

samsara

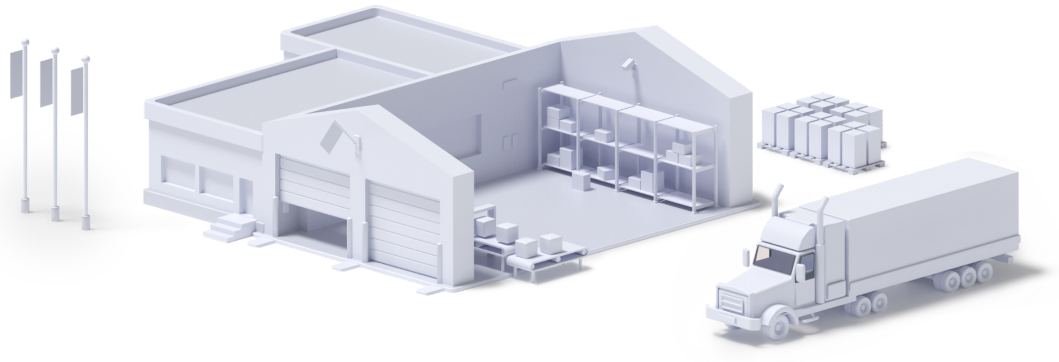
# Shareholder Letter

**Q1 FY23 | June 2, 2022**

## Legal Disclaimer

This shareholder letter contains 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. These statements may relate to, but are not limited to, expectations of future operating results or financial performance, market size and growth, industry developments and trends, the calculation of certain of our financial and operating metrics, capital expenditures, future payroll tax obligations, plans for future operations, headcount and productivity growth, carbon emissions goals, competitive position, technological capabilities, inventory capacity, customer adoption of and results from our Connected Operations Cloud and strategic relationships, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and could cause actual results and events to differ. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expect," "plan," anticipate," "believe," "estimate," "predict," "intend," "potential," "would," "continue," "ongoing", "guidance" or the negative of these terms or other comparable terminology. You should not put undue reliance on any forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all. Forward-looking statements are based on information available at the time those statements are made, including information furnished to us by third parties that we have not independently verified, and/or management's good faith beliefs and assumptions as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this shareholder letter may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. These risks and uncertainties include our ability to retain customers and expand the Applications used by our customers, our ability to attract new customers, our future financial performance, including trends in revenue and annual recurring revenue ("ARR"), annual contract value, net retention rate, costs of revenue, gross profit or gross margin, operating expenses, customer counts, non-GAAP financial measures (such as non-GAAP gross margin, non-GAAP operating margin, and non-GAAP adjusted free cash flow margin), our ability to achieve or maintain profitability, the demand for our products or for solutions for connected operations in general, the ongoing COVID-19 pandemic, possible harm caused by silicon component shortages, possible harm caused by a security breach or other incident affecting our or our customers' assets or data, our ability to compete successfully in competitive markets, our ability to respond to rapid technological changes, and our ability to continue to innovate and develop new Applications. The forward-looking statements contained in this shareholder letter are also subject to other risks and uncertainties, including those more fully described in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022 and other filings and reports that we may file from time to time with the Securities and Exchange Commission, including our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2022. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

This letter also includes certain non-GAAP financial measures. Reconciliations between our GAAP and non-GAAP financial measures, as well as important information about our use of non-GAAP financial results and non-GAAP financial guidance for future quarters, can be found in our investor presentation and/or earnings press release, both of which are available on our investor relations website. A reconciliation of non-GAAP guidance financial measures to corresponding GAAP guidance financial measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty and potential variability of expenses, such as stock-based compensation expense-related charges, that may be incurred in the future and cannot be reasonably determined or predicted at this time. It is important to note that these factors could be material to our results of operations computed in accordance with GAAP.





## Sanjit Biswas

*Co-Founder and Chief Executive Officer*

Samsara delivered another strong quarter of growth, surpassing $600 million of ARR in just the 7th year since our founding, representing 59% year-over-year growth. We also surpassed 15,000 core customers and continued to see exceptional growth in our $100,000+ ARR customers. This segment now represents approximately 900 customers spanning various industries and includes the addition of Coach USA, Oklahoma City, a major United States provider of automotive, travel, and financial services, and two Fortune 500 customers: one of the largest home improvement retailers in the United States and one of the world's top-ten global retailers.

These results reaffirm the trust our customers put in us to improve the safety, efficiency, and sustainability of their operations. Samsara is becoming a partner of choice as companies digitally transform to stay competitive in the current economic environment. Our customers know they have to continue to invest in digital transformation -- it is a proven way to fight inflation. Our offerings are becoming a must-have for companies looking to streamline their operations, reduce their cost stacks, and gain more visibility and control into their operations.

Samsara helps companies in physical operations make the jump from 20th century pen-and-paper processes to 21st century digital technologies. Physical operations are the backbone of the global economy and represent more than 40% of the global GDP. This percentage encompasses organizations that span mission-critical industries including wholesale and retail trade, construction, field services, logistics, utilities and energy, government, healthcare, education, manufacturing, food and beverage and more.

