

Bandwidth 1Q23 Earnings Results



May 2, 2023

Legal Disclaimer

This presentation includes 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 quarter ending June 30, 2023 and year ending December 31, 2023, the success of our product offerings and our platform, and the value proposition of our products, are forward-looking statements. The words “anticipate,” “assume,” “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, macroeconomic conditions both in the U.S. and globally, legal, reputational and financial risks which may result from ever-evolving cybersecurity threats, 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 (the “SEC”) and any subsequent reports that we file with the SEC. 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.

Market data and industry information used throughout this Presentation are based on management's knowledge of the industry and the good faith estimates of management. Management also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of third party sources. The market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified this information. While we believe the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in our estimates and beliefs and in the estimates prepared by independent parties.

Creating exceptional experiences for global enterprises



A communications cloud covering

**>60 countries
and >90% GDP**

\$12b¹

2022 Total
Addressable
Market



Powering
business-critical
communications



55%²↑

2022 Non-GAAP
Gross Margin

\$573m↑

2022 Revenue



Worldwide
CPaaS Leader

¹Source: Analyst and company estimates.

²See appendix for GAAP to non-GAAP reconciliation.

Bandwidth solves complex communications challenges across three target markets

Powering
100%
of the UCaaS and
CCaaS Leaders

Target markets

Go-to-market

Example customers



Global
Communications
Plans

B2B2B



Programmable
Services

B2B2C



Direct Enterprise
Solutions

B2B



1Q 2023 Customer and Operational Highlights



Leading online bank in the U.S.

The leading online bank in the U.S. chose Bandwidth to power its Genesys contact center. The resiliency and redundancy of Bandwidth's network and integrations with third-party fraud detection applications provided the assurance and control needed to move to the cloud.



Large life insurance company

A large mutual life insurance and investment services company selected Bandwidth to migrate its complex contact center to the cloud, using Bandwidth's platform approach and Pindrop voice biometrics integration to power two different CCaaS deployments.



A top U.S. bank

The largest issuer of Visa and Mastercard credit cards in the U.S. expanded its contact center partnership with Bandwidth in a new line of business, while adding international calling, due to Bandwidth's ability to add additional geographic coverage seamlessly in our global cloud.



Bandwidth Maestro

Launched Bandwidth Maestro, which integrates best-in-class platforms and capabilities that CIOs need across UCaaS, CCaaS, and AI, while, delivering faster time to value, lowering their operating costs and providing a better customer and employee experience.

