



# 4Q24 and 2024 Earnings Results

February 20, 2025



# 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 March 31, 2025 and year ending December 31, 2025, 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.

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# We develop and deliver the power to communicate



Voice



Messaging



Emergency  
Services

# Bandwidth powers **global communications** at scale

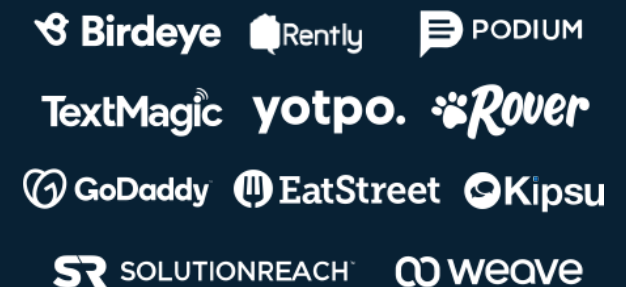
Powering 100% of  
the UCaaS<sup>1</sup> and CCaaS<sup>2</sup>  
Leaders



Trusted for the most  
mission-critical  
enterprise comms



Bandwidth is the #1  
sender in toll-free  
messaging



<sup>1</sup> UCaaS - Unified Communications as a Service.

<sup>2</sup> CCaaS - Contact Center as a Service.

# Lasting customer loyalty

>99%

Name Retention  
Rate

122%

Net Revenue  
Retention

11 years

Top 20 Customer  
Median Tenure

Note: Customer metrics as of December 31, 2024. See Appendix for definitions of metrics presented on this slide.

# 2024 Financial Highlights

**\$748m**

Total revenue

**▲25%**

Total revenue  
y/y growth

**\$540m**

Cloud communications  
revenue<sup>1</sup>

**▲13%**

Cloud communications  
revenue<sup>1</sup> y/y growth

**\$82m**

Adjusted EBITDA<sup>2</sup>

**▲70%**

Adjusted EBITDA<sup>2</sup>  
y/y growth

**\$59m**

Free cash flow<sup>2</sup>

**▲206%**

Free cash flow<sup>2</sup>  
y/y growth

<sup>1</sup> Cloud communications revenue is total revenue less pass-through messaging surcharge revenue.

<sup>2</sup> See appendix for GAAP to non-GAAP reconciliation.