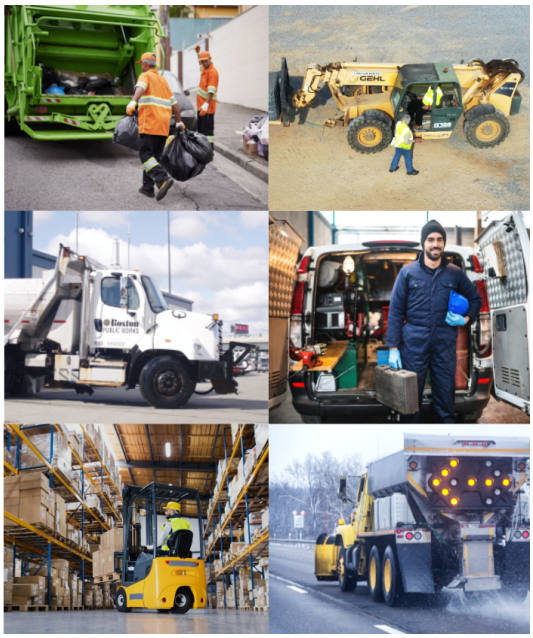
Technological advancements in AI, IoT connectivity, and cloud computing have enabled complex physical operations to capture and analyze data in new ways, breaking down data silos and reimagining work. Our Connected Operations Cloud is built around this opportunity. Samsara customers see the rapid return on investment of our platform and remain competitive by continuing to invest in the safety, efficiency, and sustainability of their operations.

## HELPING OUR CUSTOMERS RESPOND TO UNCERTAIN TIMES

### A horizontal platform serving diversified industries

15,000+ Core Customers | ~900 customers with ARR > $100K



Figures as of Q1 FY23. Percentages may not add up to 100% due to rounding.
[1] See Appendix for methodology

The world's biggest challenges are Samsara's biggest opportunities. Our customers keep the world running. Many have been around for over half a century and have survived challenging economic cycles. Today, they are managing through a particularly turbulent period marked by rising inflation and interest rates, broken supply chains, tight labor markets, and geopolitical uncertainty.

Samsara's Connected Operations Cloud enables our customers to harness IoT data to develop actionable insights and improve their operations. We are easing the strain caused by cost challenges, labor shortages, asset inefficiencies, insurance costs, and rising customer expectations.

| Applications | Select Features | Operational Improvements |
|---|---|---|
| **Video-Based Safety** | → Safety coaching, real-time driver feedback | → Reduce accidents<br>→ Lower insurance premiums<br>→ Exonerate drivers |
| **Vehicle Telematics** | → Fuel reporting, vehicle idling reporting, routing | → Optimize routes and scheduling<br>→ Improve fuel efficiency<br>→ Increase utilization |
| **Apps & Driver Workflows** | → Employee onboarding, driver vehicle inspection report (DVIR) | → Address labor shortage by improving worker productivity and safety |
| **Equipment Monitoring & Control** | → Utilization reporting, preventative maintenance | → Decrease operational downtime |
| **Site Visibility** | → AI-powered video search, people and motion alerts | → Streamline incident responses<br>→ Lower insurance premiums |

## Improving Fuel Efficiency

GP Transco, a trucking and logistics company with over 400 drivers, 410 tractors, and 550 trailers across the United States and Canada, used **Samsara's technology to reduce idling by 35%, saving an estimated 205,000 gallons of fuel or over $350,000 in savings. In 2021, GP Transco announced it reduced its carbon footprint by 30 million pounds of emissions.**

Additionally, our customer Bragg Companies is one of the construction industry's largest integrated service organizations with 2,000+ vehicles and assets in eight states. With Samsara's data and open API, Bragg built a tailored safety program that has decreased occurrences of speeding by 68% and accident-related losses by 41%. **Safer and more efficient driving has translated into a 15% increase in fuel efficiency, saving Bragg an estimated $500,000 per year in fuel costs.** Better data also helped Bragg monitor and reduce its Scope 1 emissions.

## Reducing Insurance Claims

Heniff Transportation Systems is a leader in liquid bulk transportation with over 1,800 drivers across 80 terminal locations nationwide. Heniff regularly hauls chemicals and other hazardous materials all over the United States. They needed a strong safety framework to ensure their drivers were safe and compliant with safety regulations. Heniff adopted Samsara's Video-Based Safety and Site Visibility to easily capture video footage of incidents both on the road and at terminals. With Samsara, they gained greater control over their operations and are able to proactively coach drivers and employees more effectively, while reducing spend on insurance claims. **Since adoption, Heniff estimates a 50% reduction in liabilities because of Samsara's technology.**

## Streamlining Worker Productivity

UFP Industries, the leading manufacturer and distributor of wood products, serves thousands of customers in the retail, construction, and industrial sectors. UFP wanted to digitize their operations to improve operational visibility, driver safety and customer service. UFP adopted Samsara's Vehicle Telematics, Video-Based Safety, and Apps & Driver Workflows into their 350 private fleet trucks to complete over 200,000 deliveries annually. **By going paperless with Samsara, UFP estimates they saved $600,000 annually in operational and administrative costs. Through streamlining the rest of their operations, they are saving an additional hundreds of thousands of dollars each year.**

