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, macroeconomic conditions, competitive position, technological capabilities, inventory capacity and supply chain conditions, customer adoption of and expected results from our Connected Operations™ Cloud, including cost-savings and return on investment, 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 future 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"), 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, adjusted gross profit, adjusted operating income, and adjusted EBITDA), our ability to achieve or maintain profitability, the demand for our products or for solutions for connected operations in general, the impact of the COVID-19 pandemic, the Russia-Ukraine conflict, geopolitical tensions involving China and other macroeconomic conditions globally on our and our customers', partners' and suppliers' operations and future financial performance, possible harm caused by silicon component shortages and other supply chain constraints, the length of our sales cycles, 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 filings and reports that we may file from time to time with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. 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 contains statistical data, estimates and forecasts that are based on publicly available information or information and data furnished to us by third parties such as our customers, as well as other information based on our internal sources. While we believe the information and data from third parties included in this letter are based on reasonable assumptions, this information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the information and data provided by third parties and other publicly available information. Accordingly, we make no representations as to the accuracy or completeness of that data nor do we undertake to update such data after the date that this letter is first released.

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 and timing of capital expenditures, 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 achieved another strong quarter as we continue to deliver clear, rapid ROI for the world’s leading and most complex physical operations organizations. We ended Q2 with $930M in ARR, growing 40% year-over-year. We also continued our large customer momentum and added a record 140 large customers, bringing us to over 1,500 customers with $100K+ in ARR. This includes New Jersey Transit, National Grid, Boart Longyear (world’s leading provider of drilling services), and multiple Fortune 1000 customers such as Wayne-Sanderson Farms and one of the largest retailers of automotive aftermarket parts with over 6,000 stores across 48 U.S. states.

In addition to our continued customer growth, we achieved an important company milestone with our first adjusted free cash flow positive quarter. Our vision is to be a multi-decade partner for our customers in digitizing their operations, and we are proud to have achieved this milestone towards becoming a self-sustaining business.
EMPOWERING OUR CUSTOMERS AT BEYOND

Our focus on customer outcomes continues to fuel our momentum. In June, we hosted nearly one thousand customers and partners from the top physical operations organizations in the world at Beyond, our annual customer conference. During this two-day event, we learned more about the challenges they’re facing and discussed how the Samsara Connected Operations™ Cloud is delivering value through digitization.

Throughout our conversations, it was evident that the appetite for digital transformation is robust and growing. Customers told us their top priorities include:

- **Ease of use for their frontline teams**: large frontline workforce teams require an easy app interface to drive adoption and save operational time, and they want even more self-coaching tools as part of that.
- **Single pane of glass for their back office teams**: back office teams are frequently flipping between different systems, sometimes as many as six, leading to errors and frustration. They want one consolidated platform to help manage expansive and complex operations.
- **Leveraging data**: customers want to leverage Samsara’s big data asset (6+ trillion data points) to find more opportunities and suggest actions, including benchmarking data on similar fleets and recommended maintenance schedules.
- **Flexibility & control**: customers want even more personalization and customization (custom reporting, personalized coaching, and bespoke dashboards).

These conversations are critical, as they shape where we prioritize our R&D efforts to maximize customer impact. Also during the conference, we honored those who have achieved outsized impact on our platform. The next page includes the highlights of our Connected Operations Awards 2023 Winners.
Statistics and expectations as reported by customers.

WINNER
Operations Innovator
One of the largest logistics companies in the world
- DHL Express: Reduced accidents by 26% Reduced related costs by 49%
- DHL Supply Chain: Driver turnover decreased by 50%

WINNER
Safest Operator
Construction Management
- Reduced running through stop signs by 70%, decreased speeding by 71%, lowered backup incidents by 25%, among others
- Saved $2.6 million in legal expenses and loss exposure

WINNER
Excellence in Efficiency
Fortune 500 Transportation Company
- Decreased unassigned miles by 99% week over week, increased log certifications by 10%
- Anticipates hundreds of thousands of dollars in fuel tax refunds

WINNER
Most Sustainable Operations
One of largest supermarket chains in Canada
- "Go green" target date of 2035 to substantially lower its emissions
- Saved 46,000 gallons of diesel, leading to a savings of 469 metric tons of carbon emissions in four months
RESHAPING THE WORKER EXPERIENCE

A key priority of our customers is reshaping the worker experience. While there are millions of employees who work in the back office, 70-80% of the world's workforce are frontline workers\(^1\). Saving frontline employees valuable time with workflows and other technologies to digitize their experience can lead to an outsized impact for their organizations.

