Bandwidth 3Q 2026 Earnings Prepared Remarks

Nils Erdmann, SVP of IR

Good morning, and welcome to Bandwidth's second quarter 2026 earnings conference call. I'm joined today by David Morken, Chief Executive Officer, and Daryl Raiford, Chief Financial Officer. We will begin with prepared remarks and then open up the call for Q&A.

During this call, we will make forward-looking statements, including statements related to our future financial performance, expectations regarding the growth of our business, and other indications of future opportunities. These forward-looking statements are subject to certain risks, uncertainties and assumptions, and actual results may differ materially. These forward-looking statements represent our beliefs and assumptions only as of today, and we undertake no obligation to revise or update any statements to reflect changes that occur after this call.

Further information on factors and other risks that could cause actual results to differ materially from those forward-looking statements is included in our reports filed with the SEC, including our most recent Form 10-K and our forthcoming Form 10-Q, and in our second quarter earnings press release and earnings presentation that were issued this morning.

During the call, we refer to certain metrics, including non-GAAP financial measures. Definitions of these non-GAAP metrics and other operating metrics as well as reconciliations with the most comparable historical GAAP measures are available in our earnings press release and our earnings presentation, both of which can be found on the Investor Relations page of our website at investors.bandwidth.com. With that, I will now turn the discussion over to David.

David Morken, CEO

Thank you, and welcome everyone.

We are pleased to report solid third quarter results, with record revenue of $234 million, up 22 percent, and record Adjusted EBITDA of $35 million. Daryl will walk through the financial details shortly.

I want to start by thanking our customers. The trust you place in us grows with every call and message we carry together. To our Bandmates, thank you for the craft and care you put into serving others so well. And I thank God for the gift of serving alongside our exceptional team.

Now, we'd like to kick-off this call with a few words about where Bandwidth is headed. Today, we are raising the mid-point of our full-year 2026 outlook across all of our guidance metrics. Just as important, we have growing confidence in achieving double-digit cloud communications revenue growth in fiscal 2027, even as we lap this year's contributions from political messaging revenue. We see the fourth quarter of 2026 as the turning point in our growth rates this year, with momentum building throughout 2027, and that confidence rests on what is already in hand. Specifically, we've signed 11 deals greater than $1 million of ACV since the start of the year, and they are deploying in phases and will layer into our results over the next twelve months. We're also seeing early traction with Salesforce, which while not in our 2026 outlook, we expect will be a contributor next year.

That's the near term picture. The question then is why we believe it lasts, and that brings me to the topic of AI, or Super Intelligence, to use the new, official terminology.

Across the technology sector this year, the same questions keep coming up about Super Intelligence.

- Who wins?
- Does the layer beneath the models become a commodity?
- How does SI turn into revenue?
- And when?

We think the answers are structural, favorable, and durable for Bandwidth, and come down to three things.

First, ownership. We own and operate a global communications network. That gives us the licensed ability to connect, to attest who is calling, and to do it with the speed a real-time conversation demands. An SI model can't replicate that, and SI makes it more valuable, not less.

Second, economics. We monetize interactions, not seats. The industry is still working out how to price SI, and what it costs to train and run models. Our revenue follows the conversation, whether a person or an agent is having it. And SI creates more conversations.

Third, reliance. Every SI voice or messaging agent needs a number, a trusted identity, and access to a human being. That is what we provide, and it's why customers find us easy to deploy and hard to leave.

I'll take each of these structural advantages in turn and show you where it's becoming visible in our results.

Starting with ownership. Software is going headless. Vendors are opening their platforms to third-party agents and giving up the interface, and the fair question is what stays differentiated beneath it? For application vendors, the answer is context. For Bandwidth, it is execution authority.

That means a licensed, owned-and-operated network, number inventory, caller identity attestation, direct carrier interconnections, and local regulatory expertise in nearly 70 countries. These are regulated network assets, not API features. A model layer or an application layer can't replicate them, any more than a generic connector can recreate a CRM.

Context tells an agent what to say. The network decides whether a call connects, whether the customer trusts it, and whether it's delivered. We are the trusted infrastructure layer that enables the entire voice ecosystem.

SI is raising the value of that layer. For most of its history, the legacy carrier network was a means of connecting two people on a call, and all the network had to do was put them in contact with one another. An SI conversation is different. There is an agent listening and responding, other applications are at the same time transcribing, translating, checking for fraud, or pulling up a customer record, and all while the caller is talking. Many applications are now part of the conversation and acting on it, in real time. That puts new demands on the underlying network.

