

# Bandwidth 1Q24 Earnings Results



May 7, 2024

# 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, 2024 and year ending December 31, 2024, 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.

# Bandwidth by the numbers

**\$17b**

2023 market opportunity<sup>1</sup>

**\$634m** 18% CAGR<sup>2</sup>

1Q24 TTM Total Revenue

**\$59m** up 88% y/y

1Q24 TTM Adjusted EBITDA<sup>3</sup>

**\$26m** up 4x y/y

1Q24 TTM Free Cash Flow

Google aws webex by CISCO Microsoft zoom Uber

Bandwidth powers cloud communications at scale

**>65 countries**

Communications cloud global coverage

**10 years**

Median tenure of top 20 customers

**>99%**

Customer name retention rate

**\$190k** up 10% y/y

1Q24 Average annual customer revenue

<sup>1</sup> Source: Analyst and company estimates.

<sup>2</sup> 3 year compound annual growth rate.

<sup>3</sup> See appendix for GAAP to non-GAAP reconciliation.

Note: See Appendix for definitions and calculations of metrics presented on this slide.

# Providing global comms at scale across three target markets



## GLOBAL COMMUNICATIONS PLANS

Powering employees talking to each other and their customers through Unified Communications and Contact Center platforms



## PROGRAMMABLE SERVICES

Powering digital engagements and notifications with programmable voice and messaging



## DIRECT ENTERPRISE

Powering innovative customer experiences for the Global 2000 with composable solutions that integrate best-in-class CX and AI tools



# 1Q 2024 Customer Highlights



## HEALTHCARE ENGAGEMENT AND PAYMENT SOLUTIONS FIRM

**Our customer needed a reliable partner for their voice traffic**

Bandwidth won for our support experience, industry expertise and network reliability



## AUTOMOTIVE DIGITAL MARKETING PROVIDER

**Our customer needed a toll-free messaging solution with reliable deliverability**

Bandwidth won for our support experience, expertise in navigating the messaging ecosystem and deliverability



## ONE OF THE LARGEST U.S. DOMESTIC AIRLINES

**Our customer required an integrated cloud contact center and cloud communications experience**

Bandwidth won for our integrations, capacity to handle high volumes and resiliency provided by our network and Call Assure product

# 1Q 2024 Financial Highlights

Exceeded  
revenue and profitability  
guidance

Raising  
full year outlook

- Total revenue of **\$171m**, up 24% y/y
- Cloud communications revenue<sup>1</sup> of **\$128m**, up 12% y/y
- Messaging grew 50% y/y to **21%** of cloud communications revenue
- Commercial messaging<sup>2</sup> grew 34% y/y
- Adjusted EBITDA of **\$16m**, up 215% y/y

<sup>1</sup> Cloud communications revenue is total revenue excluding pass-through messaging surcharge revenue of \$42.5m in 1Q24.

<sup>2</sup> Excludes campaign messaging usage revenue of \$3m in 1Q24.