Transforming Frontline Airline Operations

A prime example of this is one of the largest air carriers in the world, which is using Samsara to digitize its ground support equipment operations across some of its major US hubs. They are using our Telematics and Connected Equipment applications to manage thousands of pieces of equipment, from baggage carts to passenger boarding stairs and more. Digitization has driven impressive results, saving their employees valuable time by helping them locate equipment, often outside in all types of weather conditions, in minutes instead of hours. They reported that, at one hub alone, they saved more than 2,600\(^2\) hours searching for ground support equipment. And it's having an impact on their customer experience, reducing delays in kickoff flights, which are their first flights of the day, leading to a cascading impact on their operational schedule and customer experience. We are proud to help support their frontline teams, and drive these results for their business.

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2 Statistic reported by customer.
**New Product Announcements: Connected Forms and Mobile Experience Management**

It is critically important for our customers to empower their workforce, and they are turning to Samsara as a trusted partner to make these jobs better, safer, and more efficient. We’re expanding our leadership in these areas with the announcement of two new products to further digitize the worker experience: [Connected Forms and Mobile Experience Management (MEM)](http://www.samsara.com).

Launching later this year, Connected Forms allows customers to digitize any custom form, such as inspections or incident reports, and enables workers to complete them on the go. These new digital workflows instantly connect the back office to frontline workers so they can resolve issues in real-time. Connected Forms also consolidates data into the Samsara Connected Operations Cloud to deliver real-time actionable insights.

DeSilva Gates Construction, a leading construction equipment transportation company, used Connected Forms through early access to streamline equipment inspections. They reported reduced administrative time of 90%, significantly improving the time required to identify issues with real-time visibility through eliminating the need to process paperwork. They also received 100% positive feedback from their employees, who found it easy to use and helped them complete their jobs more efficiently in the field.
MEM is an integrated software solution that gives operations leaders the ability to easily customize, control, consolidate, and secure devices for the remote environments their frontline teams operate in. With MEM, managers can create a tailored mobile experience that gives workers in the field easy access to the applications they need and provide remote support.

U.S. Logistics, a final-mile logistics company serving the eastern half of the United States, has seen operational improvements with MEM. Now that they're able to remotely access what drivers see on their screens, they can more efficiently assist and train their drivers in the field. This is empowering drivers and creating a better experience for them, and has resulted in a reported 80% reduction in average driver call time. They also reported a 70% reduction in data usage while eliminating disruption for their drivers, supporting their safety on the road.
BUILDING FOR THE LONG-TERM

As we build for the long-term, we are investing in technology and talent that will drive value for our customers, now and in the future.

Customer-centric Innovation

At Samsara, we listen to our customers through our customer feedback loop, and use those insights to deliver purpose-built solutions that address their most pressing needs. We are the leader in delivering value for our physical operations customers, and this year at Beyond we announced our newest innovations: Virtual Coach, Find My Asset, and Data Connectors.

Introducing our Newest Board Member

Customer-centricity is central to our success, and I am excited to bring an important new voice of the customer to Samsara’s Board of Directors with the appointment of Todd Bluedorn. Todd brings nearly 30 years of leadership experience within the industrial sector, including 15 years as Chief Executive Officer and Chairman of Lennox International, a leading global commercial HVAC company, and leadership roles at United Technologies. Todd brings a deep understanding of our customers’ needs and has a proven track record of execution and operational rigor, which will only enhance our ability to deliver for our customers. We are thrilled to welcome Todd to the board.
Samsara is a Great Place to Work

We were recently recognized by several organizations as a great place to work. We earned our 2023 Great Place to Work certification, were named a Best Workplace for Innovators by Fast Company, and were named as a 2023 UK’s Best Workplace for Women. In our Great Place to Work certification, it was reported that 92% of US employees and 95% of UK employees believe Samsara is a great place to work. We are proud of creating a culture and company that our employees enjoy working for.

