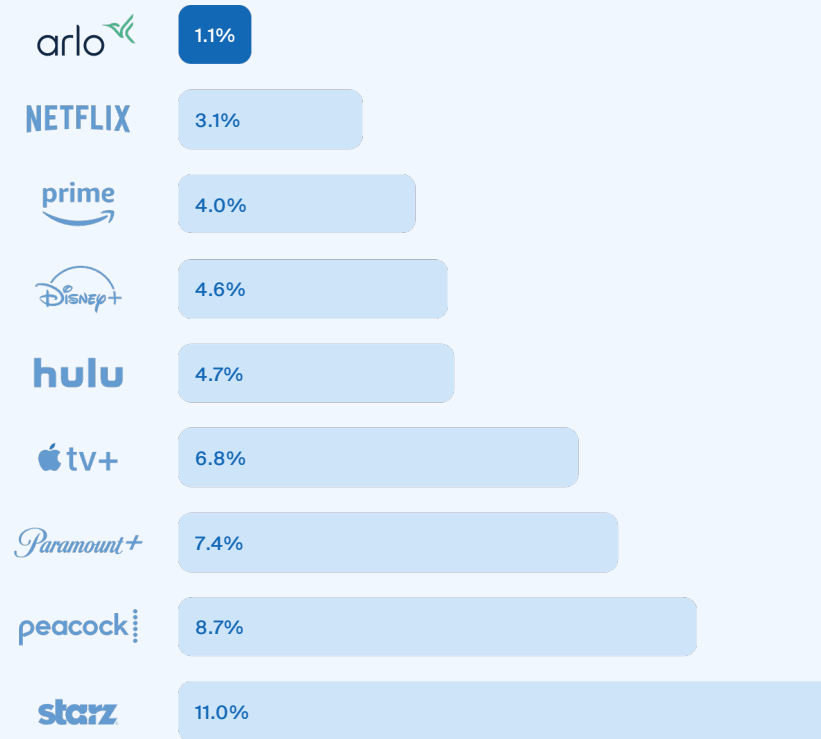
(1) Retail and direct paid accounts does not include those from B2B or strategic accounts. (2) Average monthly revenue per retail paid account user. (3) Non-GAAP gross margin for retail/direct paid accounts (4) LTV calculated as retail ARPU multiplied by non-GAAP retail services gross margin divided by retail services churn rate. (5) CAC calculated as retail sales and marketing expense less retail product non-GAAP gross profit divided by number of new retail paid subscriber accounts

Our services stand out among comparable consumer-based subscriptions.

Our paid account monthly churn is among the best compared to consumer subscription peers.

Security ranks 1st in subscriptions least likely to be canceled.

Paid Account Monthly Churn Rate¹⁾



¹⁾ Arlo churn is calculated on new business model households only.
<https://churnkey.co/blog/churn-rates-for-streaming-services/>



2024 Connected Home
Security Camera Company of the Year





Arlo Ranked #14

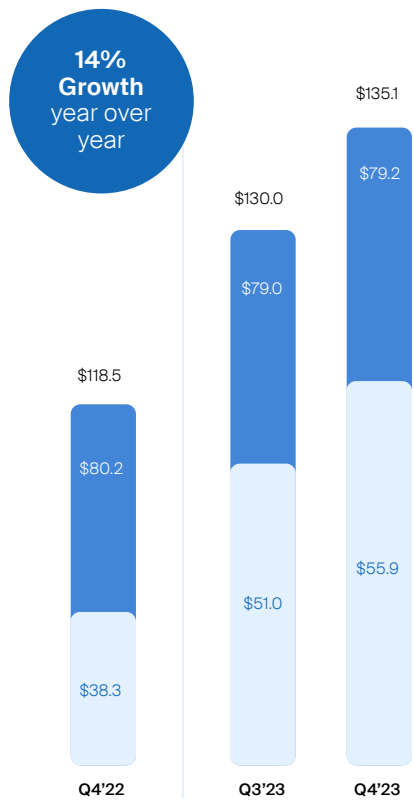
Ranked 5th in IoT category and shares the Top 5 with Intel Corporation, Nokia, Verizon, and Microsoft Azure IoT



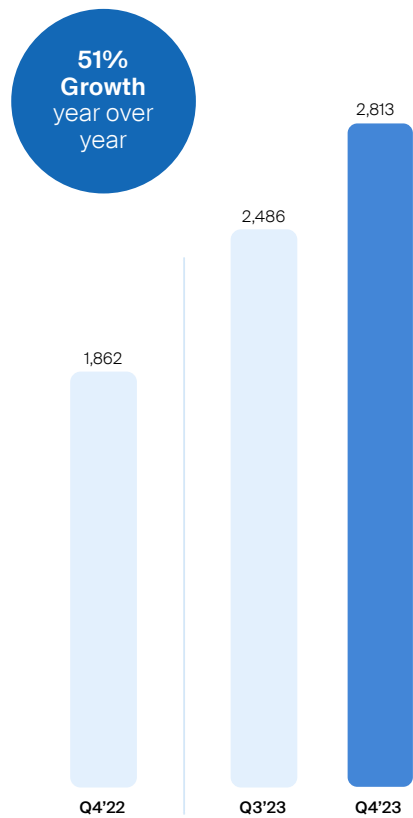
Q4 & Full Year 2023

OPERATING RESULTS

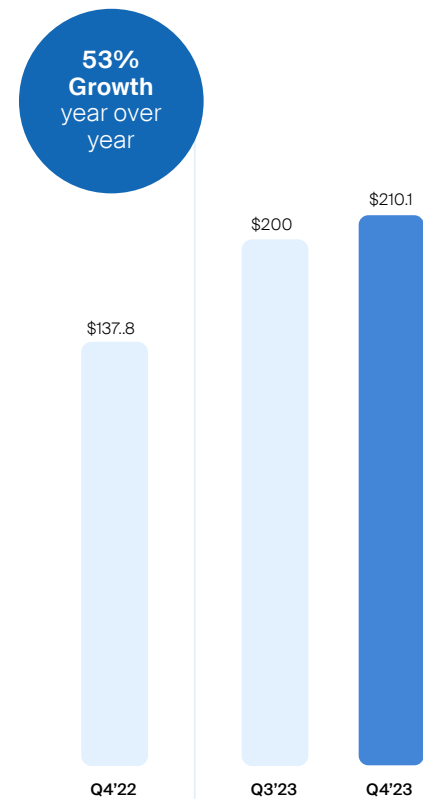




REVENUE
(in millions)



