



**FINANCIAL UPDATE Q4'FY2020 // March 2021**

# Safe harbor statement



This presentation includes express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “potential,” “target,” “explore,” “continue,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These statements may relate to our market size and growth strategy, our estimated and projected costs, margins, revenue, expenditures and growth rates, our future results of operations or financial condition, our plans and objectives for future operations, growth, initiatives, or strategies. By their nature, these statements are subject to numerous uncertainties and risks, including factors beyond our control, that could cause actual results, performance or achievement to differ materially and adversely from those anticipated or implied in the statements, including: our future financial performance, including our revenue, cost of revenue, gross profit, operating expenses, ability to generate positive cash flow, and ability to be profitable; our ability to grow at or near historical growth rates; anticipated technology trends, such as the use of and demand for experience management software; our ability to attract and retain customers to use our products; our ability to respond to and overcome challenges brought by the COVID-19 pandemic; our ability to attract enterprises and international organizations as customers for our products; our ability to expand our network with content consulting partners, delivery partners, and technology partners; the evolution of technology affecting our products and markets; our ability to introduce new products and enhance existing products and to compete effectively with competitors; our ability to successfully enter into new markets and manage our international expansion; the attraction and retention of qualified employees and key personnel; our ability to effectively manage our growth and future expenses and maintain our corporate culture; our anticipated investments in sales and marketing and research and development; our ability to maintain, protect, and enhance our intellectual property rights; our ability to successfully defend litigation brought against us; our ability to maintain data privacy and data security; the sufficiency of our cash and cash equivalents to meet our liquidity needs; our ability to comply with modified or new laws and regulations applying to our business; and our reduced ability to leverage resources at SAP as an independent company from SAP. Additional risks and uncertainties that could cause actual outcomes and results to differ materially from those contemplated by the forward-looking statements will be included under the caption “Risk Factors” and elsewhere in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q that we file with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statements are made and are based on information available to us at the time those statements are made and/or management's good faith belief as of that time with respect to future events. We assume no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, except as required by law.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. 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.

The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as an endorsement of such products or services.

In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the following non-GAAP financial measures which we use to understand and evaluate our core operating performance: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income (loss), non-GAAP operating margin, free cash flow, and free cash flow margin. We define these non-GAAP financial measures as the respective GAAP measures, excluding equity and cash settled stock-based compensation expenses, amortization of acquired intangible assets, and advisory and legal costs related to the SAP Acquisition. When evaluating the performance of our business and making operating plans, we do not consider these items (for example, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution rather than the accounting charges associated with such grants). We believe it is useful to exclude these expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies and over multiple periods.

These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. You should consider non-GAAP results alongside other financial performance measures and results presented in accordance with GAAP. In addition, in evaluating non-GAAP results, you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving non-GAAP results and you should not infer from our non-GAAP results that our future results will not be affected by these expenses or any unusual or non-recurring items. We urge you not to rely on any single financial measure to evaluate our business.

# Qualtrics at a glance

**13,500+**

active customers<sup>1</sup>

**3,450+**

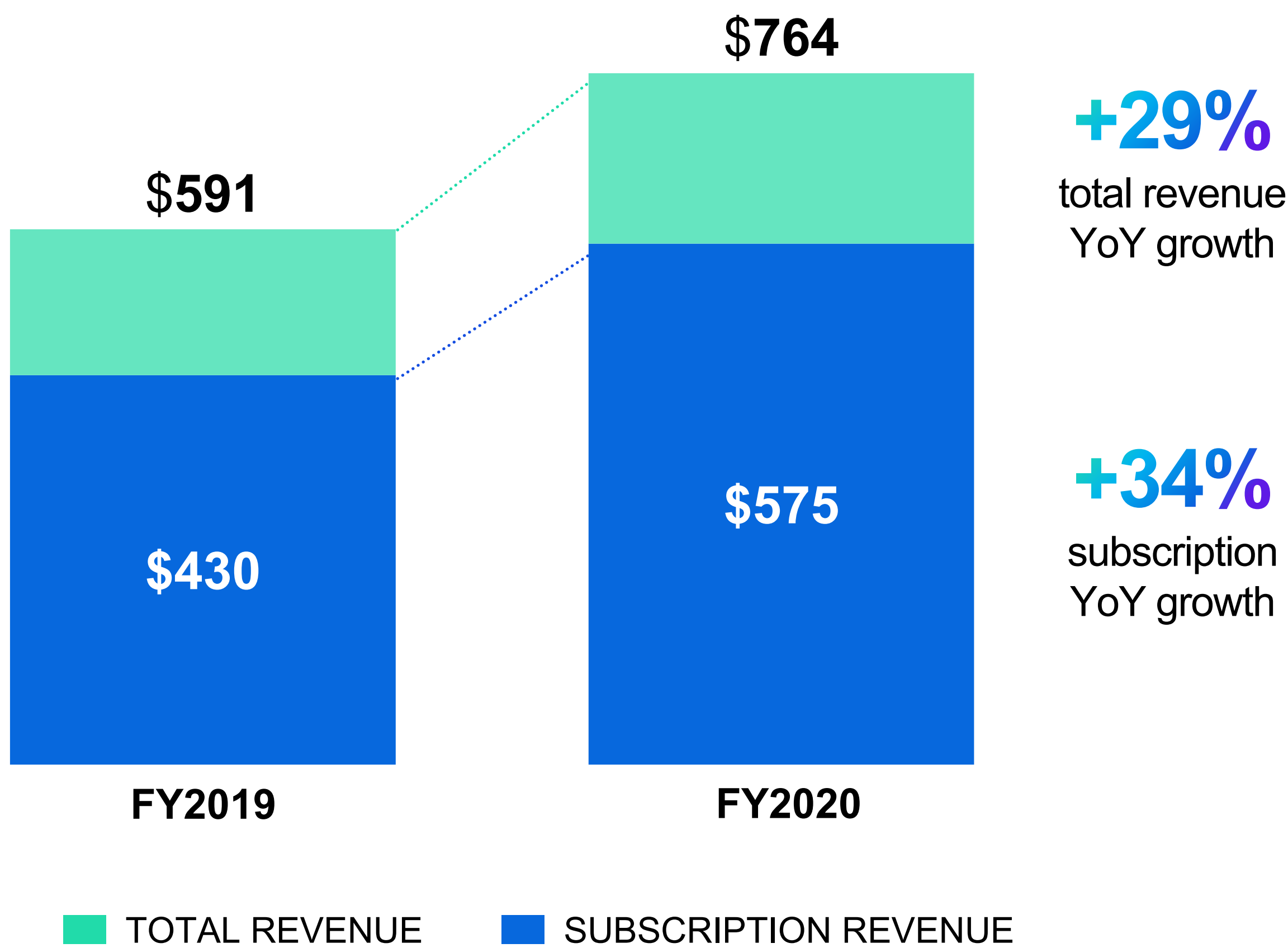
employees<sup>1</sup>

**1,300+**

customers with >\$100K  
in annualized recurring  
revenue<sup>1</sup>

## 2019 and 2020 Revenue and Revenue Growth

in \$MM



**\$1.1Bn+**

Remaining Performance  
Obligations – 78%  
YoY Growth

**120%**

net retention rate<sup>2</sup>

**\$60Bn**

total addressable  
market<sup>3</sup>

**Software to help turn  
customers into fanatics  
employees into ambassadors  
products into obsessions  
and brands into religions**



# Experience Design

Design breakthrough products, services, cultures, and brands

# Experience Improvement

Continuously improve customer, employee, product, and brand experiences



## Listen & Remember



## Process & Understand



## Build a Culture of Action



Uncover the products, services, and experiences that the market wants next.

