

# Bandwidth 3Q 2021 Earnings Results

November 8, 2021

# Legal Disclaimer

This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, future financial and business performance for the third quarter 2021 and full-year 2021, attractiveness of our product offerings and platform and the value proposition of our products, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “guide,” “may,” “will” and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, risks that the anticipated benefits of the acquisition of Voxbone may not be fully realized or may take longer to realize than expected, our ability to operate in compliance with applicable laws, as well as other risks and uncertainties set forth in the “Risk Factors” section of our latest Form 10-K filed with the Securities and Exchange Commission and any subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no obligation to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also includes certain guidance on non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company’s non-GAAP financial measures as tools for comparison. The Company provides a reconciliation of certain non-GAAP measures to the most directly comparable GAAP measures, which are available in the earnings press release for the relevant period and in the appendix of this presentation.

# Bandwidth Scale and Reach

**3,173**

Active CPaaS Customers

**60+**

Countries

**\$478M**

Revenue<sup>1</sup>

“Bandwidth continues to play a critical role in the enterprise move to the cloud.”

David Morken, CEO

## 3Q 2021 Financial Highlights

- CPaaS revenue of **\$107M**, up 46% y/y
- Total revenue of **\$131M**, up 54% y/y
- Dollar-based net retention rate<sup>(1)</sup> of **108%**, or **113%** normalized for COVID and political messaging benefits in 2020
- **3,173** active CPaaS customers as of September 30, 2021

(1) Voxbone results do not impact calculation of this metric in the current period

Demand for global cloud communications drives new and expanded customer relationships

## 3Q 2021 Operational and Customer Highlights



### Internet Giant Goes Global with Bandwidth

Longtime top Bandwidth customer expands contract for global service. Fourth quarter 2021 testing of voice services in select countries expected to ramp throughout 2022.



### Enterprise Contact Center

Global leader in electronic signature chooses to move contact centers in 15 countries to the cloud with Bandwidth due to global reach and ability to integrate with UCaaS and CCaaS platforms.



### Managed Care Provider

Fortune 200 managed care provider chooses Bandwidth to power their migration to the cloud. Powerful APIs enable automation and number management tools without need for telecom expertise.



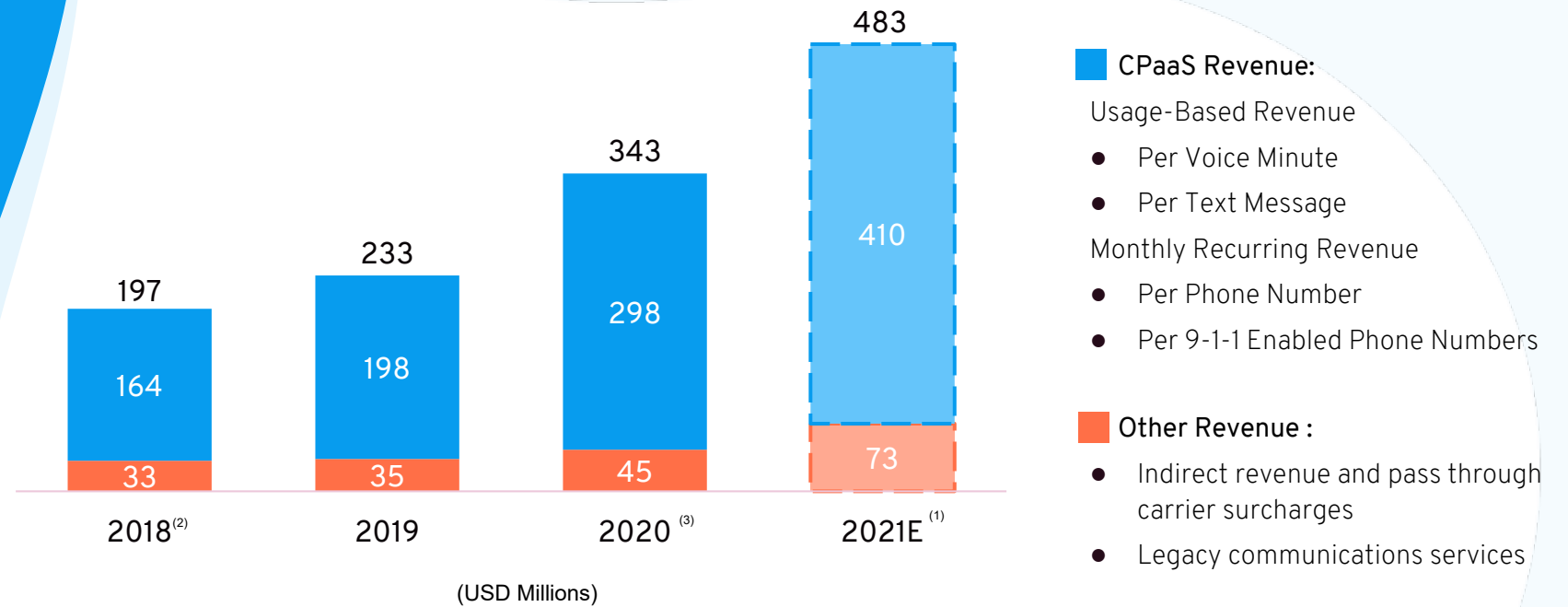
### Regulatory Expertise

Bandwidth helps customers navigate issues like fraud, robocalling, and evolving 911 compliance requirements. Bandwidth's E911 solution is one of three certified for Teams Direct Routing.

