Shareholder Letter

Q3 FY24  |  November 30th, 2023
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, including expansion into new geographies and products, headcount and productivity growth, macroeconomic conditions, competitive position, technological capabilities, including AI, 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"), annual contract value ("ACV"), 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, free cash flow, adjusted free cash flow, and 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 Russia-Ukraine conflict, geopolitical tensions involving China, the conflicts in Israel and Gaza, the emergence of pandemics and epidemics, 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 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
Chief Executive Officer and Co-Founder

Samsara achieved an important milestone this quarter, as we surpassed $1 billion in ARR, growing 39% year-over-year. As a strategic partner to the world’s leading and most complex physical operations organizations, large customer momentum continues to fuel our growth. We added a quarterly record of 148 customers with more than $100K in ARR, growing 49% year-over-year, representing our fastest-growing customer cohort. We also added a quarterly record of nine customers with $1M+ in ARR and seven Fortune 1000 customers.

Seven Q3 Fortune 1000 Wins

3 in Wholesale & Retail Trade
2 in Utilities & Energy
1 in Airlines
1 in Construction
DRIVING CLEAR AND FAST ROI

Our customers partner with us because we are focused on delivering customer impact. As part of our ongoing customer feedback loop, we meet with frontline and back office workers to understand where they are getting the most value from our platform. Here’s what customers say sets us apart:

- Our single platform for all of their operations systems;
- Our simple, intuitive, and easy-to-use technology that works “out of the box”; and
- Our strategic partnership, as we listen to our customers, help them drive change management in their organizations, and build products targeted to solve their biggest challenges.

All of this together is what powers our customers’ outcomes and helps deliver clear and fast ROI for their organizations. It also gives our customers visibility across their operations and helps them make the right decisions for their business. In our 2023 State of Connected Operations report, we shared that global physical operations leaders are increasing their digital investments, resulting in 64% of respondents seeing higher employee productivity, 59% seeing higher revenue, and 56% seeing increased net profit. These results directly impact our customers’ bottom line and result in fast ROI – often seeing a payback period in months.

Customer Case Study: World’s Largest Low-cost Carrier Airline (Fortune 1000)

Earlier this year, we announced that we partnered with one of the largest air carriers in the world to digitize its ground support equipment operations across some of its major U.S. hubs. This quarter, we partnered with another major airline – the world’s largest low-cost carrier – to help their teams use equipment more efficiently and avoid unnecessary spending. We gave them visibility into their fleet utilization and helped their employees locate critical equipment in real-time. This decreased both maintenance cycle times and cost, and helped ensure planes were serviced. Based on results from an initial pilot, we estimate the airline can save more than $15M annually from improvements in utilization, fuel efficiency, and operations.
Customer Case Study: Specialty Contracting (Fortune 1000)

Another prime example is one of the largest specialty contracting companies in the U.S. focused on specialty construction services, maintenance, replacement, fabrication, and engineering services. They are a top ten customer and have had 19 expansions with us since becoming a customer in 2018. This quarter they expanded again with a $1M+ video-based safety deal. Safety is one of their top priorities, and they consider the safety and well-being of their employees, clients, and subcontracting partners as fundamental to their success. During an initial pilot, the company averaged a 50% reduction of safety events when events were coached.

Other Fortune 1000 expansions this quarter that have also improved their operations with Samsara include DHL and Mohawk Industries.
FOUNDATION FOR DURABLE AND EFFICIENT GROWTH

In just eight years of selling, we are operating at a rare combination of scale, growth, and profitability. Of all the US-listed software companies, only seven, including Samsara, are at or above $1 billion in ARR, growing 30%+, and free cash flow positive. This is a testament to our execution and strength in the market. Looking forward, we believe we have the foundation to continue delivering durable growth and operating efficiency improvements.

Samsara is Operating in Rarified Air

US-listed software companies with CY23 Q3 reported results of:
- $1B+ ARR
- 30%+ growth
- Free cash flow positive

Source: CapQ data as of November 29, 2023 based on reported results for US-listed 'Application Software', 'Software Systems' and 'Internet and Infrastructure Services' companies. For companies other than Samsara, CY23 Q3 total revenue multiplied by four used as a proxy for ARR. Operating income excludes the impact of mergers and acquisitions.
First, we are addressing a large market in the early innings of digitization. Physical operations represent more than 40% of global GDP and are the mission-critical infrastructure that keeps the world running. Our customers span industries including waste management, construction, chemical carriers, transportation, wholesale retail, public sector, agriculture, and more.