Market Research

Research Design

Testing & Optimization

Sample Management



Decrease churn.  
Increase Customer Lifetime Value.  
Reduce cost to serve.

Customer Care

Digital Experience

On-site / In-store

B2B Account Management



Improve product market fit.  
Increase share of wallet.  
Decrease time to market.

Pricing & Packaging

Product Market Fit

Product Testing

Product Satisfaction



Attract and retain talent.  
Increase engagement.  
Improve productivity.

Culture & Development

Engagement

Facilities & IT

Onboarding & Exit



Acquire new customers.  
Increase market share. Improve awareness and perception.

Brand Tracking

Awareness & Perception

Segmentation

Ad Testing



Expert designed programs.  
White-glove implementation and management.

XM Program Design / Audit

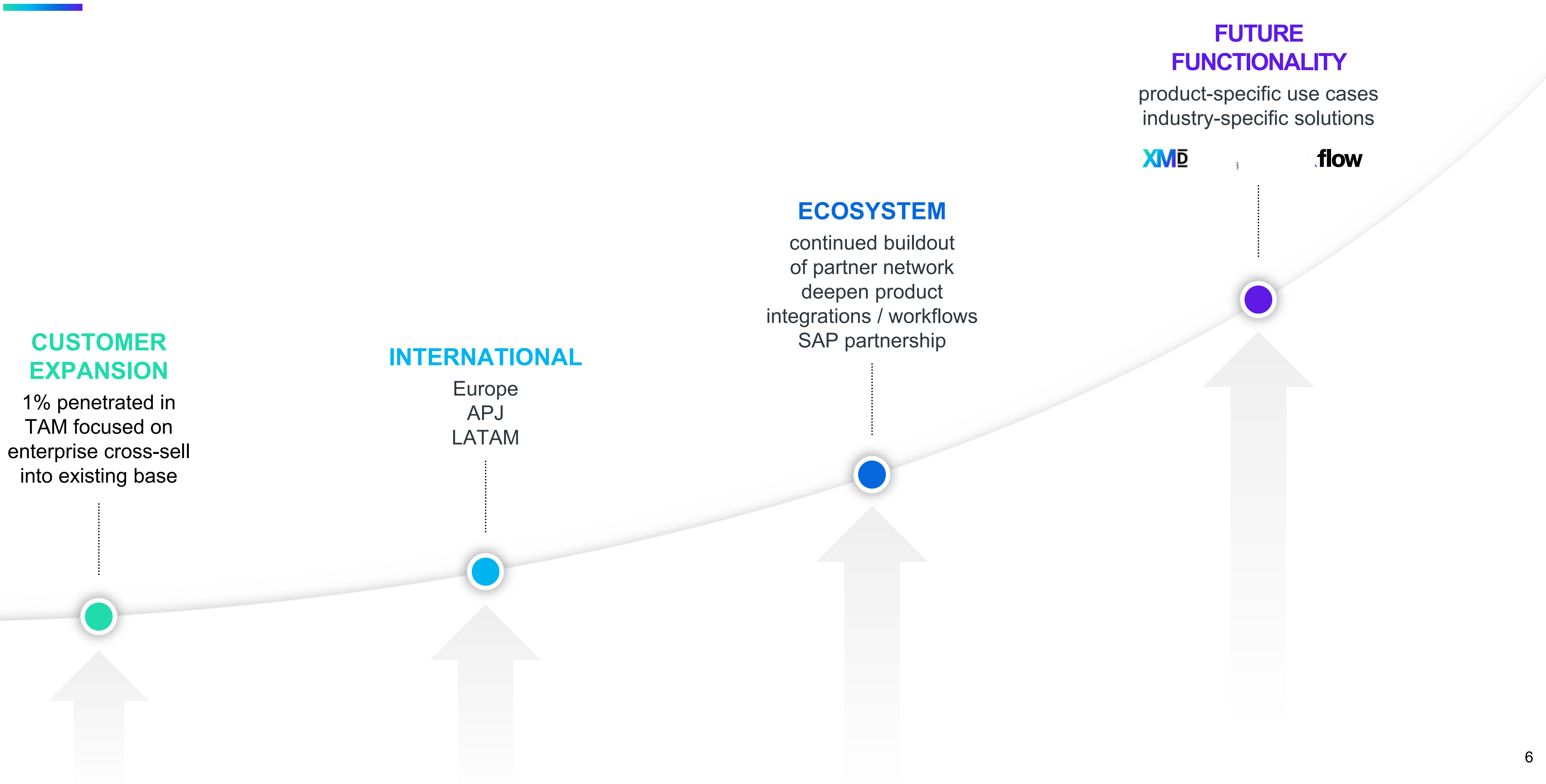
Culture & Compensation

Executive Reporting

Advisory Services



# Ongoing growth opportunities



# Our customers span across all industries

SCALE	ENTERPRISE	LARGE DEPLOYMENTS	DIVERSITY
13.5K+ CUSTOMERS <sup>1</sup>	85 OF FORTUNE 100 <sup>2</sup>	1,300+ CUSTOMERS WITH >\$100K ARR <sup>1</sup>	<2% LARGEST CUSTOMER AS % OF TOTAL REVENUE <sup>3</sup>
BANKING/INSURANCE	ANZ, Allianz, AMERICAN EXPRESS, Morgan Stanley	RETAIL	weightwatchers, TARGET, CVSHealth, CDW
TRAVEL & HOSPITALITY	AIRFRANCE, H, Southwest, CATHAY PACIFIC	GOVERNMENT	U.S. AIR FORCE, United States Census Bureau, GSA, CMS
HEALTHCARE/LIFE SCIENCES	UHG, MAYO CLINIC, Medtronic, J&J	EDUCATION	NORTHWESTERN UNIVERSITY, COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK, DENVER PUBLIC SCHOOLS
INDUSTRIAL/AUTOMOTIVE	H, AIRBUS, BMW, Ford	NON-PROFIT	CFA Institute, American Heart Association, American Red Cross
OIL AND GAS/UTILITIES	Chevron, ExxonMobil, DUKE ENERGY, e-on	SERVICES/CONSULTING	EY, pwc, aramark, BAIN & COMPANY
TECHNOLOGY	Microsoft, Atlassian, PELOTON, Uber	TELECOM/MEDIA	Disney, dish, Sprint, Deutsche Telekom
CPG	adidas, Coca-Cola, UNDER ARMOUR, Levi's		