1Q 2023 Financial Highlights

Solid execution in a
challenging macro
environment

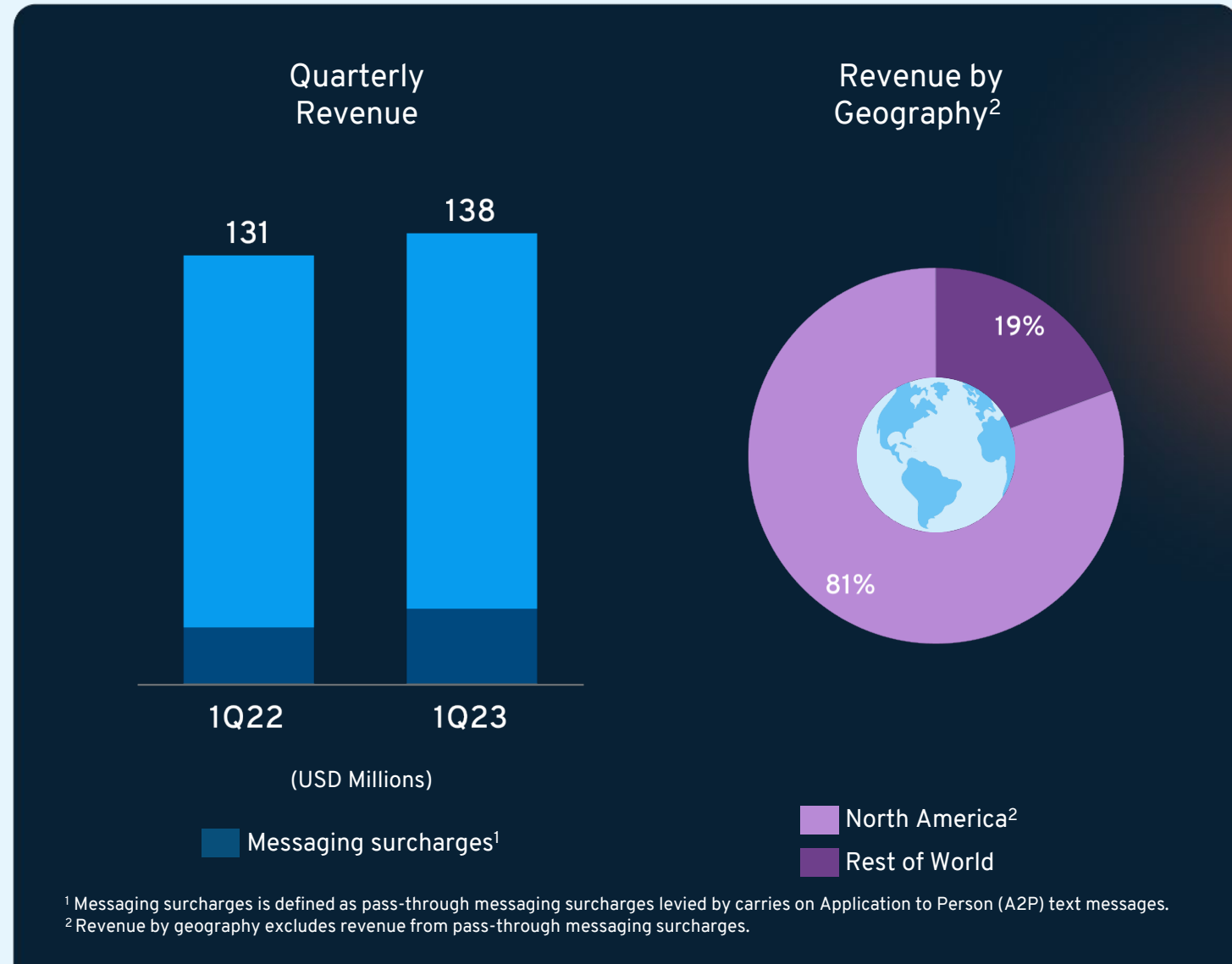
Repurchased debt at
significant discount

- Total revenue of **\$138m**
- Messaging, excluding surcharges, grew 8% y/y to 15% of revenue
- Adjusted EBITDA of **\$5m**
- Dollar-based net retention rate of **109%**
- Continued de-levering balance sheet with \$65m convertible note repurchase for \$51m cash

Quarterly Revenue Performance

1Q revenue slightly exceeded expectations

Powering business critical communications globally

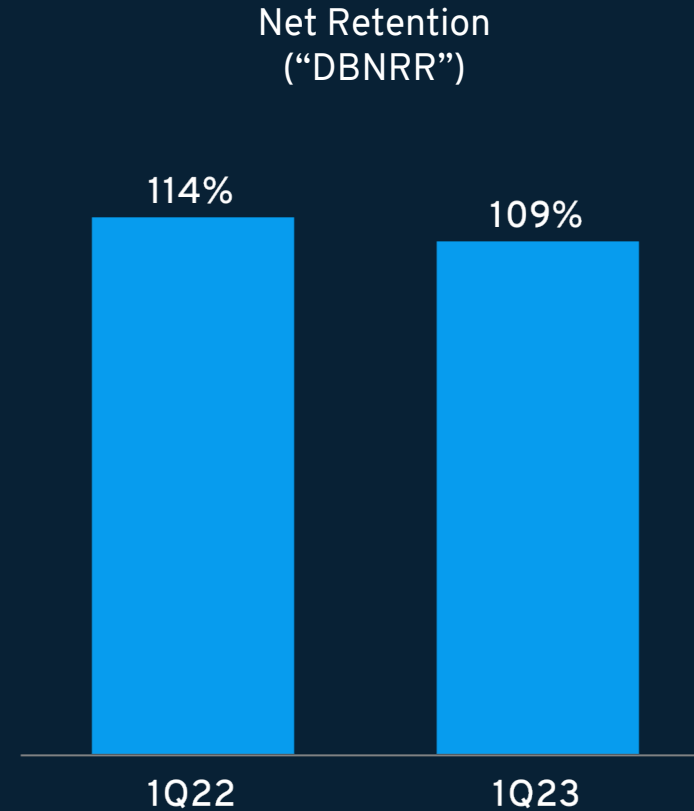


Customer Metrics Performance

\$172k↑

Average Annual
Customer Revenue

111% DBNRR
customers >\$100k
annual revenue



Note: Information regarding average annual customer revenue and DBNRR including definitions and how they are calculated is included in the Appendix.