- The network has to take part in the call. On Bandwidth's network, a caller's live audio can be streamed to an agent and any applications surrounding it, and the responses stream back in real time. A legacy carrier connection can't do that.
- The network has to keep pace. An agent has much less than a second to hear, think and answer. We can't make the model faster, but because we own the path, we can make sure the network never spends more milliseconds than the model needs.
- And the network has to be trusted. As SI drives more outbound calling, enterprises will need to prove their calls are legitimate, and consumers will need to know who is calling. Voice SI raises the bar for latency, trust and compliance. We're deploying compute in our points of presence to deliver all three.

You can see evidence of this in the growing number of enterprises that are choosing Bandwidth, all of whom have adopted Maestro, enabling them to take further advantage of our orchestration layer to solve complex integration, routing and communication workflows.

It has an intuitive UX that allows enterprises to plug into conversational SI engines and to swap or add SI tools without custom middleware code.

Maestro's pre-built integrations and network-level security and fraud defenses are without equal, and they were a significant factor in winning a key $1 million-dollar-plus financial services customer this quarter. This rapidly expanding, all-digital banking platform sought to modernize its customer contact center while integrating an SI agent. The bank needed low-latency connectivity for real-time SI interactions, a native integration with Genesys, and resilient toll-free calling that could scale to support its growing customer base. These requirements highlighted the advantage of direct control over the underlying network and call routing, rather than relying on a virtual provider's third-party carrier infrastructure. Bandwidth displaced a major CPaaS competitor, winning on the strength of our low-latency owned network, our 5x redundant toll free solution with Maestro advanced routing and observability, our longstanding Genesys partnership, and expert support. This win will translate into high-value enterprise voice traffic on our network, with the opportunity to grow alongside the bank as it scales its SI-powered customer interactions.

The second structural advantage we have is economics. Application vendors are still working out price. They are moving from seats to consumption to outcomes, and most will tell you they don't yet know the end state. Our price is set by network value and trust, not seat count. Our model is usage-based. Usage has always been our model. And SI is driving more of it.

Every call or text runs across our network. Whether a person or an SI agent is on the other end doesn't change that. And agentic voice adds legs to every interaction: sentiment analysis, transcription, translation, orchestration between systems. Each leg is expected to be new usage.

Fewer human agents doesn't mean fewer conversations. SI agents answer calls human teams never could, and they place outbound calls that were never economic before. Our network is built for humans and agents, without exposure to the economics of the models. We run no freemium, and there is no inference cost to us.

That is also why falling inference costs are a volume story for us. As models get cheaper, more SI voice use cases become economic, and more use cases mean more minutes. We are model-agnostic. Maestro works whether a customer runs a cascaded or a speech-to-speech model, and we do not compete with our customers. Maestro gives us a strategic advantage: as enterprises adopt more SI, we can capture both the communications usage they generate and the value of orchestrating those interactions.

Third, and finally, reliance. There are two parties to every call, and agents are now showing up on both ends. On the enterprise end, agents answer calls and place calls on behalf of a business. That is where the growth is today, and it's what the Maestro adoption and the wins I'll describe reflect. On the consumer end, the large consumer platforms have begun giving their personal agents the ability to pick up the phone and call a business on a person's behalf. It's early, it's in limited testing, and the volumes will be small for a while. But

every one of those calls is an inbound call to a business, into a toll-free number or a contact center, and we carry those calls for many of the enterprises and platforms that will answer them. When consumers delegate the dialing, we are on the receiving end. Whichever end an agent is on, it needs a number, an identity the other side will trust, and a path to a human, and the business answering needs to know whose agent is calling. That is what we provide, and it is why customers find us easy to deploy and hard to leave.

We built for that. Our network is a global, licensed infrastructure that took decades to build. On top of it, Bandwidth Build and our MCP server let an agent provision its own numbers and configure its own services in plain language, and our media streaming carries live audio into the agent and back. Combined with enterprise-grade compliance and reliability, that is what makes voice the most powerful, secure channel for agentic conversations, and it's why more and more enterprises are turning to Bandwidth.