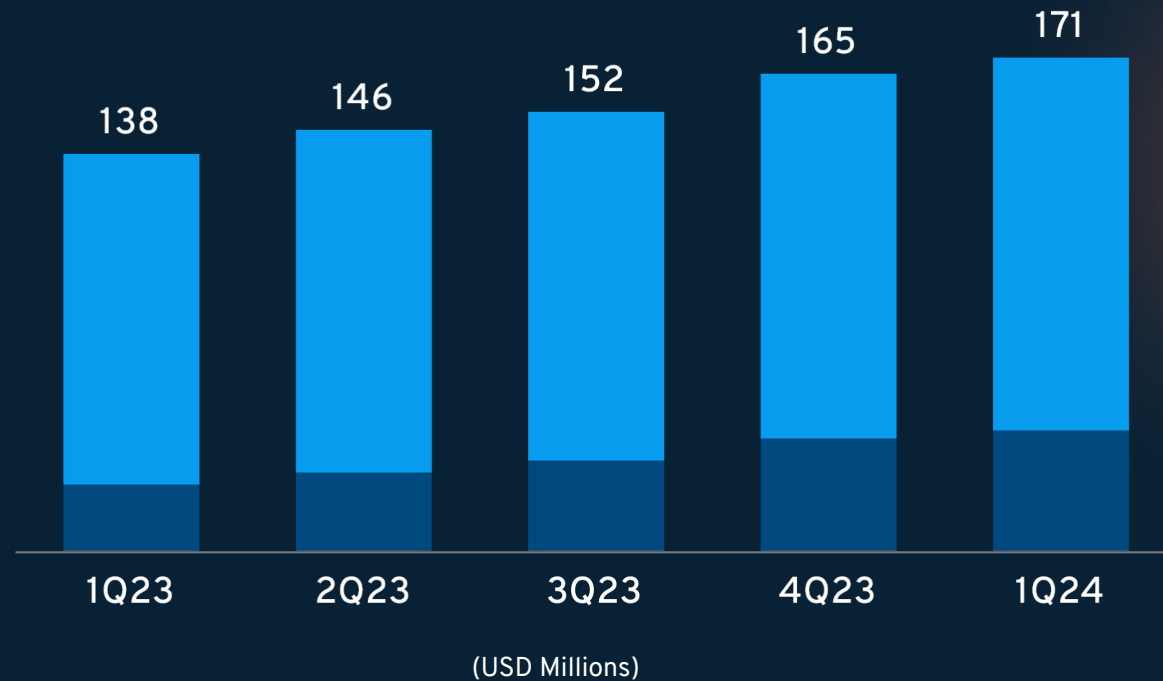
# Quarterly Revenue Performance

**24%↑**

1Q24 total revenue  
growth y/y

**12%↑**

1Q24 cloud comms revenue  
growth y/y



■ Cloud communications revenue  
■ Messaging surcharges<sup>1</sup>

<sup>1</sup> Messaging surcharges is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages

# Customer Metrics Performance

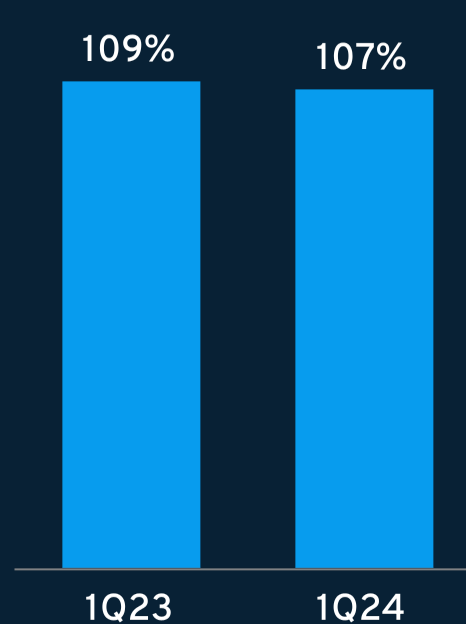
**107%**

Net retention rate

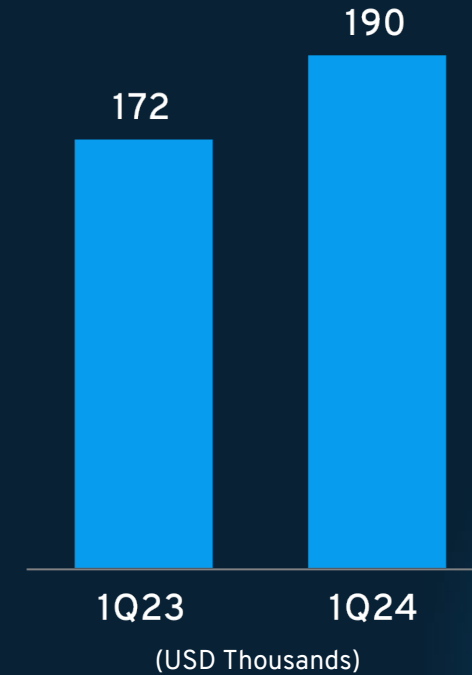
**10%↑**

Increase in average annual customer revenue y/y

Net Retention  
("NRR")