Non-GAAP Gross Margin Performance

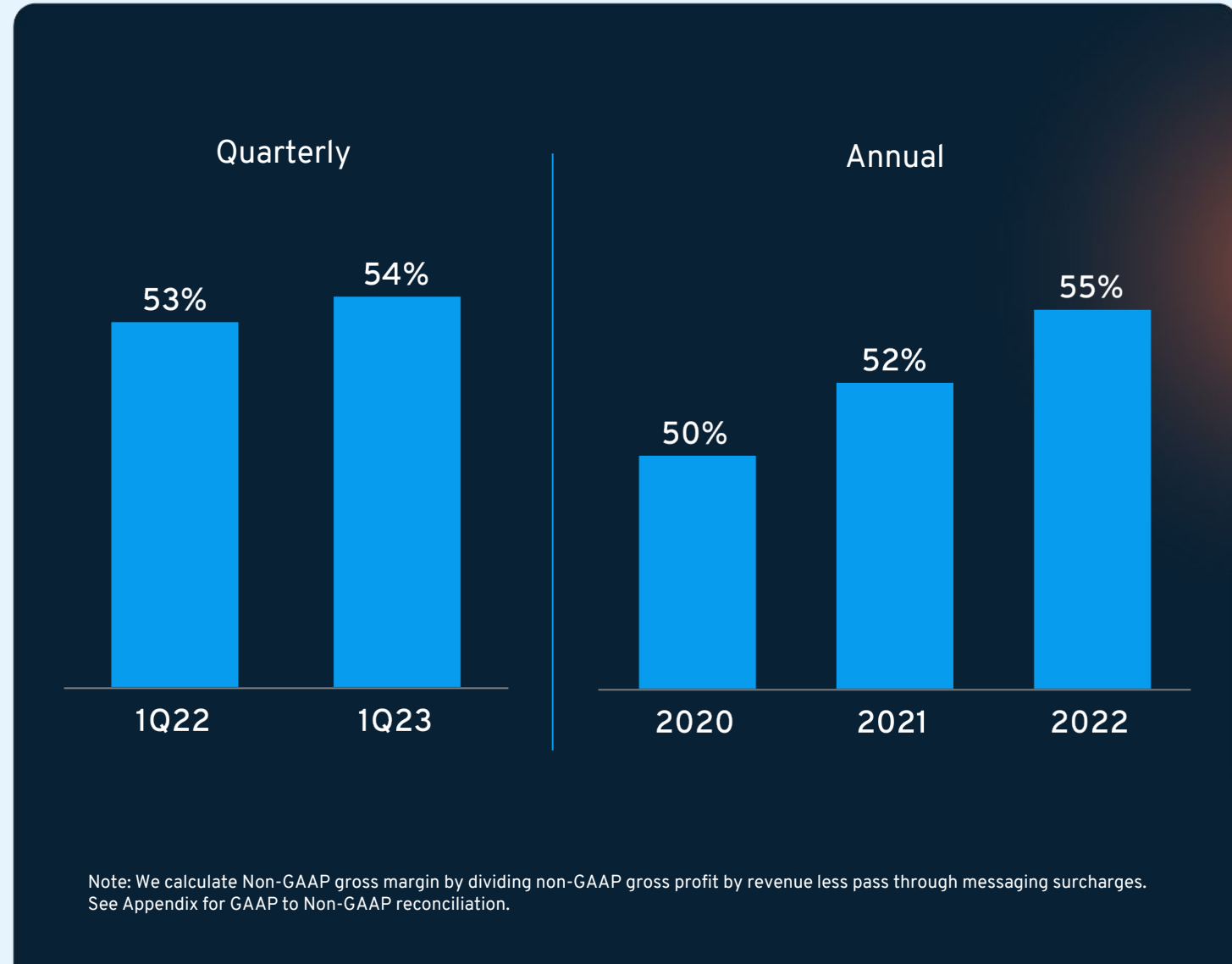
Fueling gross margin expansion

Scale and platform ownership

Product mix

Global coverage

Operational efficiencies



Adjusted EBITDA Performance

Longstanding
commitment to
profitability

Guiding to
30% annual EBITDA
growth



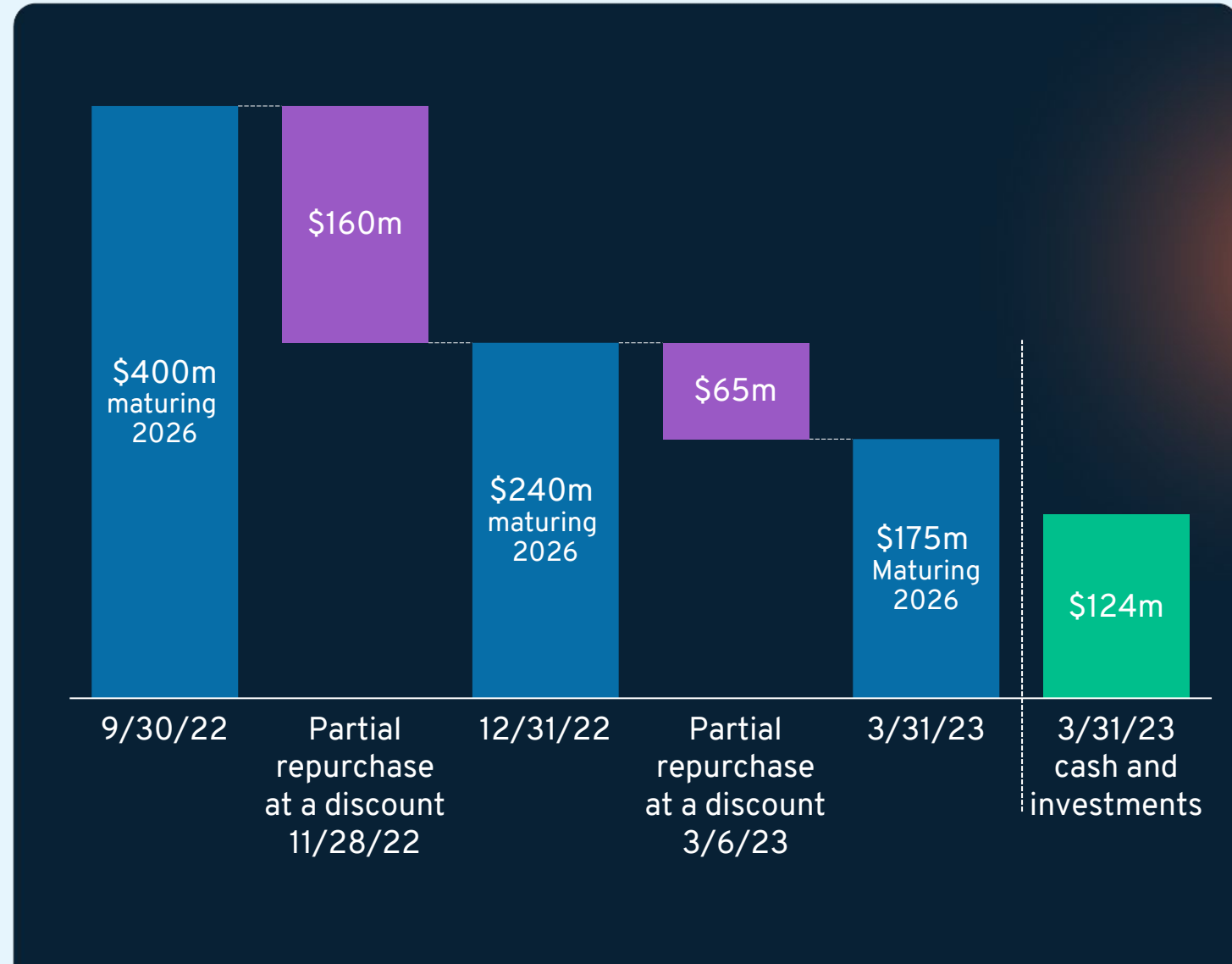
¹ Represents midpoint of guidance provided in the Financial Outlook section of February 23, 2023 earnings press release. ¹ Represents midpoint of guidance provided in the Financial Outlook section of May 2, 2023 earnings press release. Bandwidth has not reconciled full year 2023 guidance related to Adjusted EBITDA to GAAP net income or loss, because stock-based compensation cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