SUBSCRIBER GROWTH
(in millions)

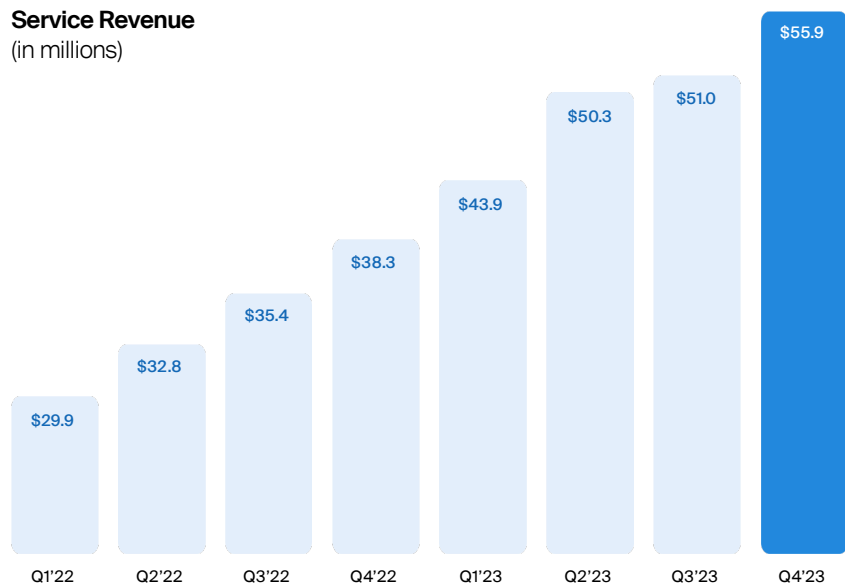


ARR
(in millions)

Rapid growth in Paid Accounts and ARR are driving Service Revenue growth and Gross Margin expansion

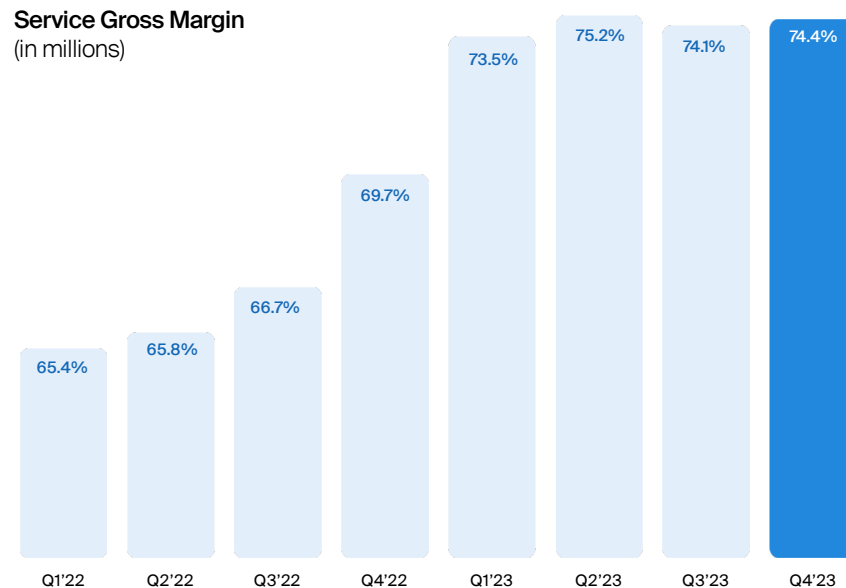
Service Revenue

(in millions)



Service Gross Margin

(in millions)

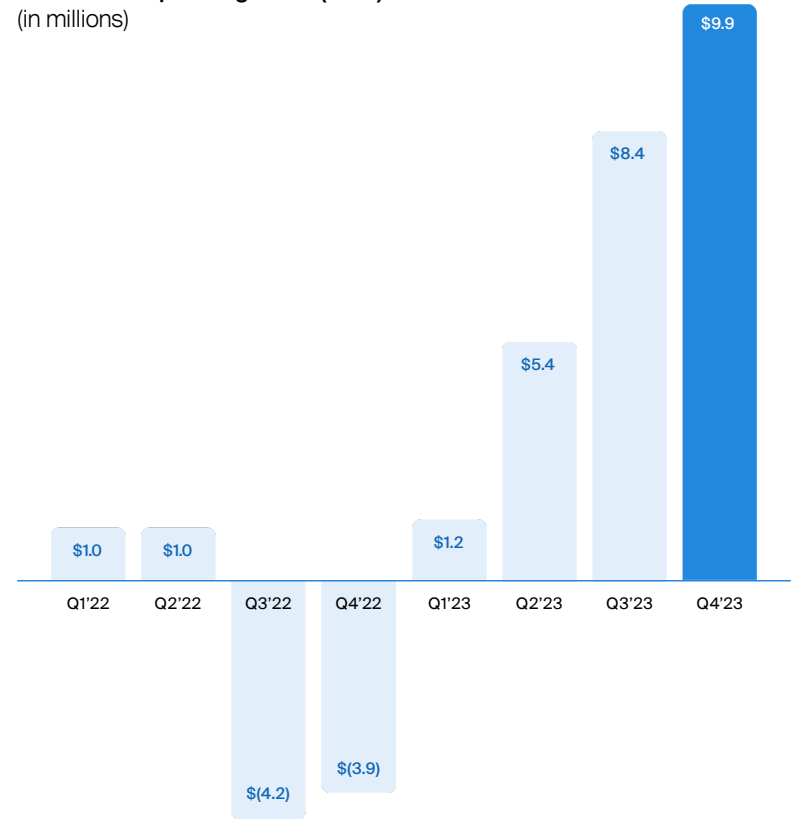


The most directly comparable GAAP financial measures are presented in the GAAP to non-GAAP reconciliation in the Appendix