1—As of December 31, 2020 | 2—Fortune 100 based on 2020 Rankings | 3—For the 12 months ending December 31, 2020

# Rapidly scaling our global presence

## Revenue outside the United States



## Local sales presence around the globe

Provo	Seattle	Dublin	Sydney
Dallas	Toronto	Munich	Singapore
Raleigh	Vancouver	London	Tokyo
Chicago	São Paulo	Paris	Hong Kong
Atlanta	Mexico City	Stockholm	Melbourne
D.C.	Buenos Aires	Madrid	Seoul
Newton	Bogota	Zurich	Mumbai
New York	San José	Brussels	Bangkok
Denver		Copenhagen	Brisbane
			Auckland



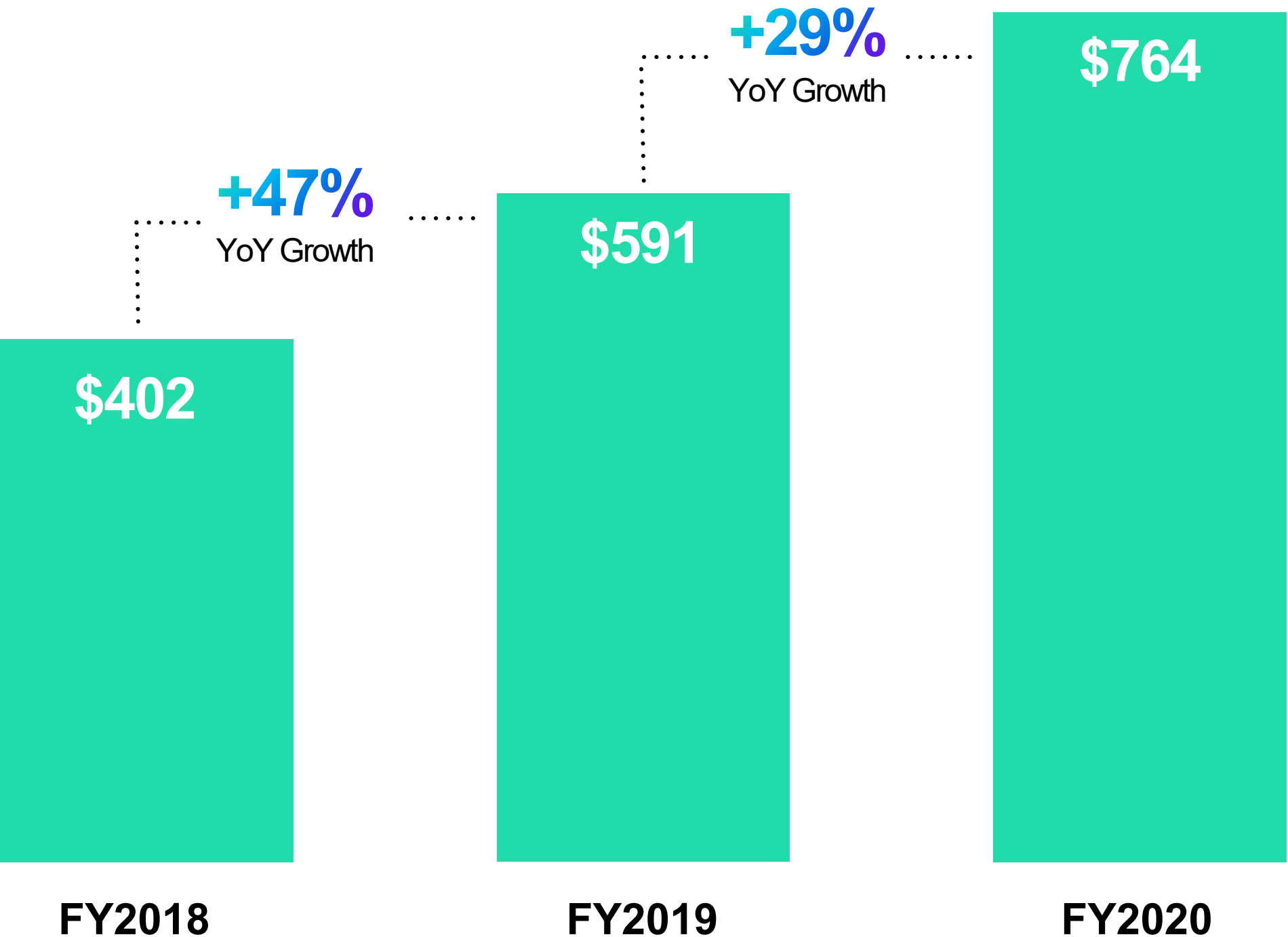
1 – For the 12 months ending December 31