Second, we pioneered the Connected Operations Cloud, a singular system of record for physical operations to address this market. Our cloud ingests, aggregates, and enriches IoT data from a broad and diverse group of vehicles, equipment, sites, workers, and a growing ecosystem of connected assets and third-party systems.
Third, we aggregate all of this data into one common cloud, enabling us to build a multi-application platform to continuously deliver purpose-built applications to solve our customers’ most challenging problems. This unlocks an opportunity for us to continue selling and expanding into the world's leading and most complex physical operations organizations.

Last, our increasing scale and strong unit economics drive operational efficiency. Q3 is the 14th consecutive quarter, from $250M to $1B in ARR in scale, in which we have improved operating margins and dollars year-over-year.

**BUILDING THE NEXT BILLION AND BEYOND**

While we are proud we have reached the $1 billion ARR milestone, we know this is just a small step in our journey to transform the world of physical operations. In front of us, we have a large and rapidly digitizing market, and a multi-product platform that scales to address the needs of the world's leading and most complex physical operations organizations. We have a strong foundation to build upon, with more than 19,000 core customers, more than 260 partners, and thousands of Samsarians working in harmony. And the flywheels that are powering our business are accelerating as we convert our leading operations dataset into customer value.
Increasing Operational Data at Scale in Our Cloud

As we build for the future, we’re investing back into our platform to leverage the expansive operational dataset in our cloud. There are many potential drivers that we expect will continue to bring more data into our cloud, including expansions to more asset types, international growth, and additional partnerships in our ecosystem.

![Chart showing ~6 Trillion data points, 55+ Billion API Calls, and ~1.5x increase in API calls year/year.]

Delivering More Insights Through AI

As we grow our unique data set, we expect to deliver even more insights and solutions for our customers. We’ve pioneered a platform that is purpose-built to capture and organize structured and unstructured data, adopt new models through our robust machine learning infrastructure, such as large language models (LLMs) and generative AI, and operate both in our cloud and at the edge with IoT devices. All of this enables us to accelerate and expand AI-powered insights for our customers.

![Diagram showing Infrastructure Built for AI-powered Insights.]

*Image credit: samsara*
Amplifying Customer Impact

More insights enable more impact. We have been delivering clear ROI across the back office, frontline workforce, and C-suite. We have been doing this by partnering closely with our customers to understand their key operational pain points and how AI-powered insights from data can make the jobs of their workers better and safer and their operations more efficient and sustainable. As we look to the future, we expect that our customer feedback loop will continue to unlock more applications such as co-pilots, risk centers, and workflows to drive even more customer impact.

<table>
<thead>
<tr>
<th>Top Benefits of AI for Physical Operations¹</th>
<th>Future Applications</th>
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<tbody>
<tr>
<td>51% Upskilling and Learning</td>
<td>Co-Pilots</td>
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<tr>
<td>49% Virtual Alerts and Coaching</td>
<td>Risk Centers</td>
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<tr>
<td>44% Less Time &amp; Resources on Repetitive Tasks</td>
<td>Workflows</td>
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¹“The State of Privacy in Physical Operations 2023,” Samsara. Statistics represent percentages of respondents who believe that AI will provide the stated benefits.

Thank You

Thank you to all the customers, Samsarians, partners, and investors for supporting us on our journey to $1 billion in ARR. We are now operating at a rare combination of scale, growth, and profitability - and we’re just getting started.

As we scale towards our next billion and beyond, we look forward to the continued partnership with our customers on their digitization journeys and the impact we will make on their communities as we improve the safety, efficiency, and sustainability of their operations.
Q3 FY24 was highlighted by several new records for important operating metrics and surpassing notable milestones. Namely:

1. Surpassing $1 billion of ARR in just our 8th year of selling to customers
2. Our third consecutive quarter of accelerating year-over-year net new ARR growth at a larger scale
3. A quarterly record number of large customer additions ($100K+ and $1M+ ARR customers)
4. Surpassing $400M of ARR for both our Video-based Safety and Vehicle Telematics products (both products are growing 30%+ year-over-year)
5. Achieving our first quarter of positive non-GAAP operating profit led by a record non-GAAP gross margin

Our Q3 results continue to reinforce the large and growing opportunity for digital transformation across the world of physical operations. Despite continued global macroeconomic uncertainty, we continue to demonstrate consistent performance for these key reasons:

1. Samsara has a subscription business model (98% of revenue) 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.
3. Our customers deploy Samsara to generate clear 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.
Q3 FY24 HIGHLIGHTS

Top-line Results
Q3 was our third consecutive quarter of accelerating year-over-year net new ARR growth, resulting in sustained high growth for total ARR and revenue. We ended Q3 with $1.003 billion of ARR, growing 39% year-over-year. Additionally, Q3 revenue was $238 million, growing 40% year-over-year.

