



Third Quarter 2009 Earnings

November 4, 2009

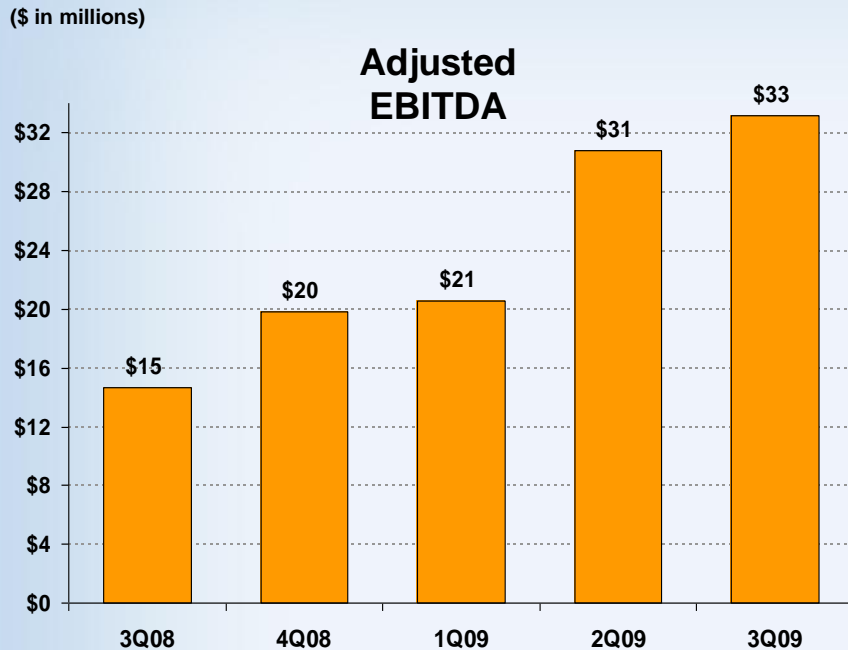
Caution Concerning Forward-Looking Statements

Various remarks that we make about Vonage Holdings Corp. future expectations, plans and prospects, including concerning future products and marketing strategy, churn, international calling costs, capital and software expense, and expected cash from operations, constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our views change. Therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today. In addition, actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including, but not limited to, restrictions in the Company's debt agreements that may limit its operating flexibility; any failure to meet New York Stock Exchange listing requirements; the competition the Company faces; worsening economic conditions; the Company's history of net operating losses; the Company's ability to obtain additional financing if needed; results of pending litigation and intellectual property and other litigation that may be brought against the Company; results of regulatory inquiries into the Company's business practices; differences between the Company's service and traditional phone services, including its 911 service; the Company's dependence on third party facilities, equipment and services; system disruptions or flaws in the Company's technology; the Company's dependence on its customers' existing broadband connections; uncertainties relating to regulation of VoIP services; and other factors that are set forth in the "Risk Factors" section and other sections of Vonage's Annual Report on Form 10-K for the year ended December 31, 2008, as well as in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, and therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today.

Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures (including adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") and share-based expense, pre-marketing operating income, and net income (loss) excluding adjustments), as defined in Regulation G adopted by the SEC. We provide a reconciliation of these non-GAAP financial measures to the most directly comparable financial measure at the end of the presentation and in our quarterly earnings releases, which can be found on the Vonage Investor Relations website at <http://ir.vonage.com>.