Thank You

We are excited about the impact we’re able to make for our customers and are proud of the business momentum we have been able to sustain by focusing on durable and efficient growth. We are operating at scale, are fueled by customers who find value and ROI from our platform, and with our first adjusted free cash flow positive quarter, have taken an important step towards becoming a self-sustaining business. We want to thank all of the Samsarians, customers, partners, and investors for joining us on this decades-long journey.
Q2 FY24 was highlighted by sustained high growth at scale and achieving our first adjusted free cash flow positive quarter. In addition to hitting this milestone in Q2, we expect to be adjusted free cash flow positive for full-year FY24 and going forward. Our Q2 results continue to demonstrate the large and growing opportunity for digital transformation across the world of physical operations. While global economic uncertainty persists, we demonstrated strong performance in Q2 for a few key reasons:

1. Samsara has a subscription business model (as opposed to a consumption business model) that produces highly predictable revenue. We also price subscriptions based on a customer's number of physical assets (as opposed to headcount-based pricing), resulting in a lower risk of ACV contraction if our customers' hiring slows or contracts.

2. We primarily sell into the Operations budget (as opposed to the IT budget), which is generally large and less discretionary for our customers. Based on our 2023 State of Connected Operations Report, 2 in 3 operations leaders surveyed are increasing their 2023 technology budget.

3. Our customers deploy Samsara to generate hard ROI savings (e.g., fuel and EV energy savings, lower maintenance costs, higher asset utilization, reduction in accidents, and lower insurance premiums), and many experience a quick investment payback period measured in months.

The physical economy continues to see strong demand, and labor and asset shortages contribute to the need to reduce costs and improve productivity. As a result, customers are adopting Samsara's Connected Operations Cloud to achieve their safety, efficiency, and sustainability goals.

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3 Excluding the impact of potential non-recurring items.
Q2 FY24 HIGHLIGHTS

Top-line Results
Q2 was another quarter of high growth at scale. Our year-over-year net new ARR growth accelerated for the second consecutive quarter, resulting in sustained high growth for total ARR and revenue.

- **Net new ARR**: $74 million of net new ARR in Q2, a quarterly record, representing 33% year-over-year growth, and our highest growth over the past 6 quarters. This also represented 32 percentage points of year-over-year growth acceleration at a larger scale, compared to 1% year-over-year growth in Q2 FY23.
- **Total ARR**: Q2 ending ARR of $930 million, growing 40% year-over-year, compared to 41% year-over-year growth in Q1 FY24 and 42% year-over-year growth in Q4 FY23.
- **Revenue**: $219 million, growing 43% year-over-year, which is the same growth rate as last quarter at a larger scale.

Several factors drove our strong top-line performance in Q2 FY24:

- **Large Customer Momentum**: Our investments in serving the largest physical operations companies in the world continue to pay off. Samsara is purpose-built for large customers with complex operations that want full visibility over thousands of disparate assets and frontline workers on one integrated platform. Enterprise customers also provide significant benefits, including valuable feedback to fuel our innovation, greater resilience in the face of economic volatility due to size and financial stability, and typically more attractive unit economics, including higher retention rates.
  - **Customer Count**: We ended Q2 with 1,515 $100K+ ARR customers, a quarterly record increase of 140, representing 53% year-over-year growth, which is the same growth rate as the past two quarters at a larger scale.
  - **ARR Growth and Mix**: $100K+ ARR customers represent our fastest-growing cohort. In Q2, ARR from $100K+ ARR customers grew 53% year-over-year, the second consecutive quarter of accelerating year-over-year ARR growth (52% in Q1 FY24 and 51% in Q4 FY23). As a result, $100K+ ARR customers contributed 50% of the total ARR mix, up from 46% one year ago and 42% two years ago.
- **Multi-product**: $100K+ ARR customers increasingly deploy Samsara across a broad set of applications and use cases. 93% of $100K+ ARR customers subscribe to 2+ products, and 57% subscribe to 3+ products.

- **Land and Expand Strength**: Landing new customers is an important component of our growth strategy that fuels future expansion opportunities, including upsells of existing products to a broader set of physical operations assets and cross-sells of additional products. In Q2, we saw a balanced mix that drove strong top-line performance.

