



arlo 

Investor Presentation

May 8, 2025

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, such as our capital allocation plan and partnerships; the recurring revenue business model; expectations regarding the size of the smart home security market, market expansion and future growth; subscriber growth, and adoption and attachment rates; the term, scope and other provisions related to our 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 not fully realize the benefits or potential of our partnerships; we may be unsuccessful or experience delays in manufacturing and distributing our new and existing products; 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.

Arlo protects your everything. everything.

Arlo is a **subscription software business** in the smart security segment powered by a scaled, secure, and sophisticated platform with groundbreaking AI capabilities called Arlo Intelligence.

We win on **focus**, **innovation**, and our **privacy pledge**.

Arlo's solutions have **led the industry for more than 10 years** with our team of 370 dedicated employees committed to making sure our users are safe.



Arlo At A Glance

AI-powered SaaS business in the Smart Security space

Registered
Accounts

>11m

Annual Recurring
Revenue

>\$275m

Service Gross
Margin

>80%

Paid Subscribers

>5.0m

ARR Growth
YoY

>20%

LTV/CAC Ratio

4x



Six years to reach \$250M of ARR is best-in-class

6 or less years



7 – 10 years



11 – 15 years



16+ years



1. The peer group is comprised of the 47 SaaS companies traded on the NYSE and Nasdaq with enterprise values of at least \$250M
 2. For the peer group, revenue has been used as a proxy for ARR which is not consistently reported.
 3. Revenue data is from Capital IQ. In cases where historical revenue data is not sufficiently available, an estimate has been made based on historical growth rates.
 4. Arlo ARR measured at end of Q4 2024. Time to reach \$250M ARR measured from the launch of Arlo Smart in Q2 2018.

Large, Growing, & Underpenetrated Smart Home Security Market

Arlo participates in the broader home security market that is sized in the US at **\$25B in 2025**

TAM is further expanded by Europe and other international markets and potential future expansion into adjacent smart home segments

Adoption rates for smart cameras and video doorbells have **more than doubled** in the US during the last five years, the fastest among any smart home category

Smart home security products also have the **highest attach rate for subscription services** among all smart home products (66% for smart cameras and 71% for video doorbells)

Despite its growth, paid smart home security services are just 7% penetrated in the US and 68% of homes do not pay for security services, leaving **10x more whitespace available for capture**

Global Market Estimated @ **2-3x US**

Broader DIY Smart Home (Consumer, US)

\$13.4B

Smart Security Services (Consumer, US)

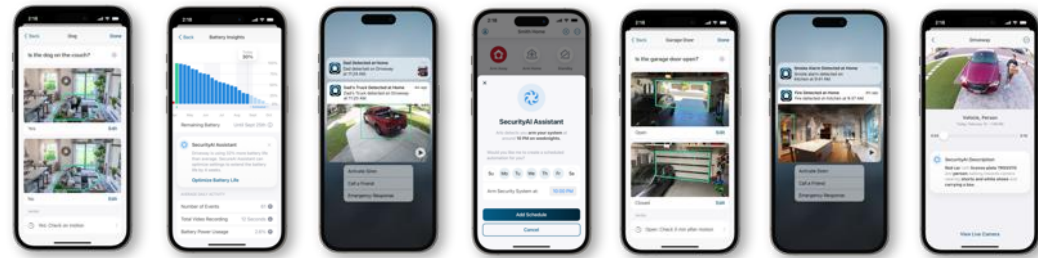
\$16.6B

DIY & Professionally Installed Security Devices. (Consumer, US)

\$8.2B

Adjacent Markets Estimated @ **3-4x**





Strategic Partners

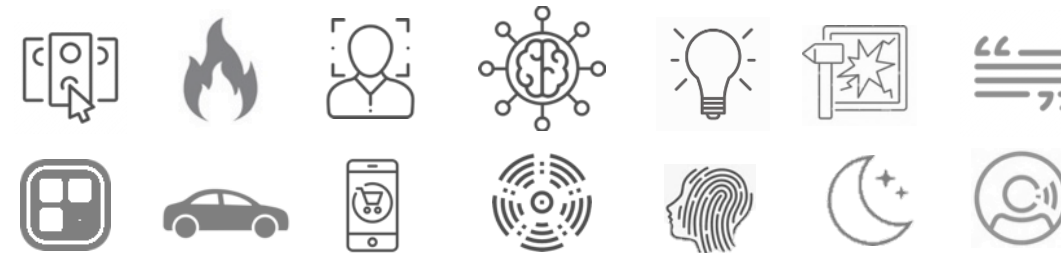


Subscription Services

Arlo Secure, Arlo Safe, authentication, billing, in-app payments, user insights, advertising engine, user management



Smart Home Ecosystems



Encryption Monitoring



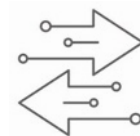
Media Server



Storage



Alert Engine



2-Way Comms



Automation



ARLO CORE SaaS PLATFORM



Device Mgmt



ARLO SaaS PLATFORM

A sophisticated and performant SaaS platform built over the last 10 years with artificial intelligence at its core and providing world-class smart security experiences for our users and strategic partners.

170+ billion AI alerts per year

Arlo Intelligence continuously analyzes and differentiates billions of system triggers to filter out unimportant events and characterize for escalation those that the user should review.

1700+ hours of video per minute

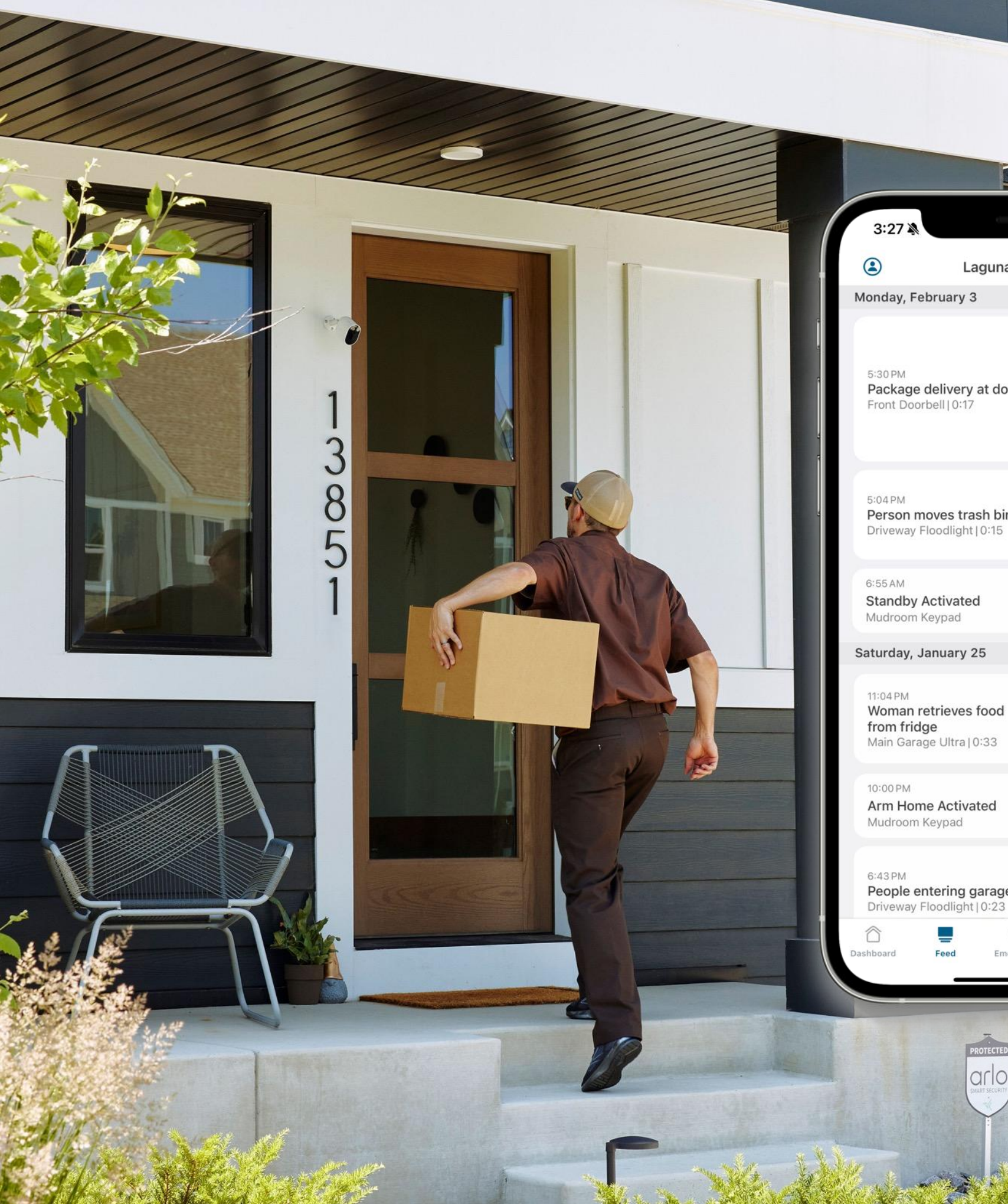
Nearly 900 million hours of video per year from millions of cameras is uploaded, processed, and stored to drive notifications and insights for our users to stay safe.