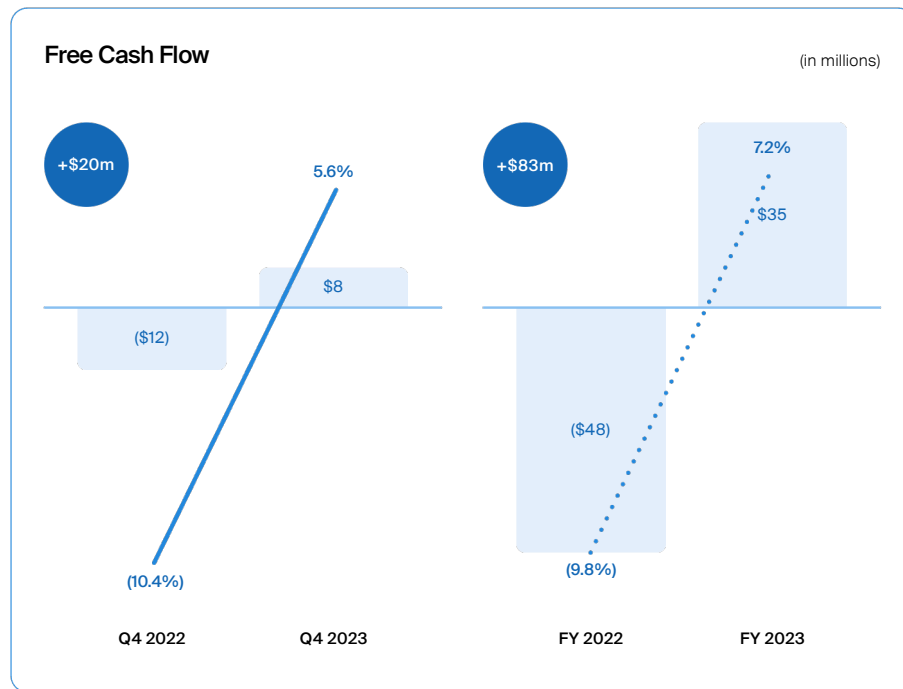
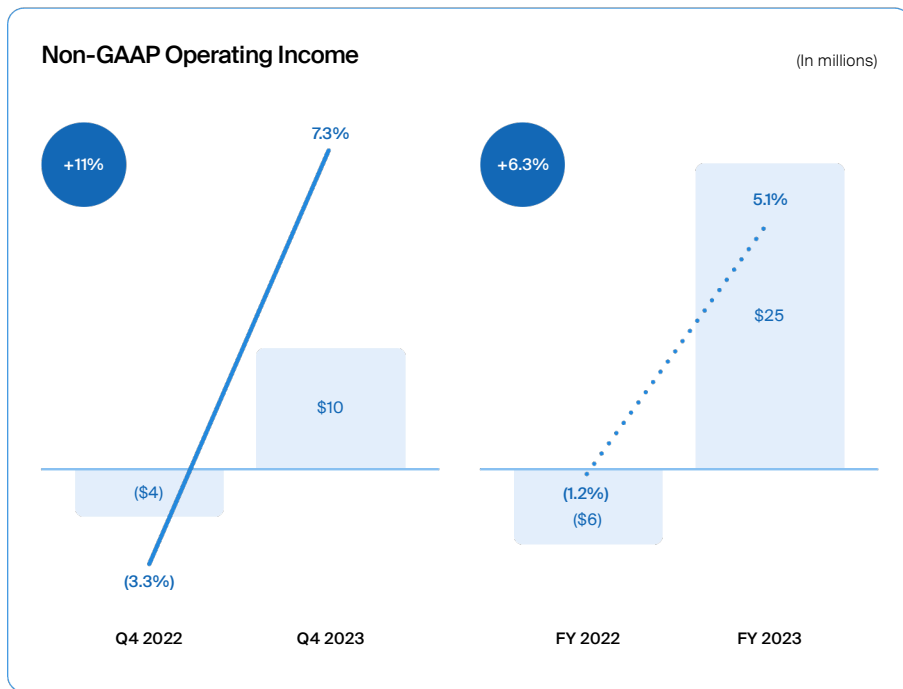
Gross margin expansion and disciplined expense management are accelerating profitability.

Non-GAAP Operating Profit/(Loss)
(in millions)

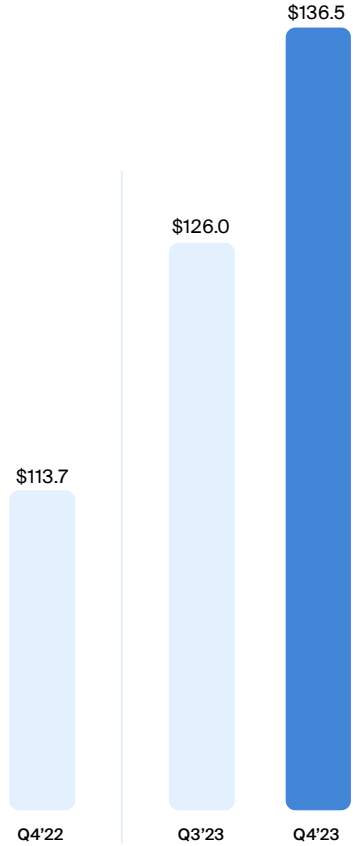


The most directly comparable GAAP financial measures are presented in the GAAP to non-GAAP reconciliation in the Appendix

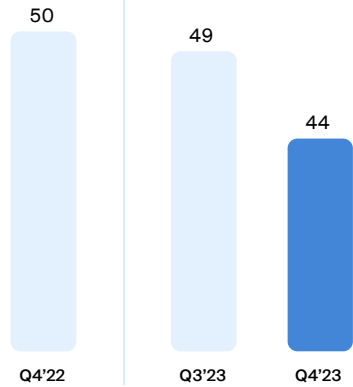
Operating leverage and free cash flow improves with subscription model and growth in paid accounts