Several factors drove our strong top-line performance in Q3:

- **Large Customer Momentum:** We focus on serving large enterprise customers to drive durable and efficient growth at scale. Our applications are purpose-built for large customers with complex operations that want full visibility over thousands of disparate assets and frontline workers, all on one integrated platform. In general, enterprise customers also provide significant benefits, including valuable feedback to fuel our innovation, greater resilience in the face of economic uncertainty due to their size and financial stability, and typically more attractive unit economics, including higher retention rates.
  - **Large customer count:** We ended Q3 with 1,663 $100K+ ARR customers, a quarterly record increase of 148, representing 49% year-over-year growth. We also ended Q3 with 71 $1M+ ARR customers, a quarterly record increase of 9, representing 54% year-over-year growth, accelerating from 51% year-over-year growth last quarter at a larger scale.
  - **ARR growth and mix:** $100K+ ARR customers represent our fastest-growing cohort and contributed 51% of ARR in Q3, an increase from 47% of ARR in Q3 FY23.
  - **Land and expand:** Landing new large customers is an important component of our growth strategy that fuels future expansion opportunities, including upsells of existing products to a broader set of assets and cross-sells of additional products. In Q3, 4 of our 5 largest net new ACV transactions were new logos, including 3 new $1M+ ARR customers that each landed with Video-based Safety, Vehicle Telematics, and Equipment
Monitoring. Additionally, almost 60% of the $100K+ additions in Q3 were existing customer relationships, which allowed us to achieve our target dollar-based net retention rate of 115% and 120% for core customers ($5K+ ARR) and large customers ($100K+ ARR), respectively.

- **Multi-product Strength**: Our customers increasingly utilize Samsara as a system of record for physical operations by subscribing to multiple applications, all on one unified platform.
  - **Multi-product customers**: More than 90% of our large customers ($100K+ ARR) and 75% of our core customers ($5K+ ARR) subscribe to 2 or more products, and more than 50% of our large customers and more than 25% of our core customers subscribe to 3 or more products.
  - **Multiple products at scale**: At the end of Q3, our two vehicle-based applications, Video-based Safety and Vehicle Telematics, represented more than $400 million of ARR each, and our largest non-vehicle application, Equipment Monitoring, used to locate and manage field assets, represented more than $100 million of ARR. Additionally, each of these three product categories is growing 30%+ year-over-year.
  - **Large multi-product transactions**: 9 of the top-10 net new ACV deals in Q3 included 2 or more applications. Our largest new logo, a leading US aggregates company with 1,000 on- and off-road vehicles and over 6,000 field assets across 500+ locations, landed with Video-based Safety, Telematics, and Equipment Monitoring. A newly formed team focused on operational excellence selected Samsara to eliminate 50,000+ hours of manual reporting and data input work, gain insight into equipment utilization, provide safety coaching, and save millions of dollars on annual fuel spend. This customer landed as a top-20 customer, and we believe there is upsell opportunity across additional assets and cross-sell opportunity across some of our new products, including Connected Forms.
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 Q3 performance, we executed well across several frontiers.

