

Bandwidth 3Q 2022 Earnings Results

November 1, 2022

Legal Disclaimer

This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, future financial and business performance for the fourth quarter 2022 and full year 2022, attractiveness of our product offerings and platform and the value proposition of our products, and our assessment of the impact of the distributed denial of service (“DDoS”) attacks are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “guide,” “may,” “will” and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, legal, reputational, and financial risks which may result from the DDoS attacks or other cyber security incidents, risks that the anticipated benefits of the acquisition of Voxbone may not be fully realized or may take longer to realize than expected, our ability to operate in compliance with applicable laws, as well as other risks and uncertainties set forth in the “Risk Factors” section of our latest Form 10-K filed with the Securities and Exchange Commission and any subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no obligation to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

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

Powering
enterprise digital
transformation
through APIs
and our global
network

Bandwidth at a Glance

\$83B⁽¹⁾

Global TAM

\$563M⁽²⁾

2022 revenue

60+

Communication
services in 60+
countries

>90%

Global GDP
coverage

Google

Microsoft

zoom

DocuSign

WYNDHAM
HOTELS & RESORTS

Uber

Trusted by top enterprise brands

98%

Customer
Satisfaction

IDC⁽³⁾

Worldwide CPaaS
Leader
in IDC MarketScape

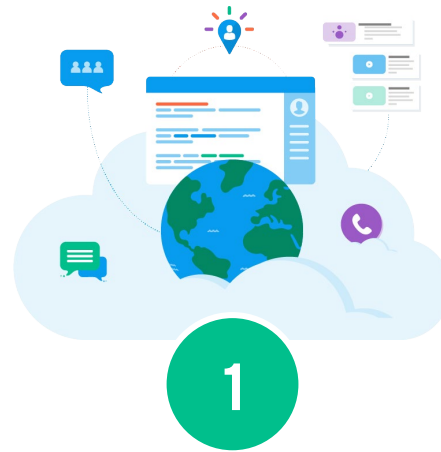
(1) Source: UCaaS and Conferencing from Gartner Unified Communications Worldwide Forecast (September 2021); CPaaS from IDC Worldwide Communications Platform-as-a-Service Forecast (September 2021); CCaaS from IDC Worldwide Contact Center Applications Software Forecast (June 2020); SIP from OMDIA SIP Trunking Services Worldwide Forecast (September 2021).

(2) Represents midpoint of revenue guidance provided in the Financial Outlook section of November 1, 2022 earnings press release.

(3) Source: IDC MarketScape - Worldwide Communications Platform as a Service 2021 Vendor Assessment, May 2021.

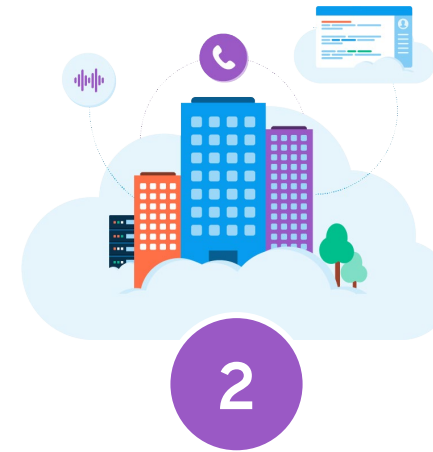
Capitalizing on the global move to the cloud

Growth Strategy



1 Grow existing customers

Cross-selling and
up-selling our
global footprint
and powerful APIs



2 Win direct enterprise customers

Become the platform
of choice for
seamless migration for
cloud communications



3 Be the best CPaaS platform

to scale global
digital customer
engagement

Mission-critical.

Redundant.

Efficient.

Reliable.

3Q 2022 Customer and Operational Highlights



Nation's Largest Home Security Provider

America's leading security, fire and alarm monitoring provider switched to Bandwidth to safeguard mission-critical services with our 5-fold level of toll-free call redundancy with automatic failure re-routing.



Send-To

Launched Send-To, a new messaging app for Microsoft Teams, the latest co-creation in our decade-long partnership with Microsoft.



Global Cloud Platform Provider

A rapidly growing cloud platform provider specializing in healthcare and hospitality chose Bandwidth for mission critical services worldwide, consolidating 20 different carrier relationships into one. This also future-proofed their growth strategy to expand in the APAC and EMEA regions.