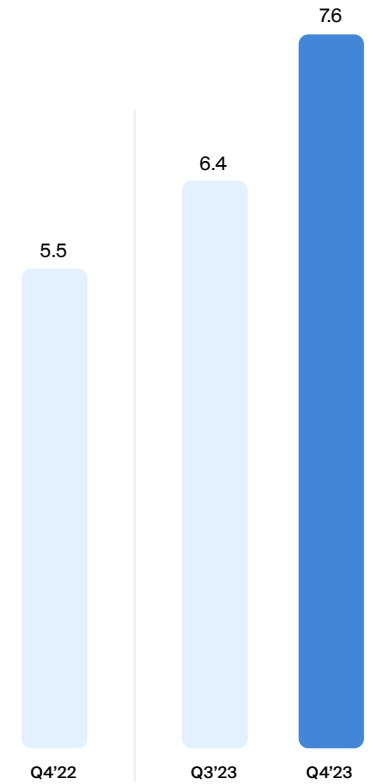
The most directly comparable GAAP financial measures are presented in the GAAP to non-GAAP reconciliation in the Appendix



CASH & SHORT-TERM INVESTMENTS
(in millions)



DSO
(days)



INVENTORY TURNS
(turns)



Growth Through

DRIVING INNOVATION



A decade of innovation focused on safety

2014

Arlo Launch

The first wire-free camera with cloud storage that created a new market segment

2017

Pro 2

First camera supporting FHD 1080p video and faster WIFI

2016

Pro

First camera with 2-way audio and rechargeable batteries

2017

Go LTE

First camera with 4G LTE integrated for security anywhere

2018

Smart AI v1

World's first Artificial Intelligence service for video object detection

2018

Ultra

First camera with 4K, color night vision, noise-cancellation and dual-band WIFI

2019

E911 Service

First service to provide accurate emergency calling and metadata

2019

Doorbell

First doorbell with 1:1 aspect ratio and SIP based calling

2019

Smart AI v2

First AI based package detection and smoke, CO alarm detection

2019

Pro 3

First camera with 2K video and battery-operated floodlight

2020

Go v2

First camera with LTE, WIFI, and integrated GPS technologies

2021

Secure AI v1

First service with Emergency Response with Direct Dispatch

2022

Safe Service

Personal safety service with family comms and crash detection

2022

Security System

First security system with an 8 in 1 multi-sensor for DIY

2022

Monitoring

First pro monitoring with video verification and real time status

2022

Pro 5S

First camera with tri-band wireless and resilience features

2023

ATS Plans

First subscription to combine Arlo products and service in single payment

2023

E2 Doorbell

First doorbell with NFC reader for advanced access control



1800hrs+

of video uploaded per minute

more than



7.8 bn+

API calls per day across
platform and customers

55 pb+

video stored and
protected in the cloud

91bn package notifications

45bn people notifications

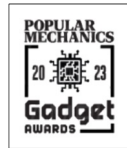
4bn vehicle notifications

AI-based smart
notifications in 2023

Our cloud-based platform makes our solutions **secure and scalable.**

Arlo Secure Cloud provides a high performance, low latency, and intelligent engine to power all of our customer experiences.







“The companion Arlo Security app is the most impressive security-based app I've ever used.”

- How To Geek, Jan 2024

“Motion alerts arrived instantly and were correctly identified.”

- PC Magazine, Jan 2024

“I always enjoy the ease and flexibility [Arlo Secure] brings to operating the camera.”

- TechLive, Jan 2024

“The installation process for the camera is quick and easy, and the companion Arlo app is user-friendly and offers a seamless experience.”

- How To Geek, Jan 2024

“For first-time users and those just dabbling in home security things don't get much easier.”

- Android Guys, Dec 2023

“The motion detection has been spot-on, but I like how Arlo Secure adds a higher degree of intelligence with those motions.”