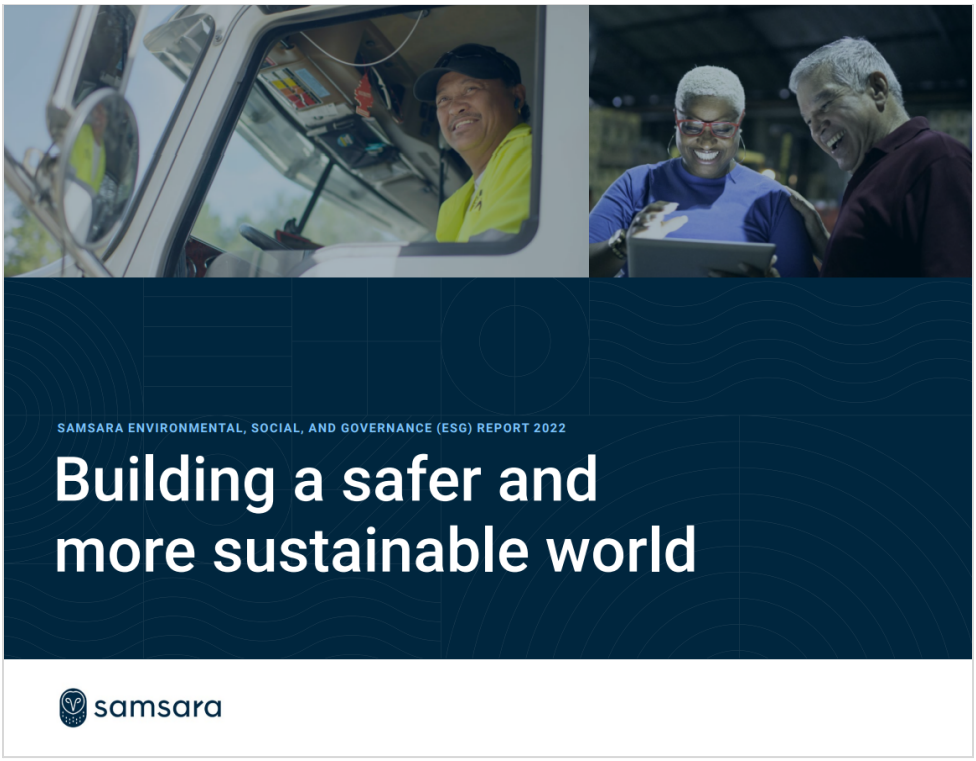
## Increasing Distribution Capacity

One of the world's largest grocery retailers serving over 55 million shoppers weekly across 7,000+ retail locations wanted to increase their distribution capacity by optimizing turnaround times for their vehicles. They adopted Samsara's Vehicle Telematics and integrated it with their internal systems. Now they can automatically alert their distribution centers of incoming vehicles and assign yard spots. **Automating these manual processes has saved significant time loading and unloading, increased capacity and reduced their costs – all while maintaining service levels.**

It's these kinds of cost savings that are helping our customers combat inflation and maintain competitive footholds in their industries.

## PARTNERING WITH CUSTOMERS TO ACHIEVE THEIR ESG GOALS

In April, Samsara released our inaugural ESG Report, highlighting the ways we impact customers' ESG goals, including emissions reporting, worker safety, and efficiency.



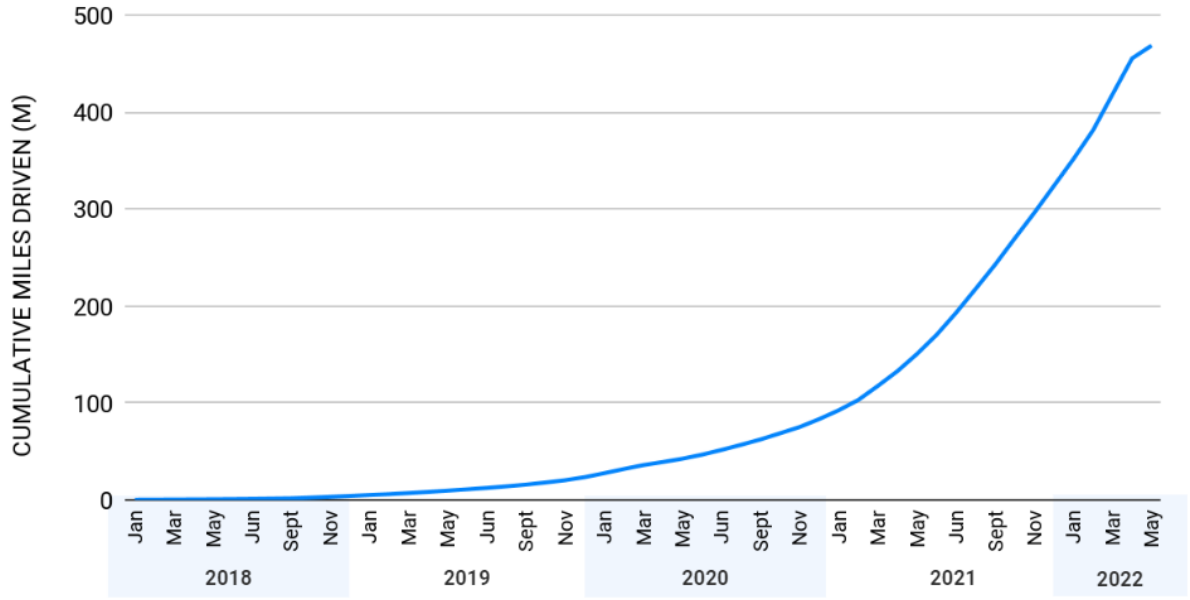

### Sustainability

According to an industry survey, 78% of operations and fleet leaders agree that they have a greater responsibility to prioritize sustainability efforts than other industries. They also feel significant pressure being put on their organizations to set and meet aggressive sustainability goals. Real-time data can make it easier for our customers to meet emissions targets. Last year alone, we processed over 4.6 trillion data points. This is a competitive differentiator that allows us to help our customers reach their unique ESG goals.