Five9 Expands Relationship

Five9 expanded its relationship with Bandwidth to manage hundreds of thousands of phone numbers and associated features on our platform. Our solution accelerated their migration 10-fold compared to alternatives, so Five9 can utilize Bandwidth's next-gen capabilities much sooner.

Exceeded
guidance on both
top and bottom
lines

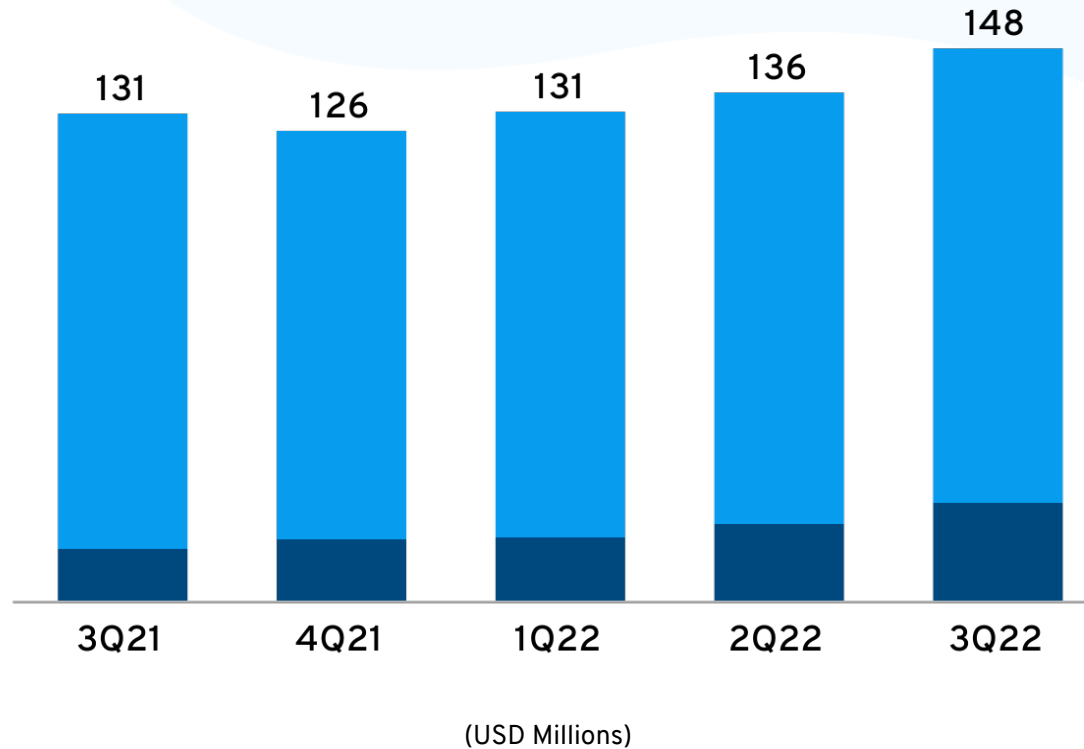
3Q 2022 Financial Highlights

- Total revenue of **\$148M**, up 14% y/y
- Dollar-based net retention rate of **109%**
- Messaging **14%** of total revenue, growing **50%** y/y
 - Political messaging contributed approximately \$7M in revenue
- Non-GAAP net income of **\$8M** and EPS of **\$0.27**

Note: Messaging as a percent of total revenue does not include pass through carrier surcharges.