  - **New Customers**
    - 49% of net new ACV came from new logos, a decrease from 54% in Q2 FY23 (more net new ACV mix shifted to existing customer expansions in Q2 FY24).
    - 7 of the top-10 net new ACV deals in Q2 were new customers, 6 of which were multi-product transactions.
    - 3 new $1M+ ARR customers in Q2, including a leading electricity, natural gas, and clean energy provider serving more than 20 million people in the Northeastern United States. This new customer selected Samsara to help them meet ambitious sustainability goals (reaching Net Zero) by lowering carbon emissions and idling time. Using Samsara's EV features and sustainability dashboard, the customer plans to drive hard and fast ROI by reducing their current consumption of more than 10 million gallons of fuel per year. The customer expects further efficiency gains by using location data from vehicles and assets to improve utilization, proactively managing maintenance fault codes, and digitizing thousands of paper inspection forms. While this customer landed with Vehicle Telematics and Equipment Monitoring, there is a significant opportunity for future expansion.

  - **Expansions to Existing Customers**
    - 51% of net new ACV came from expansions to existing customers, an increase from 46% in Q2 FY23.
    - Q2 dollar-based net retention rate for core ($5K+ ARR) and large ($100K+ ARR) customers remained above our targets of 115% and 120%, respectively.
An existing $1M+ ARR customer, utilizing Vehicle Telematics and Equipment Monitoring, signed a $1M+ Video-based Safety expansion in Q2 to become a top-5 ARR customer. This is a diversified contractor and engineering firm providing critical infrastructure services to the utility, energy, and renewables markets throughout the United States and Canada. During the pilot phase, the customer observed a 79% reduction in mobile usage events and a 50% reduction in speeding events, which contributed meaningfully to securing the expansion deal. In addition to reduced accident costs, this customer expects to reduce insurance premiums, improve asset utilization, and lower fuel costs with Samsara.

**New Frontiers:** Our at-scale breadth across different products, customer sizes, end markets, and geographies is a key differentiator and driver of strong top-line performance. While our core businesses drove most of our Q2 performance, we executed well across several frontiers.

- **Public Sector:** State and local governments, municipalities, and school districts are becoming increasingly important end markets for Samsara. In Q2, we saw strong public sector momentum, including 2 of our top-5 new customers and 2 of our top-5 expansion deals. Our largest new customer transaction in Q2 was a state government that licensed Vehicle Telematics, Video-based Safety, and Equipment Monitoring across a single department, with additional opportunities to sell into other departments in the future.

- **End Market Diversity:** The world of physical operations makes up more than 40% of global GDP, and we serve many end markets with a horizontal platform of applications. 84% of Q2 net new ACV came from non-transportation verticals, including public sector, energy, utilities, construction, food & beverage, wholesale & retail, and field services. This is up from 78% in Q2 FY23 as our customer base further diversifies.

- **Emerging Products:** We have three separate products contributing more than $100M of ARR each, and growing 30%+ year-over-year, including Equipment Monitoring used to locate and manage non-vehicle assets in the field. In Q2, we signed our largest-ever Equipment Monitoring deal, a ~$1M expansion to a top-10 customer. In addition to using Samsara for Video-based Safety and Vehicle Telematics across their vehicle fleet, they added Equipment Monitoring to get real-time visibility into high-value loads on containers and trailers on one unified platform.
Profitability Results

In addition to driving strong top-line growth, we continued to deliver operating efficiency improvements across our business as we scale.

- Non-GAAP gross margin was 75% in Q2 FY24, a quarterly record, and approximately 2 percentage points higher than Q2 FY23, driven largely by optimizing cloud, cellular, and support costs.

- Non-GAAP operating margin was (3%) in Q2 FY24, compared to (13%) in Q2 FY23, an improvement of approximately 10 percentage points year-over-year: 2 percentage points from COGS leverage (see above), 5 percentage points from S&M leverage, and 4 percentage points from G&A leverage.

- Adjusted free cash flow margin was positive for the first time at +2% or +$5M in Q2 FY24, compared to (25%) or ($38M) in Q2 FY23, an improvement of 27 percentage points or $43M year-over-year, primarily from improved operating leverage (see above) and continued working capital improvements.
Q3 AND FULL-YEAR FY24 GUIDANCE

- **Q3 FY24**: We expect total revenue to be between $223 and $225 million, or between 31% and 33% year-over-year growth, non-GAAP operating margin of (2%), and non-GAAP EPS to be between $0.00 - $0.01.