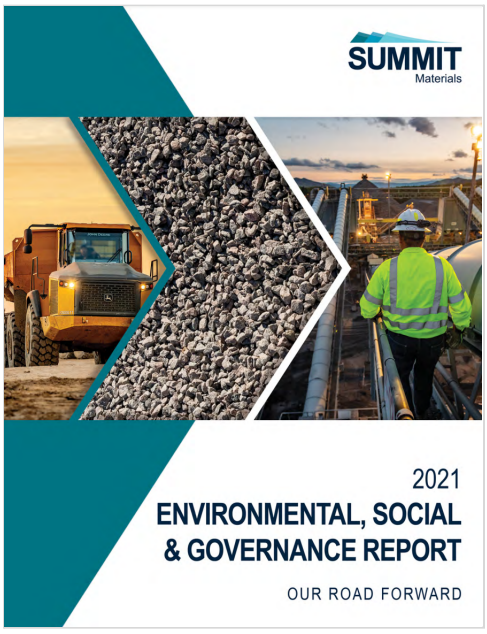
Electrification is the inevitable future of commercial fleets according to 90% of fleet managers. Samsara is becoming the preferred partner to those putting sustainability at the forefront of their digital transformation. We're seeing a growing number of customers adopt sustainable practices. Since the start of 2020, we've seen a 17x increase to over 450 million cumulative hybrid and EV miles driven by our customers.

**Cumulative miles driven by hybrid and electric vehicles**
Data since Jan 2018 for all hybrid and electric vehicles as decoded by VIN

Connected Operations Cloud data from samsara




Summit Materials, a leading construction materials company and a Samsara customer since 2019 — has 12 operating companies, more than 4,000 vehicles, and 400 sites. Their goal is to be the most socially responsible provider in the market and achieve net-zero emissions by 2050. To achieve the goals outlined in their ESG report, Summit Materials needed better data reliability to improve visibility across their operations. Summit Materials' investment in Samsara's Vehicle Telematics, Video-Based Safety, and Site Visibility solutions has helped them make strong progress toward their sustainability and safety goals. With Samsara, **Summit Materials expects savings of approximately $1 million dollars per year in fuel costs, a reduction of 2,000+ tons of $CO_2$ emissions or 175,000+ gallons of fuel[1], and saw a 33% decrease in preventable vehicle accidents in one year.**




[1] Calculation based on $1 million fuel savings by customer and assumed conversion rate of $5.61 per gallon of diesel and 22.46 pounds of $CO_2$ per gallon of diesel fuel per U.S. Energy Information of Administration data as of May 2022




Another example of how Samsara is helping customers unlock new ways to meet sustainability goals is with Sunrun, a leading home solar, battery storage, and energy services company. Sunrun is focused on driving efficiencies through fleet electrification. They are using Samsara's Vehicle Telematics to track real-time route performance data and identify vehicles best suited for electrification. **Samsara is helping Sunrun achieve their goal of reducing transportation emissions by transitioning half of their vehicle fleet to electric or hybrid, as outlined in their latest Impact Report.**

## Safety

Every year, there are close to 1 million manufacturing injuries and truck crashes in the United States. Safety remains one of the top priorities for our customers. With a robust safety program in place, powered by real-time data and video-footage from Samsara, organizations can reduce accidents and save lives.

For example, safety is a top priority for Liberty Energy, a leading North American service provider to onshore oil and natural gas exploration companies. They originally implemented Samsara's Vehicle Telematics to track critical assets and wanted a safety program to integrate with their business. **By adopting Samsara's Video-Based Safety solution, they reduced their motor vehicle accident rate by more than 50% in 2021.**

## Carbon Neutral Today and Net Zero in 2040

Stepping into the boots of our customers to better understand their ESG journey, we also made great strides on our own ESG goals this quarter. We set a new goal to achieve net-zero emissions by 2040, 10 years ahead of the Paris Agreement and in line with the Science Based Targets initiative. Over two years ago, we made investments to remove and offset our emissions and achieve carbon neutrality. We are committed to staying carbon neutral and have invested in several innovative carbon offset projects.

## BUILDING FOR THE LONG-TERM

### Multi-decade Missions Require Profitability

The vision for our Connected Operations Cloud is to be the foundation of digital transformation in physical operations for decades to come. We expect these operations to undergo a secular shift to the cloud similar to what we have seen in other industries.

Partnering with our customers on this multi-decade journey requires Samsara to be a multi-decade company. We remain committed to our mission and path to long-term profitability. Key operational drivers for profitability will be disciplined capital allocation, global employee base expansion, and a more efficient go-to-market motion.

### Growing Partner Ecosystem

Our Connected Operations Cloud is the hub for a robust ecosystem of partner connections. This ecosystem continues to improve and become more valuable over time. Our platform has over 155 integrations today and saw over 33 billion API calls in FY22, a 4x increase from FY21. On average, our customers with large deployments of Samsara devices are using four or more integrations.

Integrating with OEMs continues to be a key partnership area for Samsara. This quarter, we were excited to announce an integrated solution with John Deere Operations Center to digitize farming operations.




We are seeing customers adopt Samsara not just for our products, but also for our broader Connected Operations Cloud platform. Our platform has become increasingly useful from our robust and growing partner ecosystem including Ford, International, Volvo Construction Equipment, Ryder, ADP, and Uber Freight. We continue to grow our OEM integrations to help our customers make the most of their asset investments while also accessing next-level technology for visibility and efficiency across their operations.

## Unlocking the Global Talent Pool to Meet Customer Demand




Q1 was our best hiring quarter since the pandemic began, driven in part by our well-received work-from-anywhere strategy. Approximately 90% of new hires in Q1 were remote-first employees. We have a dedicated remote operations team to ensure we continue supporting employees wherever they wish to work.

We now have 7 offices in North America and EMEA. By expanding our operations, we're able to leverage the efficiencies of a global talent pool, bolster customer support and accelerate region-specific go-to-market strategies. We plan to sustain our hiring momentum throughout FY23 as we continue to invest globally into the business to meet customer demand.