Note: Information regarding Adjusted EBITDA including the definition and how it is calculated is included in the Appendix.

Repurchased 2026 convertible notes

2026 convertible notes outstanding reduced by more than 55%

\$57m cash savings compared to par value



2Q23 and Full Year 2023 Outlook

Ongoing
macroeconomic
considerations

Full year guidance
unchanged

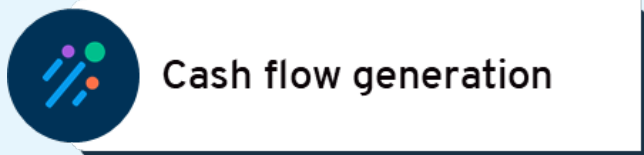
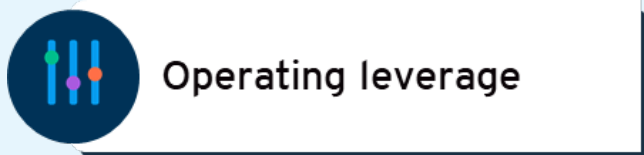
30% annual EBITDA
growth

	2Q 2023	FY 2023
Total Revenue	\$140m-\$142m	\$576m-\$584m
Adjusted EBITDA ¹	\$4m - \$6m	\$43m - \$47m

¹ Bandwidth has not reconciled its second quarter and full year 2023 guidance related to Adjusted EBITDA to GAAP net income or loss, because stock-based compensation cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

Core Operating Principles and Medium-term Targets

Guiding Principles



	Medium-term Target ^{1,2}
Revenue CAGR	15%-20%
Non-GAAP Gross Margin	>60%
Adjusted EBITDA Margin	>20%
Free Cash Flow Margin	>15%

¹ Medium-term targets exclude revenue from pass through messaging surcharges.

² The Company has not reconciled its long-term goals for the non-GAAP measures of gross margin, adjusted EBITDA margin or free cash flow margin to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

Thank you!

Appendix

Historical Metrics

USD millions

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23
Total Revenue	343.1	113.5	120.7	130.6	126.1	490.9	131.4	136.5	148.3	157.0	573.2	137.8
Total Gross Profit	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5	64.1	238.4	55.7
Non-GAAP Gross Profit	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8	69.5	260.0	61.3
Non-GAAP Gross Margin ¹	50%	52%	51%	54%	53%	52%	53%	53%	57%	56%	55%	54%
Net (loss) Income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6
Non-GAAP Net Income (loss)	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0	5.3	15.0	1.2
Adjusted EBITDA	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8	8.3	34.6	5.1
Adjusted EBITDA Margin	8%	12%	11%	11%	7%	10%	6%	4%	9%	5%	6%	4%
Cash and Investments	121.4	339.3	319.0	331.1	332.3	332.3	317.0	303.8	312.5	185.9	185.9	123.5
Operating Cash Flows	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0	10.6	34.9	(6.4)
Net cash used in investing capital assets ²	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)
Free Cash Flow	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)
Active Customers	2,879	2,999	3,085	3,220	3,300	3,300	3,372	3,362	3,380	3,405	3,405	3,361
DBNRR	131%	131%	128%	125%	117%	117%	114%	112%	109%	112%	112%	109%

¹ Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$11.2M in FY20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, \$21.0M in 2Q22, \$26.9M in 3Q22, \$33.3M in 4Q22, and \$23.4M in 1Q23.

² Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Net Income

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23
Net (loss) income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6
Stock-based compensation	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9	5.6	20.7	7.4
Amortization of acquired intangibles	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1	4.2	17.2	4.3
Amortization of debt discount and issuance costs for convertible debt	15.6	5.2	7.1	7.2	7.3	26.7	0.8	0.8	0.8	0.7	3.0	0.6
Acquisition-related expenses	14.5	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of business	-	-	-	-	-	-	(0.9)	(2.9)	-	-	(3.8)	-
Net gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	(40.2)	(40.2)	(12.8)
Non-recurring items not indicative of ongoing operations and other ¹	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1	1.7	2.0	0.6
Estimated tax effects of adjustments	14.3	(1.0)	0.1	(2.3)	(4.8)	(8.1)	(0.6)	(1.7)	(1.1)	0.0	(3.4)	(2.4)
Non-GAAP net income (loss)	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0	5.3	15.0	1.2
Interest expense on convertible notes ²	-	-	-	-	-	-	0.4	0.7	0.6	0.4	1.7	0.3
Numerator used to compute Non-GAAP diluted net income per share³	14.2	8.3	8.6	6.5	2.3	25.7	2.9	(0.9)	8.6	5.8	16.7	1.5

¹ Non-recurring items not indicative of ongoing operations and other include \$0.9 million of foreign currency losses on the settlement of intercompany borrowings, which were repatriated in conjunction with the repurchase of the 2026 Convertible Notes and \$0.6 million of nonrecurring litigation expense for the year ended December 31, 2022, and \$0.5 million, \$0.8 million, and \$0.3 million of losses on disposals of property, plant and equipment during the years ended December 31, 2022, 2021 and 2020, respectively. For the quarter ending March 31, 2023, non-recurring items not indicative of ongoing operations and other include \$0.4 million of expense resulting from early termination of undrawn SVB credit facility and \$0.2 million of losses on disposals of property, plant and equipment.

² Upon the adoption of ASU 2020-06, net income is increased for interest expense as part of the calculation for diluted Non-GAAP earnings per share.

³ As the Company was at a Non-GAAP net loss for the three months ended June 30, 2022, the interest expense on convertible notes was not used to compute Non-GAAP diluted net loss per share. This figure is presented to show the activity during the quarter resulting in the interest expense on convertible notes used to compute Non-GAAP diluted net income per share.

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Net Income (cont.)

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23
Net income (loss) per share												
Basic	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)	1.32	0.77	0.14
Diluted	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)	(0.16)	(0.48)	(0.28)
Non-GAAP net income (loss) per Non-GAAP share												
Basic	0.59	0.33	0.34	0.26	0.09	1.02	0.10	(0.04)	0.32	0.21	0.59	0.05
Diluted	0.55	0.30	0.32	0.25	0.09	0.97	0.09	(0.04)	0.27	0.19	0.54	0.05
Weighted average number of common shares outstanding												
Basic shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	25.3	25.3	25.4
Diluted shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	30.5	30.9	29.3
Non-GAAP basic shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	25.3	25.3	25.4
Convertible debt conversion	1.0	1.8	1.2	0.9	-	1.0	5.8	-	5.8	5.1	5.6	3.8
Stock options issued and outstanding	0.4	0.2	0.2	0.2	0.2	0.2	0.1	-	0.1	0.1	0.1	0.1
Nonvested RSUs outstanding	0.4	0.3	0.2	0.2	0.1	0.2	-	-	-	-	-	-
Non-GAAP diluted shares	25.9	27.3	26.7	26.4	25.4	26.5	31.1	25.3	31.2	30.5	31.0	29.4

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Gross Profit, Adjusted EBITDA, Free Cash Flow