Increasing Adjusted EBITDA¹



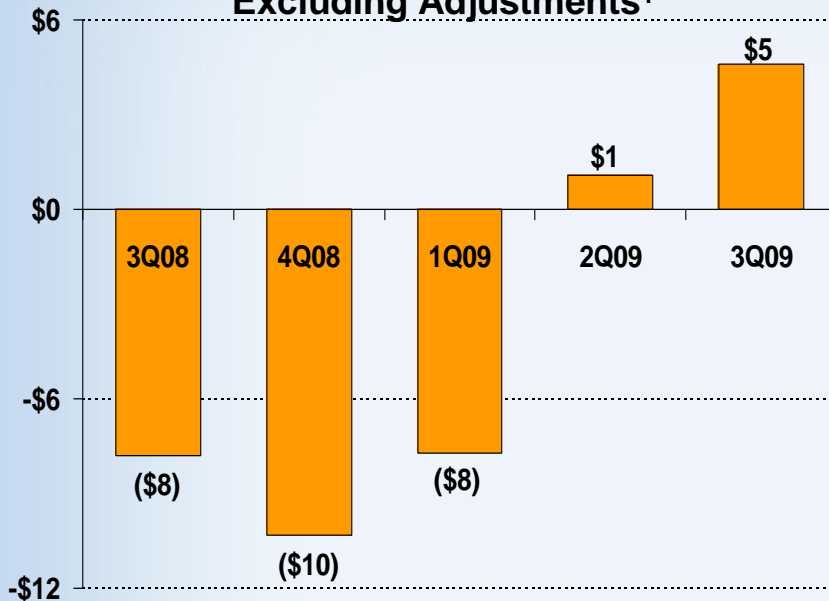
- **8th consecutive quarter of record high adjusted EBITDA**
- **Generated \$85 million year-to-date, compared to \$35 million for the comparable period in 2008**
- **Sequential gains driven by higher ARPU and continued cost management**

1) This is a non-GAAP financial measure. Please refer to the end of the presentation for a reconciliation to GAAP income (loss) from operations.

Net Income (Loss)

(\$ in millions)

Net Income (Loss)
Excluding Adjustments¹



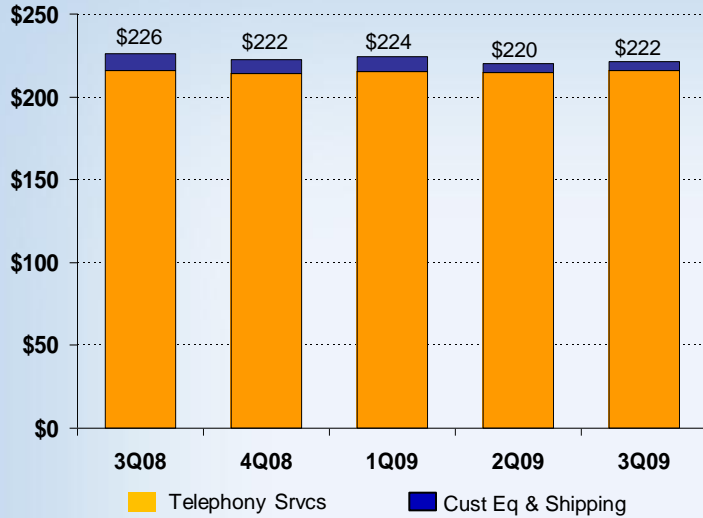
- Net income ex-adjustments¹ increased to \$5 million or \$0.03 per share
- GAAP net loss of \$55 million
 - Vonage stock price increase resulted in a \$63 million mark-to-market adjustment in convertible feature of third lien notes
 - \$4 million non-cash gain on early extinguishment of \$12 million in third lien notes

1) This is a non-GAAP financial measure. Please refer to the end of the presentation for a reconciliation to GAAP net income.

Revenue and Average Revenue per User (ARPU)

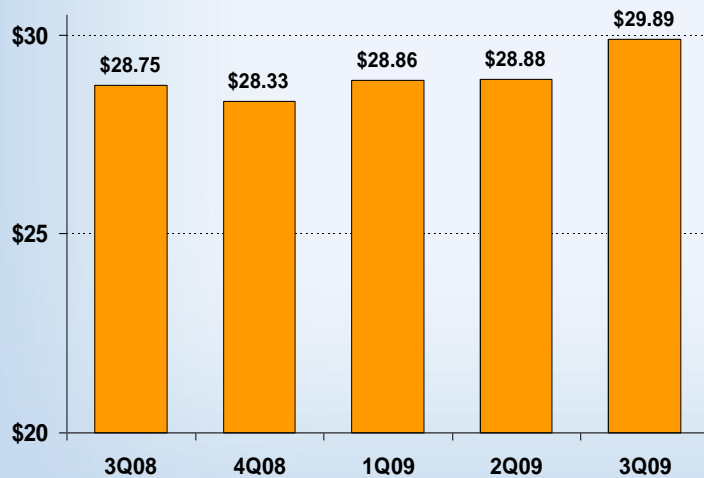
(\$ in millions)