We added four million-dollar-plus wins and expansions in the third quarter, bringing the total to 11 since the start of the year. In addition to the digital bank I mentioned earlier, we expanded our relationship with a fast-growing consumer privacy company that now relies on Bandwidth for millions of phone numbers to help protect its customers' personal information. The company has also introduced an SI-powered call screening service that uses our voice infrastructure and Voice API transcription to screen unwanted calls and engage callers through conversational SI when needed. Additional services are planned using our WebRTC solution, and we will benefit from opportunities to capture expanded voice and software usage as the customer's business scales.

We also expanded with a major enterprise network and communications provider serving businesses and state and local governments across the U.S. Building on a longstanding relationship that includes toll-free, 911, and other voice services, the customer adopted our platform voice solution, allowing them to retain their own phone numbers while using our network infrastructure for connectivity. This creates the potential for a significant new source of recurring platform fees and incremental usage-based revenue for Bandwidth.

In our fourth million-dollar-plus win, a specialized communications provider serving thousands of businesses and government agencies through its reseller and managed service provider network selected Bandwidth to expand its calling services internationally. The customer is relying on our network footprint and our global routing capabilities to serve destinations its previous provider could not support.

Together, these wins demonstrate how our network and software investments create new revenue opportunities, deepen existing customer relationships, and allow us to capture more usage as our customers scale.

And with Salesforce, in September we announced the expansion of our collaboration, with Bandwidth named as the first certified carrier to support the global rollout of Salesforce's native Contact Center. Following our North American partnership, this extends their CRM contact center capabilities to more than 25 countries across Europe, the U.K., Australia and New Zealand, with additional markets to follow. Enterprises will be able to connect to

Salesforce's native Contact Center through a bring-your-own-carrier (BYOC) model with Maestro, enabling SI-driven customer engagement on a global scale.

This is a relationship we believe in deeply. Salesforce's own vision is that every customer call should become a conference call – with a human, an SI agent, and the full context of that customer relationship on the line together. We share that vision, and we built Maestro on top of our global network to make it possible. We're embedded in Salesforce's governed workflows today, with the control, observability, and integration depth their platform requires.

Looking forward, the three structural advantages that make Bandwidth unique in the SI space are: we own and operate the connectivity layer; we are compensated on interactions, not seats; and every SI voice or messaging agent will need a number, a trusted identity, and access to a human being, which Bandwidth can provide. As more and more consumers and businesses use SI and SI agents, these advantages will grow and strengthen. We are excited about solidifying our position of strength, expanding our global footprint, obtaining regulatory coverage in new markets, and deploying edge and data center infrastructure to capture this demand.

Now I'll turn it over to Daryl to walk through the financial details of the quarter and our outlook for the remainder of the year.

Daryl Raiford, CFO

Thank you, David, and good morning, everyone. We are reporting another quarter with results at the high end of our expectations.

Our third quarter 2026 results were as follows.

- Total revenue was $234 million, an increase of 22 percent year-over-year.
- Cloud communications revenue, which is total revenue less messaging surcharge revenue reached $158 million, a 12 percent year-over-year increase.
- GAAP gross margin was 36% for the quarter, 200 basis points less than the prior year, solely driven by higher carrier messaging surcharge revenue.
- Non-GAAP gross margin improved nearly 300 basis points to 60.6%. Non-GAAP gross profit of $96 million increased 18 percent year-over-year, marking a gross profit yield of approximately 86 percent on cloud communications revenue growth.
- Adjusted EBITDA grew by 43 percent to $35 million. Adjusted EBITDA margin reached a record 22 percent, demonstrating the scalability of our business model and our ability to convert revenue growth into meaningful profit expansion.
- Non-GAAP net income was $20 million, while Non-GAAP Earnings per diluted Share was $0.50.

- Free Cash flow was $33 million, showing another quarter of strong execution and earnings and cash-generating power of our business.

Turning to Cloud Communications growth:

Both Programmable Messaging and Voice were at the high end of our expectations.

In Programmable Messaging, revenue of $33 million grew 26 percent, resulting from commercial messaging growth of 14 percent combined with approximately $3 million of earned messaging revenue during the quarter from political campaign activities.

Voice revenue was $125 million, growing 9 percent, comprising Enterprise voice growth of 15 percent and Global Voice Plan growth of 8 percent.

Software services revenue was $7 million in the quarter, up 68 percent year over year, and exited the quarter at an ARR rate of over $30 million, more than double where it stood nine months ago. It remains a small share of cloud communications revenue, approximately 5 percent. We highlight it because customers buy it when they put SI into their communications, and the usage follows.