Average Annual  
Customer Revenue



Note: Information regarding average annual customer revenue and NRR 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

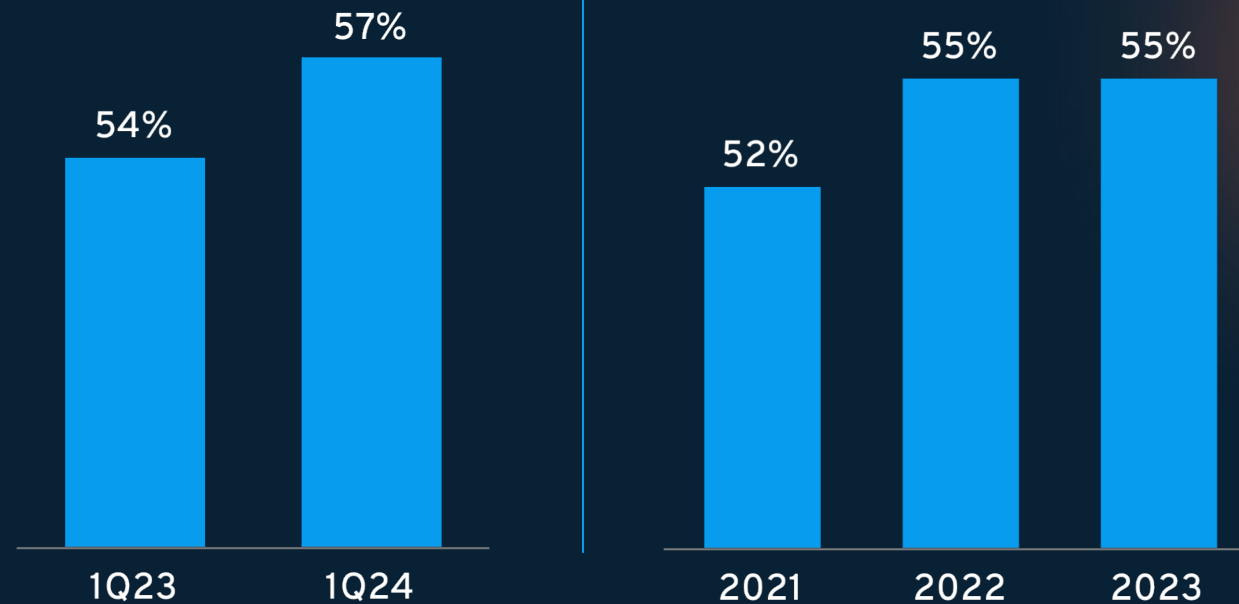
Product mix

Global coverage

Operational efficiencies

Quarterly

Annual

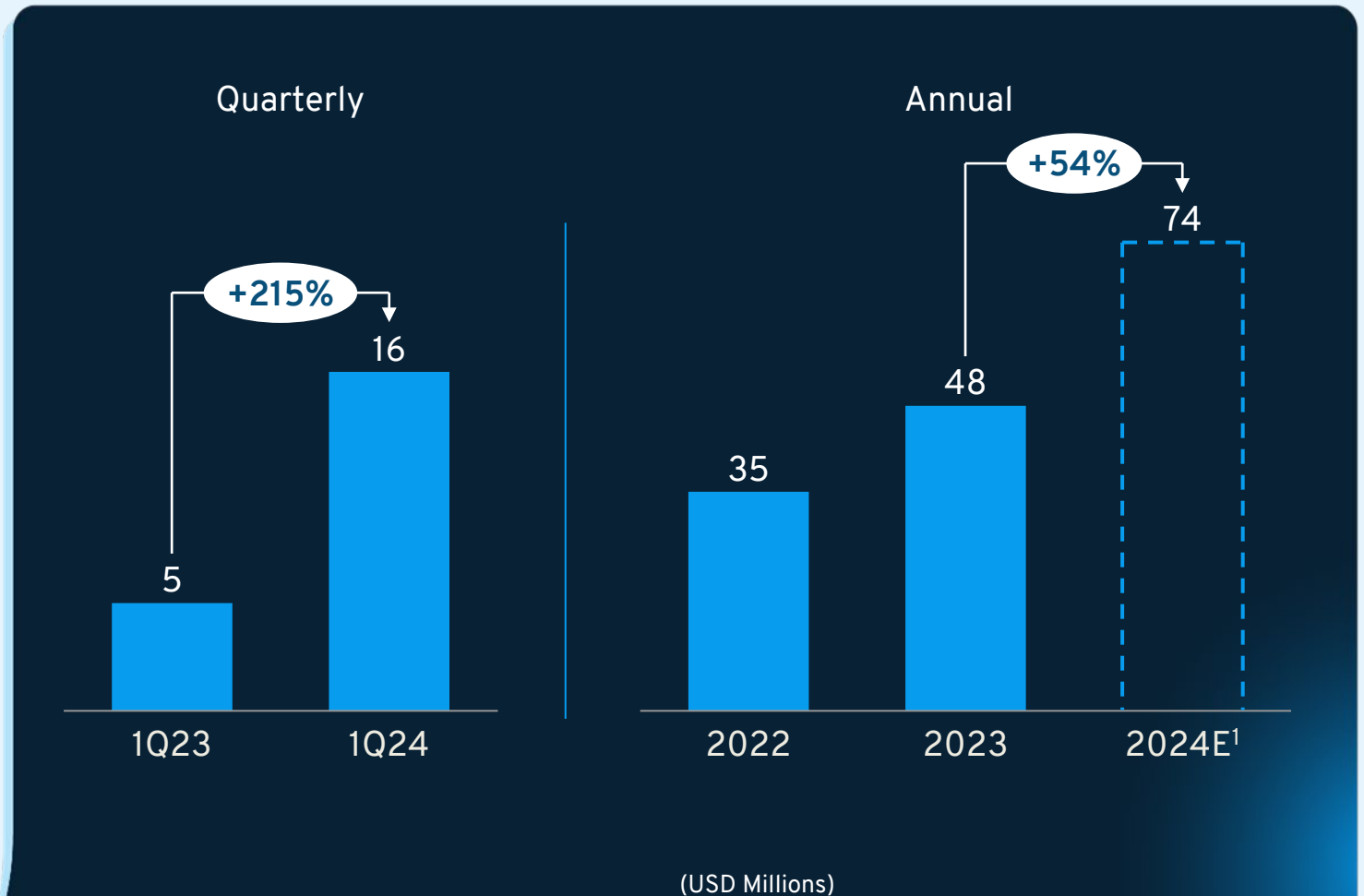


Note: We calculate Non-GAAP gross margin by dividing non-GAAP gross profit by Cloud communications revenue, which is revenue less pass through messaging surcharges. See Appendix for GAAP to Non-GAAP reconciliation.

# Adjusted EBITDA Performance

Longstanding  
commitment to  
profitability

**54%↑**  
Adjusted EBITDA  
growth y/y  
2024 guidance



<sup>1</sup> Represents midpoint of guidance provided in the Financial Outlook section of May 7, 2024 earnings press release. Bandwidth has not reconciled full year 2024 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 definition and calculation is included in the Appendix.

# 2Q24 and Full Year 2024 Outlook

Raising full year  
outlook on  
strong performance

**19%↑**

Total revenue  
growth y/y  
2024 guidance

	2Q 2024 (midpoint)	FY 2024 (midpoint)
Revenue	\$173m	\$715m
Adjusted EBITDA <sup>1</sup>	\$16m	\$74m

<sup>1</sup> Bandwidth has not reconciled its second quarter and full year 2024 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.