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

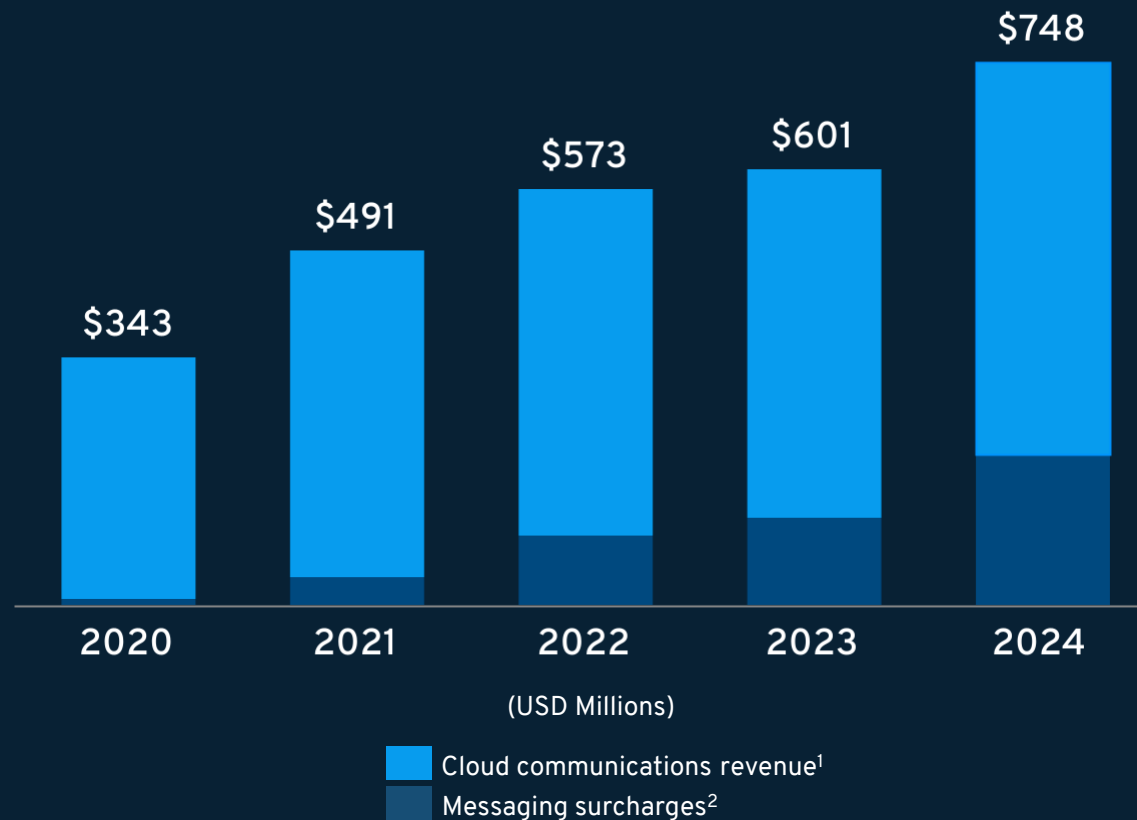
# Annual Revenue Performance

▲ **25%**

2024 total revenue  
growth y/y

▲ **13%**

2024 cloud communications  
revenue<sup>1</sup> growth y/y



<sup>1</sup> Cloud communications revenue is total revenue less pass-through messaging surcharge revenue.

<sup>2</sup> Messaging surcharges is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.