# Annual Revenue Performance

41%  
Growth

Estimated 2021 Total Revenue growth y/y



<sup>(1)</sup>2021E represents mid-point of guidance range provided in earnings press release issued on November 8, 2021 and reflects previously disclosed \$9M-\$12M estimated impact of DDoS attack

<sup>(2)</sup>Total and Other Revenue in 2018 are normalized to exclude a one-time settlement from Verizon in the amount of \$6.3M

<sup>(3)</sup>2020 includes CPaaS revenue of \$17M and Other Revenue of \$1M from Voxbone acquisition.

# Quarterly Revenue Performance

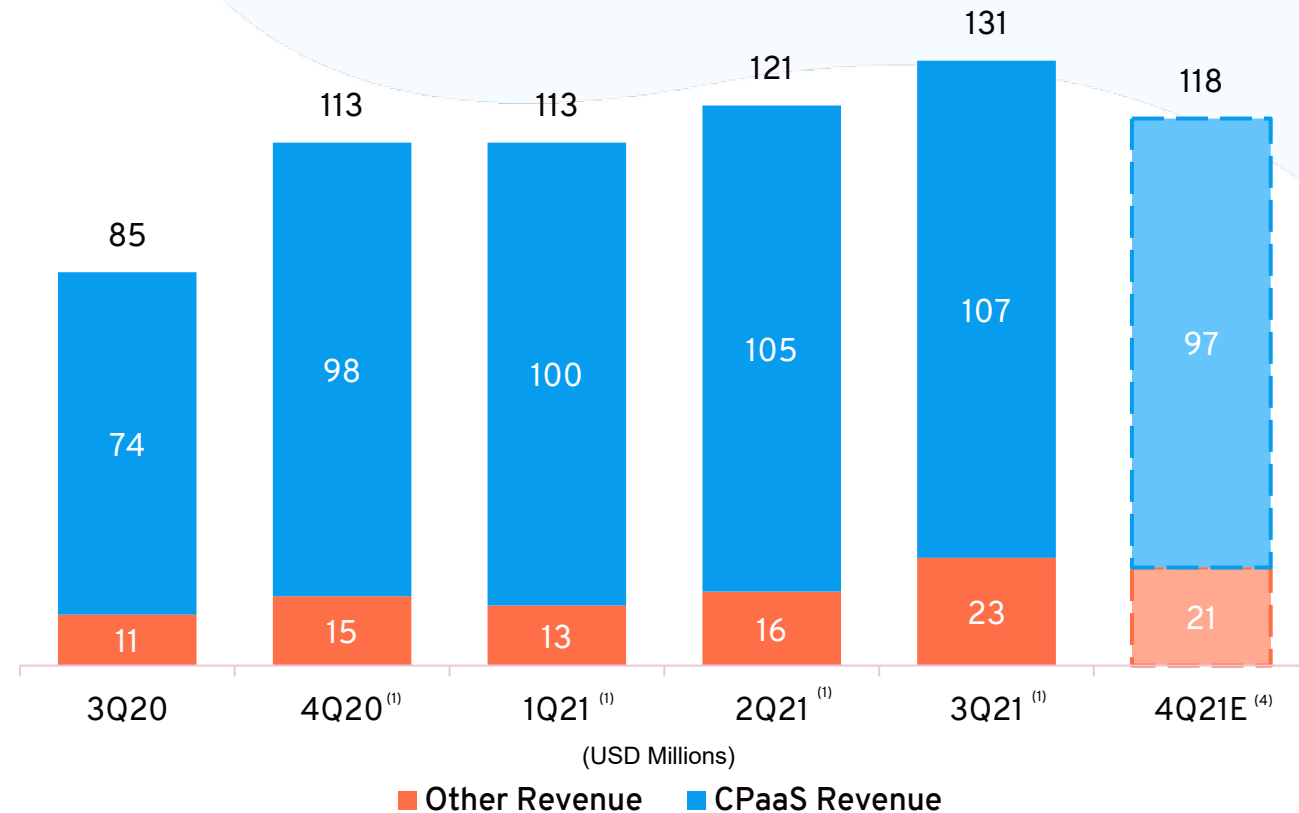
46%

3Q 2021 CPaaS Revenue Growth y/y

20%

3Q 2021 CPaaS Revenue Organic<sup>(3)</sup> Growth y/y

Normalized for COVID and political messaging impact in 3Q 2020<sup>(2)</sup>



(1) Includes revenue from the acquisition of Voxbone, which closed November 2, 2020. 4Q20, 1Q21, 2Q21 and 3Q21 include \$17M, \$21M, \$26M and \$26M respectively in CPaaS revenue and ~\$1M of Other revenue in each period.