26+ billion API calls per day

The Arlo platform is operating at scale and responding to billions of API calls per day with 99.999% uptime for users and strategic partners relying on Arlo to provide services.

34+ million devices shipped

Arlo designs and manufactures a full ecosystem of smart home security devices including cameras, floodlights, doorbells, security hubs, keypads, sensors, and accessories.



ARLO INTELLIGENCE

Object Detection

Determines if a person, animal, or vehicle is within the scene during a motion event to help filter and prioritize alerts for the end user.

Package Detection

Specific alerts when a package is detected and quick prompts to speak with delivery person or call a friend to secure the delivery.

Fire Detection

Advanced computer vision model to detect flames which can provide a warning well before smoke alarms are triggered.

Person Recognition

The ability to identify specific people through sophisticated facial recognition to determine who triggered a motion event.

Vehicle Recognition

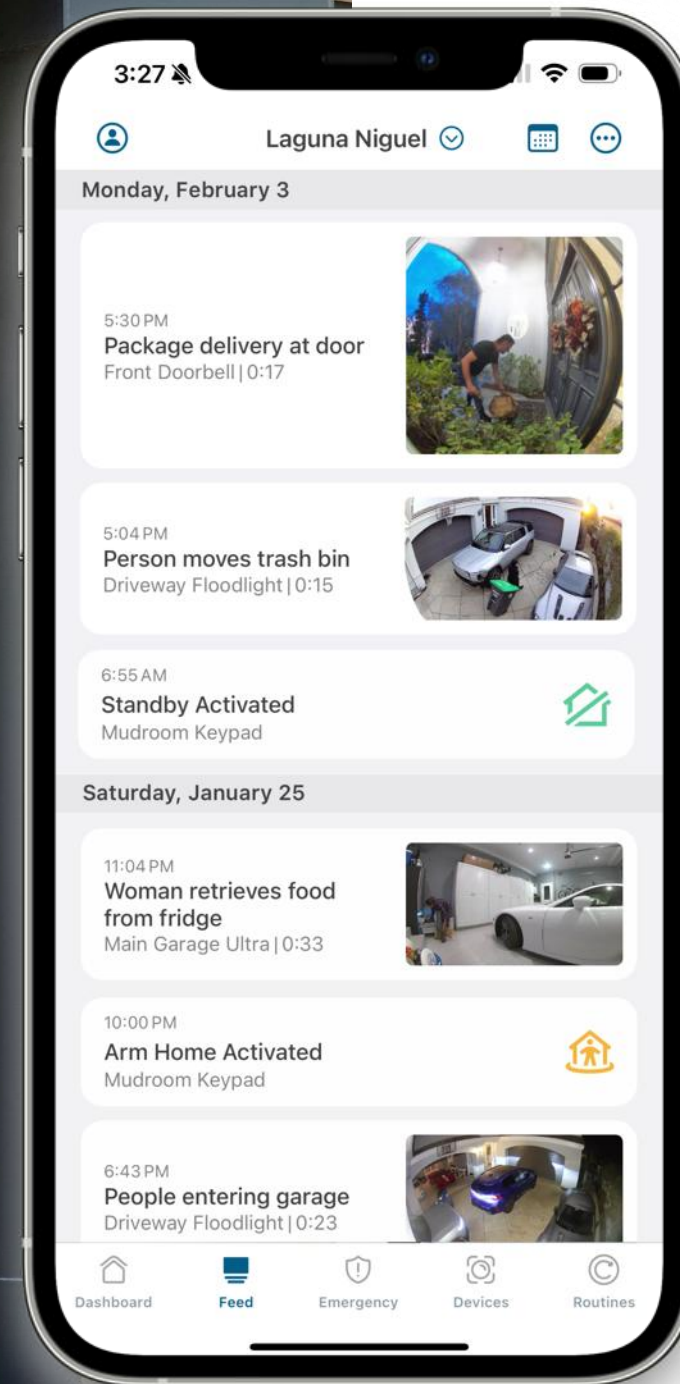
The expansion of Arlo's recognition engine to identify specific vehicles by name to create alerts per vehicle or for unknown vehicles.

Smoke/CO Alarm Recognition

Our audio AI engine that can detect but also discriminate between a smoke alarm or carbon monoxide alarm to create specific alerts.

Personal AI Agent

Users can create their own AI models by in typing in what they want to detect and uploading example engines. The resulting model is private to that user and unlocks unlimited possibilities.



2025-2026

Complete Refresh of All Cameras + Expansion



The largest and most comprehensive product launch in company history arriving in time for 2025 Holiday Season and bringing new features with some surprises.

Ultra 3

Updated flagship camera line up with updated 4K specification and improved system performance.

Pro 6

New Pro series line up with enhanced capabilities, improved performance, updated design and more aggressive pricing.

Essential 3

Update of our popular essential lineup with lower costs and substantial expansion into several new product segments driving a larger addressable market and more shelf share.