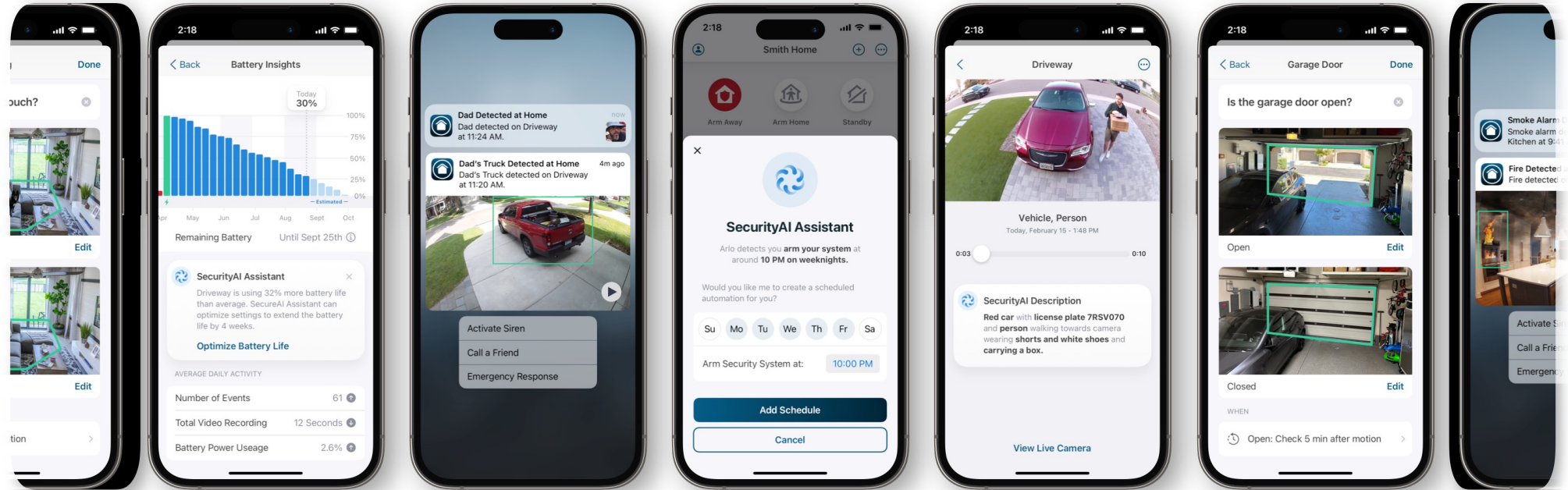
- SPY, Apr 2023

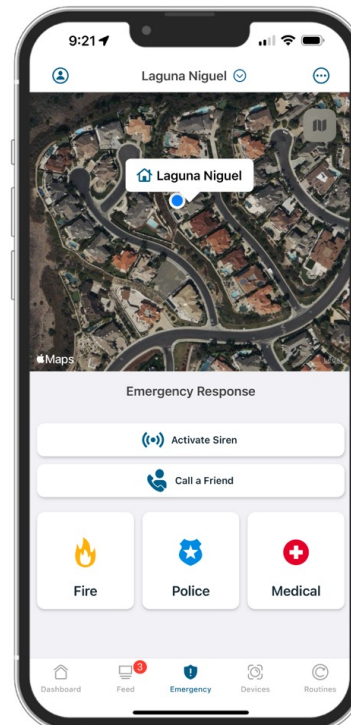
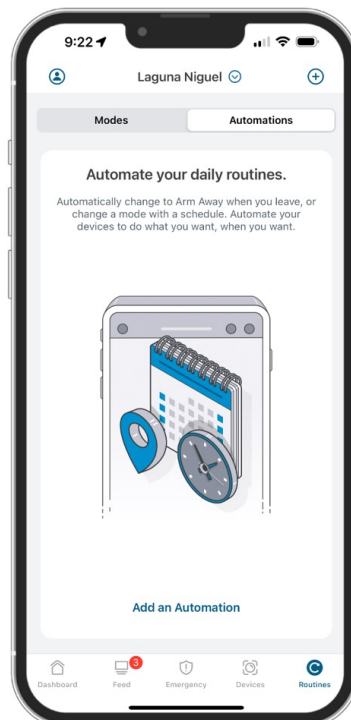
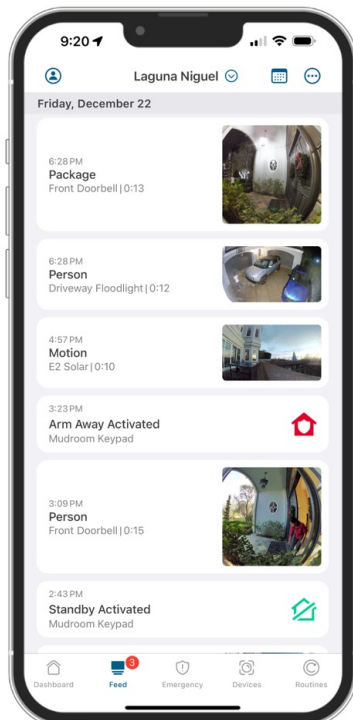
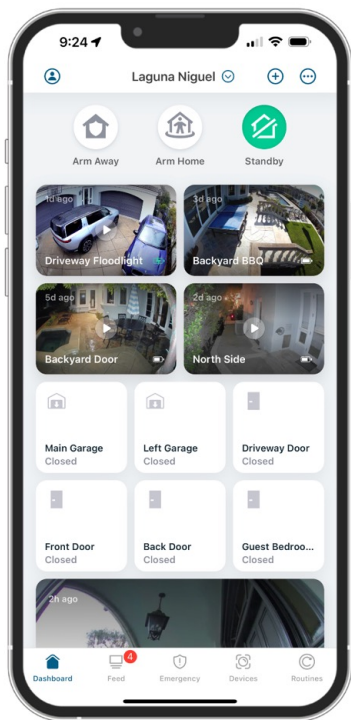
“The Arlo Secure app's operational modes make it a breeze to control the camera whether you're home or away.”

- TechLive, Jan 2024

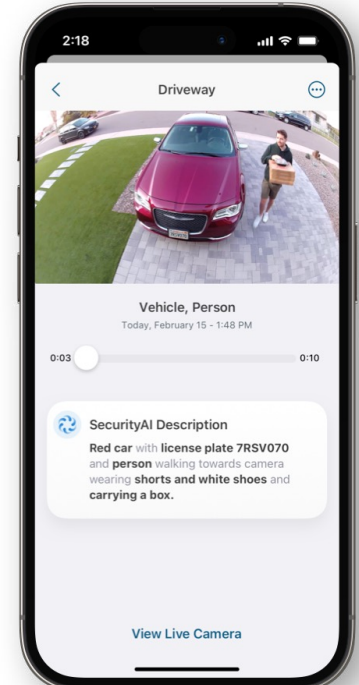
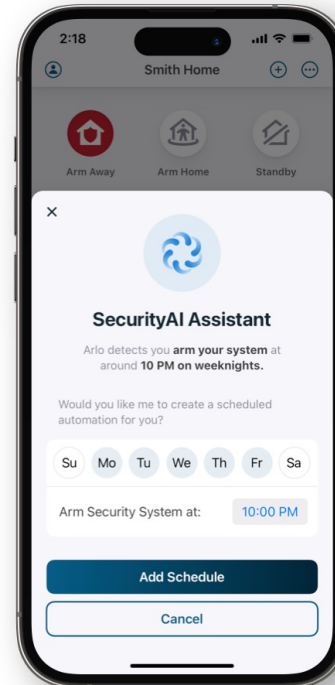
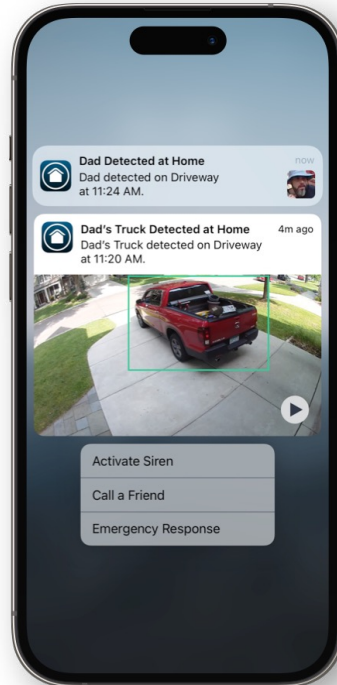
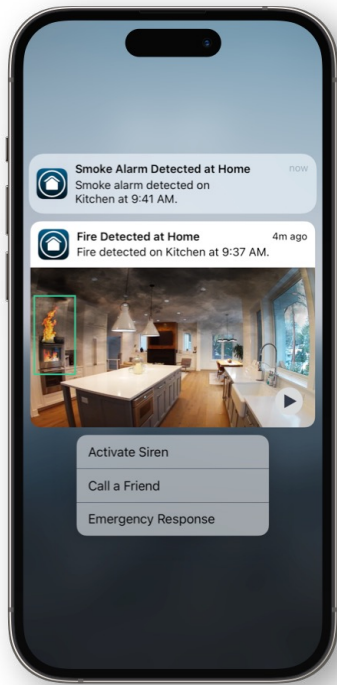
Arlo Secure 5