# Significant recurring revenue base

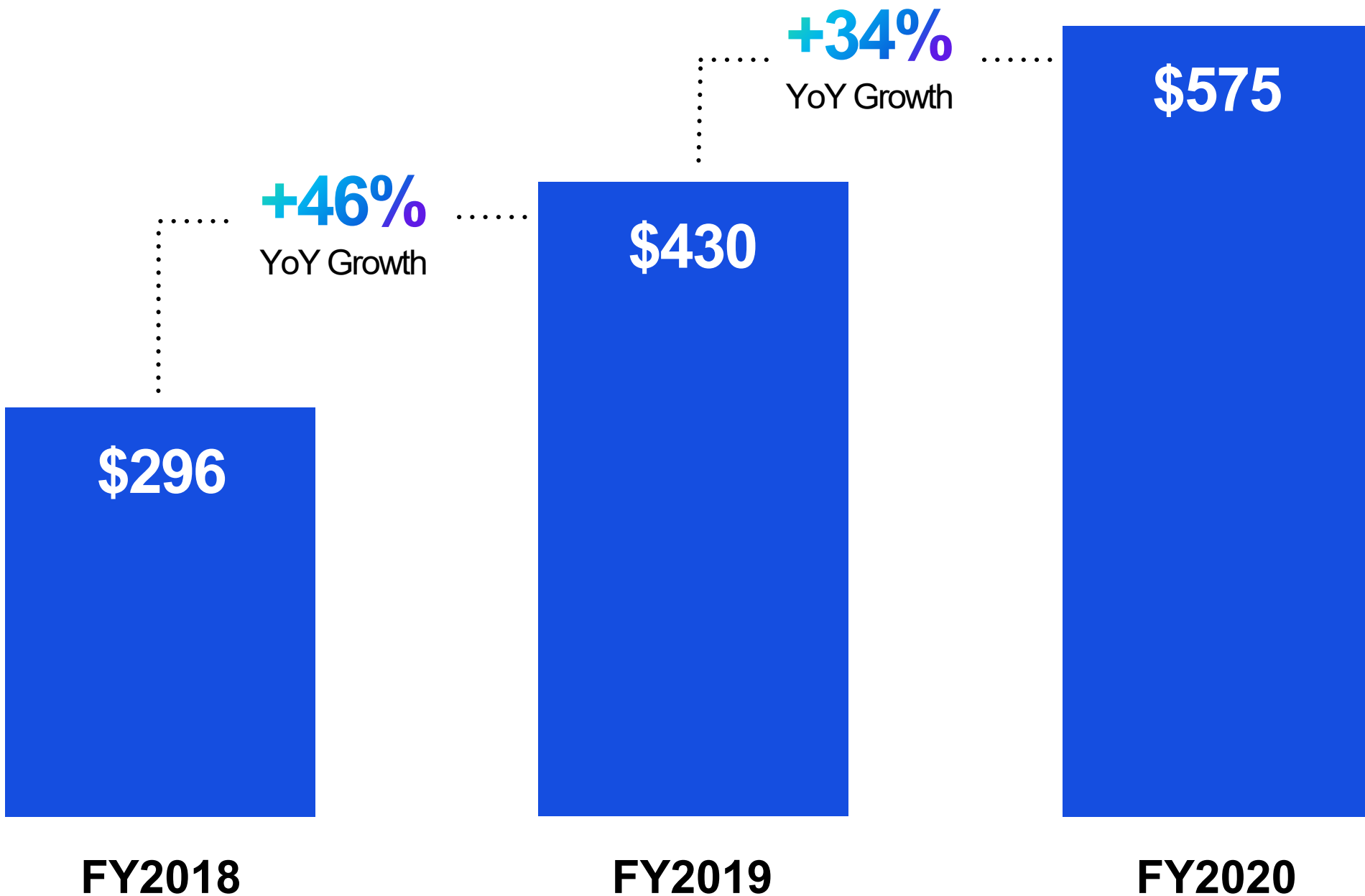
## Total Revenue

in \$MM



## Total Subscription Revenue

in \$MM



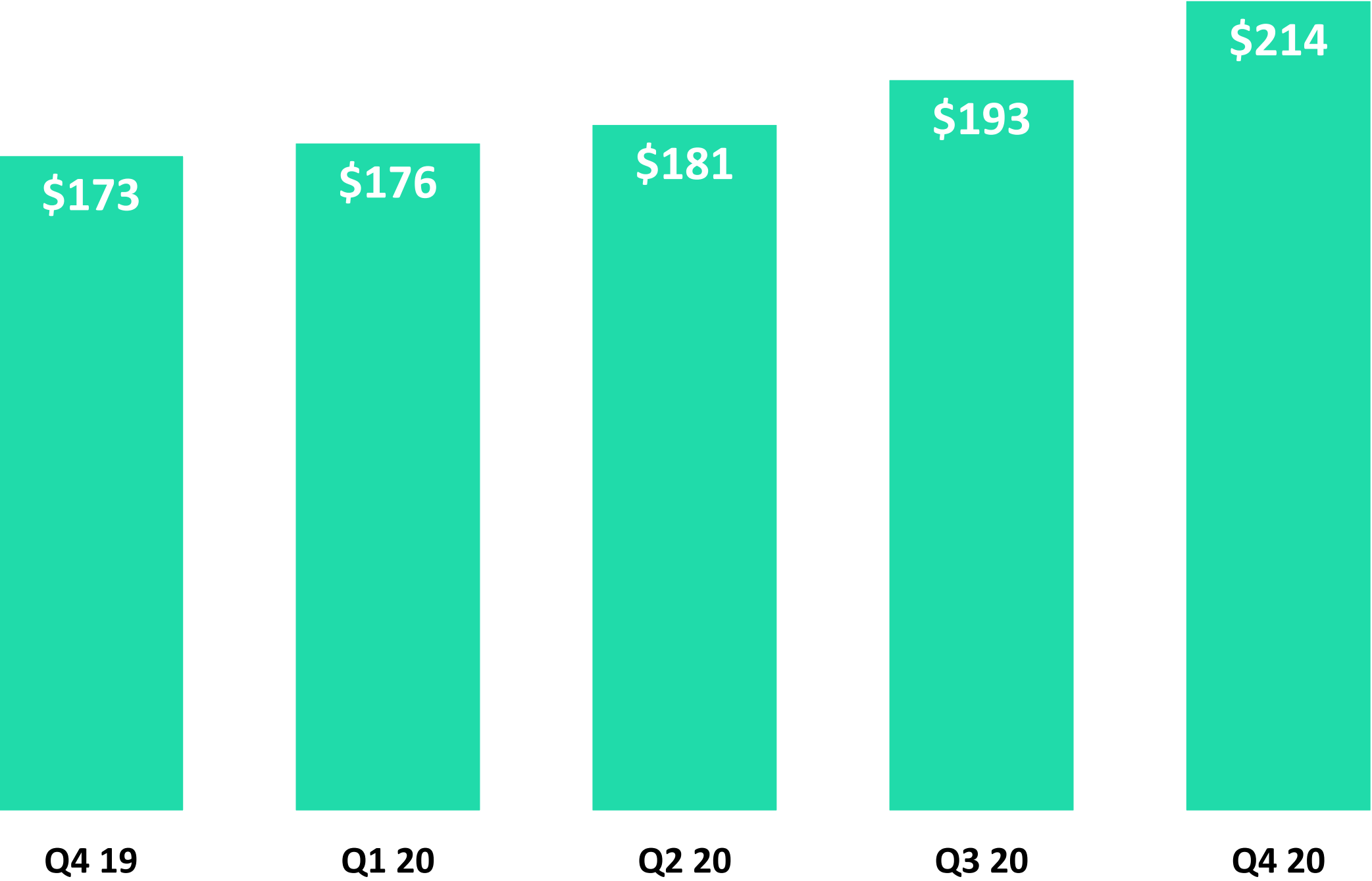
# Continued revenue growth at scale

*Below and to scale*