Revenue

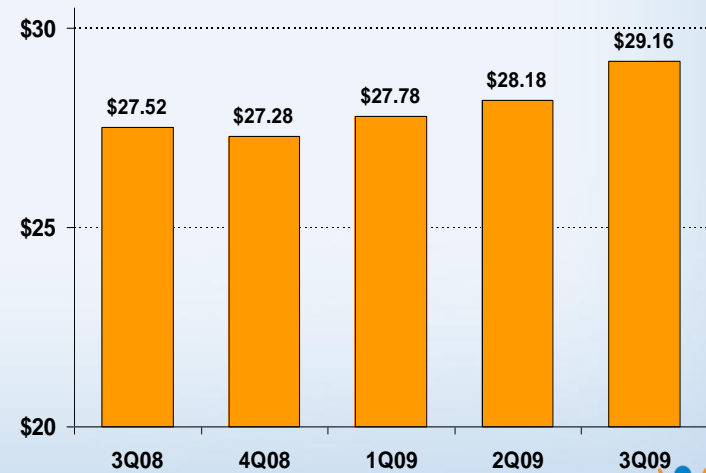


- Revenue increased \$2 million sequentially on higher ARPU
- Sequential ARPU increase reflects a full quarter impact of changes in pricing and promotions implemented in Q209