(2) Includes estimated benefit from COVID-related usage and political messaging of \$2.5M and \$3.5M, respectively in 3Q20

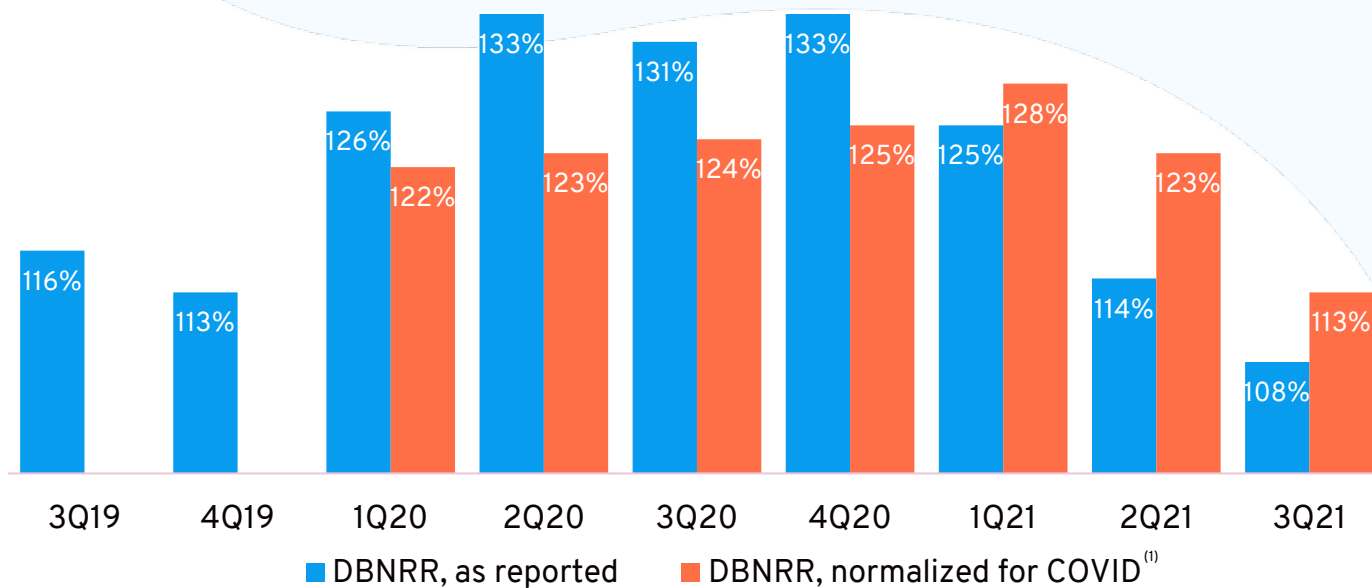
(3) Organic defined as standalone Bandwidth, excluding Voxbone contribution

(4) 4Q21E represents mid-point of guidance range provided in earnings press release issued on November 8, 2021 and reflects the respective impact of previously disclosed full year \$9M-\$12M estimated impact of DDoS attack

Note: Totals may not sum due to rounding

# Dollar Based Net Retention Rate Performance

Increased usage and upsell within existing customers drives revenue growth



<sup>(1)</sup> Normalized for estimated benefit from COVID-related usage of \$2M, \$4.8M, \$2.5M and \$2M in 1Q20, 2Q20, 3Q20 and 4Q20 respectively and \$0.8M political messaging benefit in 3Q20.

Note: DBNRR is obtained by dividing the CPaaS revenue generated from that cohort in a quarter by the CPaaS revenue generated by that same cohort in the corresponding quarter in the prior year. Voxbone results do not impact the calculation of this metric until the quarter following the one year anniversary of acquisition.