## Quarterly Total Revenue

in \$MM

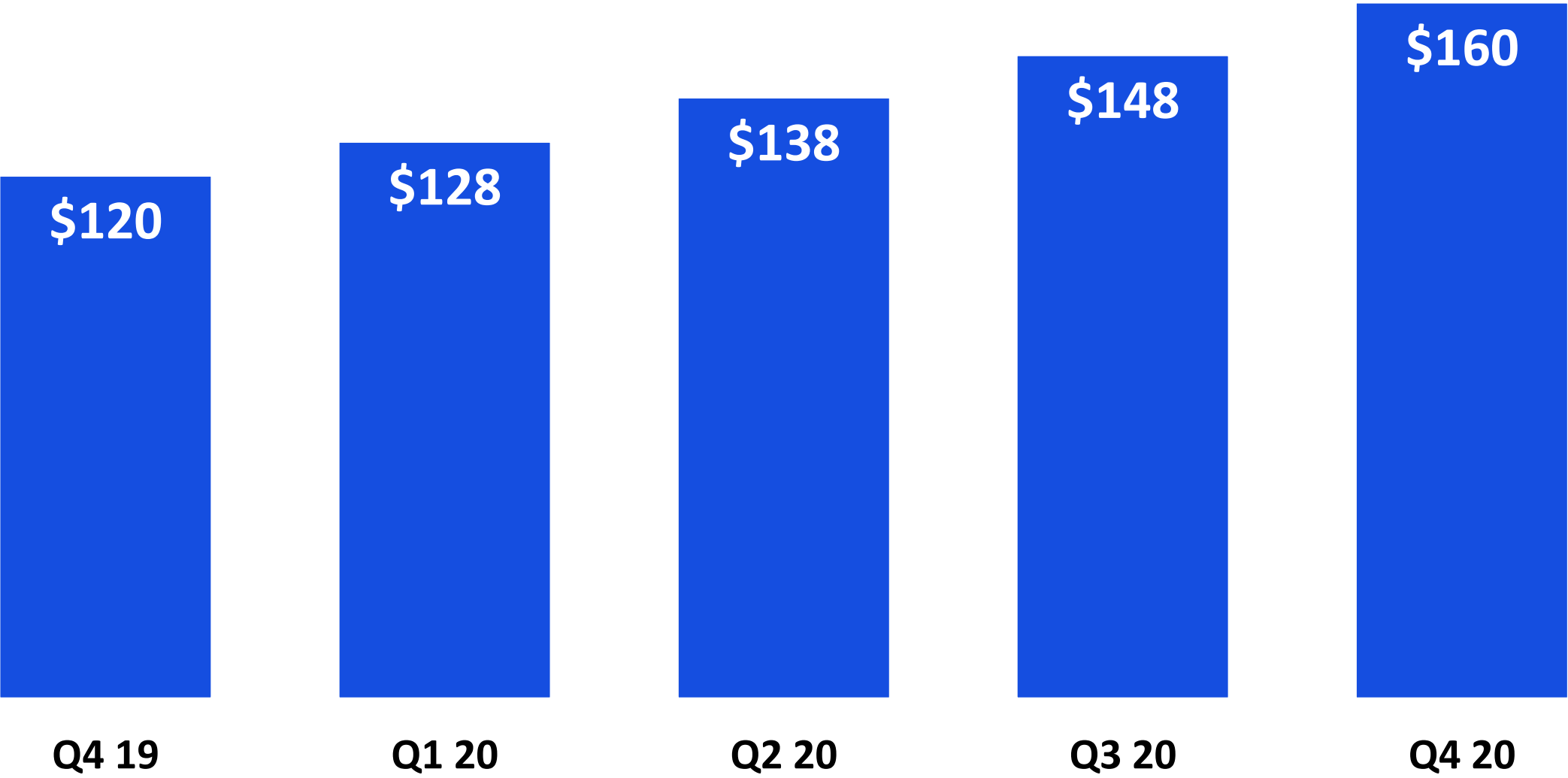


% YoY  
Growth

52% 36% 32% 27% 24%

## Quarterly Subscription Revenue

in \$MM

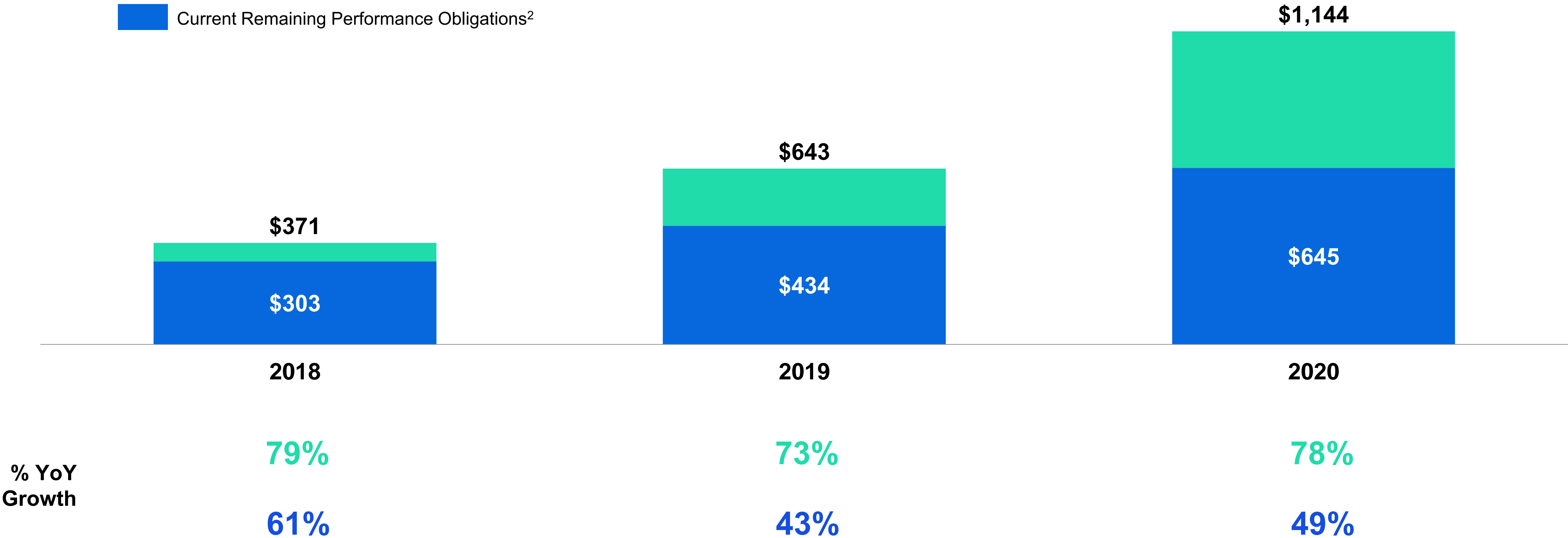
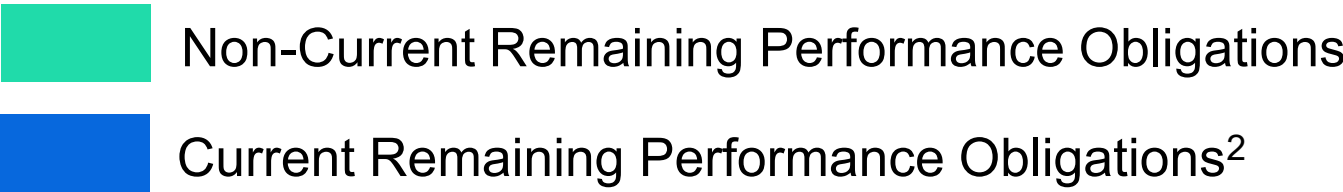