**Thank you!**

# Appendix

# Historical Metrics

USD millions, except for Average Annual Customer Revenue in USD thousands

	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
<b>Total Revenue</b>	<b>490.9</b>	<b>131.4</b>	<b>136.5</b>	<b>148.3</b>	<b>157.0</b>	<b>573.2</b>	<b>137.8</b>	<b>145.9</b>	<b>152.0</b>	<b>165.4</b>	<b>601.1</b>	<b>171.0</b>
Cloud communications	449.7	113.9	115.5	121.5	123.7	474.6	114.4	118.4	120.2	125.8	478.9	128.5
Messaging surcharges	41.3	17.4	21.0	26.9	33.3	98.6	23.4	27.5	31.8	39.6	122.2	42.5
<b>Total Gross Profit</b>	<b>213.8</b>	<b>55.4</b>	<b>55.4</b>	<b>63.5</b>	<b>64.1</b>	<b>238.4</b>	<b>55.7</b>	<b>59.0</b>	<b>59.5</b>	<b>62.1</b>	<b>236.2</b>	<b>65.5</b>
<b>Non-GAAP Gross Profit</b>	<b>235.3</b>	<b>60.9</b>	<b>60.8</b>	<b>68.8</b>	<b>69.5</b>	<b>260.0</b>	<b>61.3</b>	<b>65.3</b>	<b>65.7</b>	<b>69.0</b>	<b>261.4</b>	<b>72.6</b>
<b>Non-GAAP Gross Margin<sup>1</sup></b>	<b>52%</b>	<b>53%</b>	<b>53%</b>	<b>57%</b>	<b>56%</b>	<b>55%</b>	<b>54%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>57%</b>
<b>Net (loss) Income</b>	<b>(27.4)</b>	<b>(6.8)</b>	<b>(6.2)</b>	<b>(0.8)</b>	<b>33.4</b>	<b>19.6</b>	<b>3.6</b>	<b>(3.9)</b>	<b>(5.1)</b>	<b>(10.9)</b>	<b>(16.3)</b>	<b>(9.2)</b>
<b>Non-GAAP Net Income (loss)</b>	<b>25.7</b>	<b>2.5</b>	<b>(0.9)</b>	<b>8.0</b>	<b>5.3</b>	<b>15.0</b>	<b>1.2</b>	<b>4.4</b>	<b>6.3</b>	<b>10.8</b>	<b>22.8</b>	<b>7.8</b>
<b>Adjusted EBITDA</b>	<b>49.6</b>	<b>8.4</b>	<b>5.1</b>	<b>12.8</b>	<b>8.3</b>	<b>34.6</b>	<b>5.1</b>	<b>10.6</b>	<b>13.8</b>	<b>18.8</b>	<b>48.2</b>	<b>15.9</b>
<b>Adjusted EBITDA Margin<sup>2</sup></b>	<b>11%</b>	<b>7%</b>	<b>4%</b>	<b>11%</b>	<b>7%</b>	<b>7%</b>	<b>4%</b>	<b>9%</b>	<b>11%</b>	<b>15%</b>	<b>10%</b>	<b>12%</b>
<b>Cash and Investments<sup>3</sup></b>	<b>331.5</b>	<b>316.0</b>	<b>302.9</b>	<b>311.6</b>	<b>184.9</b>	<b>184.9</b>	<b>123.5</b>	<b>122.6</b>	<b>139.1</b>	<b>153.5</b>	<b>153.5</b>	<b>147.2</b>
<b>Operating Cash Flows</b>	<b>40.8</b>	<b>(6.7)</b>	<b>7.0</b>	<b>24.0</b>	<b>10.6</b>	<b>34.9</b>	<b>(6.4)</b>	<b>3.1</b>	<b>23.0</b>	<b>19.3</b>	<b>39.0</b>	<b>2.5</b>
<b>Net cash used in investing in capital assets<sup>4</sup></b>	<b>(37.2)</b>	<b>(5.9)</b>	<b>(4.3)</b>	<b>(10.5)</b>	<b>(24.6)</b>	<b>(45.4)</b>	<b>(4.5)</b>	<b>(4.3)</b>	<b>(4.8)</b>	<b>(6.2)</b>	<b>(19.9)</b>	<b>(6.9)</b>
<b>Free Cash Flow</b>	<b>3.6</b>	<b>(12.6)</b>	<b>2.7</b>	<b>13.5</b>	<b>(14.1)</b>	<b>(10.5)</b>	<b>(10.9)</b>	<b>(1.2)</b>	<b>18.2</b>	<b>13.0</b>	<b>19.1</b>	<b>(4.4)</b>
<b>Average Annual Customer Revenue</b>	<b>156</b>	<b>158</b>	<b>161</b>	<b>163</b>	<b>171</b>	<b>171</b>	<b>172</b>	<b>176</b>	<b>177</b>	<b>178</b>	<b>178</b>	<b>190</b>
<b>NRR</b>	<b>117%</b>	<b>114%</b>	<b>112%</b>	<b>109%</b>	<b>112%</b>	<b>112%</b>	<b>109%</b>	<b>106%</b>	<b>104%</b>	<b>101%</b>	<b>101%</b>	<b>107%</b>