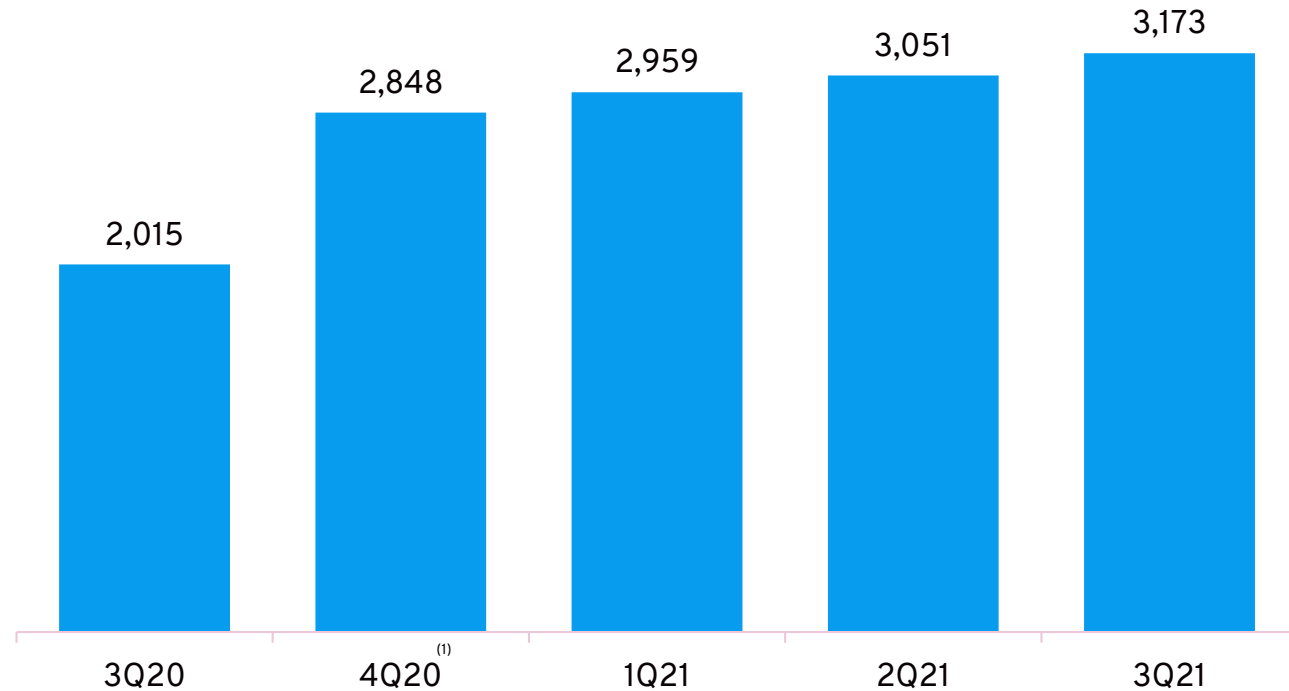
# Active CPaaS Customers

**\$146K**

TTM<sup>(2)</sup> Average Annual  
CPaaS Customer  
Revenue

**Diverse**

No 10% of revenue  
customers



<sup>(1)</sup>4Q20 includes ~700 customers from Voxbone acquisition

<sup>(2)</sup> Trailing Twelve Months (TTM)

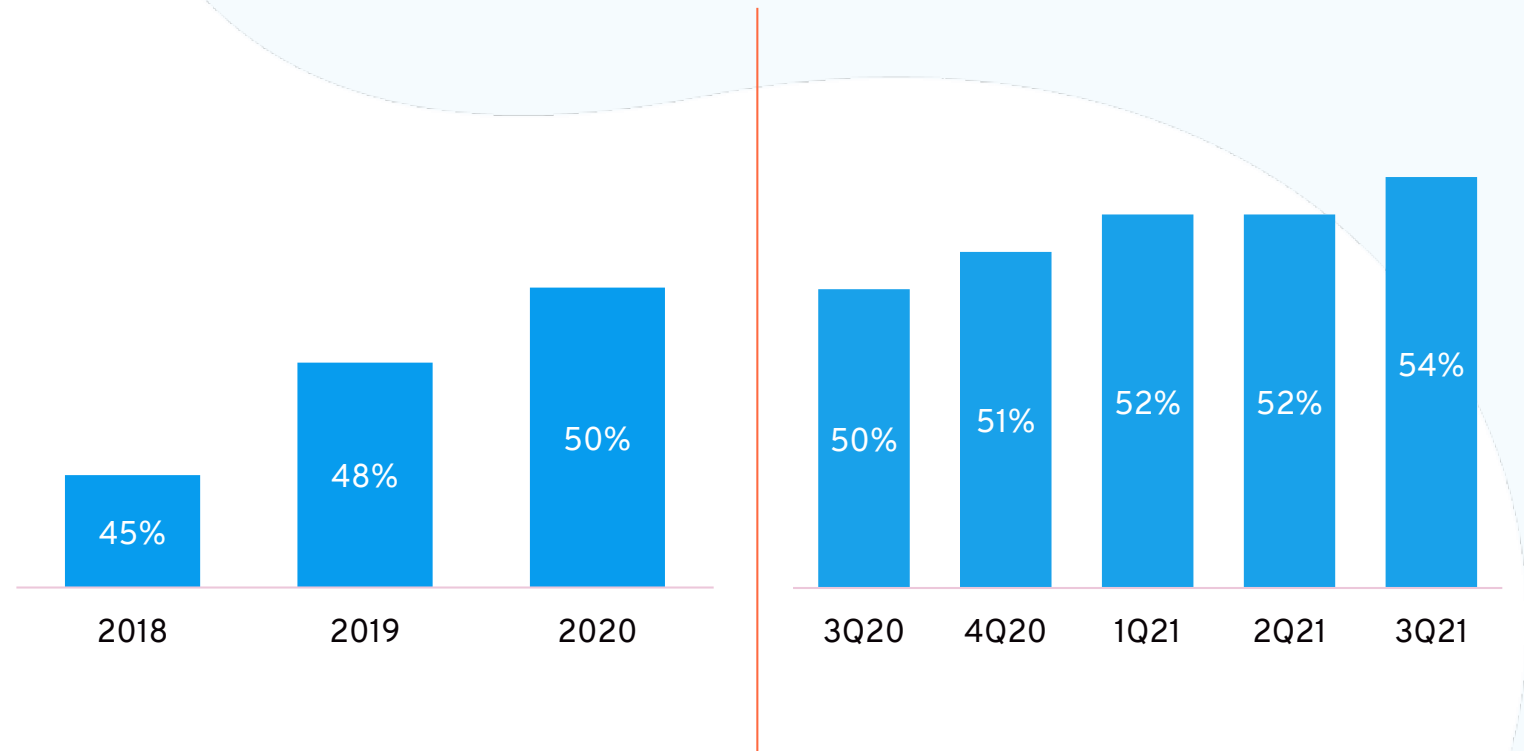
Note: We define an active CPaaS customer account at the end of any period as an individual account for which we have recognized at least \$100 of revenue in the last month of the period.