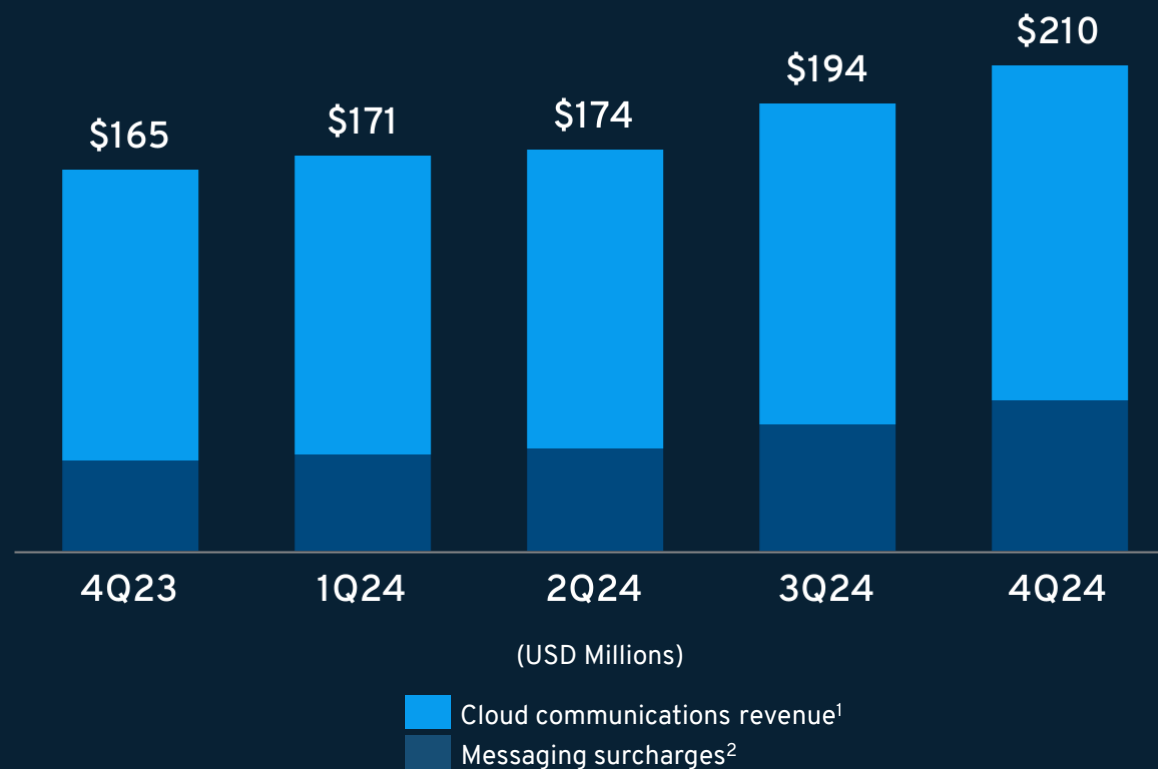
# Quarterly Revenue Performance

▲ **27%**

4Q24 total revenue  
growth y/y

▲ **15%**

4Q24 cloud communications  
revenue<sup>1</sup> growth y/y



<sup>1</sup> Cloud communications revenue is total revenue less pass-through messaging surcharge revenue.

<sup>2</sup> Messaging surcharges is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.



# Providing global comms at scale across three customer categories

## Global Voice Plans

Powering employees communicating with each other and their customers through Unified Communications and Contact Center platforms



## Enterprise Voice

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

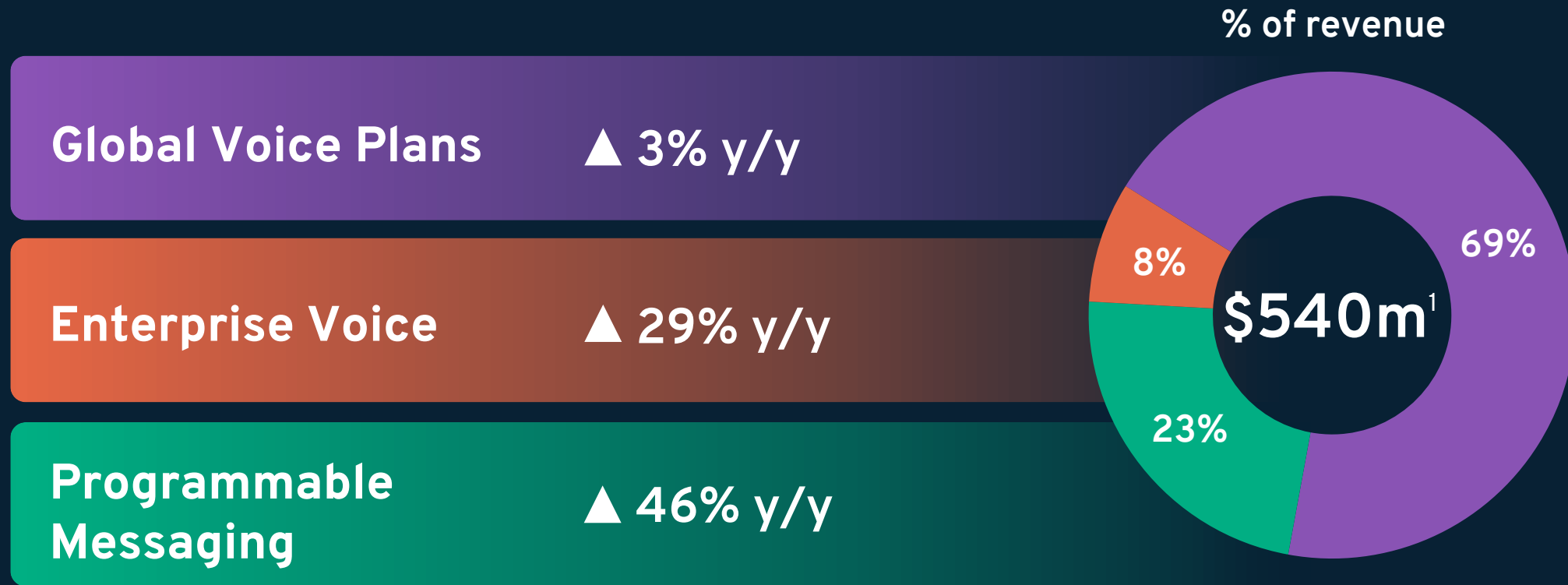


## Programmable Messaging

Powering digital engagements and notifications with programmable text messaging solutions



# 2024 Cloud Communications Revenue by Customer Category



<sup>1</sup> Represents Cloud communications revenue, which is total revenue less pass-through messaging surcharge revenue, for the year ended December 31, 2024.