2026-2027

Next Generation Ecosystem

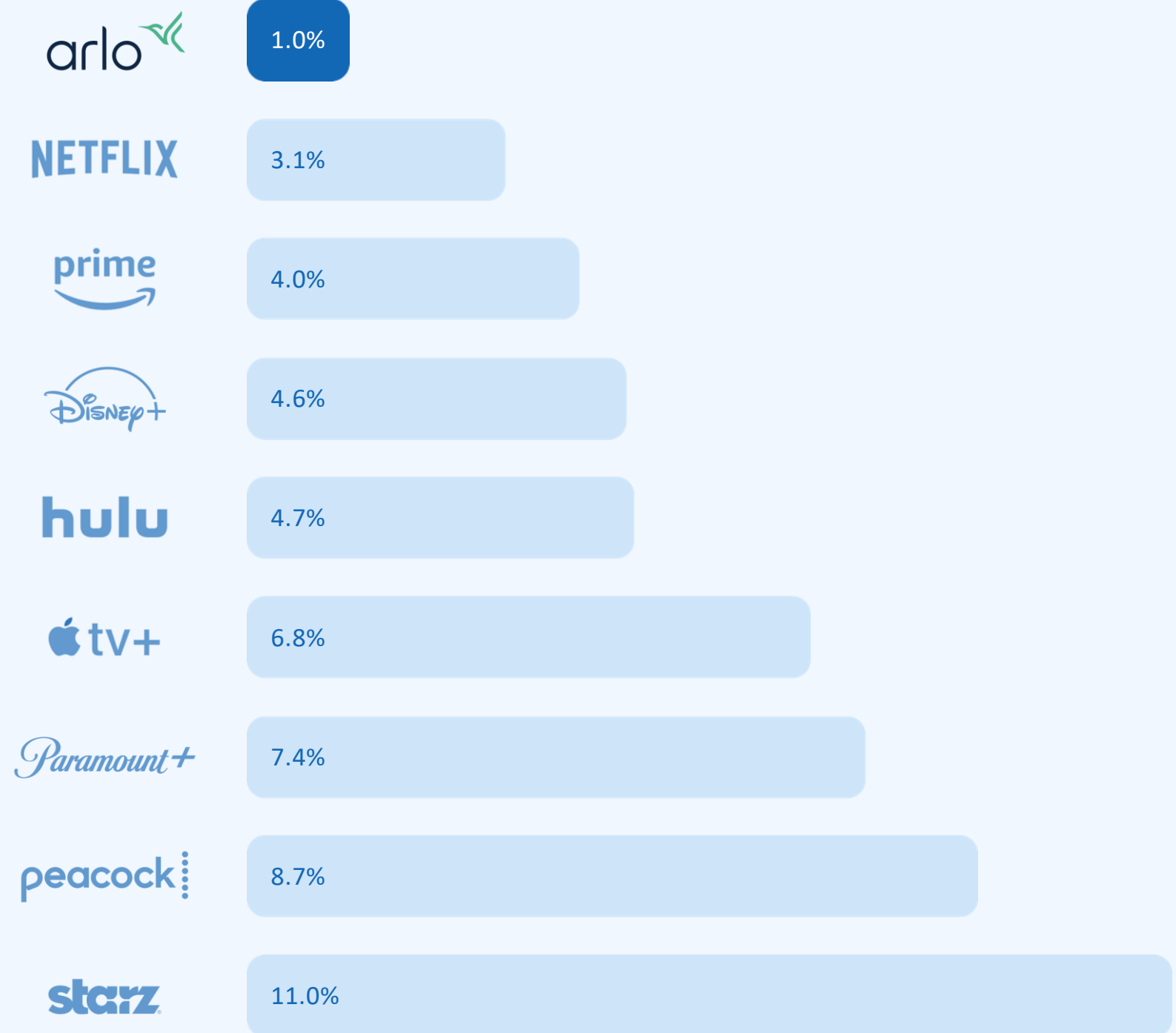


Our services stand out among comparable consumer-based subscriptions.

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 Rate⁽¹⁾



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

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



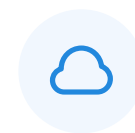
Video is the key to security and home automation



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



Industry leading AI



More valuable services that drive subscriptions



Q1 2025

OPERATING RESULTS



Outstanding SaaS Metrics

Metrics in Q1 2025



Cumulative paid accounts



4.9M



Annual recurring revenue



\$276M | +22% y/y



Services revenue mix



58% of total



Services gross margin



83% (non-GAAP)