# Non-GAAP CPaaS Gross Margin Performance

+400 bps

3Q21 Non-GAAP CPaaS Gross Margin<sup>(1)</sup> increase y/y

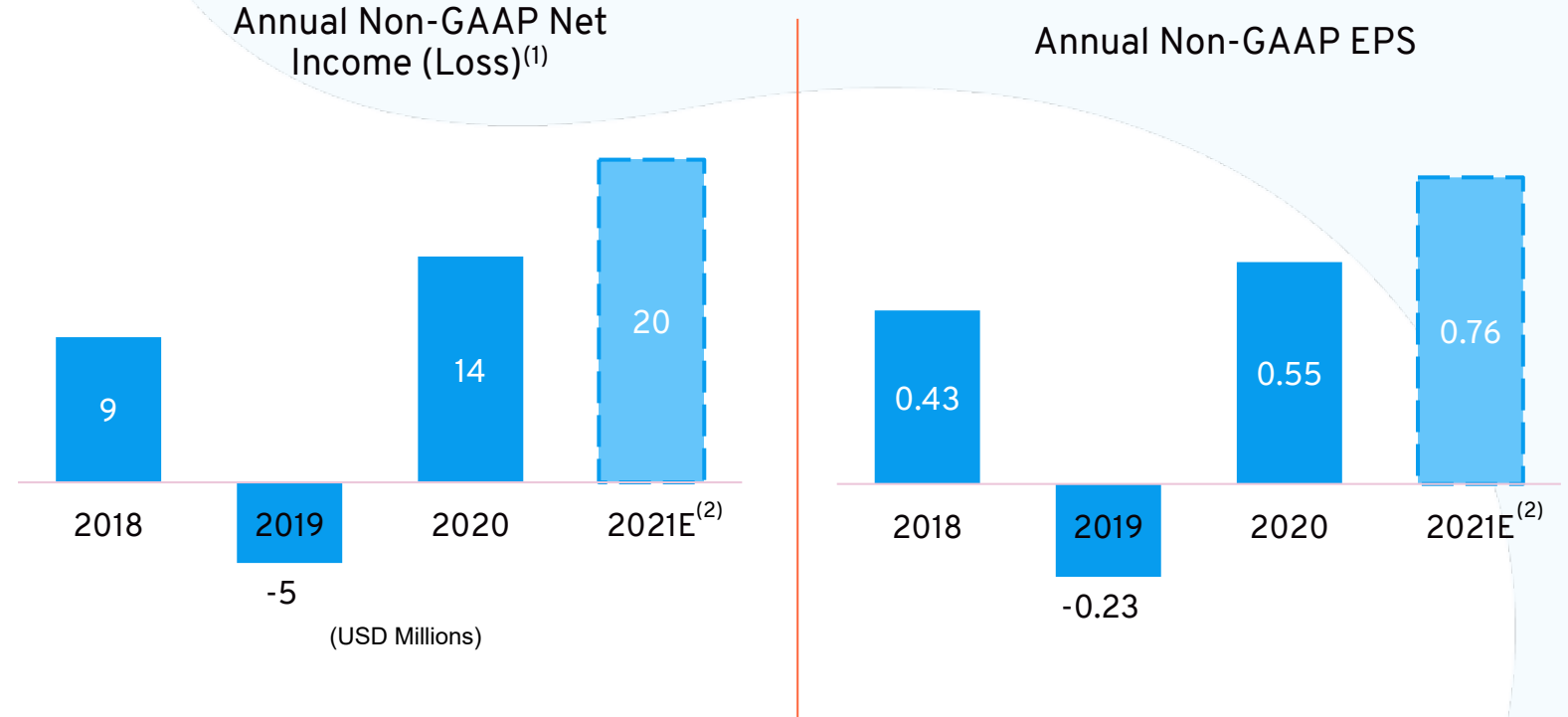
Record  
3Q21  
Margin



<sup>(1)</sup>We define Non-GAAP gross profit as gross profit after adding back depreciation, amortization of acquired intangible assets related to acquisitions and stock-based compensation. We calculate Non-GAAP gross margin by dividing adjusted gross profit by revenue, expressed as a percentage of revenue. See Appendix for GAAP to Non-GAAP reconciliation