POWERING THE NEXT GENERATION OF SMART SECURITY EXPERIENCES

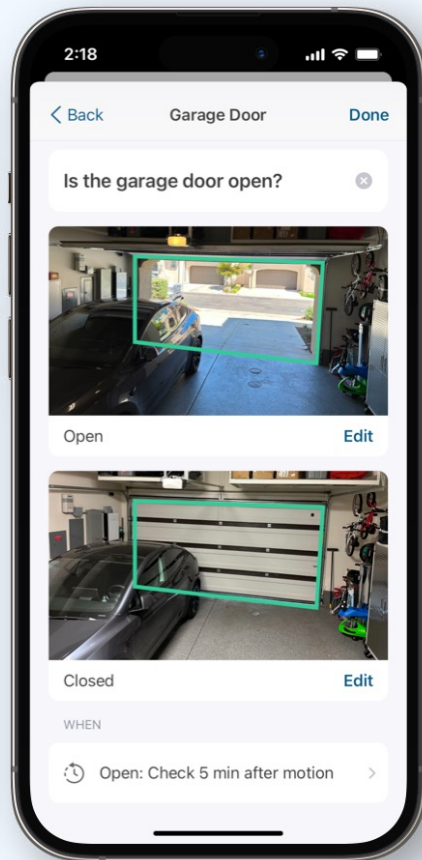
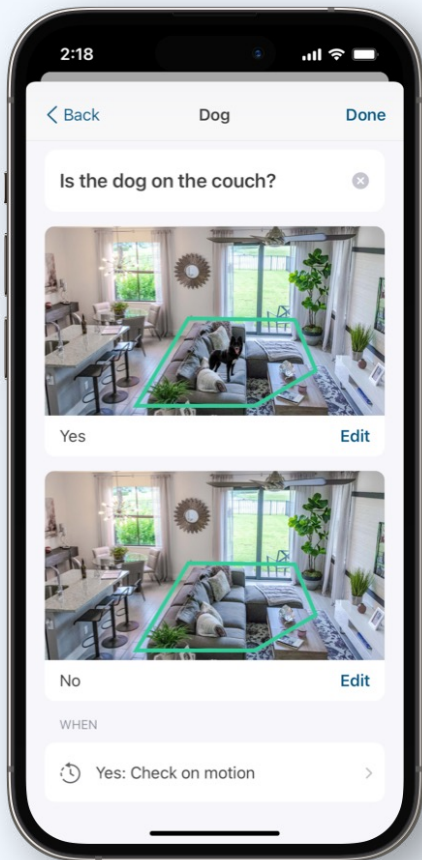




Arlo Secure includes a user customizable **Dashboard**, a **Feed** that aggregates all device events, a powerful smart home **Automation** engine, and the most sophisticated, feature-rich **Emergency Response** experience in the industry.



Arlo Secure 5.0 expands our robust **Video & Audio Detection** models, introduces a powerful **Recognition** engine, adds a proactive **Security Assistant**, and provides an advanced platform for future capabilities such as **Contextual Awareness**.

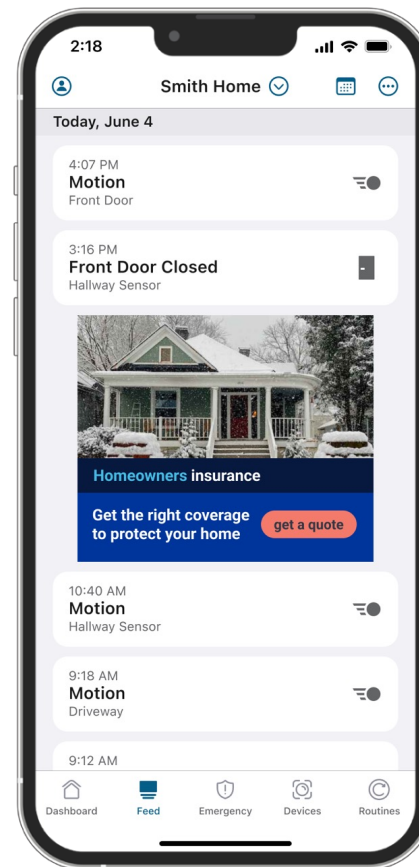
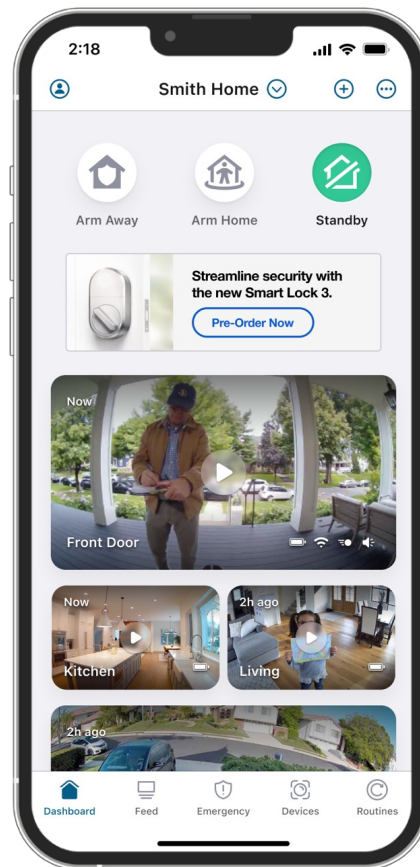