# Annual Customer Metrics

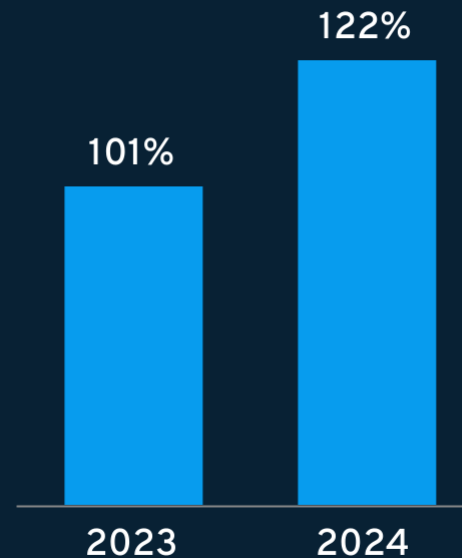
▲ **122%**

Net retention rate

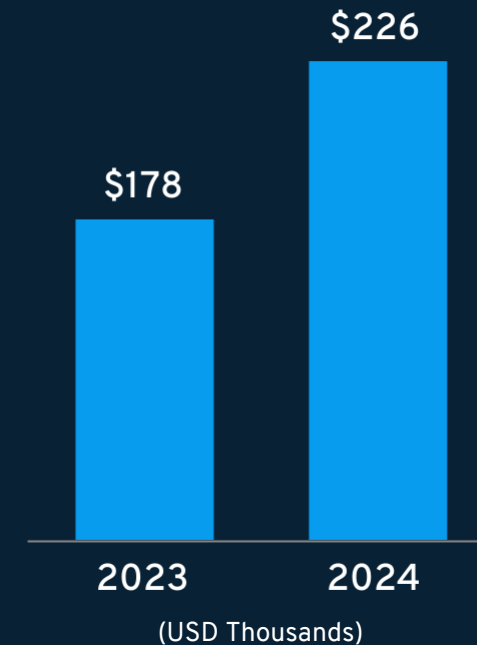
▲ **27%**

Increase in average annual  
customer revenue y/y

Net Retention  
("NRR")