# Profitability Performance

**Profitable growth strategy** balancing revenue **growth** with **investments** to address massive market opportunity



<sup>(1)</sup>We define Non-GAAP Net Income (Loss) excludes stock-based compensation, amortization of acquired intangible assets, amortization of debt discount and issuance costs for convertible debt, acquisition related expense, impairment charges of intangible assets, loss (gain) on disposal of property and equipment, estimated tax impact of above adjustments, income tax (benefit) provision resulting from excess tax benefits, vesting of restricted stock units and equity compensation, and expense resulting from recording the valuation allowance on our deferred tax assets ("DTA"). See Appendix for non-GAAP reconciliation

<sup>(2)</sup> 2021E represents mid-point of guidance range provided in earnings press release issued on November 8, 2021

# 4Q and Full Year 2021 Outlook

	4Q 2021	FY 2021
CPaaS Revenue <i>(USD million)</i>	94.5 – 99.5	407.0 - 412.0
Total Revenue <i>(USD million)</i>	115.7 - 120.7	480.5 - 485.5
Non-GAAP EPS <sup>(1)</sup> <i>(USD)</i>	(0.15) – (0.11)	0.74 - 0.78

(1) Assumes weighted average share count of approximately 25.1 million in 4Q 2021 and weighted average diluted share count of 26.5 million in FY 2021  
Note: 4Q21 and full year 2021 revenue estimates are inclusive of the respective impact of previously disclosed \$9M-\$12M estimated impact of DDoS attack

**Thank you!**

# Appendix

# Historical Metrics

USD millions, except per share amounts

	FY18	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
<b>Total Revenue</b>	<b>204.1</b>	<b>53.3</b>	<b>56.8</b>	<b>60.5</b>	<b>62.0</b>	<b>232.6</b>	<b>68.5</b>	<b>76.8</b>	<b>84.8</b>	<b>113.0</b>	<b>343.1</b>	<b>113.5</b>	<b>120.7</b>	<b>130.6</b>
CPaaS Revenue	164.4	45.0	48.0	51.5	53.4	197.9	59.1	67.1	73.8	98.1	298.1	100.1	105.0	107.4
Other Revenue	39.7	8.3	8.8	9.0	8.6	34.7	9.4	9.7	11.0	14.9	45.0	13.3	15.6	23.3
<b>Total Gross Profit</b>	<b>96.0</b>	<b>24.6</b>	<b>26.7</b>	<b>27.4</b>	<b>29.0</b>	<b>107.6</b>	<b>32.2</b>	<b>34.8</b>	<b>39.2</b>	<b>51.7</b>	<b>157.9</b>	<b>52.2</b>	<b>54.6</b>	<b>58.2</b>
CPaaS	70.1	19.7	21.5	22.2	24.2	87.6	27.2	29.8	34.4	45.9	137.4	46.5	48.9	52.5
Other	25.8	4.8	5.2	5.2	4.9	20.0	4.9	4.9	4.8	5.8	20.5	5.7	5.7	5.7
<b>Non-GAAP Gross Profit</b>	<b>100.6</b>	<b>25.9</b>	<b>28.2</b>	<b>29.1</b>	<b>31.1</b>	<b>114.4</b>	<b>34.7</b>	<b>37.1</b>	<b>41.6</b>	<b>55.8</b>	<b>169.1</b>	<b>57.4</b>	<b>59.8</b>	<b>63.4</b>
<b>Non-GAAP CPaaS Gross Profit</b>	<b>74.7</b>	<b>21.1</b>	<b>23.1</b>	<b>24.0</b>	<b>26.3</b>	<b>94.4</b>	<b>29.7</b>	<b>32.1</b>	<b>36.7</b>	<b>50.0</b>	<b>148.6</b>	<b>51.7</b>	<b>54.1</b>	<b>57.7</b>
<b>Non-GAAP Gross Margin</b>	<b>49%</b>	<b>49%</b>	<b>50%</b>	<b>48%</b>	<b>50%</b>	<b>49%</b>	<b>51%</b>	<b>48%</b>	<b>49%</b>	<b>49%</b>	<b>49%</b>	<b>51%</b>	<b>50%</b>	<b>49%</b>
<b>Non-GAAP CPaaS Gross Margin</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>47%</b>	<b>49%</b>	<b>48%</b>	<b>50%</b>	<b>48%</b>	<b>50%</b>	<b>51%</b>	<b>50%</b>	<b>52%</b>	<b>52%</b>	<b>54%</b>
<b>Net Income (Loss)</b>	<b>17.9</b>	<b>2.0</b>	<b>3.5</b>	<b>(1.0)</b>	<b>(2.0)</b>	<b>2.5</b>	<b>(1.1)</b>	<b>(20.6)</b>	<b>(2.4)</b>	<b>(19.9)</b>	<b>(44.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(6.9)</b>
<b>Non-GAAP Net Income (Loss)</b>	<b>9.0</b>	<b>(2.5)</b>	<b>(0.9)</b>	<b>(1.4)</b>	<b>(0.5)</b>	<b>(5.3)</b>	<b>1.1</b>	<b>3.1</b>	<b>6.5</b>	<b>3.5</b>	<b>14.2</b>	<b>8.3</b>	<b>8.6</b>	<b>6.5</b>
<b>Adjusted EBITDA</b>	<b>16.1</b>	<b>(1.7)</b>	<b>0.0</b>	<b>(0.6)</b>	<b>1.2</b>	<b>(1.1)</b>	<b>3.1</b>	<b>5.5</b>	<b>9.3</b>	<b>8.3</b>	<b>26.2</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>
<b>Adjusted EBITDA Margin</b>	<b>8%</b>	<b>-3%</b>	<b>0%</b>	<b>-1%</b>	<b>2%</b>	<b>0%</b>	<b>5%</b>	<b>7%</b>	<b>11%</b>	<b>7%</b>	<b>8%</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>
<b>Cash and Investments</b>	<b>58.9</b>	<b>198.4</b>	<b>195.9</b>	<b>192.8</b>	<b>185.0</b>	<b>185.0</b>	<b>517.9</b>	<b>522.7</b>	<b>532.1</b>	<b>121.4</b>	<b>121.4</b>	<b>339.3</b>	<b>319.0</b>	<b>331.1</b>
<b>Operating Cash Flow</b>	<b>24.6</b>	<b>(9.0)</b>	<b>2.4</b>	<b>1.9</b>	<b>2.2</b>	<b>(1.3)</b>	<b>(7.6)</b>	<b>7.3</b>	<b>11.6</b>	<b>(6.8)</b>	<b>4.5</b>	<b>10.0</b>	<b>(1.2)</b>	<b>14.8</b>
<b>Capital Expenditures</b>	<b>(14.4)</b>	<b>(1.8)</b>	<b>(6.5)</b>	<b>(6.3)</b>	<b>(9.9)</b>	<b>(25.8)</b>	<b>(4.4)</b>	<b>(4.6)</b>	<b>(2.3)</b>	<b>(3.2)</b>	<b>(14.6)</b>	<b>(7.9)</b>	<b>(17.8)</b>	<b>(2.7)</b>
<b>Free Cash Flow</b>	<b>10.2</b>	<b>(10.9)</b>	<b>(4.1)</b>	<b>(4.4)</b>	<b>(7.7)</b>	<b>(27.0)</b>	<b>(12.0)</b>	<b>2.7</b>	<b>9.3</b>	<b>(10.0)</b>	<b>(10.1)</b>	<b>2.1</b>	<b>(18.9)</b>	<b>12.2</b>
<b>Active CPaaS Customers</b>	<b>1,230</b>	<b>1,351</b>	<b>1,467</b>	<b>1,610</b>	<b>1,728</b>	<b>1,728</b>	<b>1,808</b>	<b>1,900</b>	<b>2,015</b>	<b>2,848</b>	<b>2,848</b>	<b>2,959</b>	<b>3,051</b>	<b>3,173</b>
<b>DBNRR</b>	<b>118%</b>	<b>111%</b>	<b>113%</b>	<b>116%</b>	<b>113%</b>	<b>113%</b>	<b>126%</b>	<b>133%</b>	<b>131%</b>	<b>133%</b>	<b>131%</b>	<b>125%</b>	<b>114%</b>	<b>108%</b>