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

\$12.6

Retail ARPU⁽²⁾

\$750

Retail LTV⁽⁴⁾

92%

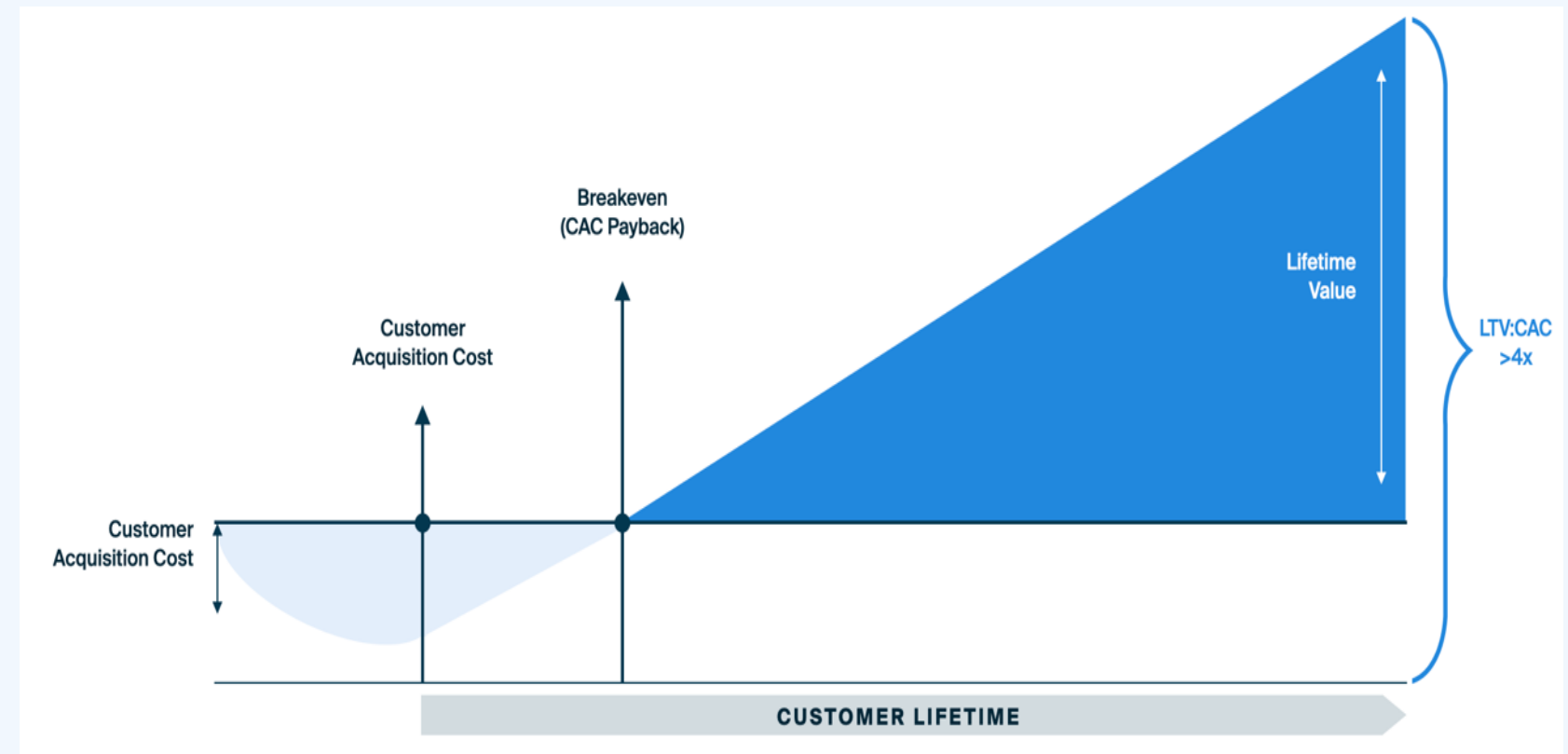
Retail Gross Margin⁽³⁾

\$200

Retail CAC⁽⁵⁾

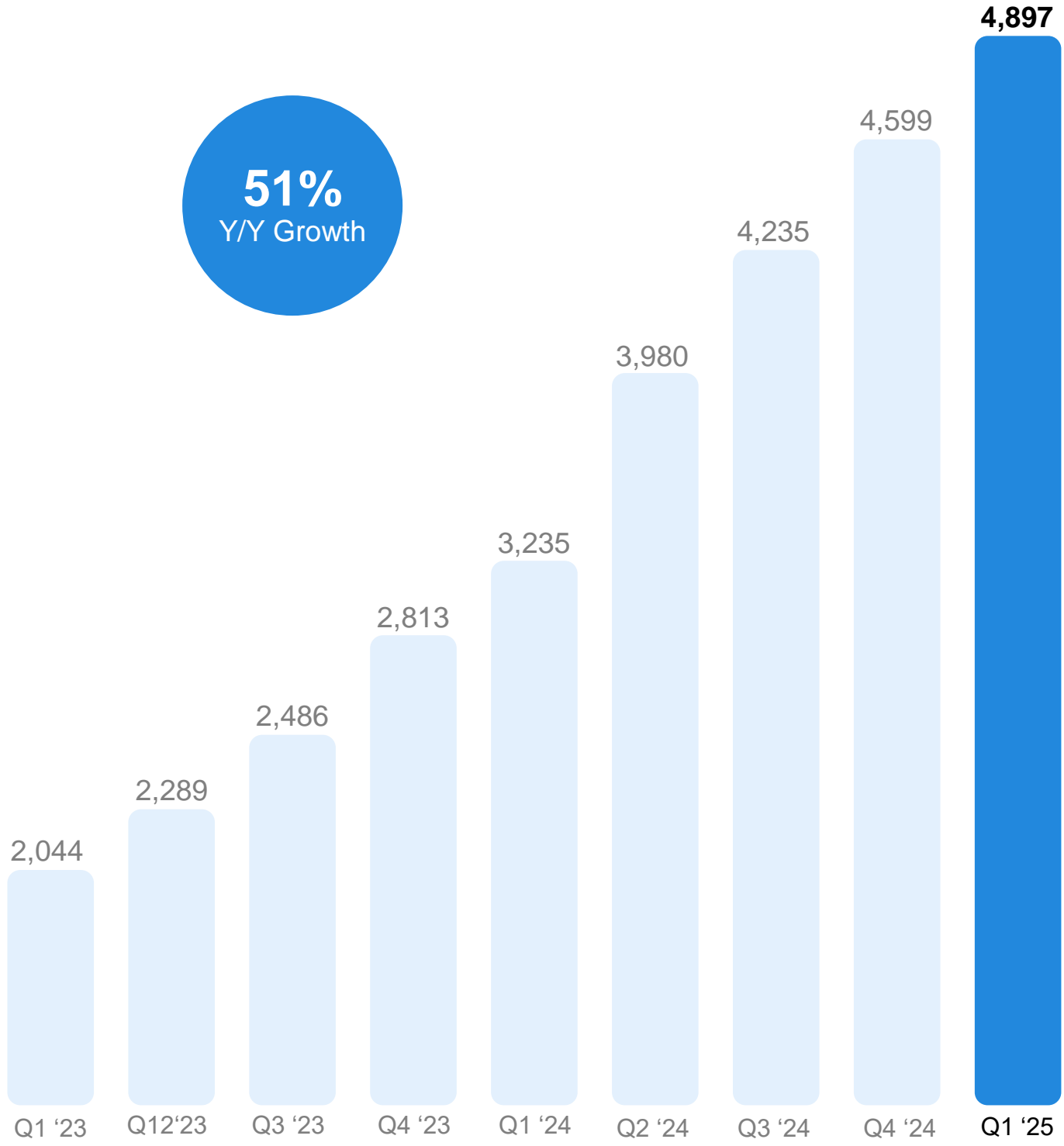
Retail Accounts generate > 80% of ARR

Best-in-Class LTV to CAC

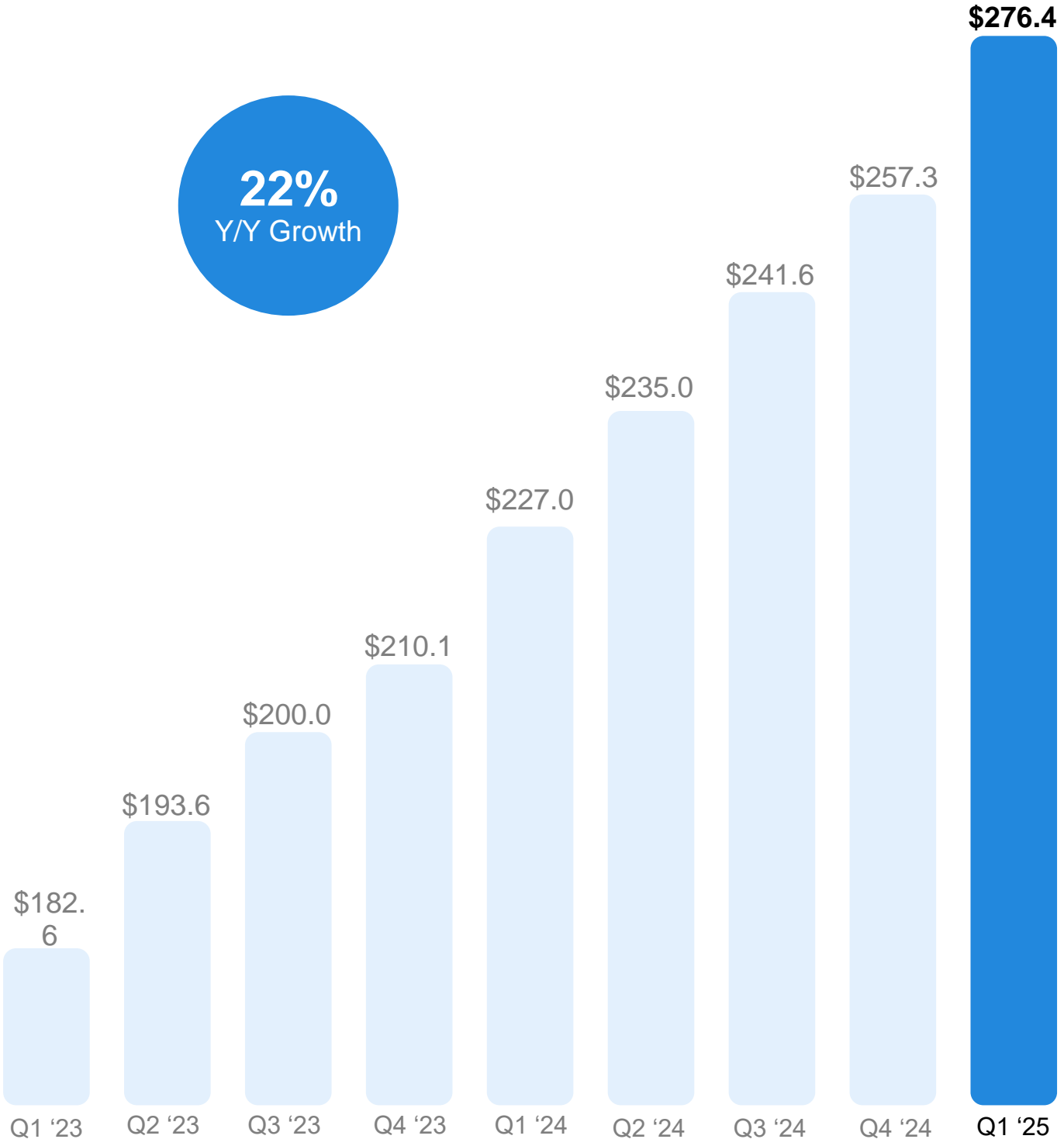


(1) Retail and direct paid accounts does not include those from B2B or strategic accounts. (2) Average monthly revenue per retail paid account user. (3) Non-GAAP gross margin for retail/direct paid accounts. (4) LTV calculated as retail ARPU multiplied by non-GAAP retail services gross margin divided 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

Paid Accounts & Annual Recurring Revenue (ARR)