Average Annual  
Customer Revenue

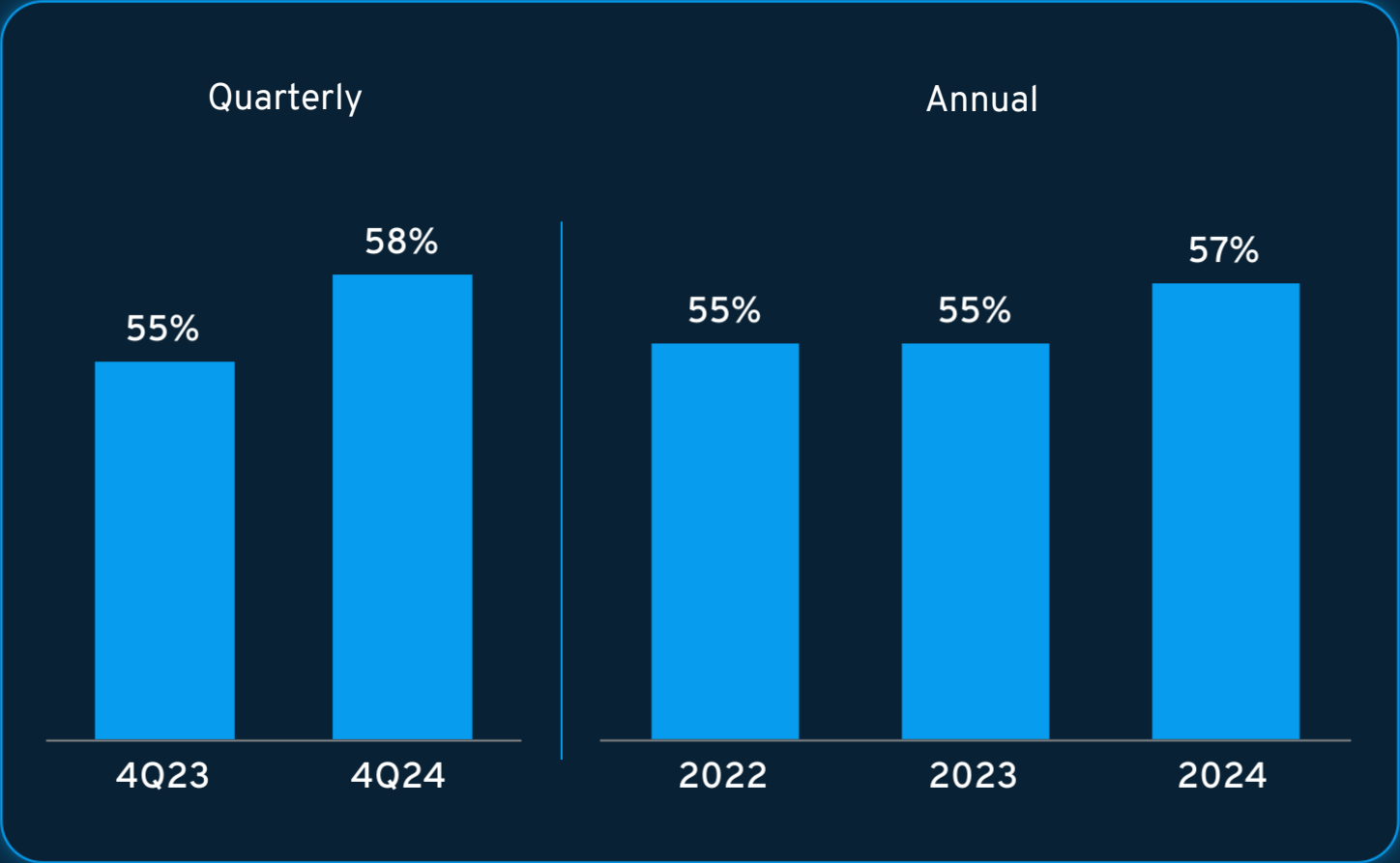


Note: Information regarding NRR and average annual customer revenue including definitions and how they are calculated is included in the Appendix.

# Non-GAAP Gross Margin Performance

## Fueling gross margin expansion

- Scale and platform ownership
- Product mix
- Global coverage
- Operational efficiencies



# Adjusted EBITDA Performance

▲ **70%**

2024 Adjusted EBITDA  
growth y/y

**15%**

2024 Adjusted EBITDA  
margin<sup>1</sup>



<sup>1</sup> Calculated by dividing Adjusted EBITDA by Cloud communications revenue, which is total revenue less pass-through messaging surcharge revenue. See appendix for GAAP to non-GAAP reconciliation.

# Free Cash Flow Performance

▲ **206%**

2024 Free cash flow  
growth y/y

**11%**

2024 Free cash flow  
margin<sup>1</sup>



<sup>1</sup> Calculated by dividing Free cash flow by Cloud communications revenue, which is total revenue less pass-through messaging surcharge revenue. See appendix for GAAP to non-GAAP reconciliation.