% YoY  
Growth

40% 33% 35% 34% 33%

# Historical remaining performance obligations<sup>1</sup>

in \$MM

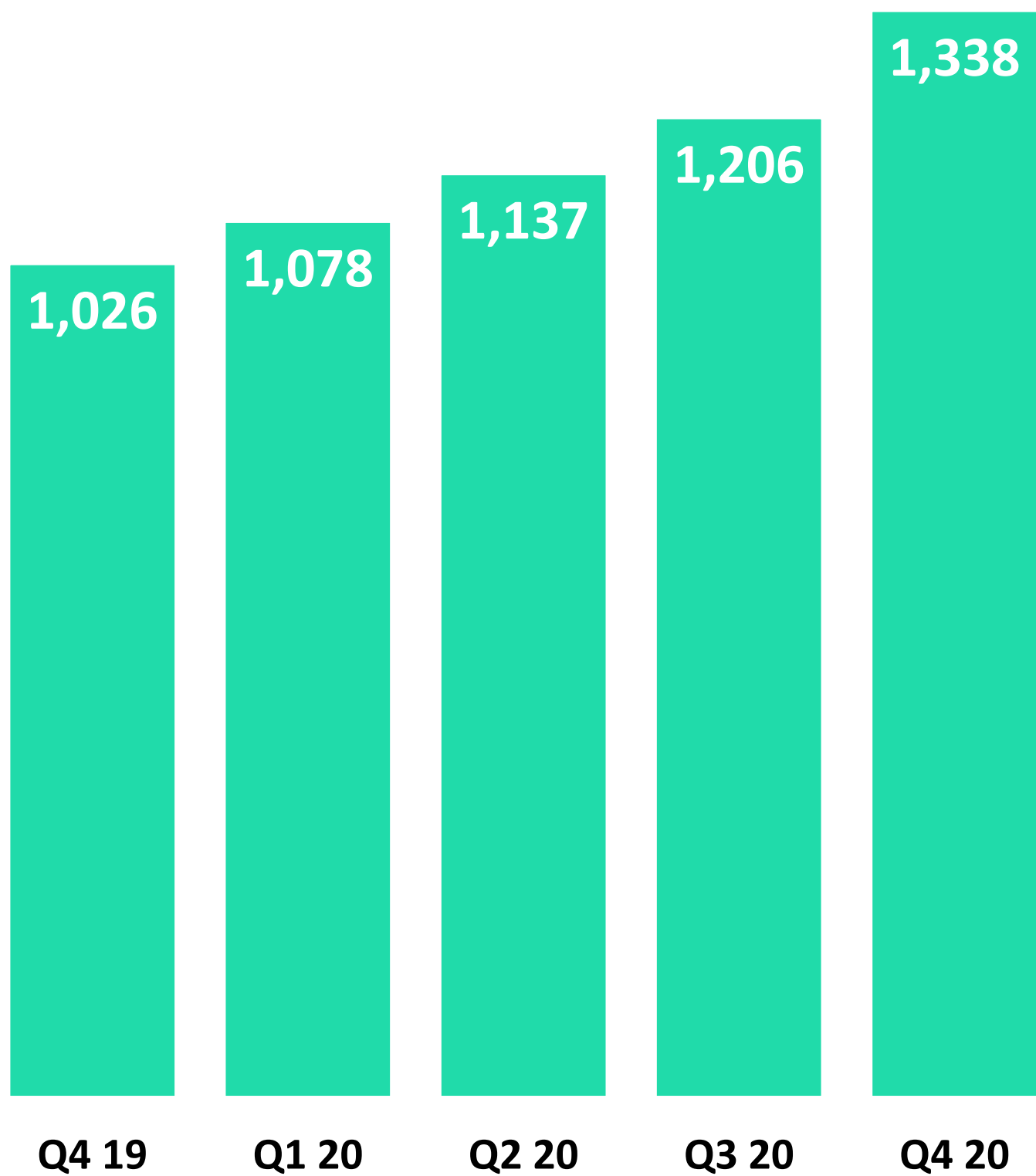


1—Remaining performance obligations represent all contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods  
2—Defined as RPOs expected to be recognized as revenue in next 12 months

# Growing large customers still represent small percentage of overall customer base

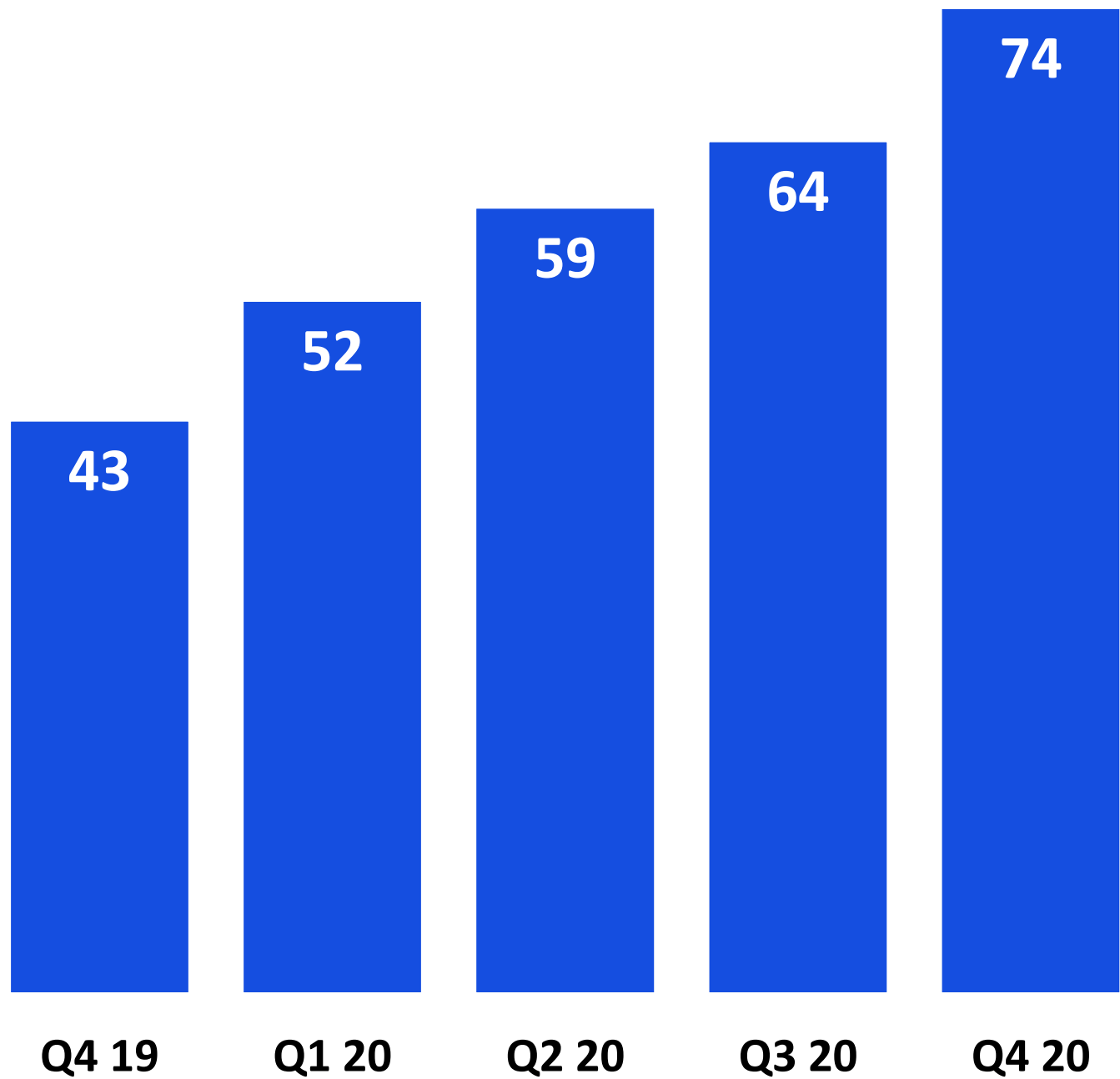
Customers with >\$100K in Subscription ARR