In closing, I want to thank all Samsarians for their dedication to serving our customers in this unique economic environment. The customer success stories we've heard over the quarter reflect Samsarians' tremendous work. We are excited to continue the partnership at our first-ever in-person customer conference – Samsara Beyond – from June 15th - 16th.

To our customers, thank you for the trust you put in our team. Our biggest opportunities lie ahead, and I'm more confident than ever that our Connected Operations Cloud will be the foundation supporting the digital transformation in physical operations.



# Dominic Phillips

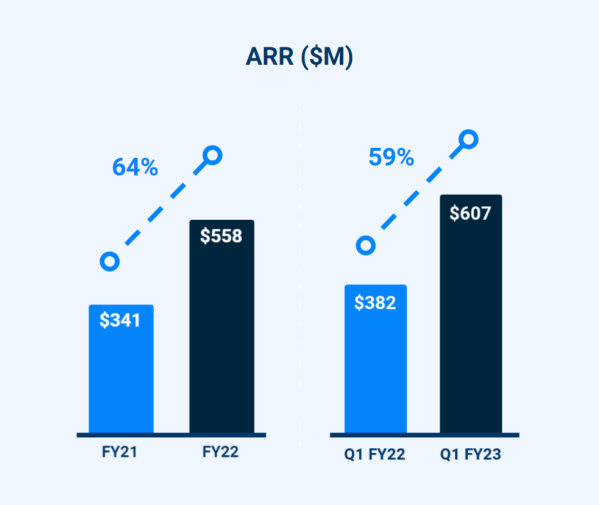
*Chief Financial Officer*

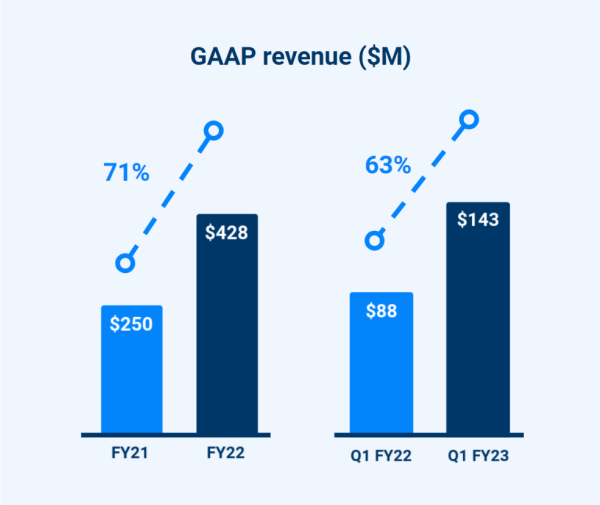
Q1 was highlighted by strong top-line growth along with continued operating efficiency improvements. Our results continue to demonstrate the large and growing opportunity for digital transformation across the world of physical operations. Our leadership position in a large and growing market opportunity provides a strong foundation for durable and efficient long-term growth.

## Q1 FY23 HIGHLIGHTS

### Top-line Results

Samsara has achieved significant scale while maintaining rapid growth in the past 7 years since its founding, and that trend continued this quarter. Q1 ending ARR was $607 million, growing 59% year-over-year, and Q1 revenue was $143 million, growing 63% year-over-year.

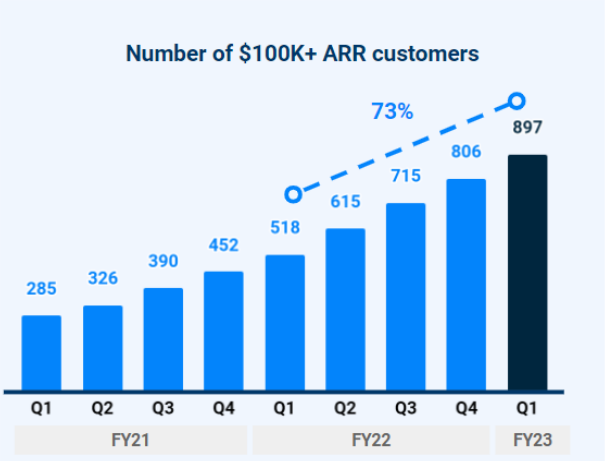


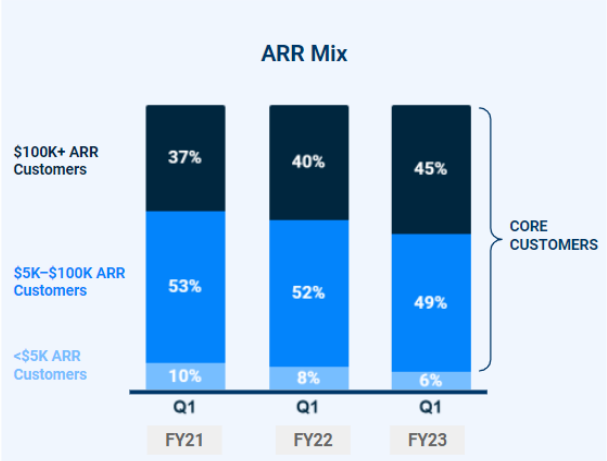




Several factors drove our strong-top line performance in Q1:

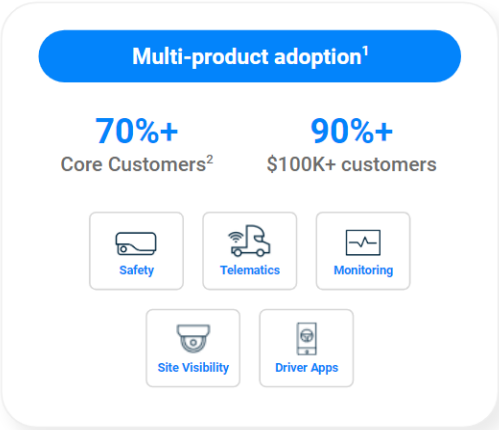
- **Large Customer Momentum:** Our investments in serving the largest physical operations customers in the world continue to pay off. We now have 897 customers with ARR of more than $100K each, a quarterly increase of 91 (the same number of additions as Q4 FY22 – our seasonally strongest new bookings quarter), and an annual increase of 379, or 73% year-over-year growth. Samsara is purpose-built for large customers with complex operations that want full visibility and control over thousands of disparate assets on one integrated platform. Additionally, large customers are generally more stable in uncertain macroeconomic environments, have stronger long-term unit economics, and higher gross and net retention rates. Our investments in large customer opportunities coincides with a de-emphasis in acquiring customers with less than

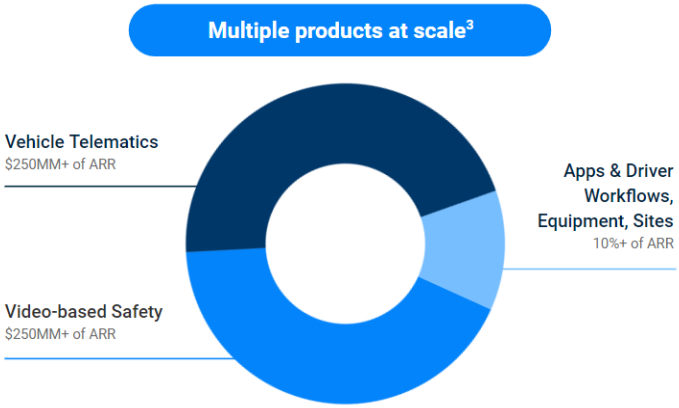
$5K of ARR. As a result, the number of $100K+ ARR customer additions in Q1 surpassed the number of <$5K ARR customers additions for the first time ever. We expect ARR mix will continue shifting to larger customers over time.




- **Multi-Product Strength:** The majority of our customers choose Samsara for the breadth of our Connected Operations Cloud across many different assets and use cases, and multi-product adoption is one of our biggest growth drivers. For example, 7 of our 10 largest Q1 deals included subscriptions to two or more products. More broadly, 70%+ of core customers and 90%+ of $100K+ ARR customers subscribe to multiple applications. At the end of Q1, our two connected fleet applications, Video-based Safety and Vehicle Telematics, represented more than $250 million of ARR each, and our remaining non-vehicle applications combined to contribute more than 10% of total ARR.



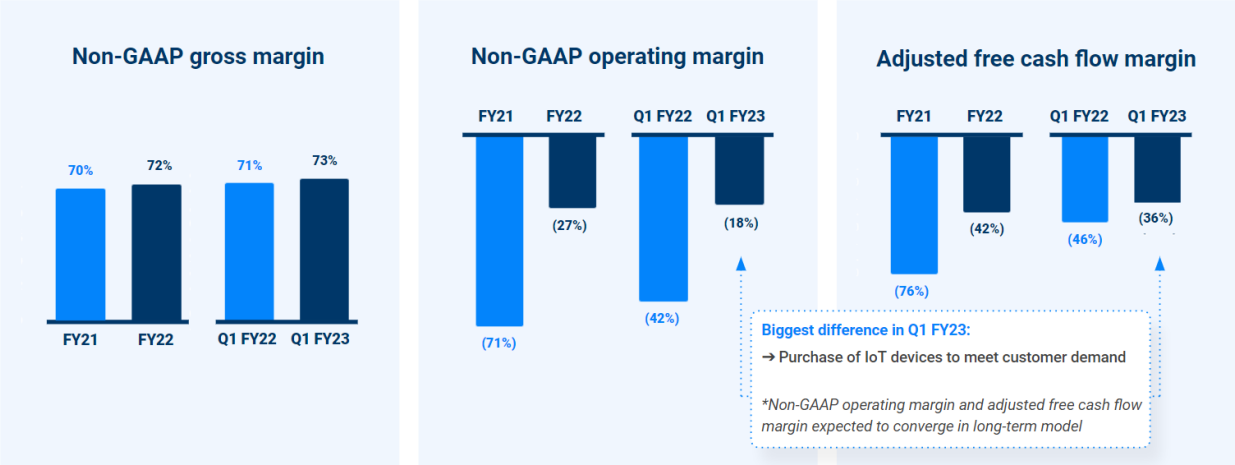




Figures as of Q1 FY23
[1] Defined as two or more product subscriptions
[2] See Appendix for definition
[3] Represents segmentation of total ARR by product

- **Expansions to Existing Customers:** While Q1 was another record quarter of new core customer additions, it was also the second consecutive quarter that expansions to existing customers drove more than 50% of new bookings. Both upsells, such as phased roll-outs of a product across a broader set of assets, as well as cross-sells, such as adding applications to new use cases, contributed meaningfully to our expansion bookings in the quarter. Additionally, ~70% of our new $100K+ ARR customers (91 added in the quarter) were already existing Samsara customers. Despite the uncertain macro environment, we continue to help customers digitize broader swaths of their physical operations, allowing them to operate more safely, efficiently, and sustainably. As a result, our dollar-based net retention rate for core customers and large customers continues to be greater than our target of 115% and 125%, respectively.

## Profitability Results

In addition to our strong top-line performance, we continue to operate more efficiently across our business as we scale. As a result, we've seen strong year-over-year leverage across all functions.