Durable revenue
from powering
business-critical
communications

Quarterly Revenue Performance

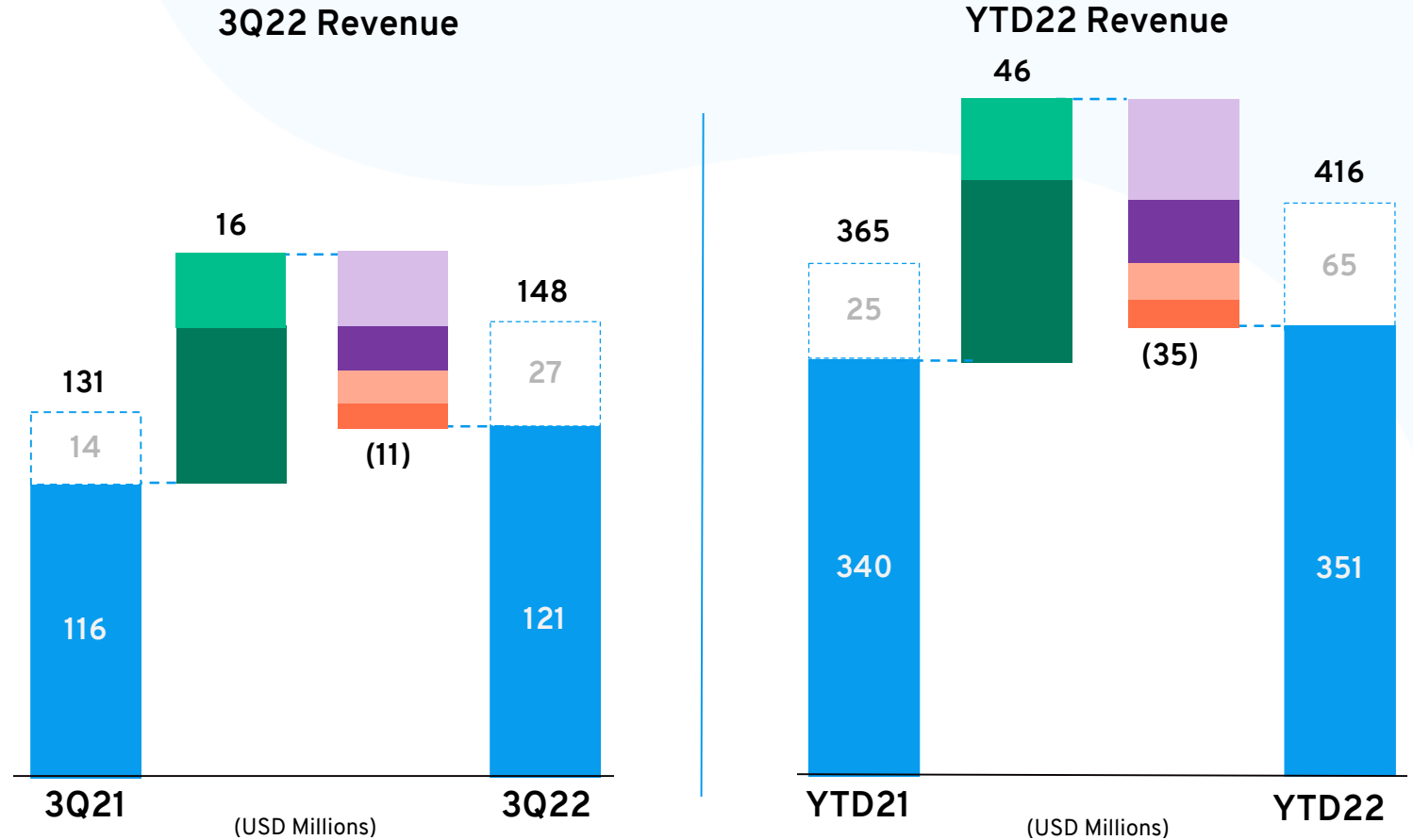


■ Messaging surcharges⁽¹⁾

(1) Messaging surcharge is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.