ARPU

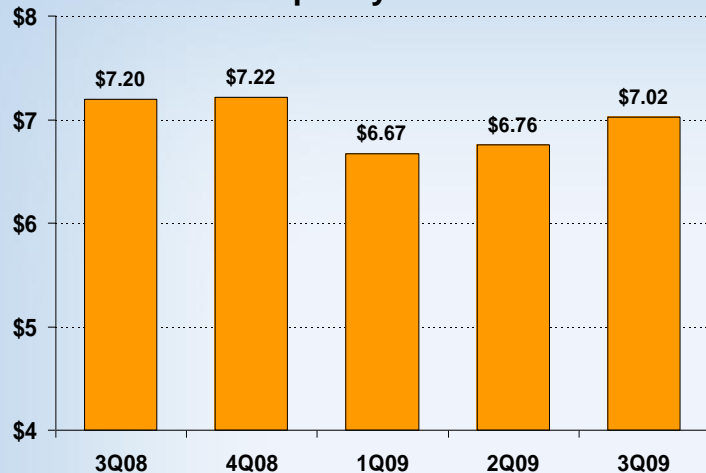


Telephony Services Revenue per Line

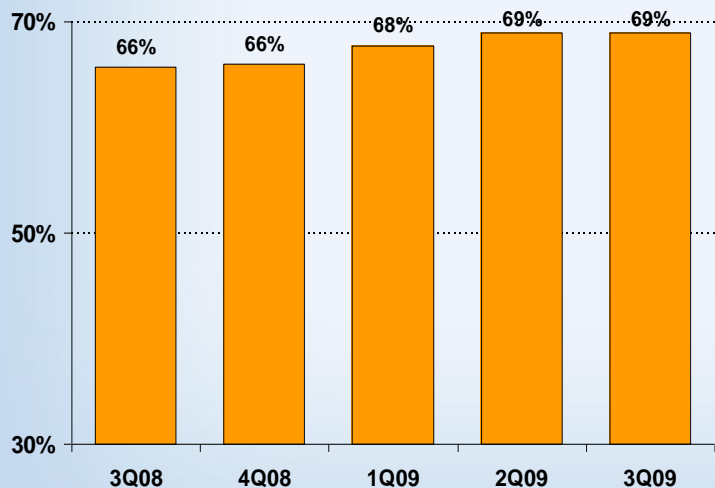


Cost of Telephony Services (COTS) and Direct Margin¹

Cost of Telephony Services Per Line



Direct Margin



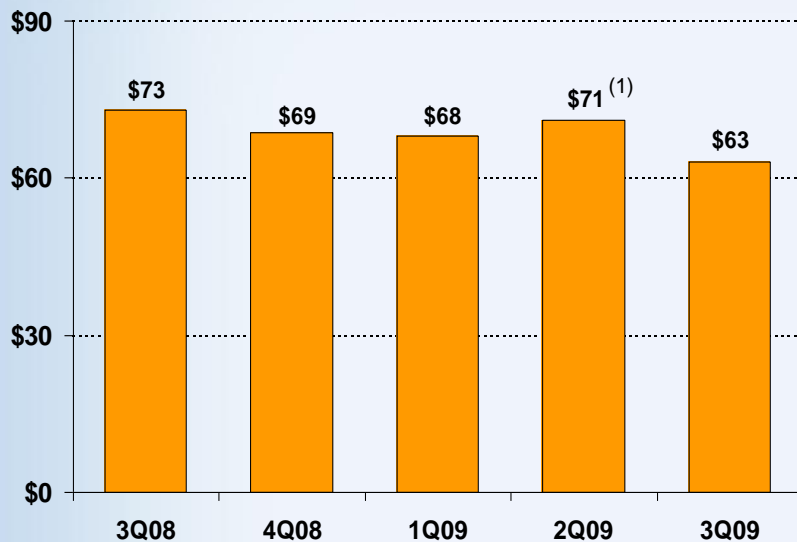
- **Per line COTS down 3% year-over-year**
- **COTS up sequentially on higher international calling from Vonage World**
- **Leveraging higher calling volume to negotiate lower rates with carriers; expect higher total COTS in Q409**
- **Maintained 69% direct margin**

1) Direct margin is defined as operating revenues less direct cost of telephony services and direct cost of goods sold as a percentage of operating revenues.

Improving SG&A

(\$ in millions)

SG&A

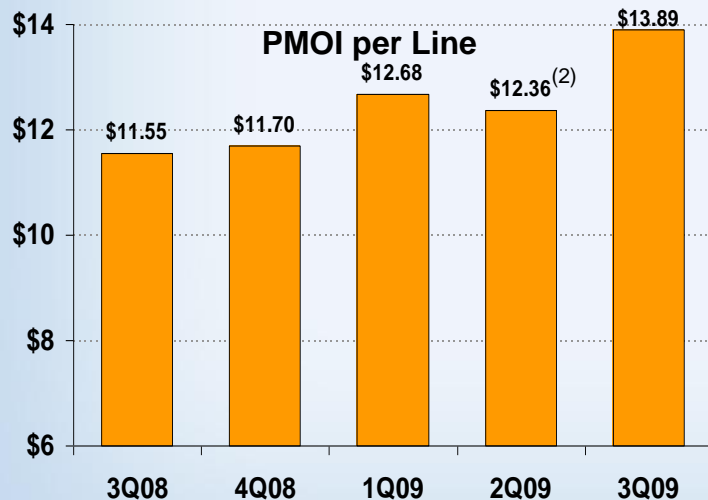
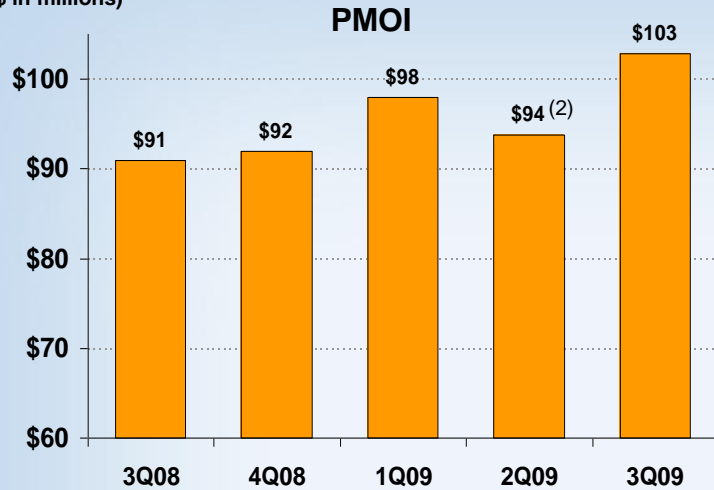