<sup>1</sup> Calculated by dividing non-GAAP gross profit by Cloud communications revenue.

<sup>2</sup> Calculated by dividing adjusted EBITDA by Cloud communications revenue.

<sup>3</sup> Cash and Investments excludes restricted cash beginning in 1Q23. Prior periods have been conformed to current definition.

<sup>4</sup> 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

	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
Net (loss) income	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)	(9.2)
Stock-based compensation	14.5	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0	12.3
Amortization of acquired intangibles	19.1	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3	4.4
Amortization of debt discount and issuance costs for convertible debt	26.7	0.8	0.8	0.8	0.7	3.0	0.6	0.5	0.5	0.5	2.0	0.5
Gain on sale of business	-	(0.9)	(2.9)	-	-	(3.8)	-	-	-	-	-	-
Net cost associated with early lease terminations and leases without economic benefit	-	-	-	-	-	-	-	-	1.2	2.8	4.0	1.2
Net gain on extinguishment of debt	-	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)	-
Gain on business interruption insurance recoveries	-	-	-	-	-	-	-	(4.0)	-	-	(4.0)	-
Non-recurring items not indicative of ongoing operations and other <sup>1</sup>	0.8	0.2	0.0	0.1	1.7	2.0	0.6	0.2	0.1	0.4	1.2	0.1
Estimated tax effects of adjustments	(8.1)	(0.6)	(1.7)	(1.1)	0.0	(3.4)	(2.4)	(0.7)	(1.5)	(0.9)	(5.5)	(1.4)
<b>Non-GAAP net income (loss)</b>	<b>25.7</b>	<b>2.5</b>	<b>(0.9)</b>	<b>8.0</b>	<b>5.3</b>	<b>15.0</b>	<b>1.2</b>	<b>4.4</b>	<b>6.3</b>	<b>10.8</b>	<b>22.8</b>	<b>7.8</b>
Interest expense on convertible notes <sup>2</sup>	-	0.4	0.7	0.6	0.4	1.7	0.3	0.3	0.3	0.3	1.3	0.3
<b>Numerator used to compute Non-GAAP diluted net income (loss) per share<sup>3</sup></b>	<b>25.7</b>	<b>2.9</b>	<b>(0.9)</b>	<b>8.6</b>	<b>5.8</b>	<b>16.7</b>	<b>1.5</b>	<b>4.7</b>	<b>6.7</b>	<b>11.1</b>	<b>24.0</b>	<b>8.1</b>

<sup>1</sup> 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, \$0.4 million of expense resulting from early termination of undrawn SVB credit facility for the year ended December 31, 2023, and \$0.8 million, \$0.5 million, and \$0.8 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023, 2022, and 2021, respectively. For the three months ended March 31, 2024, non-recurring items not indicative of ongoing operations and other include \$0.1 million of losses on disposals of property, plant and equipment.

<sup>2</sup> Non-GAAP net income is increased for interest expense as part of the calculation for diluted Non-GAAP earnings per share.