- **Non-GAAP gross margin** was 73% in Q1 FY23, compared to 71% in Q1 FY22, an improvement of approximately 2 percentage points, primarily from product optimizations, improved commercial strategies, and larger scale. This is the 7th consecutive quarter of 70%+ gross margin.
- **Non-GAAP operating margin** was (18%) in Q1 FY23, compared to (42%) in Q1 FY22, an improvement of more than 50%, or approximately 24 percentage points year-over-year, across all functions. 2 percentage points came from gross margin (see above), 8 percentage points came from improved S&M productivity, 7 percentage points came from R&D leverage in our core products, and 6 percentage points came from general leverage across G&A. We remain focused on finding additional leverage as we scale our business.
- **Adjusted free cash flow margin** (excludes non-recurring capital expenditures associated with the buildout of our new corporate office facilities) was (36%) in Q1 FY23, compared to (46%) in Q1 FY22, an improvement of 10 percentage points year-over-year. Our improved operating leverage (see above) was partially offset by negative net working capital. A key component of our solution is providing IoT devices that connect physical assets to the Samsara cloud. More than 75% of our adjusted free cash flow in Q1 was related to payments for connected devices (devices provided to customers) and additional inventory (devices purchased by Samsara but not yet provided to customers). While inventory purchases result in negative net working capital today, we anticipate

net working capital will turn positive in our long-term model, primarily from a more stable global supply chain, improved device optimizations, and a larger renewal base that doesn't require new devices, causing operating margin and free cash flow margin to eventually converge.

The global supply chain disruption continues to put pressure on critical component costs and availability. We expect inventory costs and lead times to remain high over the next few quarters and expect they will normalize over time as the supply chain ramps to meet demand. However, in the face of this challenge, we improved our gross margin, improved our adjusted free cash flow margin, and shipped enough IoT devices to meet all customer demand for the quarter.

### Headcount

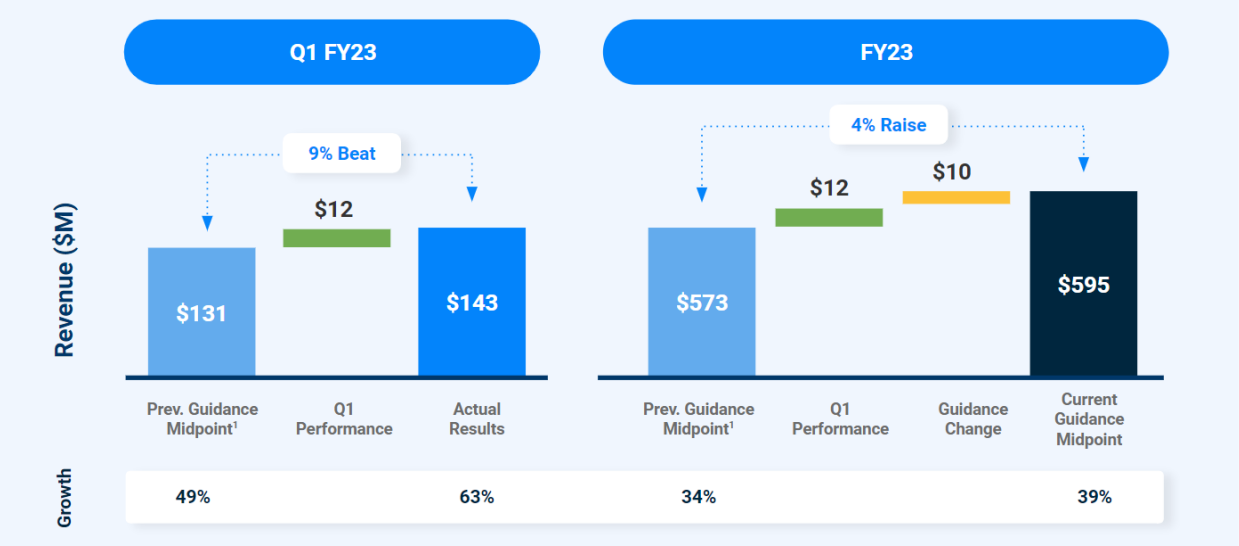
Q1 was our largest hiring quarter since pre-COVID, and almost 50% of our net new employees joined our go-to-market teams. We primarily utilize a direct sales model, which means adding more sales capacity, along with improving productivity, are key drivers of future growth.

As a reminder, we reduced headcount at the beginning of FY21 (CY20) during the onset of COVID to manage costs in an uncertain macro environment, and we started to rebuild our headcount capacity last year (~40% of net new sales and marketing hires joined in Q4 alone). By the end of FY22 (CY21) our ending headcount was roughly back to pre-COVID levels, while our ARR almost tripled over the same time period. We're continuing our hiring momentum in FY23 to build more capacity and infrastructure to support our future scale. We're on track to accelerate our headcount growth in FY23, while maintaining a commitment to margin improvement and balanced growth.