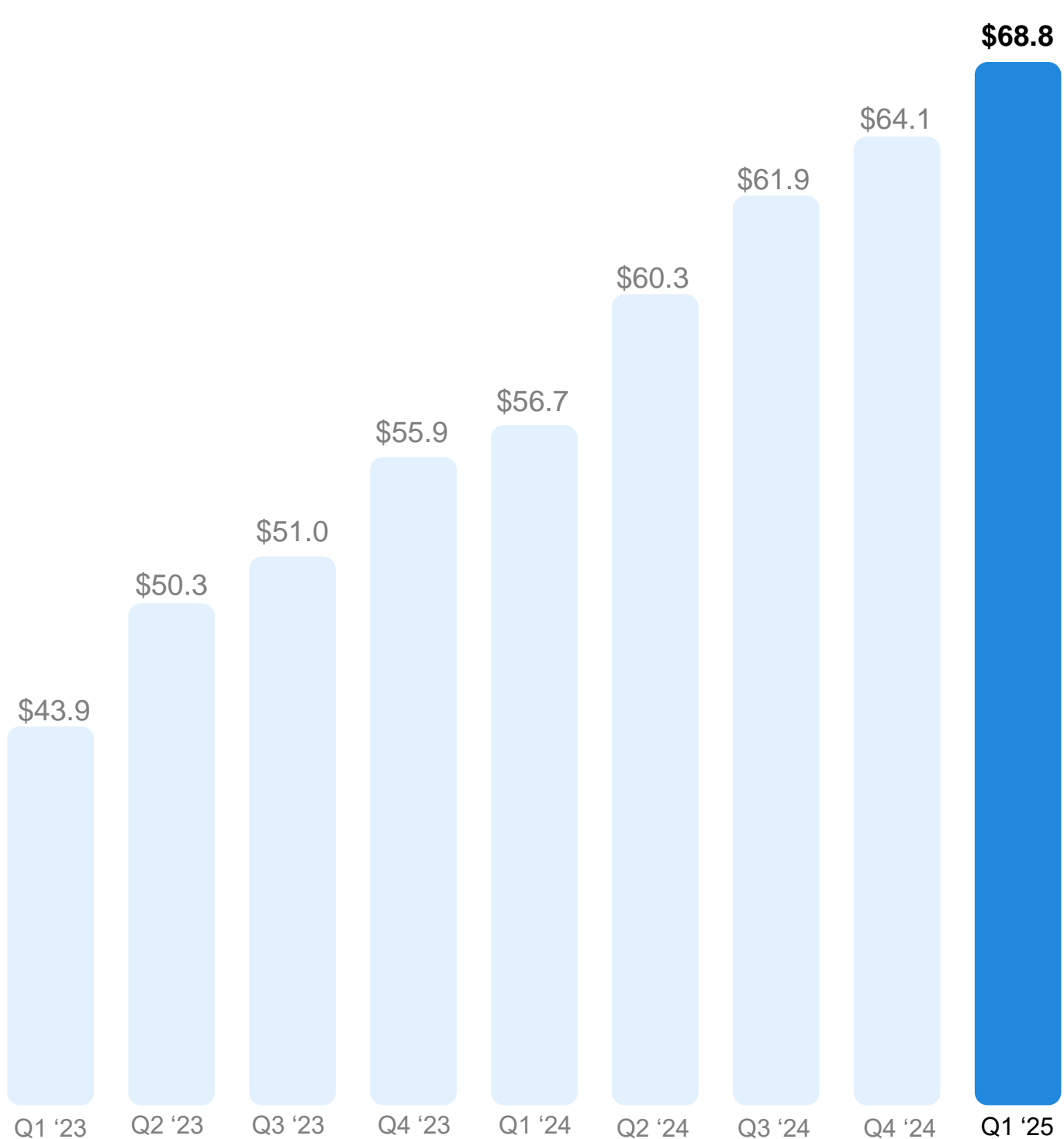


Paid Accounts
(thousands)

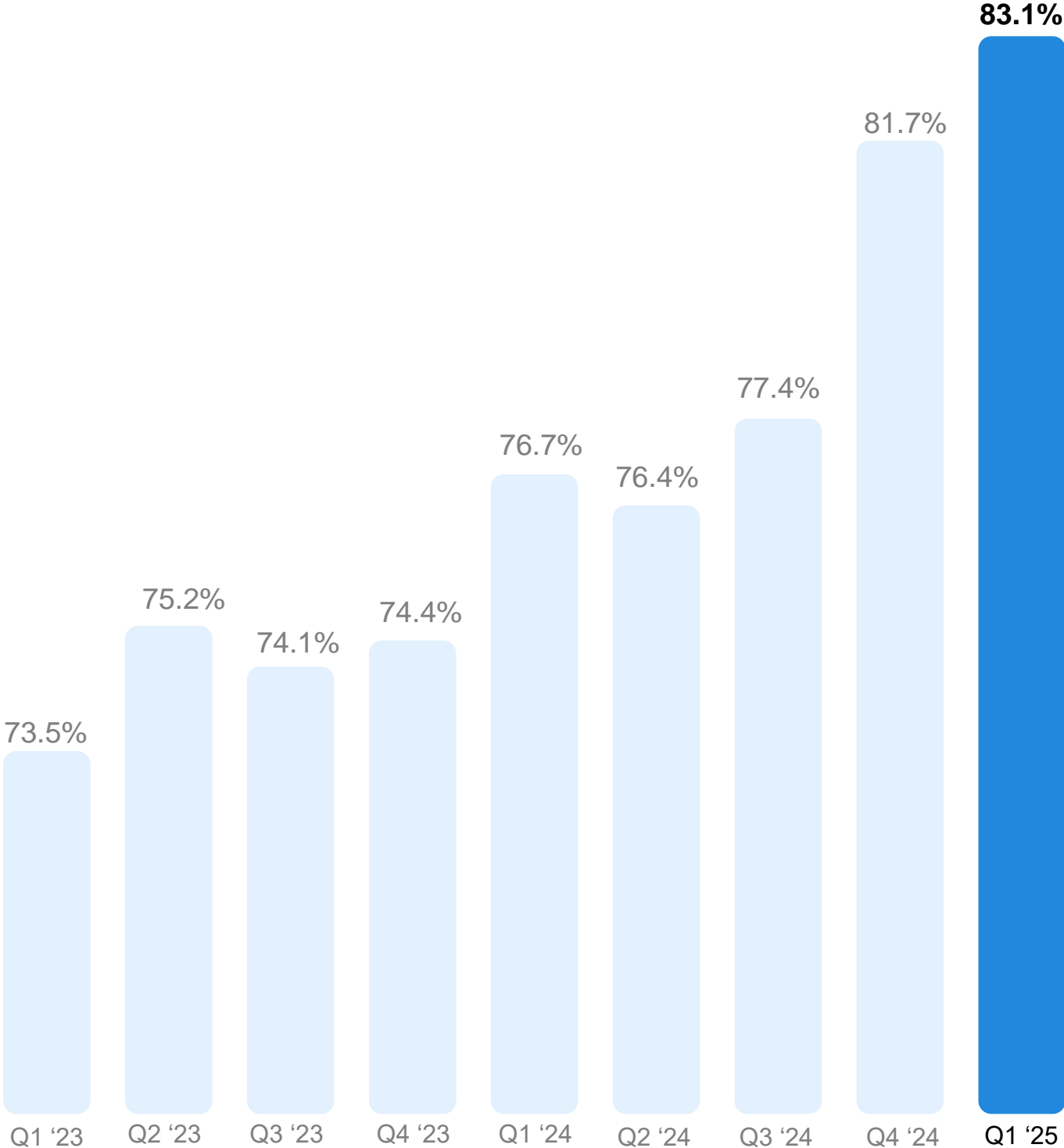


Annual Recurring Revenue
(millions)

Subscription and Service Revenue & Non-GAAP Gross Margin

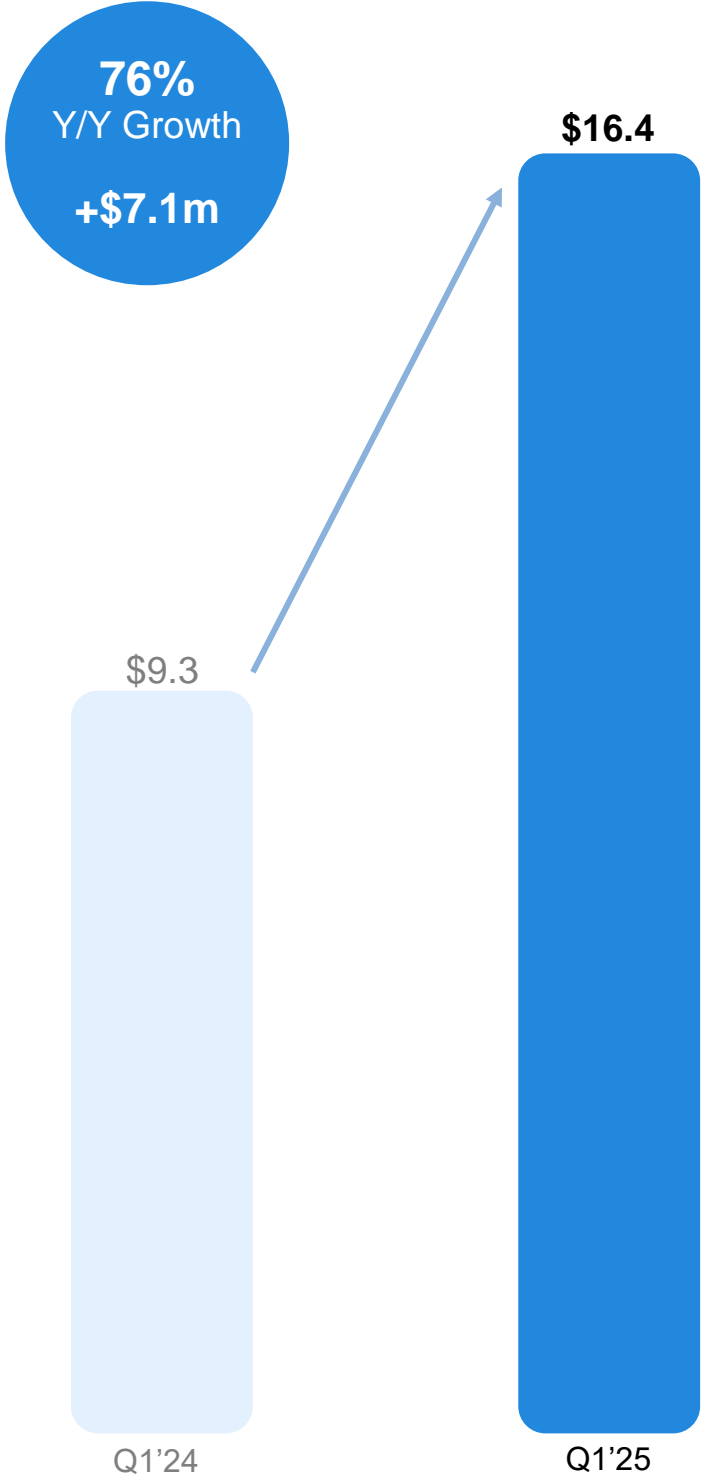


Subscriptions and Services Revenue
(millions)