<sup>3</sup> 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 - Earnings per share

USD millions, except per share amounts

	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
<b>Net (loss) income per share</b>												
Basic	(1.09)	(0.27)	(0.25)	(0.03)	1.32	0.77	0.14	(0.15)	(0.20)	(0.42)	(0.64)	(0.35)
Diluted	(1.09)	(0.27)	(0.25)	(0.03)	(0.16)	(0.48)	(0.28)	(0.15)	(0.20)	(0.42)	(0.64)	(0.35)
<b>Non-GAAP net income (loss) per Non-GAAP share</b>												
Basic	1.02	0.10	(0.04)	0.32	0.21	0.59	0.05	0.17	0.25	0.42	0.89	0.30
Diluted	0.97	0.09	(0.04)	0.27	0.19	0.54	0.05	0.16	0.23	0.38	0.83	0.27
<b>Weighted average number of common shares outstanding</b>												
Basic shares	25.1	25.2	25.3	25.3	25.3	25.3	25.4	25.6	25.6	25.8	25.6	26.5
Diluted shares	25.1	25.2	25.3	25.3	30.5	30.9	29.3	25.6	25.6	25.8	25.6	26.5
<b>Non-GAAP basic shares</b>	<b>25.1</b>	<b>25.2</b>	<b>25.3</b>	<b>25.3</b>	<b>25.3</b>	<b>25.3</b>	<b>25.4</b>	<b>25.6</b>	<b>25.6</b>	<b>25.8</b>	<b>25.6</b>	<b>26.5</b>
Convertible debt conversion	1.0	5.8	0.0	5.8	5.1	5.6	3.8	3.3	3.3	3.3	3.4	3.3
Stock options issued and outstanding	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Nonvested RSUs outstanding	0.2	-	-	-	-	-	-	-	-	-	-	0.7
<b>Non-GAAP diluted shares</b>	<b>26.5</b>	<b>31.1</b>	<b>25.3</b>	<b>31.2</b>	<b>30.5</b>	<b>31.0</b>	<b>29.4</b>	<b>28.9</b>	<b>29.0</b>	<b>29.2</b>	<b>29.1</b>	<b>30.6</b>

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

	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
<b>Gross Profit</b>	<b>213.8</b>	<b>55.4</b>	<b>55.4</b>	<b>63.5</b>	<b>64.1</b>	<b>238.4</b>	<b>55.7</b>	<b>59.0</b>	<b>59.5</b>	<b>62.1</b>	<b>236.2</b>	<b>65.5</b>
<b>Gross Margin %</b>	<b>44%</b>	<b>42%</b>	<b>41%</b>	<b>43%</b>	<b>41%</b>	<b>42%</b>	<b>40%</b>	<b>40%</b>	<b>39%</b>	<b>38%</b>	<b>39%</b>	<b>38%</b>
Depreciation	12.6	3.4	3.4	3.4	3.5	13.6	3.5	4.2	4.1	4.5	16.3	4.8
Amortization of acquired intangible assets	8.5	2.0	1.9	1.8	1.9	7.7	1.9	2.0	2.0	1.9	7.8	2.0
Stock-based compensation	0.4	0.1	0.1	0.1	0.1	0.4	0.2	0.2	0.2	0.6	1.1	0.4
<b>Non-GAAP Gross Profit</b>	<b>235.3</b>	<b>60.9</b>	<b>60.8</b>	<b>68.8</b>	<b>69.5</b>	<b>260.0</b>	<b>61.3</b>	<b>65.3</b>	<b>65.7</b>	<b>69.0</b>	<b>261.4</b>	<b>72.6</b>
<b>Non-GAAP Gross Margin %<sup>1</sup></b>	<b>52%</b>	<b>53%</b>	<b>53%</b>	<b>57%</b>	<b>56%</b>	<b>55%</b>	<b>54%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>57%</b>
<b>Net (loss) Income</b>	<b>(27.4)</b>	<b>(6.8)</b>	<b>(6.2)</b>	<b>(0.8)</b>	<b>33.4</b>	<b>19.6</b>	<b>3.6</b>	<b>(3.9)</b>	<b>(5.1)</b>	<b>(10.9)</b>	<b>(16.3)</b>	<b>(9.2)</b>
Income tax (benefit) provision	(3.8)	0.2	(0.4)	(0.9)	(1.1)	(2.3)	(3.1)	0.2	(0.2)	0.2	(3.0)	(0.2)
Interest expense, net	28.8	1.3	0.9	0.7	0.2	3.0	0.9	0.3	(0.1)	(0.4)	0.8	(0.6)
Depreciation	17.5	4.6	4.6	4.7	4.6	18.4	4.6	5.5	6.6	7.7	24.4	8.1
Amortization	19.1	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3	4.4
Stock-based compensation	14.5	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0	12.3
Gain on sale of business	-	(0.9)	(2.9)	-	-	(3.8)	-	-	-	-	-	-
Net cost associated with early lease terminations and leases without economic benefit	-	-	-	-	-	-	-	-	1.2	2.8	4.0	1.2
Net gain on extinguishment of debt	-	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)	-
Gain on business interruption insurance recoveries	-	-	-	-	-	-	-	(4.0)	-	-	(4.0)	-
Non-recurring items not indicative of ongoing operations and other <sup>2</sup>	0.8	0.2	0.0	0.1	1.7	2.0	0.2	0.2	0.1	0.4	0.8	0.1
<b>Adjusted EBITDA</b>	<b>49.6</b>	<b>8.4</b>	<b>5.1</b>	<b>12.8</b>	<b>8.3</b>	<b>34.6</b>	<b>5.1</b>	<b>10.6</b>	<b>13.8</b>	<b>18.8</b>	<b>48.2</b>	<b>15.9</b>
Net cash provided by (used in) operating activities	40.8	(6.7)	7.0	24.0	10.6	34.9	(6.4)	3.1	23.0	19.3	39.0	2.5
Net cash used in investing in capital assets <sup>3</sup>	(37.2)	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)	(4.3)	(4.8)	(6.2)	(19.9)	(6.9)
<b>Free cash flow</b>	<b>3.6</b>	<b>(12.6)</b>	<b>2.7</b>	<b>13.5</b>	<b>(14.1)</b>	<b>(10.5)</b>	<b>(10.9)</b>	<b>(1.2)</b>	<b>18.2</b>	<b>13.0</b>	<b>19.1</b>	<b>(4.4)</b>