# 1Q25 and Full Year 2025 Outlook

**8-11%<sup>1</sup>**

Total revenue  
growth y/y  
2025 guidance

	1Q 2025	FY 2025
Revenue	\$168m - \$170m	\$740m - \$760m
Adjusted EBITDA <sup>2</sup>	\$16m - \$18m	\$82m - \$90m

For the full year 2025, Bandwidth's revenue guidance projects 8 percent to 11 percent year-over-year growth when adjusting for the expected cyclical reduction in political campaign messaging activity, which resulted in revenue in the first quarter and full year 2024 of approximately \$8 million and \$62 million, respectively.

<sup>1</sup> When normalized for 2024 cyclical political campaign revenue.

<sup>2</sup> Bandwidth has not reconciled its first quarter and full year 2025 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.

# 4Q24 and 2024 Earnings Results Key Takeaways

## Strong 2024 Performance

*Significant revenue, Adjusted EBITDA, and free cash flow growth.*

## Growth Drivers

*Strong performance in Voice and Messaging across all customer categories, primarily in Enterprise Voice and Programmable Messaging.*

## AI Focus

*Bandwidth focused on the growing importance of AI in voice communications and its role in driving cloud migration. The company is positioned to capitalize on the demand for AI-powered communication solutions.*

## Financial Health

*Bandwidth benefits from its scalable business model, which contributes to continued Adjusted EBITDA, Non-GAAP gross margin, and free cash flow growth.*

## 2025 Outlook

*Bandwidth anticipates continued growth, with a focus on strategic investments, profitable growth, and strengthening its capital structure. The company expects 2025 revenue growth in a range of 8% to 11% when normalized for 2024 cyclical political campaign revenue.*



**Thank you!**

# Appendix

# Historical Metrics

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

	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24	4Q24	FY24
Total Revenue	131.4	136.5	148.3	157.0	573.2	137.8	145.9	152.0	165.4	601.1	171.0	173.6	193.9	210.0	748.5
Cloud communications	113.9	115.5	121.5	123.7	474.6	114.4	118.4	120.2	125.8	478.9	128.5	128.4	138.8	144.1	539.8
Messaging surcharges	17.4	21.0	26.9	33.3	98.6	23.4	27.5	31.8	39.6	122.2	42.5	45.2	55.1	65.9	208.7
Total Gross Profit	55.4	55.4	63.5	64.1	238.4	55.7	59.0	59.5	62.1	236.2	65.5	64.8	73.1	76.5	280.0
Non-GAAP Gross Profit	60.9	60.8	68.8	69.5	260.0	61.3	65.3	65.7	69.0	261.4	72.6	71.8	80.1	83.4	307.9
Non-GAAP Gross Margin <sup>1</sup>	53%	53%	57%	56%	55%	54%	55%	55%	55%	55%	57%	56%	58%	58%	57%
Net (loss) Income	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)	(9.2)	4.1	0.4	(1.8)	(6.5)
Non-GAAP Net Income (loss)	2.5	(0.9)	8.0	5.3	15.0	1.2	4.4	6.3	10.8	22.8	7.8	8.7	12.8	11.6	40.9
Adjusted EBITDA	8.4	5.1	12.8	8.3	34.6	5.1	10.6	13.8	18.8	48.2	15.9	18.7	24.0	23.4	82.1
Adjusted EBITDA Margin <sup>2</sup>	7%	4%	11%	7%	7%	4%	9%	11%	15%	10%	12%	15%	17%	16%	15%
Cash and Investments <sup>3</sup>	316.0	302.9	311.6	184.9	184.9	123.5	122.6	139.1	153.5	153.5	147.2	76.4	79.9	83.8	83.8
Operating Cash Flows	(6.7)	7.0	24.0	10.6	34.9	(6.4)	3.1	23.0	19.3	39.0	2.5	24.4	20.5	36.5	83.9
Net cash used in investing in capital assets <sup>4</sup>	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)	(4.3)	(4.8)	(6.2)	(19.9)	(6.9)	(6.1)	(6.2)	(6.2)	(25.4)
Free Cash Flow	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)	(1.2)	18.2	13.0	19.1	(4.4)	18.3	14.2	30.3	58.5
Average Annual Customer Revenue	158	161	163	171	171	172	176	177	178	178	190	198	212	226	226
Net Retention Rate	114%	112%	109%	112%	112%	109%	106%	104%	101%	101%	107%	111%	117%	122%	122%