- **Full-year FY24**: Based on our Q2 performance and updated outlook for the rest of the year, we’re raising our full-year FY24 revenue guidance to be between $896 and $900 million, or between 37% and 38% year-over-year growth. As a reminder, our fiscal year ends on the Saturday closest to February 1st, which means every six years, our fiscal year calendar includes 53 weeks instead of 52 weeks. As such, FY24 includes an extra week in Q4 (14 weeks instead of a typical 13-week quarter). We expect the extra week will add less than 3 percentage points of year-over-year growth in FY24 (already factored into previous and current guidance) compared to FY23 (which was a 52-week fiscal year). Additionally, we don’t expect the extra week in FY24 will have a material impact on our key profitability metrics because we will incur an additional week of expenses while recognizing an additional week of revenue. We also expect FY24 non-GAAP operating margin of (3%), and non-GAAP EPS to be between $0.00 and $0.02.

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<tr>
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<th>Q3 FY24</th>
<th>FY24</th>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$223 - $225 million</td>
<td>$896 - $900 million</td>
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<tr>
<td><strong>Y/Y Growth</strong></td>
<td>31% - 33% growth</td>
<td>37% - 38% growth</td>
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<tr>
<td><strong>Non-GAAP Operating Margin %</strong></td>
<td>(2%)</td>
<td>(3%)</td>
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<tr>
<td><strong>Non-GAAP EPS</strong></td>
<td>$0.00 - $0.01</td>
<td>$0.00 - $0.02</td>
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Fiscal year ends on the Saturday closest to February 1

1 Refers to previously issued financial guidance dated 06/01/23
To wrap up, we are pleased with our performance through the first half of FY24 and our improved outlook for the remainder of the year. We are digitizing the world of physical operations and helping our customers become safer, more efficient, and more sustainable. With our markets, products, and customer focus, we are well-positioned to continue delivering durable and efficient growth.

Additional modeling notes:

- No changes to non-GAAP gross margin outlook for FY24, which is expected to be in the low 70s percent (in line with current consensus at the time of this shareholder letter).
- We expect to be adjusted free cash flow break-even in Q3 and Q4 FY24.4
- Diluted weighted average shares outstanding:
  - Q3 FY24: If we report non-GAAP net income, we expect diluted weighted average shares outstanding to be 568 million. If we report breakeven or non-GAAP net loss, we expect diluted weighted average shares outstanding to be 538 million.
  - Full-year FY24: If we report non-GAAP net income, we expect diluted weighted average shares outstanding to be 563 million. If we report breakeven or a non-GAAP net loss, we expect diluted weighted average shares outstanding to be 535 million.

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4 Excluding the impact of potential non-recurring items.
APPENDIX

Definitions/Methodology

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.

Net New ACV (NNACV)
Net New ACV is calculated as the incremental annual contract value, through upsells, cross-sells, or new business, recognized in a given reporting period and was not present as of the beginning of the reporting period.

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

Net New ARR (NNARR)
Net New ARR is calculated as the difference between the annualized value of subscription contracts that have commenced revenue recognition as of the end of the reporting period and the annualized value of subscription contracts that have commenced revenue recognition as of the end of the prior reporting period.

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.

**Rule of 40**
We define achieving Rule of 40 as reaching a sum of year-over-year revenue growth rate and adjusted free cash flow margin, each for the reporting period, of at least 40%.
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 excluding the effect of 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 Income (Loss) and Non-GAAP Net Income (Loss) per Share
We define non-GAAP net income (loss) as net loss excluding the effect of stock-based compensation expense-related charges, including employer taxes on employee equity transactions, lease modification, impairment, and related charges, and restructuring and related charges. Our non-GAAP net income (loss) per share—basic is calculated by dividing non-GAAP net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Our non-GAAP net income per share—diluted is calculated by giving effect to all potentially dilutive common stock equivalents (stock options, restricted stock units, shares issued under our 2021 Employee Stock Purchase Plan) to the extent they are dilutive. Non-GAAP net loss per share—diluted is the same as non-GAAP net loss per share—basic as the inclusion of all potential dilutive common stock equivalents would be antidilutive. We use non-GAAP net income (loss) and non-GAAP net income (loss) per share in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP net income (loss) and non-GAAP net income (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 provided by (used in) operating activities reduced by 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 by excluding the impact of non-recurring items.