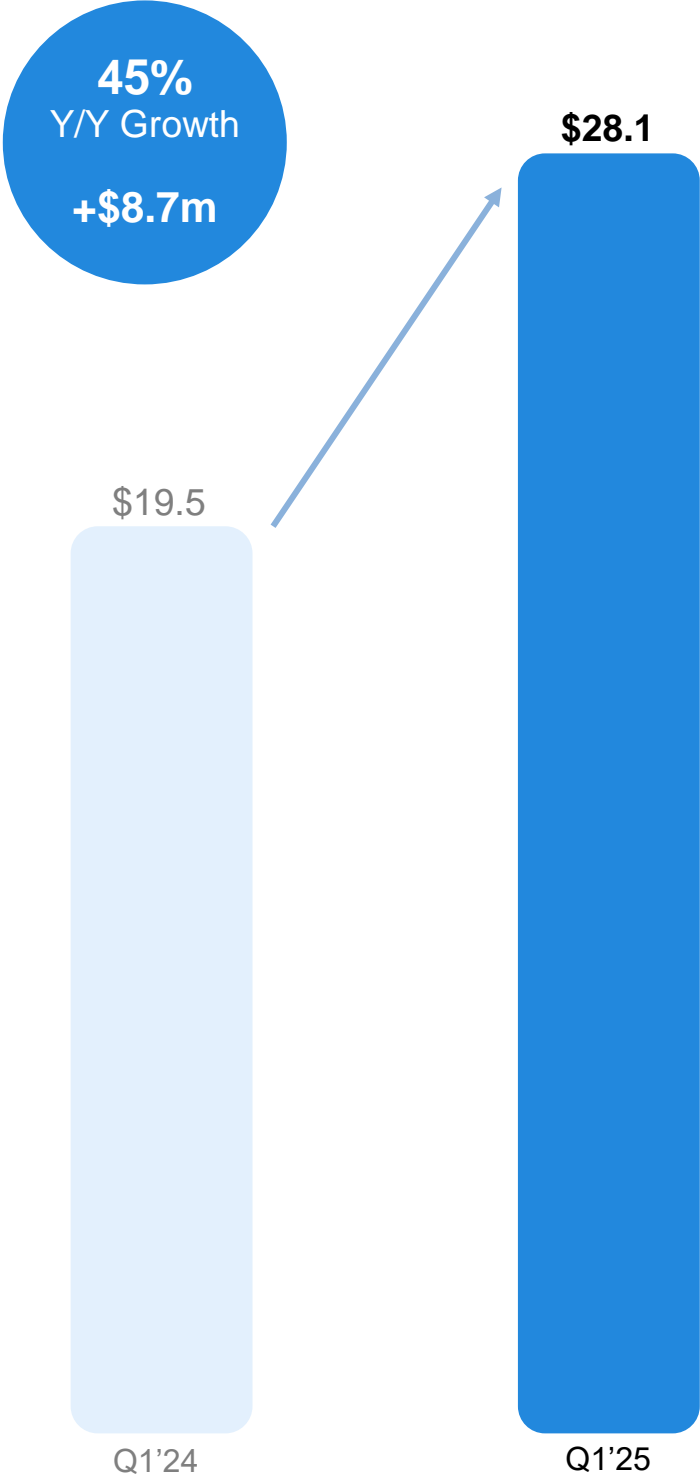


Subscriptions and Services Gross Margin
(non-GAAP)

Adjusted EBITDA & Free Cash Flow

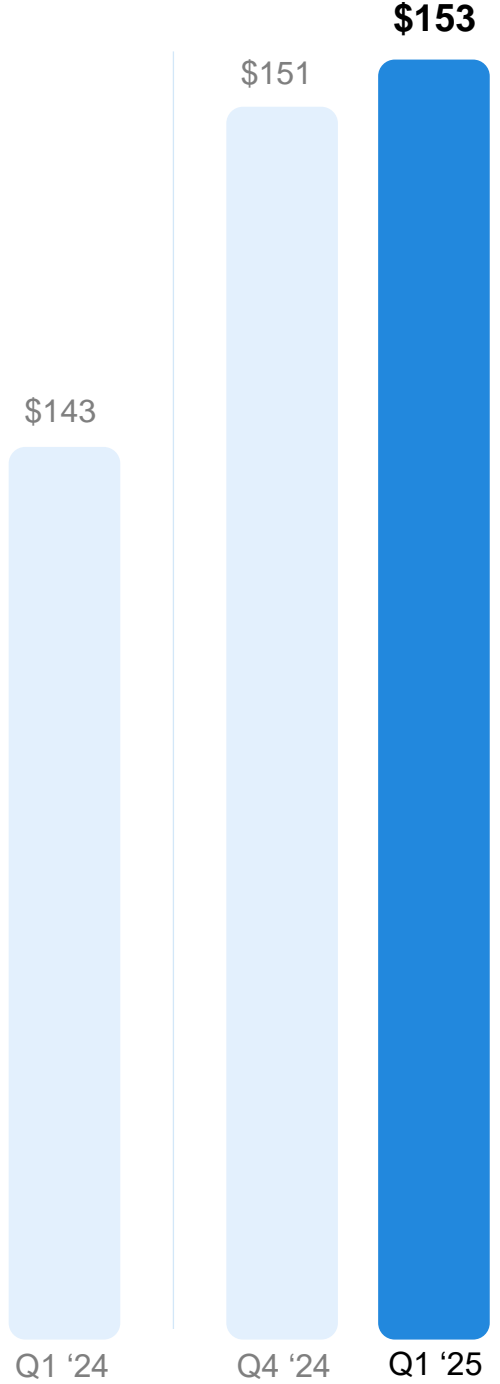


Adjusted EBITDA
(millions)

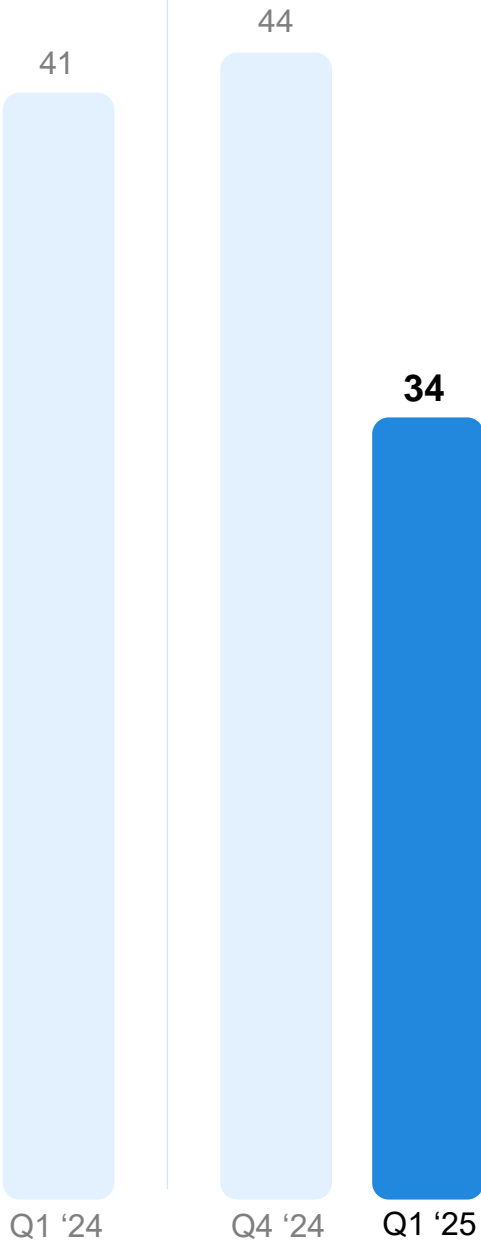


Free Cash Flow
(millions)