Represents ~10% of customer count

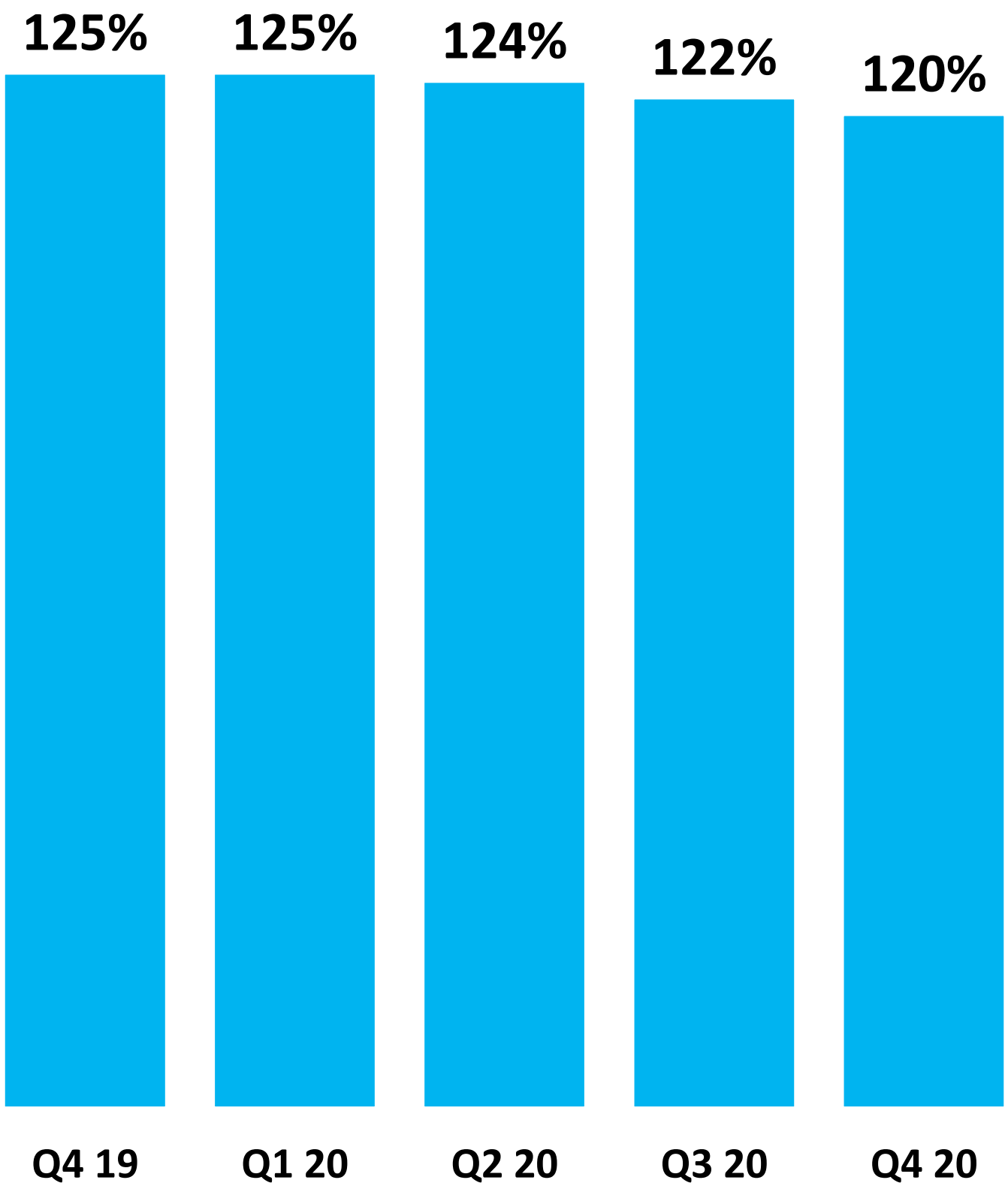


Customers with >\$1M in Subscription ARR

Represents <1% of customer count

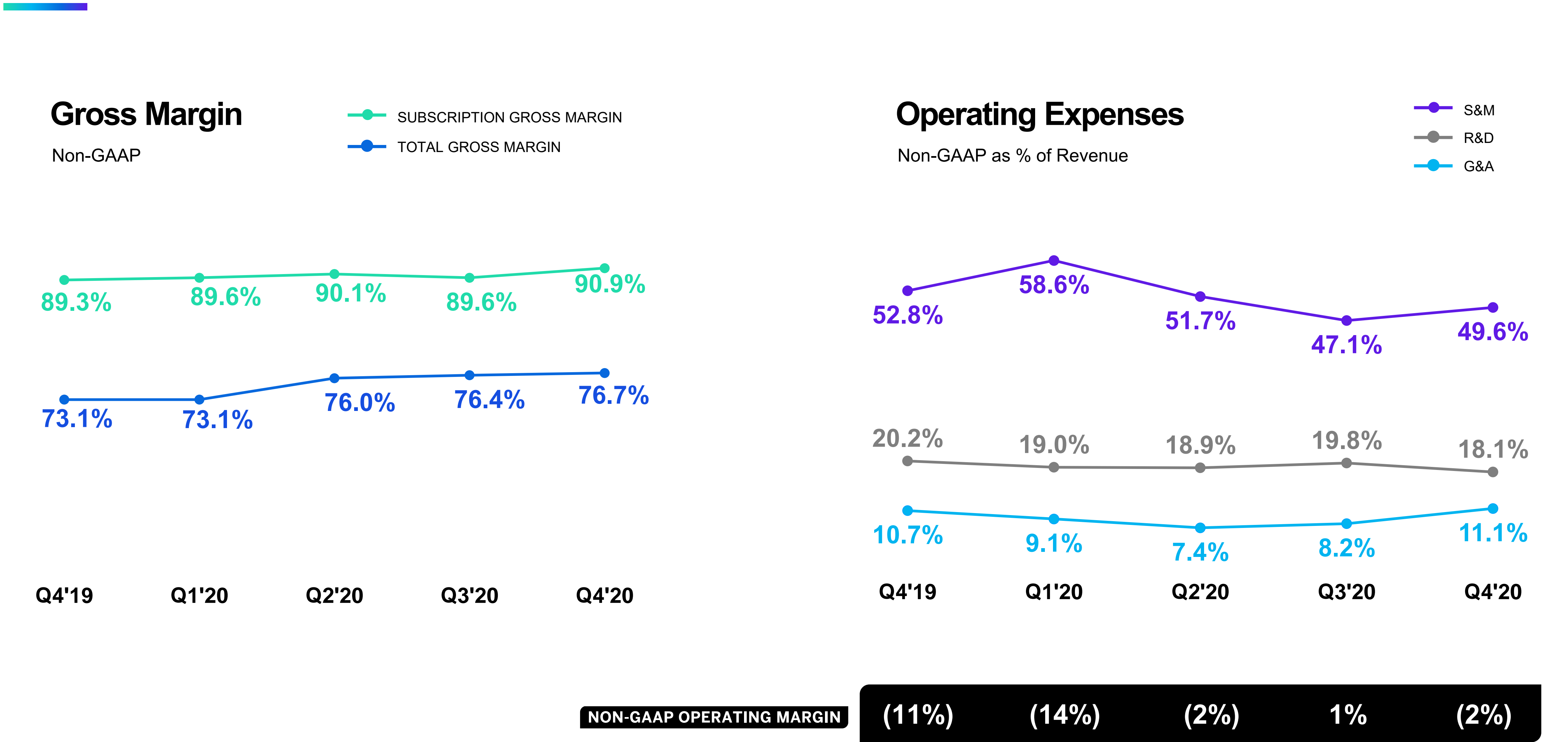


Net Retention Rate





# Steady margins while investing for growth



# Appendix

# GAAP to Non-GAAP reconciliation

	3 MONTHS ENDED 12/2019	3 MONTHS ENDED 12/2020	2019	2020
(\$ in thousands, Fiscal Year Ending December 31)				
GAAP Total Gross Profit	\$119,571	\$162,113	\$405,664	\$565,035
GAAP Gross Margin	69%	76%	69%	74%
Add: Stock-based compensation expense, including cash settled	6,420	1,367	41,304	11,369
Add: Amortization of acquired intangible assets	282	265	1,160	1,062
Non-GAAP Total Gross Profit	\$126,273	\$163,745	\$448,128	\$577,466
Non-GAAP Gross Margin	73%	77%	76%	76%
GAAP Subscription Gross Profit	\$104,057	\$144,700	\$362,056	\$512,726
GAAP Subscription Gross Margin	86%	90%	84%	89%
Add: Cost of Revenue Stock-based Compensation Expense	3,189	823	24,136	4,632
Add: Cost of Revenue Amortization of Acquired Intangible Assets	282	265	1,160	1,062
Non-GAAP Subscription Gross Profit	\$107,528	\$145,788	\$387,352	\$518,420
Non-GAAP Subscription Gross Margin	89%	91%	90%	90%

# GAAP to Non-GAAP reconciliation

	3 MONTHS ENDED 12/2019	3 MONTHS ENDED 12/2020	2019	2020
(\$ in thousands, Fiscal Year Ending December 31)				
GAAP Sales and Marketing Expense	\$112,871	\$109,019	\$440,325	\$431,794
GAAP Sales and Marketing Expense (as % of Revenue)	65%	51%	74%	57%
Less: Stock-based Compensation Expense, including cash settled	(21,493)	(2,944)	(115,581)	(37,877)
Less: Amortization of Acquired Intangible Assets	(51)	(51)	(204)	(204)
<b>Non-GAAP Sales and Marketing Expense</b>	<b>\$91,327</b>	<b>\$106,024</b>	<b>\$324,540</b>	<b>\$393,713</b>
Non-GAAP Sales and Marketing Expense (as % of Revenue)	53%	50%	55%	52%
GAAP Research and Development Expense	\$58,658	\$43,810	\$242,124	\$212,795
GAAP Research and Development Expense (as % of Revenue)	34%	21%	41%	28%