<sup>1</sup> Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$41.3M in FY21, \$17.4M in 1Q22, \$21.0M in 2Q22, \$26.9M in 3Q22, \$33.3M in 4Q22, \$23.4M in 1Q23, \$27.5M in 2Q23, \$31.8M in 3Q23, \$39.6M in 4Q23, and \$42.5M in 1Q24.

<sup>2</sup> 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 \$0.8 million, \$0.5 million, and \$0.8 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023, 2022, and 2021, respectively. For the three months ended March 31, 2024, non-recurring items not indicative of ongoing operations and other include \$0.1 million of losses on disposals of property, plant and equipment.

<sup>3</sup> 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

**Adjusted EBITDA:** Net income or losses from continuing operations, 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, gain on business interruption insurance recoveries, and non-recurring items not indicative of ongoing operations and other.

**Adjusted EBITDA margin:** Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**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.

**Customer name retention rate:** Customer name retention rate (CNRR) is defined as the percentage of customers with \$100k or greater revenue in the prior twelve month period that remain customers in the current twelve month period.

**Free cash flow:** Free cash flow represents net cash provided by or used in operating activities less net cash used in the acquisition of property, plant and equipment and capitalized development costs of software for internal use.

**Net Retention Rate ("NRR"):** To calculate the net retention rate, we first identify the cohort of customers that generated revenue in the same quarter of the prior year. The 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 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.

**Non-GAAP Gross Profit:** Gross profit after adding back the following items: depreciation and amortization; amortization of acquired intangible assets related to acquisitions; and stock-based compensation.

**Non-GAAP Gross Margin:** Non-GAAP Gross Margin is calculated by dividing non-GAAP gross profit by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**Non-GAAP Net Income:** Net income or loss 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, (gain) loss on sale of business, net (gain) loss on extinguishment of debt, gain on business interruption insurance recoveries, non-recurring items not indicative of ongoing operations and other, and estimated tax impact of above adjustments, net of valuation allowances.