Arlo Secure 5 features user-defined micromodels for **unlimited, personal AI** powered experiences

- A truly multimodal AI engine that combines text prompts, images, events, and other metadata to create a custom, user specific solution
- User micromodels are completely private with no data, prompts, or the resulting model being shared across other user environments

New Arlo Secure 5 free tier with advertising rolling out in Q4 2024

Adds features and capabilities to the base Arlo Secure experience in return for integrated advertising relevant to the end user. Enables monetization of Arlo's entire active user population with a potential for up to 750 million impressions per month.



Looking Ahead

GUIDANCE & LRP



What makes us different and why we'll win in the smart security market.

Differentiators

Why It Matters



Singular focus on security



Every person, every day, dedicated to our mission



Industry-leading video capture and hardware



Video is the key to security and home automation



Data usage and privacy pledge



Data is only used to enhance our solutions



Secure cloud-based platform



Ability to process high-volumes of data and scale quickly



Broad portfolio of services across DIY and DIFM



Access at multiple price points and lifetime customer journey



Growth drivers.

We're poised for significant growth through subscriber, market, service, and platform expansion.



Subscriber Growth

Accelerate & build upon household acquisition in our current global markets.

Current subscribers

3 million



Service Enhancements

Expand functionality, features, and benefits of existing service and subscription tiers.

Current ARPU

\$11.30



Adjacent Markets

Develop opportunities in adjacent markets through strategic partnerships.

Key Adjacencies

SMBs, InsureTech, Telehealth

Q1 2024 Guidance

Full Year 2024 Guidance

\$117 - \$127 Million

Total Revenue



\$510 - \$545 Million

Total Revenue

\$0.05 - \$0.11

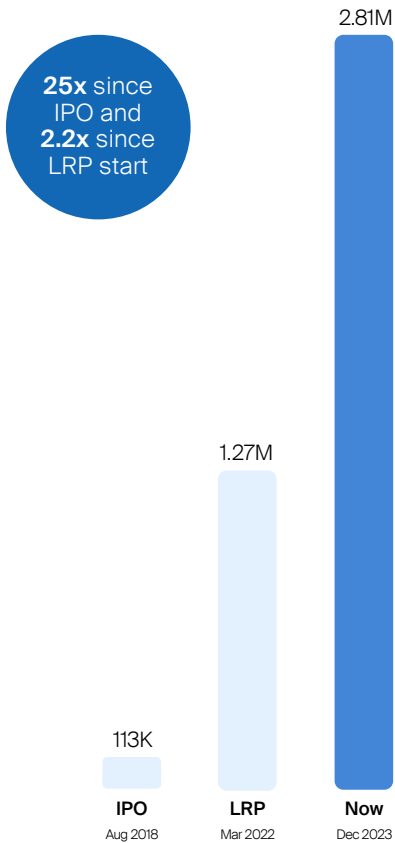
Non-GAAP Earnings Per Share



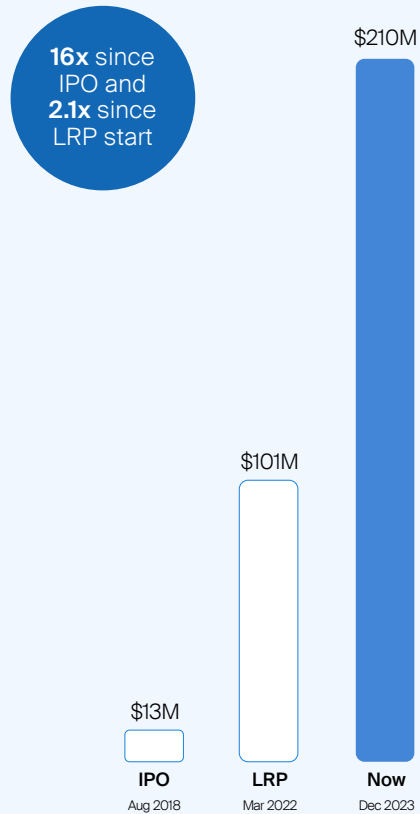
\$0.35 - \$0.45

Non-GAAP Earnings Per Share

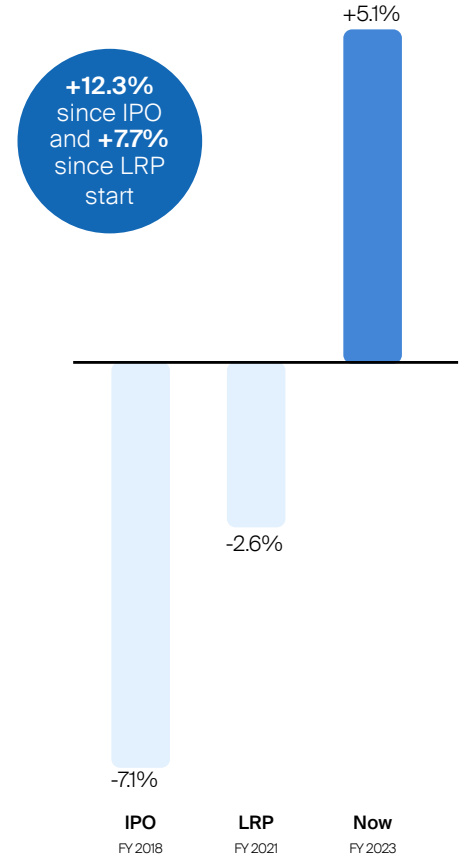




PAID ACCOUNTS



ANNUAL RECURRING REVENUE



OPERATING MARGIN (NON-GAAP)

ARR represents the amount of paid service revenue that we expect to recur annually and is calculated by taking our recurring paid service revenue for the last calendar month in the fiscal quarter, multiplied by 12 months. Recurring paid service revenue represents the revenue we recognize from our paid accounts and excludes prepaid service revenue, and NRE service revenue from strategic partners. ARR is a performance metric and should be viewed independently of revenue and deferred revenue, and is not intended to be a substitute for, or combined with, any of these items.