Less: Stock-based Compensation Expense, including cash settled	(23,675)	(5,190)	(130,809)	(68,355)
Less: Amortization of Acquired Intangible Assets	-	-	-	-
<b>Non-GAAP Research and Development Expense</b>	<b>\$34,983</b>	<b>\$38,620</b>	<b>\$111,315</b>	<b>\$144,440</b>
Non-GAAP Research and Development Expense (as % of Revenue)	20%	18%	19%	19%
GAAP General and Administrative Expense	\$93,021	\$20,274	\$717,363	\$175,499
GAAP General and Administrative Expense (as % of Revenue)	54%	9%	121%	23%
Less: Stock-based Compensation Expense, including cash settled	(74,517)	3,537	(588,532)	(106,412)
Less: Amortization of Acquired Intangible Assets	(27)	(47)	(114)	(188)
Less: Advisory and legal costs related to the SAP Acquisition	-	-	(66,992)	-
<b>Non-GAAP General and Administrative Expense</b>	<b>\$18,477</b>	<b>\$23,764</b>	<b>\$61,725</b>	<b>\$68,899</b>
Non-GAAP General and Administrative Expense (as % of Revenue)	11%	11%	10%	9%



# GAAP to Non-GAAP reconciliation

	3 MONTHS ENDED 12/2019	3 MONTHS ENDED 12/2020	2019	2020
(\$ in thousands, Fiscal Year Ending December 31)				
GAAP Operating Income (Loss)	(\$1 44,979)	(\$1 0,990)	(\$994,148)	(\$255,053)
GAAP Operating Margin	(84%)	(5%)	(168%)	(33%)
Add: Stock-based Compensation Expense, including cash settled	126,105	5,964	876,226	224,013
Add: Amortization of Acquired Intangible Assets	360	363	1,478	1,454
Add: Advisory and legal costs related to the SAP Acquisition	-	-	66,992	-
<b>Non-GAAP Operating Income (Loss)</b>	<b>(\$1 8,514)</b>	<b>(\$4,663)</b>	<b>(\$49,452)</b>	<b>(\$29,586)</b>
Non-GAAP Operating Margin	(11%)	(2%)	(8%)	(4%)
Net Cash Provided by Operating Activities	(\$1 24,949)	(\$98,493)	(\$370,904)	(\$41 0,722)
Operating Cash Flow Margin	(72%)	(46%)	(63%)	(54%)
Less: Capital Expenditures	(6,712)	(46,464)	(33,181)	(89,518)
<b>Free Cash Flow</b>	<b>(\$1 31,661)</b>	<b>(\$1 44,957)</b>	<b>(\$404,085)</b>	<b>(\$500,240)</b>
Free Cash Flow Margin	(76%)	(68%)	(68%)	(66%)