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23
Gross Profit	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5	64.1	238.4	55.7
Gross Margin %	45 %	45 %	44 %	44 %	41 %	44 %	42 %	41 %	43%	41%	42%	40%
Depreciation	10.0	3.1	3.1	3.1	3.3	12.6	3.4	3.4	3.4	3.5	13.6	3.5
Stock-based compensation	0.3	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.2
Amortization of acquired intangible assets	1.4	2.2	2.2	2.1	2.1	8.5	2.0	1.9	1.8	1.9	7.7	1.9
Non-GAAP Gross Profit	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8	69.5	260.0	61.3
Non-GAAP Gross Margin % ¹	50%	52%	51%	54%	53%	52%	53%	53%	57%	56%	55%	54%
Net (loss) Income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6
Income tax provision (benefit)	15.0	(0.3)	0.3	0.3	(4.1)	(3.8)	0.2	(0.4)	(0.9)	(1.1)	(2.3)	(3.1)
Interest expense, net	13.7	5.4	7.7	7.7	8.0	28.8	1.3	0.9	0.7	0.2	3.0	0.9
Depreciation	13.1	4.2	4.3	4.5	4.5	17.5	4.6	4.6	4.7	4.6	18.4	4.6
Amortization	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1	4.2	17.2	4.3
Acquisition-related expenses	14.5	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9	5.6	20.7	7.4
Gain on sale of business	-	-	-	-	-	-	(0.9)	(2.9)	-	-	(3.8)	-
Net gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	(40.2)	(40.2)	(12.8)
Non-recurring items not indicative of ongoing operations and other ²	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1	1.7	2.0	0.2
Adjusted EBITDA	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8	8.3	34.6	5.1
Net cash provided by (used in) operating activities	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0	10.6	34.9	(6.4)
Net cash used in investing in capital assets ³	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)
Free cash flow	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)

¹ Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$11.2M in FY20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, \$21.0M in 2Q22, \$26.9M in 3Q22, \$33.3M in 4Q22, and \$23.4M in 1Q23.

² Non-recurring items not indicative of ongoing operations and other include \$0.9 million of foreign currency losses on the settlement of intercompany borrowings, which were repatriated in conjunction with the repurchase of the 2026 Convertible Notes and \$0.6 million of nonrecurring litigation expense for the year ended December 31, 2022, and \$0.5 million, \$0.8 million, and \$0.3 million of losses on disposals of property, plant and equipment during the years ended December 31, 2022, 2021 and 2020, respectively. For the quarter ending March 31, 2023, non-recurring items not indicative of ongoing operations and other include \$0.2 million of losses on disposals of property, plant and equipment.

³ Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

Note: Totals may not sum due to rounding.

Definitions

Non-GAAP Net Income: net income adjusted for certain items affecting period to period comparability. Non-GAAP net income excludes: stock-based compensation; amortization of acquired intangible assets related to acquisitions, amortization of debt discount and issuance costs for convertible debt, acquisition related expenses, impairment charges of intangibles assets, if any, net cost associated with early lease terminations and leases without economic benefit, loss (gain) on sale of business, net gain on extinguishment of debt, non-recurring items not indicative of ongoing operations and other, and estimated tax impact of above adjustments, net of valuation allowances.

Adjusted EBITDA: net (loss) income adjusted to reflect the addition or elimination of certain statement of operations items including, but not limited to: income tax (benefit) provision, interest (income) expense, net, depreciation and amortization expense, acquisition related expenses, stock-based compensation expense, impairment of intangible assets, (gain) loss on sale of business, net cost associated with early lease terminations and leases without economic benefit, net (gain) loss on extinguishment of debt, and non-recurring items not indicative of ongoing operations and other.

Active customers: an active 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.

Dollar-based Net Retention Rate ("DBNRR"): To calculate the dollar-based net retention rate, we first identify the cohort of customers that generated revenue in the same quarter of the prior year. The dollar-based net retention rate is obtained by dividing the revenue generated from that cohort in a quarter, by the revenue generated from that same cohort in the corresponding quarter in the prior year. The dollar-based net retention rate reported in a quarter is then obtained by averaging the result from that quarter by the corresponding results from each of the prior three quarters. Customers of acquired businesses are included in the subsequent year's calendar quarter of acquisition. To calculate DBNRR for customers greater than \$100k annual revenue, we first identify the cohort of customers that generated greater than \$100k of trailing twelve month revenue in the same quarter of the prior year. The DBNRR for customers greater than \$100k annual revenue is then obtained using the same calculation as reported DBNRR.

Revenue by geography: revenue is geographically apportioned based on the destination of the service provided. North American revenue excludes revenue from pass-through messaging surcharges.

Average annual customer revenue: average annual customer revenue is the trailing twelve month revenue divided by the average [number] of active customers from the current quarter and number of active customers from the same quarter of the prior year.