- **\$10 million or 14% year-over-year decline from cost cutting and efficiencies**
- **Continuing to aggressively manage overhead**

1) Includes \$5 million in closing costs and legal reserves

Pre-Marketing Operating Income (PMOI)¹

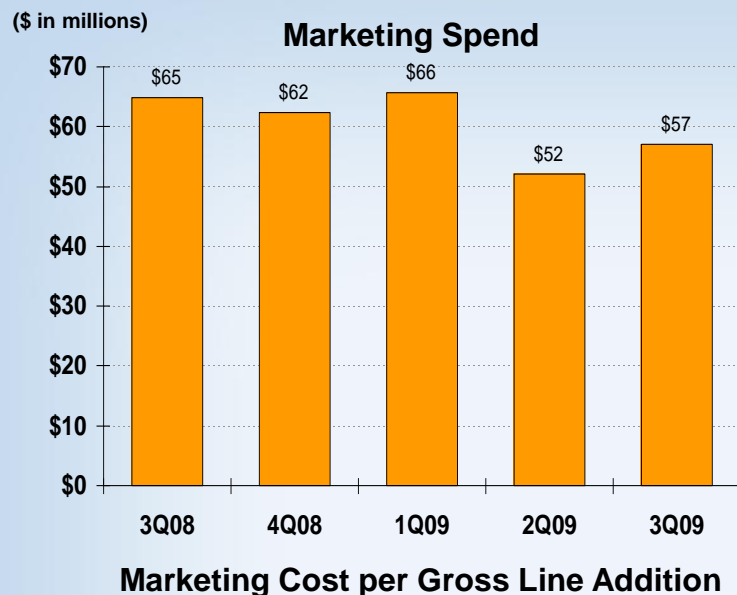
(\$ in millions)



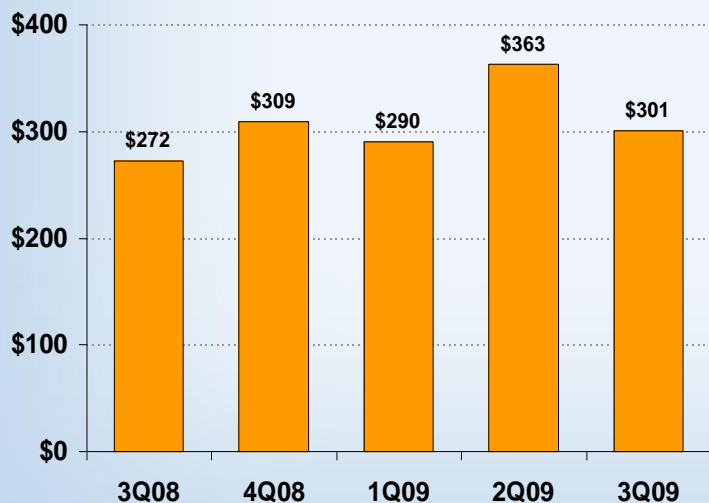
- Increasing cash generated from existing subscribers (excluding marketing and COGS)
- Exceeds \$100 million for the first time
- Year-over-year growth driven by SG&A reductions and cost efficiencies

1) This is a non-GAAP financial measure. Please refer to the end of the presentation for a reconciliation to GAAP income (loss) from operations.

2) Includes \$6 million or \$0.72 in closing costs and legal reserves.