<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

	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24	4Q24	FY24
Net (loss) income	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)	(9.2)	4.1	0.4	(1.8)	(6.5)
Stock-based compensation	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0	12.3	11.4	11.4	13.2	48.4
Amortization of acquired intangibles	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3	4.4	4.3	4.4	4.4	17.5
Amortization of debt discount and issuance costs for convertible debt	0.8	0.8	0.8	0.7	3.0	0.6	0.5	0.5	0.5	2.0	0.5	0.4	0.3	0.3	1.5
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	0.9	0.4	0.0	2.4
Net gain on extinguishment of debt	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)	-	(10.3)	-	-	(10.3)
Gain on business interruption insurance recoveries	-	-	-	-	-	-	(4.0)	-	-	(4.0)	-	-	-	-	-
Non-recurring items not indicative of ongoing operations and other <sup>1</sup>	0.2	0.0	0.1	1.7	2.0	0.6	0.2	0.1	0.4	1.2	0.1	0.0	(1.0)	0.3	(0.6)
Estimated tax effects of adjustments	(0.6)	(1.7)	(1.1)	0.0	(3.4)	(2.4)	(0.7)	(1.5)	(0.9)	(5.5)	(1.4)	(2.1)	(3.2)	(4.8)	(11.5)
<b>Non-GAAP net income (loss)</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>8.7</b>	<b>12.8</b>	<b>11.6</b>	<b>40.9</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	0.3	0.3	0.3	1.1
<b>Numerator used to compute Non-GAAP diluted net income (loss) per share<sup>3</sup></b>	<b>2.9</b>	<b>(0.2)</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>	<b>9.0</b>	<b>13.0</b>	<b>11.8</b>	<b>42.0</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 and \$0.5 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2024, non-recurring items not indicative of ongoing operations and other include a \$1.0 million gain on the sale of an intangible asset and \$0.4 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

	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24	4Q24	FY24
<b>Net (loss) income per share</b>															
Basic	(0.27)	(0.25)	(0.03)	1.32	0.77	0.14	(0.15)	(0.20)	(0.42)	(0.64)	(0.35)	0.15	0.02	(0.06)	(0.24)
Diluted	(0.27)	(0.25)	(0.03)	(0.16)	(0.48)	(0.28)	(0.15)	(0.20)	(0.42)	(0.64)	(0.35)	(0.17)	0.01	(0.06)	(0.24)
<b>Non-GAAP net income (loss) per Non-GAAP share</b>															
Basic	0.10	(0.04)	0.32	0.21	0.59	0.05	0.17	0.25	0.42	0.89	0.30	0.32	0.47	0.41	1.50
Diluted	0.09	(0.04)	0.27	0.19	0.54	0.05	0.16	0.23	0.38	0.83	0.27	0.29	0.43	0.37	1.34
<b>Weighted average number of common shares outstanding</b>															
Basic shares	25.2	25.3	25.3	25.3	25.3	25.4	25.6	25.6	25.8	25.6	26.5	27.1	27.4	27.9	27.2
Diluted shares	25.2	25.3	25.3	30.5	30.9	29.3	25.6	25.6	25.8	25.6	26.5	29.5	28.6	27.9	27.2
<b>Non-GAAP basic shares</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>	<b>27.1</b>	<b>27.4</b>	<b>27.9</b>	<b>27.2</b>
Convertible debt conversion	5.8	0.0	5.8	5.1	5.6	3.8	3.3	3.3	3.3	3.4	3.3	2.4	1.8	1.8	2.3
Stock options issued and outstanding	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonvested RSUs outstanding	-	-	-	-	-	-	-	-	-	-	0.7	1.3	1.2	2.0	1.8
<b>Non-GAAP diluted shares</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>	<b>30.8</b>	<b>30.4</b>	<b>31.6</b>	<b>31.4</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