# GAAP to Non-GAAP Reconciliation – Net Income

USD millions, except per share amounts

	FY18	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
<b>Net income (Loss)</b>	<b>17.9</b>	<b>2.5</b>	<b>(1.1)</b>	<b>(20.6)</b>	<b>(2.4)</b>	<b>(19.9)</b>	<b>(44.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(6.9)</b>
Stock-based compensation	3.3	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8
Amortization of acquired intangibles	0.5	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8
Amortization of debt discount and issuance costs for convertible debt	-	-	1.7	4.5	4.6	4.7	15.6	5.2	7.1	7.2
Acquisition-related expenses	-	-	-	-	1.7	12.7	14.5	-	-	-
Loss on disposal of property and equipment	0.2	0.5	0.2	0.0	0.0	0.1	0.3	0.2	0.1	0.0
Estimated tax effects of adjustments (1)	(1.0)	(1.9)	(1.2)	1.2	-	(0.8)	(0.8)	(1.1)	(0.1)	(2.3)
Valuation allowance (2)	-	-	-	14.2	-	0.9	15.0	0.1	0.2	-
Income tax benefit of equity compensation (3)	(11.9)	(13.5)	(1.3)	1.3	-	-	-	-	-	-
<b>Non-GAAP net income (Loss)</b>	<b>9.0</b>	<b>(5.3)</b>	<b>1.1</b>	<b>3.1</b>	<b>6.5</b>	<b>3.5</b>	<b>14.2</b>	<b>8.3</b>	<b>8.6</b>	<b>6.5</b>
<b>Net income (loss) per share</b>										
Basic	0.96	0.11	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)
Diluted	0.85	0.10	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)
<b>Non-GAAP net income (loss) per share</b>										
Basic	0.49	(0.23)	0.05	0.13	0.27	0.14	0.59	0.33	0.34	0.26
Diluted	0.43	(0.23)	0.04	0.13	0.24	0.13	0.55	0.30	0.32	0.25
<i>Non-GAAP weighted average number of shares outstanding</i>										
<b>Non-GAAP basic shares</b>	<b>18.6</b>	<b>22.6</b>	<b>23.6</b>	<b>24.0</b>	<b>24.2</b>	<b>24.7</b>	<b>24.1</b>	<b>25.0</b>	<b>25.1</b>	<b>25.1</b>
Convertible debt conversion	-	-	-	-	1.7	2.0	1.0	1.8	1.2	0.9
Stock options issued and outstanding	2.4	-	0.7	0.4	0.3	0.2	0.4	0.2	0.2	0.2
Nonvested RSUs outstanding	0.2	-	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.2
<b>Non-GAAP diluted shares</b>	<b>21.1</b>	<b>22.6</b>	<b>24.5</b>	<b>24.7</b>	<b>26.5</b>	<b>27.2</b>	<b>25.9</b>	<b>27.3</b>	<b>26.7</b>	<b>26.4</b>