- Increased sequential spend as expected to \$57 million
- Delivered significant improvements in cost of acquisition (SLAC) from Vonage World; post-World SLAC of \$235
- Fourth quarter 2009 marketing spend expected to be consistent with third quarter 2009



Balance Sheet and Cash Flow Highlights

- **Cash:** **\$38 million**
- Restricted Cash:** **\$40 million**
- Total (as of 9/30/09):** **\$78 million**

- **Prepaid vendors \$17 million in exchange for discounts; resulted in operating use of cash of \$9 million**

- **Debt financing terms require unrestricted cash¹ above \$30 million to become restricted on October 1, 2009**

- **Capital and software expenditures: \$9 million**
 - **Fourth quarter spend expected to increase sequentially due to timing of investments in new billing and other systems capabilities**
 - **Expect full year spend of approximately \$40 million, consistent with prior year**

1) Subject to certain adjustments.

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
RECONCILIATION OF GAAP INCOME (LOSS) FROM OPERATIONS TO ADJUSTED EBITDA
AND PRE-MARKETING OPERATING INCOME
(Dollars in thousands)
(unaudited)

	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Income (loss) from operations.....	\$ (2,860)	\$ 2,814	\$ 5,100	\$ 15,050	\$ 18,273
Depreciation and amortization.....	13,347	13,942	12,896	13,848	12,881
Share-based expense.....	4,167	3,035	2,608	2,227	2,058
Adjusted EBITDA.....	14,654	19,791	20,604	31,125	33,212
Marketing.....	64,911	62,260	65,695	52,144	57,393
Customer equipment and shipping.....	(9,678)	(8,254)	(8,362)	(5,319)	(5,420)
Direct cost of goods sold.....	20,835	17,942	20,512	16,179	17,727
Pre-marketing operating income.....	<u>\$ 90,722</u>	<u>\$ 91,739</u>	<u>\$ 98,449</u>	<u>\$ 94,129</u>	<u>\$ 102,912</u>
As a % of telephony services revenue.....	42.0%	42.9%	45.7%	43.8%	47.6%

Non-GAAP Reconciliation

VONAGE HOLDINGS CORP.
RECONCILIATION OF GAAP NET INCOME (LOSS) TO
NET INCOME (LOSS) EXCLUDING ADJUSTMENTS
(Dollars in thousands, except per share amounts)
(unaudited)

	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
Net income (loss).....	\$ (7,817)	\$ (40,916)	\$ 5,271	\$ 2,285	\$ (54,555)
Gain (loss) on extinguishment of notes.....	-	30,570	-	-	(3,816)
Change in fair value of derivatives.....	-	-	(12,970)	(1,150)	62,998
Net income (loss) excluding adjustments.....	<u>\$ (7,817)</u>	<u>\$ (10,346)</u>	<u>\$ (7,699)</u>	<u>\$ 1,135</u>	<u>\$ 4,627</u>
Net income (loss) per common share:					
Basic.....	<u>\$ (0.05)</u>	<u>\$ (0.26)</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ (0.33)</u>
Diluted.....	<u>\$ (0.05)</u>	<u>\$ (0.26)</u>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>	<u>\$ (0.33)</u>
Weighted-average common shares outstanding:					
Basic.....	<u>156,299</u>	<u>156,593</u>	<u>156,718</u>	<u>156,928</u>	<u>167,666</u>
Diluted.....	<u>156,299</u>	<u>156,593</u>	<u>218,787</u>	<u>218,997</u>	<u>167,666</u>
Net income (loss) per common share, excluding adjustments:					
Basic.....	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Diluted.....	<u>\$ (0.05)</u>	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Weighted-average common shares outstanding:					
Basic.....	<u>156,299</u>	<u>156,593</u>	<u>156,718</u>	<u>156,928</u>	<u>167,666</u>
Diluted.....	<u>156,299</u>	<u>156,593</u>	<u>156,718</u>	<u>156,928</u>	<u>190,719</u>

The Vonage logo is centered on a white horizontal band. It features a stylized orange 'V' with a blue circle above it, followed by the word 'onage' in orange lowercase letters. A small 'TM' trademark symbol is positioned at the top right of the word 'onage'.

Vonage™