	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24	4Q24	FY24
Gross Profit	55.4	55.4	63.5	64.1	238.4	55.7	59.0	59.5	62.1	236.2	65.5	64.8	73.1	76.5	280.0
Gross Margin %	42%	41%	43%	41%	42%	40%	40%	39%	38%	39%	38%	37%	38%	36%	37%
Depreciation	3.4	3.4	3.4	3.5	13.6	3.5	4.2	4.1	4.5	16.3	4.8	4.7	4.7	4.4	18.5
Amortization of acquired intangible assets	2.0	1.9	1.8	1.9	7.7	1.9	2.0	2.0	1.9	7.8	2.0	1.9	2.0	1.9	7.8
Stock-based compensation	0.1	0.1	0.1	0.1	0.4	0.2	0.2	0.2	0.6	1.1	0.4	0.4	0.4	0.5	1.6
Non-GAAP Gross Profit	60.9	60.8	68.8	69.5	260.0	61.3	65.3	65.7	69.0	261.4	72.6	71.8	80.1	83.4	307.9
Non-GAAP Gross Margin % <sup>1</sup>	53%	53%	57%	56%	55%	54%	55%	55%	55%	55%	57%	56%	58%	58%	57%
Net (loss) Income	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)	(9.2)	4.1	0.4	(1.8)	(6.5)
Income tax (benefit) provision	0.2	(0.4)	(0.9)	(1.1)	(2.3)	(3.1)	0.2	(0.2)	0.2	(3.0)	(0.2)	(0.3)	(0.7)	(1.2)	(2.4)
Interest expense (income), net	1.3	0.9	0.7	0.2	3.0	0.9	0.3	(0.1)	(0.4)	0.8	(0.6)	0.7	1.0	0.8	1.9
Depreciation	4.6	4.6	4.7	4.6	18.4	4.6	5.5	6.6	7.7	24.4	8.1	8.0	8.0	7.7	31.7
Amortization	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3	4.4	4.3	4.4	4.4	17.5
Stock-based compensation	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0	12.3	11.4	11.4	13.2	48.4
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	0.9	0.4	-	2.4
Net gain on extinguishment of debt	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)	-	(10.3)	-	-	(10.3)
Gain on business interruption insurance recoveries	-	-	-	-	-	-	(4.0)	-	-	(4.0)	-	-	-	-	-
Non-recurring items not indicative of ongoing operations and other <sup>2</sup>	0.2	0.0	0.1	1.7	2.0	0.2	0.2	0.1	0.4	0.8	0.1	-	(1.0)	0.3	(0.6)
Adjusted EBITDA	8.4	5.1	12.8	8.3	34.6	5.1	10.6	13.8	18.8	48.2	15.9	18.7	24.0	23.4	82.1
Net cash provided by (used in) operating activities	(6.7)	7.0	24.0	10.6	34.9	(6.4)	3.1	23.0	19.3	39.0	2.5	24.4	20.5	36.5	83.9
Net cash used in investing in capital assets <sup>3</sup>	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)	(4.3)	(4.8)	(6.2)	(19.9)	(6.9)	(6.1)	(6.2)	(6.2)	(25.4)
Free cash flow	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)	(1.2)	18.2	13.0	19.1	(4.4)	18.3	14.2	30.3	58.5

<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, \$42.5M in 1Q24, \$45.2M in 2Q24, \$55.1M in 3Q24, and \$65.9M in 4Q24.

<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 and \$0.5 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2024, non-recurring items not indicative of ongoing operations and other include a \$1.0 million gain on the sale of an intangible asset and \$0.4 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.

**Cloud communications revenue:** Total revenue less pass-through messaging surcharge revenue.

**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.

**Free cash flow margin:** Free cash flow margin is calculated by dividing free cash flow by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**Messaging surcharge revenue:** Revenue derived from fees imposed by certain carriers within the messaging ecosystem, which are subsequently invoiced and passed through to customers.

**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.