Original Long-Range Plan

MARCH 2022 TARGETS FOR ≤ 2027

5 Million

Paid Accounts



New Long-Range Plan

NEW TARGETS FOR ≤ 2030

10 Million

Paid Accounts

\$300 Million

In ARR



\$700 Million

In ARR

≥10%

In Operating Margin
(NON-GAAP)



>25%

In Operating Margin
(NON-GAAP)





Appendix

GAAP to non-GAAP Reconciliations

Reconciliations of GAAP Measures to Non-GAAP Measures

Gross Profit, In Thousands, except percentage data

	Three Months Ended							
	April 3, 2022	July 3, 2022	October 2, 2022	December 31, 2022	April 2, 2023	July 2, 2023	October 1, 2023	December 31, 2023
GAAP gross profit:								
Products	\$ 14,048	\$ 12,362	\$ 13,334	\$ 5,499	\$ 3,019	\$ 4,303	\$ 5,626	\$ 6,025
Services	19,527	21,378	23,416	26,471	32,198	37,555	37,513	41,324
Total GAAP gross profit	33,575	33,740	36,750	31,970	35,217	41,858	43,139	47,349
GAAP gross margin:								
Products	14.8 %	14.3 %	14.4 %	6.9 %	4.5 %	6.6 %	7.1 %	7.6 %
Services	65.3 %	65.2 %	66.1 %	69.1 %	73.3 %	74.6 %	73.5 %	73.9 %
Total GAAP gross margin	26.9 %	28.4 %	28.7 %	27.0 %	31.7 %	36.4 %	33.2 %	35.0 %
Stock-based compensation expense - products	855	1,148	1,132	1,001	912	848	723	692
Stock-based compensation expense - services	55	187	233	230	(51)	119	145	145
Amortization of development of software cost - services	—	—	—	—	151	151	152	151
Non-GAAP gross profit:								
Products	14,903	13,510	14,466	6,500	3,931	5,151	6,349	6,717
Services	19,582	21,565	23,649	26,701	32,298	37,825	37,810	41,620
Total Non-GAAP gross profit	\$ 34,485	\$ 35,075	\$ 38,115	\$ 33,201	\$ 36,229	\$ 42,976	\$ 44,159	\$ 48,337
Non-GAAP gross margin:								
Products	15.7 %	15.7 %	15.6 %	8.1 %	5.9 %	8.0 %	8.0 %	8.5 %
Services	65.4 %	65.8 %	66.7 %	69.7 %	73.5 %	75.2 %	74.1 %	74.4 %
Total Non-GAAP gross margin	27.6 %	29.5 %	29.7 %	28.0 %	32.6 %	37.3 %	34.0 %	35.8 %

Reconciliations of GAAP Measures to Non-GAAP Measures

Operating Income (Loss), In Thousands, except percentage data

	Three Months Ended							
	April 3, 2022	July 3, 2022	October 2, 2022	December 31, 2022	April 2, 2023	July 2, 2023	October 1, 2023	December 31, 2023
GAAP operating loss	\$ (8,672)	\$ (11,342)	\$ (14,440)	\$ (22,425)	\$ (14,140)	\$ (8,029)	\$ (2,276)	\$ (458)
GAAP operating margin	(7.0)%	(9.5)%	(11.3)%	(18.9)%	(12.7)%	(7.0)%	(1.8)%	(0.3)%
Stock-based compensation expense	9,589	12,245	9,953	16,689	14,591	12,973	10,287	10,097
Other	126	90	278	1,845	783	492	415	222
Non-GAAP operating income (loss)	\$ 1,043	\$ 993	\$ (4,209)	\$ (3,891)	\$ 1,234	\$ 5,436	\$ 8,426	\$ 9,861
Non-GAAP operating margin	0.8 %	0.8 %	(3.3)%	(3.3)%	1.1 %	4.7 %	6.5 %	7.3 %
Trailing 12 months Non-GAAP operating income (loss)	\$ (7,115)	\$ (1,788)	\$ 1,336	\$ (6,064)	\$ (5,873)	\$ (1,430)	\$ 11,205	\$ 24,957



Reconciliations of GAAP Measures to Non-GAAP Measures

Free Cash Flow (Usage), In Thousands, except percentage data

	Three Months Ended							
	April 3, 2022	July 3, 2022	October 2, 2022	December 31, 2022	April 2, 2023	July 2, 2023	October 1, 2023	December 31, 2023
Net cash provided by (used in) operating activities	\$ (24,557)	\$ (4,824)	\$ (5,402)	\$ (11,181)	\$ 10,329	\$ 12,578	\$ 7,459	\$ 7,935
Less: Purchases of property and equipment	(298)	(153)	(364)	(1,194)	(923)	(1,031)	(494)	(399)
Free cash flow (usage) ⁽¹⁾	\$ (24,855)	\$ (4,977)	\$ (5,766)	\$ (12,375)	\$ 9,406	\$ 11,547	\$ 6,965	\$ 7,536
Free cash flow (usage) margin ⁽¹⁾	(19.9)%	(4.2)%	(4.5)%	(10.4)%	8.5 %	10.0 %	5.4 %	5.6 %

(1) Free cash flow (usage) is calculated as net cash provided by (used in) operating activities less capital expenditures. Free cash flow (usage) margin is the free cash flow (usage) divided by revenue.