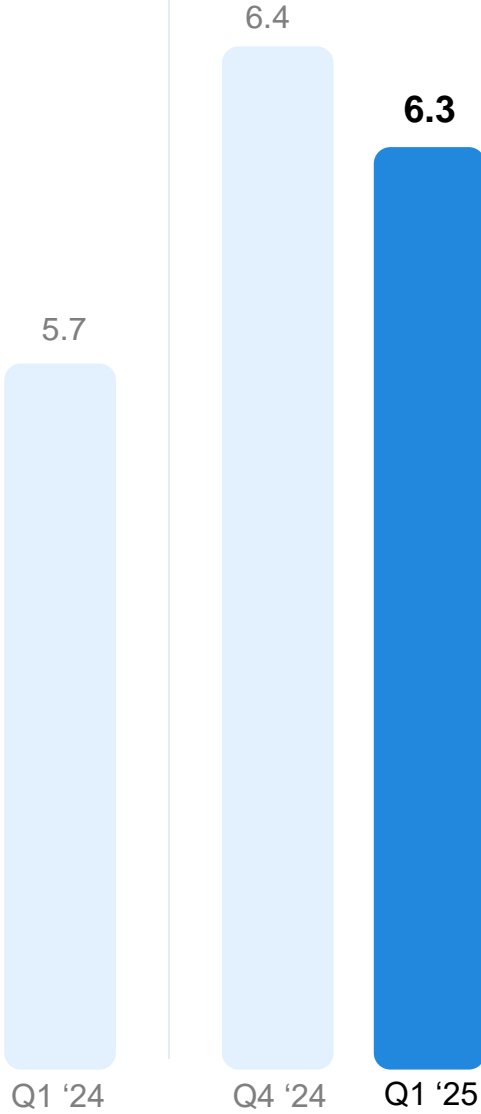
Balance Sheet Metrics



Cash & ST Investments (millions)



DSO (days)



Inventory Turns (times)

Q1 '25 Cash and ST Investments is net of \$15.2M of shares repurchased and an investment in Origin Wireless of \$12.5M

Looking Ahead

Financial Outlook



Powerful SaaS Business Model

1 Acquire new subscriptions through highly efficient retail channels and strategic partnerships

- Optimize customer acquisition costs
- Expand global distribution
- Introduce cost-effective brand awareness campaign

2 Convert new households and paid accounts with compelling subscription services

- High Conversion/Attach Rate
- Friction-less in-app activation
- Robust service packages

4 Grow annual recurring revenue with High SaaS margins

- Service revenue growth
- Continue margin expansion
- Free cash flow enhancement

3 Expand ARPU through compelling service offering including innovative AI capabilities.

- Growth in ARPU/Service Revenue
- Consistent High Customer retention
- Drive intuitive upsell opportunities

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Consolidated

Total Revenue

Q2 2025 Guide

Full Year 2025 Guide

\$119 - \$129M

→

\$510 - \$540M

Earnings per Share
(non-GAAP)

\$0.11 - \$0.17

→

\$0.56 - \$0.66

Subscriptions













Subscription and
Services Revenue

\$300M+

Service Gross Margin
(non-GAAP)

>80%

SELECTED US LISTED SOFTWARE COMPANIES WITH
CY 2025E RULE OF 40 OF 35% - 45%

appfolio	 ATLIASSIAN	box
COMMVAULT 	 DATADOG	 docusign.
 Dropbox	 dynatrace	 GitLab
 GUIDEWIRE	HubSpot	klaviyo
 Life360	 monday.com	NUTANIX
 samsara	 workday.	zoom

Revenue multiple for all companies	Multiple for companies with >20% rev growth
7.8x	9.0x

Estimates are based on Wall Street consensus estimates from Capital IQ. Companies with CY 2025E revenue growth >20% are shown in full color.

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Rule of 40 for CY 2025 Guidance Range
~40%

ARR Growth Estimate for CY 2025
~25%

Current Service Revenue Multiple
<3.5x

Original Long-Range Plan

MARCH 2022 TARGETS FOR ≤ 2027

5 Million
Paid Accounts



Current Long-Range Plan

TARGETS FOR ≤ 2030

10 Million
Paid Accounts

\$300 Million
In ARR



\$700 Million
In ARR

≥10%
In Operating Margin
(NON-GAAP)



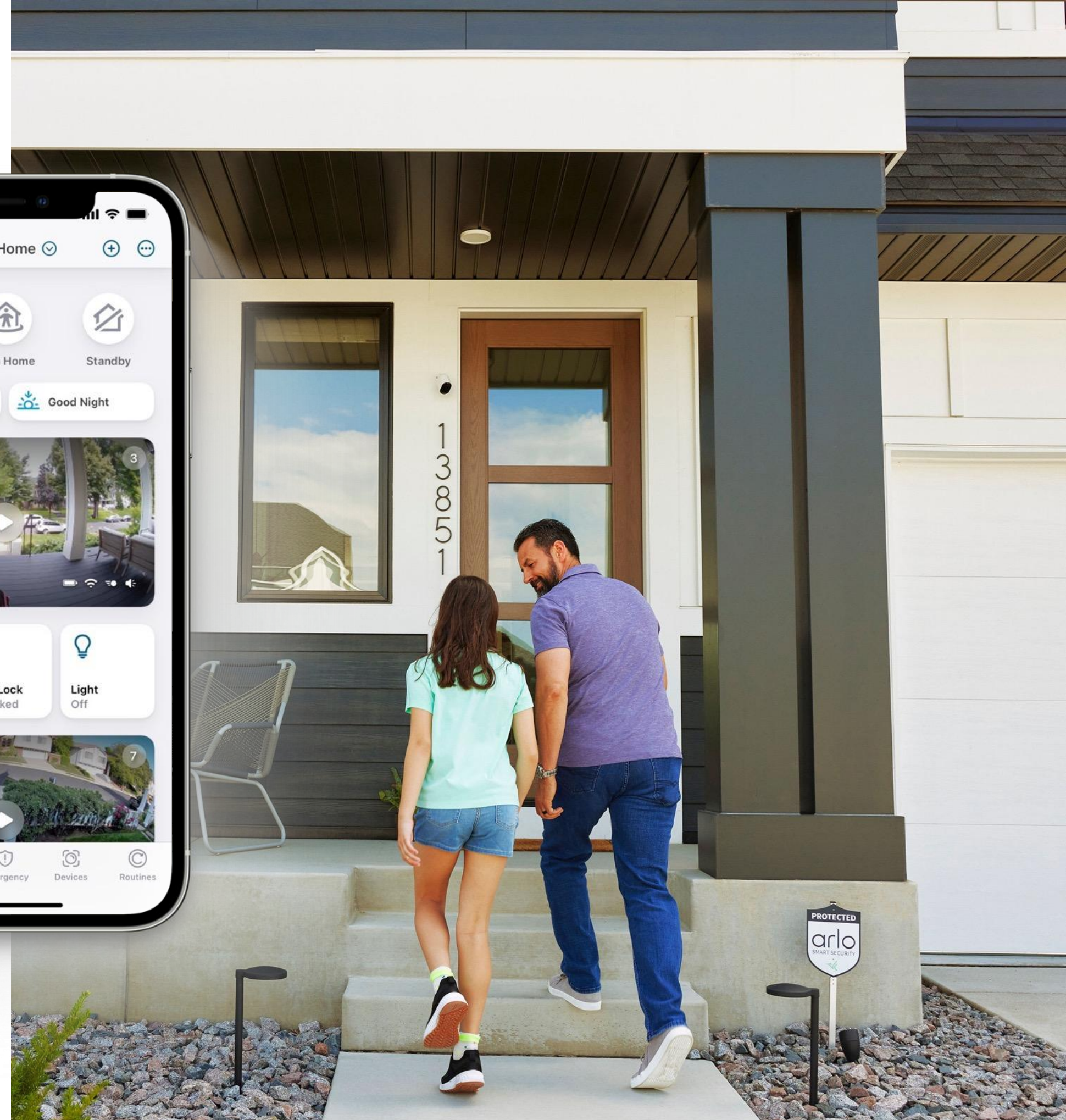
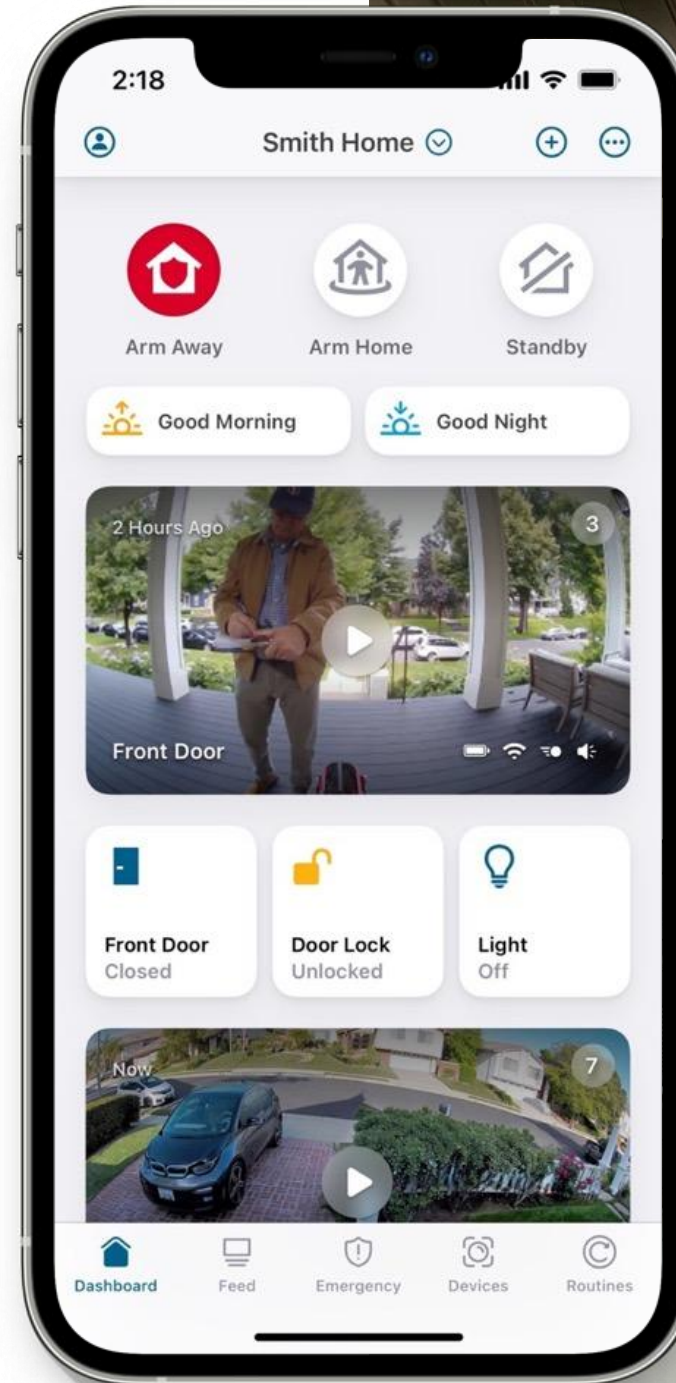
>25%
In Operating Margin
(NON-GAAP)