## Q2 FY23 AND FULL-YEAR FY23 GUIDANCE

Based on our strong Q1 results and updated outlook for the remainder of FY23, we're raising our full-year revenue guidance to $590 to $600 million, or 38 to 40% year-over-year growth. In addition to increasing our top-line guidance, we also identified additional savings from improved operating efficiencies without sacrificing growth investments given customer demand strength. As a result, our full-year operating margin guidance improved to (20%) or an implied FY23 non-GAAP operating income improvement of $7 million.

| | Q2 FY23 | FY23 |
|---|---|---|
| **Total Revenue**<br>***Y/Y Growth*** | $142 million - $144 million<br>*41% - 43% growth* | $590 million - $600 million<br>*38% - 40% growth* |
| **Non-GAAP Operating Margin %** | (22%) | (20%) |
| **Non-GAAP EPS** | ($0.06) - ($0.07) | ($0.22) - ($0.24) |




[1] Refers to previously issued financial guidance dated 03/22/2022

**Additional modeling notes for FY23:**

- As a reminder, Q2 FY22 (last year) was seasonally stronger than expected driven by two factors: (1) we ran a backlog in Q1 FY22 due to the global supply shortage that cleared in Q2 FY22 (i.e., Q2 was benefited by a few larger deals signed in Q1 but shipped in Q2), and (2) our enterprise segment had a seasonally stronger quarter as demonstrated by an at-the-time record 91 new $100K+ ARR customers added in the quarter. We expect the strength of Q2 FY22 will impact year-over-year growth rates in Q2 FY23.
- No changes to Non-GAAP gross margin outlook for FY23, which is expected to be in the low 70s percent (in line with consensus estimates at the time of this earnings release).
- Adjusted free cash flow margin for FY23 is expected to be in the mid- to high-negative 20s percent (an improvement from the low negative 30s percent in our previous modeling notes, due to improved operating efficiency).
    - We expect adjusted free cash flow margin to improve each quarter throughout FY23, reflecting higher cash collections throughout the year.
- Weighted average shares outstanding is expected to be 507 million for Q2 FY23 and 514 million shares at the end of FY23.

To wrap up, we are very pleased with our start to the year, and our improved outlook for FY23. We are benefiting from the secular transformation of physical operations, and we believe that the macro volatility caused by high inflation and a tight labor market is making Samsara even more imperative to our customers. We remain committed to continued operating efficiencies on our path to profitability through scale, product enhancements, global employee expansion, and cost optimization, all without sacrificing the incredible customer demand we're experiencing.

In addition to our Samsara Beyond customer conference, we're hosting our inaugural Investor Day on June 15th, where we will provide additional insights into Samsara's trajectory and the overall state of physical operations. Our Investor Relations website will have a web link to a live broadcast.

# Appendix

## DEFINITIONS

**Annual Contract Value (ACV)**
We define ACV as the annualized value of a customer's total contract value for Samsara products as of the measurement date.

**Annual Recurring Revenue**
We define ARR as the annualized value of subscription contracts that have commenced revenue recognition as of the measurement date.

**Customer**
We define a customer as an entity that has an ARR of greater than $1,000 at the end of a reporting period.

**Core Customer**
We define a core customer as an entity that has an ARR of greater than $5,000 at the end of a reporting period.

**Large Customer**
We define a large customer as an entity that has an ARR of greater than $100,000 at the end of a reporting period.

**Net Retention Rate**
We calculate our dollar-based net retention rate as of a period end by starting with the ARR from the specified cohort of customers as of 12 months prior to such period-end, or the Prior Period ARR. We then calculate the ARR from these same customers as of the current period-end, or the Current Period ARR. Current Period ARR includes any expansion, and is net of contraction or attrition over the last 12 months, but excludes ARR from new customers in the current period, as well as any ARR associated with paid trials. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the point-in-time dollar-based net retention rate. We then calculate the weighted average of the trailing 12-month point-in-time dollar-based net retention rates to arrive at the dollar-based net retention rate.

In calculating the dollar-based net retention rate for core customers and for $100K+ ARR customers, we look at the cohort of customers with a Prior Period ARR greater than $0 who have exceeded $5,000 ARR in the case of core customers, or $100,000 ARR in the case of $100K+ ARR customers, during their lifetime as a Samsara customer.

**ARR by Industry Chart Methodology**
Listed industry data is available for Samsara customers comprising ~80% of ARR. Our analysis assumes that the remaining customers track the same breakdown by industry as the customers for which data is available.

## NON-GAAP FINANCIAL MEASURES

**Non-GAAP Gross Profit and Non-GAAP Gross Margin**—We define non-GAAP gross profit as gross profit plus stock-based compensation expense-related charges, including employer taxes on employee equity transactions, included in cost of revenue. Non-GAAP gross margin is defined as non-GAAP gross profit as a percentage of total revenue. We use non-GAAP gross profit and non-GAAP gross margin in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP gross profit and non-GAAP gross margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations.

**Non-GAAP Loss from Operations and Non-GAAP Operating Margin**—We define non-GAAP loss from operations, or non-GAAP operating loss, as loss from operations plus stock-based compensation expense-related charges, including employer taxes on employee equity transactions, lease modification, impairment, and related charges, and restructuring and related charges. Non-GAAP operating margin is defined as non-GAAP operating loss as a percentage of total revenue. We use non-GAAP loss from operations and non-GAAP operating margin in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP loss from operations and non-GAAP operating margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations.

**Non-GAAP Net Loss and Non-GAAP Net Loss per Share**—We define non-GAAP net loss and non-GAAP net loss per share as net loss and net loss per share excluding stock-based compensation expense-related charges, including employer taxes on employee equity transactions, lease modification, impairment, and related charges, and restructuring and related charges. We use non-GAAP net loss and non-GAAP net loss per share in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP net loss and non-GAAP net loss per share provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations.

**Adjusted Free Cash Flow and Adjusted Free Cash Flow Margin**—We define adjusted free cash flow as net cash used in operating activities less cash used for purchases of property and equipment, plus non-recurring capital expenditures associated with the build-out of our corporate office facilities in San Francisco, net of tenant allowances. Adjusted free cash flow margin is calculated as adjusted free cash flow as a percentage of total revenue. We believe that adjusted free cash flow and adjusted free cash flow margin, even if negative, are useful in evaluating liquidity and provide information to management and investors about our ability to fund future operating needs and strategic initiatives.



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