Turning to our operating metrics:

- Our reported net retention rate for the third quarter was 113 percent. Adjusted to normalize for the cyclical political campaign revenue impact, our commercial net retention rate was 114 percent.
- Customer name retention rate remained above 99 percent, reflecting the mission-critical nature of our Communications Cloud and the very low churn we consistently deliver.
- Average annual revenue per customer reached a record $273 thousand, reflecting both continued customer expansion and our success attracting larger enterprise customers to the platform.

Collectively, these metrics underscore the strength of our existing customer relationships, as customers expand their usage, adopt more of our solutions, and trust our platform for a broader set of mission-critical communications.

In terms of capital allocation activities:

Cash and marketable securities at the end of the quarter were $176 million. Free cash flow for the quarter was $33 million, up over 150 percent year over year and representing 21 percent of cloud communications revenue, driven by our strong operational execution and top-line growth.

Our strong cash conversion provides us the strategic flexibility to execute on our capital allocation priorities. During the third quarter, we deployed $10 million to opportunistically buy back 225 thousand shares at an average price of $44.20. This brings the total cash used this year for share repurchases to $30 million, at an average purchase price of $37.35. Additionally, we repurchased $21 million in aggregate principal of our 2028 convertible notes at a discount to par, leaving approximately $7 million of principal remaining.

Our net leverage reduced to 1.3x at quarter-end, compared with 1.6x at the end of last quarter, while adding cash to the balance sheet, lowering financing costs, and improving the maturity profile.

This morning, we also announced that we upsized our revolving credit facility capacity to $200 million and extended the maturity date to October 26, 2031. We have no amounts drawn under the facility. Rather, this move provides us with increased financial flexibility going forward commensurate with our accelerating growth profile.

Turning to our outlook for full year 2026, we are narrowing our guidance range to reflect our third-quarter beat and sustained demand. We are encouraged by the broad-based trends we've experienced since the start of the year. Our confidence is further supported by our expectation for continued accelerating growth in enterprise voice, supported by strong usage demand and the ramp from our recent enterprise customers wins. Since the beginning of last year, we have closed 17 greater than $1 million deals, with an aggregate $30 million in annual contract value. The phased deployment of these large-scale

implementations provides meaningful visibility into future revenue growth that we expect to ramp over the next twelve months.

For the full year 2026, we now expect:

- Total revenue to be in the range of $905 million and $910 million, representing 20 percent growth year-over-year at the midpoint.
- Cloud Communications in the range of $624 million and $626 million, representing 11 percent growth year-over-year at the midpoint. Underpinning our guidance, we are raising our expectation for commercial cloud communications revenue by $4 million, while trimming our expectation for political campaign revenue by $3 million to a total of $10 million for the year.
- Adjusted EBITDA to be in the range of $124 million and $125 million, representing 34 percent growth year-over-year at the midpoint, and a 20 percent EBITDA margin.
- Non-GAAP EPS to be in the range of $1.73 and $1.79, implying full year Non-GAAP net income growth of 48 percent.

Additional modeling details underlying our full-year 2026 outlook are as follows:

- We expect net interest income in the range of $0.6 million and $1.1 million.
- Depreciation expense in the range of $39 million and $41 million.
- Adjusted effective tax rate in the range of 20 and 22 percent.
- Weighted average diluted shares outstanding of approximately 39 million.
- And Capital Expenditures in the range of $24 million and $26 million.

In summary, we are pleased with the strong growth we delivered in the third quarter, our early proof points in Voice SI traction, and our robust profitability and free cash flow. As we close out the remainder of 2026, we remain committed to delivering sustainable profitable growth.

With that, I'll now turn the call back over to David.

Closing Remarks – David Morken

Thank you Daryl.

Before we conclude, I want to welcome Chip Schroeder, who joined our board of directors this week. Chip spent more than a decade at Silver Lake advising the leaders of large technology businesses on go-to-market strategy and capital allocation. As Bandwidth builds on the opportunities we've discussed today, that experience will be valuable, and we're very glad to have him.

Finally, I'd like to invite you to join us at Reverb 2026 here in Raleigh, North Carolina on November 10. Reverb has become our flagship customer and product event, where we'll showcase how enterprises are deploying SI into production – and how Bandwidth is making it possible. We hope to see you then.

I'll now turn it over to the Operator for Q&A.