(1) The Non-GAAP tax-effect is determined using a blended rate of statutory tax rates in the jurisdictions where the Company has tax filings. When the Company has a valuation allowance recorded and no tax benefits will be recognized, the rate in that jurisdiction is considered to be zero.

(2) The Company recognized a tax expense to record a valuation allowance on U.S. deferred tax assets.

(3) The Company recognizes no income tax benefit of equity compensation due to the valuation allowance on U.S. deferred tax asset recorded within 2Q20.



# GAAP to Non-GAAP Reconciliations – CPaaS Gross Profit, Adjusted EBITDA, Free Cash Flow

USD millions, except per share amounts

	FY18	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
<b>CPaaS Gross Profit</b>	<b>70.1</b>	<b>87.6</b>	<b>27.2</b>	<b>29.8</b>	<b>34.4</b>	<b>45.9</b>	<b>137.4</b>	<b>46.5</b>	<b>48.9</b>	<b>52.5</b>
<b>CPaaS Gross Margin %</b>	<b>43%</b>	<b>44%</b>	<b>46%</b>	<b>44%</b>	<b>47%</b>	<b>47%</b>	<b>46%</b>	<b>46%</b>	<b>47%</b>	<b>49%</b>
Depreciation	4.5	6.6	2.3	2.3	2.3	2.6	9.5	3.0	2.9	3.0
Stock-based compensation	0.1	0.2	0.2	(0.1)	-	-	0.2	0.1	0.1	0.1
Amortization of acquired intangible	-	-	-	-	-	1.4	1.4	2.2	2.2	2.1
<b>Non-GAAP CPaaS Gross Profit</b>	<b>74.7</b>	<b>94.4</b>	<b>29.7</b>	<b>32.1</b>	<b>36.7</b>	<b>50.0</b>	<b>148.6</b>	<b>51.7</b>	<b>54.1</b>	<b>57.7</b>
<b>Non-GAAP CPaaS Gross Margin %</b>	<b>45%</b>	<b>48%</b>	<b>50%</b>	<b>48%</b>	<b>50%</b>	<b>51%</b>	<b>50%</b>	<b>52%</b>	<b>52%</b>	<b>54%</b>

	FY18	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
<b>Income from continuing operations</b>	<b>17.9</b>	<b>2.5</b>	<b>(1.1)</b>	<b>(20.6)</b>	<b>(2.4)</b>	<b>(19.9)</b>	<b>(44.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(6.9)</b>
Income tax (provision) benefit	(10.9)	(17.7)	(2.7)	16.5	0.0	1.2	15.0	(0.3)	0.3	0.3
Interest expense, net	(0.3)	(2.4)	0.9	3.9	4.2	4.7	13.7	5.4	7.7	7.7
Depreciation	5.3	9.0	3.2	3.2	3.2	3.6	13.1	4.2	4.3	4.5
Amortization	0.6	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8
Acquisition-related expenses	-	-	-	-	1.7	12.7	14.5	-	-	-
Stock-based compensation	3.3	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8
Loss on disposal of property and equipment	0.2	0.5	0.2	-	-	0.1	0.3	0.2	0.1	-
<b>Adjusted EBITDA</b>	<b>16.1</b>	<b>(1.1)</b>	<b>3.1</b>	<b>5.5</b>	<b>9.3</b>	<b>8.3</b>	<b>26.2</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>

	FY18	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21
Net cash provided by operating activities from continuing operations	24.6	(1.3)	(7.6)	7.3	11.6	(6.8)	4.5	10.0	(1.2)	14.8
Net cash used in investing in capital assets(1)	(14.4)	(25.8)	(4.4)	(4.6)	(2.3)	(3.2)	(14.6)	(7.9)	(17.8)	(2.7)
<b>Free cash flow</b>	<b>10.2</b>	<b>(27.0)</b>	<b>(12.0)</b>	<b>2.7</b>	<b>9.3</b>	<b>(10.0)</b>	<b>(10.1)</b>	<b>2.1</b>	<b>(18.9)</b>	<b>12.2</b>

(1) Represents the acquisition cost of property, equipment and capitalized development costs for software for internal use.