Operational Momentum in 2025

Arlo is set up for a successful year with past investments coming to fruition and numerous opportunities to drive service revenue growth and shareholder value.

- 1 SaaS Platform Innovation**
Powerful AI features and platform enhancements
- 2 Comprehensive Device Launch**
The largest product launch in our history in time for holiday
- 3 Retail Expansion**
Capturing additional shelf share throughout the year
- 4 New Strategic Partners**
Opening new growth vectors this year and beyond
- 5 \$300M+ in Service Revenue**
Targeting substantial subscription service growth
- 6 Rule of 40 SaaS Company**
2025 guide puts Arlo in rarified air against all peers





Appendix

GAAP to non-GAAP Reconciliations

Reconciliations of GAAP Measures to Non-GAAP Measures

Gross Profit, In Thousands, except percentage data

	Three Months Ended							
	July 2, 2023	October 1, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 29, 2024	December 31, 2024	March 30, 2025
Subscriptions and services	\$ 37,555	\$ 37,513	\$ 41,324	\$ 43,111	\$ 45,704	\$ 47,452	\$ 52,118	\$ 56,584
Products	4,303	5,626	6,025	4,269	1,150	964	(7,264)	(3,857)
GAAP gross profit	41,858	43,139	47,349	47,380	46,854	48,416	44,854	52,727
<i>Subscriptions and services</i>	74.6 %	73.5 %	73.9 %	76.0 %	75.8 %	76.7 %	81.2 %	82.2 %
<i>Products</i>	6.6 %	7.1 %	7.6 %	6.3 %	1.7 %	1.3 %	(12.6) %	(7.7) %
GAAP gross margin	36.4 %	33.2 %	35.0 %	38.1 %	36.8 %	35.2 %	36.9 %	44.3 %
Subscriptions and services	\$ 37,825	\$ 37,810	\$ 41,620	\$ 43,519	\$ 46,020	\$ 47,893	\$ 52,389	\$ 57,217
Products	5,151	6,349	6,717	5,383	2,277	1,630	(6,838)	(3,101)
Non-GAAP gross profit	42,976	44,159	48,337	48,902	48,297	49,523	45,551	54,116
<i>Subscriptions and services</i>	75.2 %	74.1 %	74.4 %	76.7 %	76.4 %	77.4 %	81.7 %	83.1 %
<i>Products</i>	8.0 %	8.0 %	8.5 %	8.0 %	3.4 %	2.2 %	(11.9) %	(6.2) %
Non-GAAP gross margin	37.3 %	34.0 %	35.8 %	39.4 %	37.9 %	36.0 %	37.5 %	45.5 %

Reconciliations of GAAP Measures to Non-GAAP Measures

Adjusted EBITDA, In Thousands, except percentage data

	Three Months Ended							
	July 2, 2023	October 1, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 29, 2024	December 31, 2024	March 30, 2025
GAAP net loss	\$ (7,363)	\$ (1,120)	\$ 692	\$ (9,644)	\$ (11,560)	\$ (4,439)	\$ (4,861)	\$ (835)
Stock-based compensation expense	12,973	10,287	10,097	18,550	20,920	14,689	14,498	17,012
Depreciation and Amortization	1,354	1,611	1,000	903	782	710	807	829
Other operating expense	341	263	71	479	966	1,423	488	25
Interest expense (income), net	(835)	(1,175)	(1,199)	(1,386)	(1,495)	(1,400)	(1,303)	(1,316)
Other non-operating expense (income), net	(52)	(10)	(84)	25	18	57	4	198
Provision for income taxes	221	29	133	395	236	329	132	502
Adjusted EBITDA	\$ 6,639	\$ 9,885	\$ 10,710	\$ 9,322	\$ 9,867	\$ 11,369	\$ 9,765	\$ 16,415
Adjusted EBITDA margin	5.8 %	7.6 %	7.9 %	7.5 %	7.7 %	8.3 %	8.0 %	13.8 %



Reconciliations of GAAP Measures to Non-GAAP Measures

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

	Three Months Ended							
	July 2, 2023	October 1, 2023	December 31, 2023	March 31, 2024	June 30, 2024	September 29, 2024	December 31, 2024	March 30, 2025
Net cash provided by operating activities	\$ 12,578	\$ 7,459	\$ 7,935	\$ 19,806	\$ 6,463	\$ 18,366	\$ 6,671	\$ 30,919
Less: Purchases of property and equipment	(1,031)	(494)	(399)	(356)	(295)	(961)	(1,076)	(2,803)
Free cash flow ⁽¹⁾	\$ 11,547	\$ 6,965	\$ 7,536	\$ 19,450	\$ 6,168	\$ 17,405	\$ 5,595	\$ 28,116
Free cash flow margin ⁽¹⁾	10.0 %	5.4 %	5.6 %	15.7 %	4.8 %	12.6 %	4.6 %	23.6 %

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