- **International:** 17% of net new ACV came from non-US geographies, tied for our strongest quarter ever, driven by strength in Mexico and Europe.
- **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. A quarterly record 87% of Q3 net new ACV came from non-transportation verticals, including construction, energy, utilities, logistics, public sector, food & beverage, wholesale & retail, and field services. In Q3, our construction and public sector verticals each contributed their highest net new ACV mix over the last three years, led by customers such as the City of New Orleans, serving nearly 400,000 residents and millions of visitors annually. This large municipality landed with Video-based Safety, Vehicle Telematics, and Equipment Monitoring across 41 city departments, including Police, Fire, Public Works, Code Enforcement, Parks and Parkways, Sanitation, and more to proactively manage maintenance, improve operational efficiency and safety, and increase asset utilization.
- **Emerging Products:** In addition to our at-scale products, we have several emerging products that provide additional expansion opportunities. Mobile Experience Management (MEM) is a new software-only product that allows customers to manage mobile devices in the field through end-to-end visibility, remote access, and display customization. Q3 was our first full quarter selling MEM, and we have already crossed $1M of ARR.
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 Q3 FY24, a quarterly record, and approximately 2 percentage points higher than Q3 FY23, driven largely by optimizing cloud, cellular, and support costs.
- **Non-GAAP operating margin** was positive for the first time at +5% in Q3 FY24, compared to (10%) in Q3 FY23, an improvement of approximately 15 percentage points year-over-year: 2 percentage points from COGS (see above), 7 percentage points from S&M, 2 percentage points from R&D, and 4 percentage points from G&A.
- **Adjusted free cash flow margin** was +4% or +$9M in Q3 FY24, compared to (9%) or ($15M) in Q3 FY23, an improvement of 12 percentage points or $23M year-over-year, primarily from improved operating leverage (see above) and continued working capital improvements.
Q4 AND FULL-YEAR FY24 GUIDANCE

- **Full-year FY24**: Based on our Q3 results and increased forecast visibility for the last quarter of the fiscal year, we're raising our revenue and profitability guidance (both dollars and margin) for full-year FY24.
  - We're raising our FY24 revenue guidance to between $918 and $920 million, or 41% 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 additional week will add approximately 3 percentage points of year-over-year revenue growth in FY24 (already factored into previous and current guidance) compared to FY23 (a 52-week fiscal year). Additionally, we do not expect this to have a material impact on FY24 ARR (sales quotas are consistently set regardless of the number of days or weeks in a fiscal quarter or year), or on our key profitability metrics (additional expenses will be required to support additional revenue).
  - In addition to increasing our top-line guidance, we continue to focus on operating efficiency improvements. As a result, we're also improving our FY24 non-GAAP operating margin guidance to approximately (1%) and raising our FY24 non-GAAP EPS guidance to between $0.05 and $0.06.

- **Implied Q4 FY24**: Based on our updated full-year FY24 guidance, Q4 implied revenue is between $257 and $259 million, or between 38% and 39% year-over-year growth. Implied Q4 non-GAAP operating margin is approximately 2%, and implied Q4 non-GAAP EPS is between $0.02 and $0.03.

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<tr>
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<th>Q4 FY24</th>
<th>FY24</th>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$257 - $259 million</td>
<td>$918 - $920 million</td>
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<tr>
<td><strong>Y/Y Growth</strong></td>
<td>38% - 39% growth</td>
<td>41% growth</td>
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<td><strong>Non-GAAP</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Operating Margin %</strong></td>
<td>2%</td>
<td>(1%)</td>
</tr>
<tr>
<td><strong>Non-GAAP EPS</strong></td>
<td>$0.02 - $0.03</td>
<td>$0.05 - $0.06</td>
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To wrap up, we are pleased with our performance in Q3 and our 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 believe we are well-positioned to continue delivering durable and efficient growth.

APPENDIX

Additional Modeling Notes:

- We expect Q4 non-GAAP gross margin to be in the low 70s percent (in line with current consensus at the time of this shareholder letter)
- We expect Q4 adjusted free cash flow margin to be slightly above breakeven (in line with current consensus at the time of this shareholder letter)\(^1\)
- Diluted weighted average shares outstanding:
  - **Q4 FY24**: If we report non-GAAP net income, we expect diluted weighted average shares outstanding to be 569 million. If we report breakeven or non-GAAP net loss, we expect diluted weighted average shares outstanding to be 543 million.
  - **Full-year FY24**: If we report non-GAAP net income, we expect diluted weighted average shares outstanding to be 562 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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\(^1\) Excluding the impact of potential non-recurring items
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 excluding the effect of 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 Income (Loss) from Operations and Non-GAAP Operating Margin
We define non-GAAP income (loss) from operations, or non-GAAP operating income (loss), as income (loss) from operations excluding the effect of stock-based compensation expense-related charges, including employer taxes on employee equity transactions, and lease modification, impairment, and related charges. Non-GAAP operating margin is defined as non-GAAP operating income (loss) as a percentage of total revenue. We use non-GAAP income (loss) from operations and non-GAAP operating margin in conjunction with traditional GAAP measures to evaluate our financial performance. We believe that non-GAAP income (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, and lease modification, impairment, 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, California, 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 events.