3Q22 and YTD22 Revenue Progression

Broad based growth offset by isolated headwinds

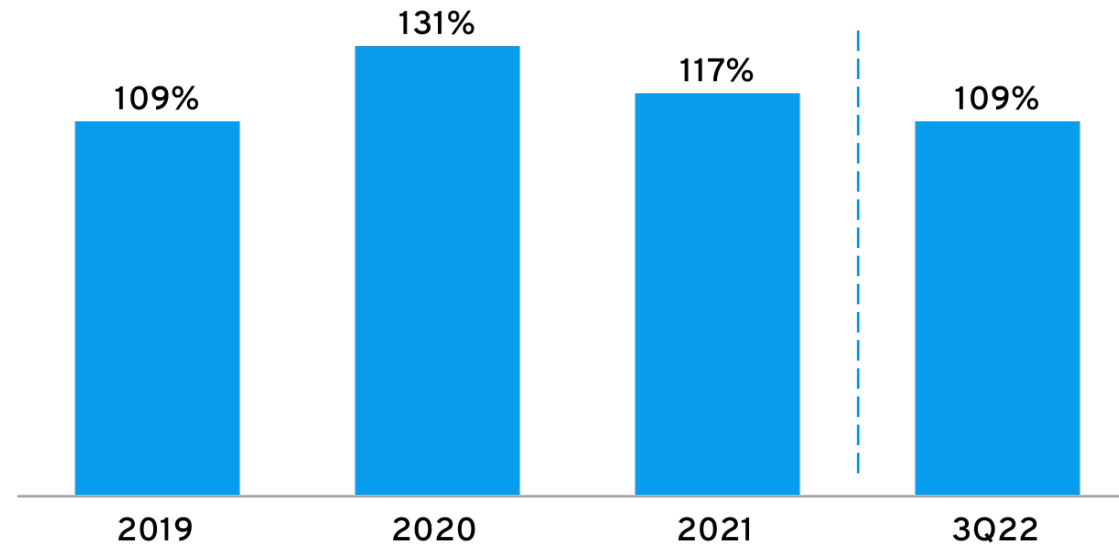


- Messaging
- Voice + Monthly recurring charges
- Messaging surcharges
- DDoS (40 impacted customers)
- Two large customers
- Divestments
- FX

Note: Totals may not sum due to rounding.

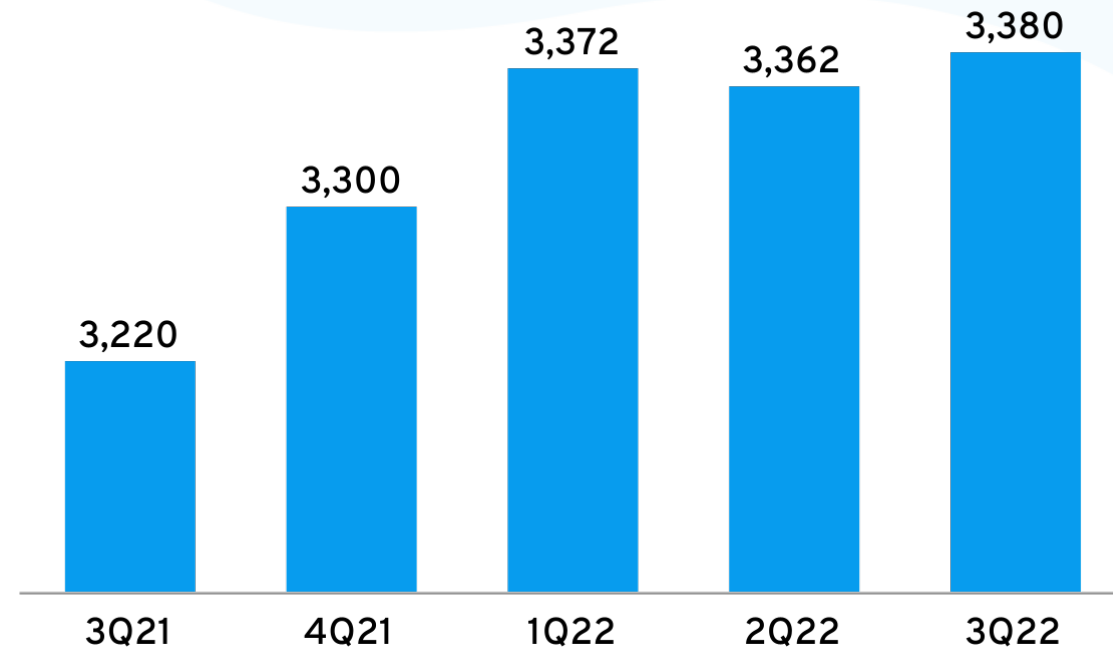
Growing usage
and upsell
within existing
customers
drives revenue
growth

Net Retention Rate Performance



Note: As a result of the change in revenue segment reporting, our dollar-based net retention rates disclosed in previous SEC filings, press releases and presentations prior to reporting periods ended March 31, 2022, will not be directly comparable to our dollar-based net retention rates reported going forward. To facilitate comparison between the periods presented in the chart above, dollar-based net retention rates have been conformed to the current period methodology. Additional information regarding dollar-based net retention rate and how it is calculated is included in the Appendix.

Active Customers



\$163K
Average Annual
Customer Revenue

Diverse
No 10% of revenue
customers

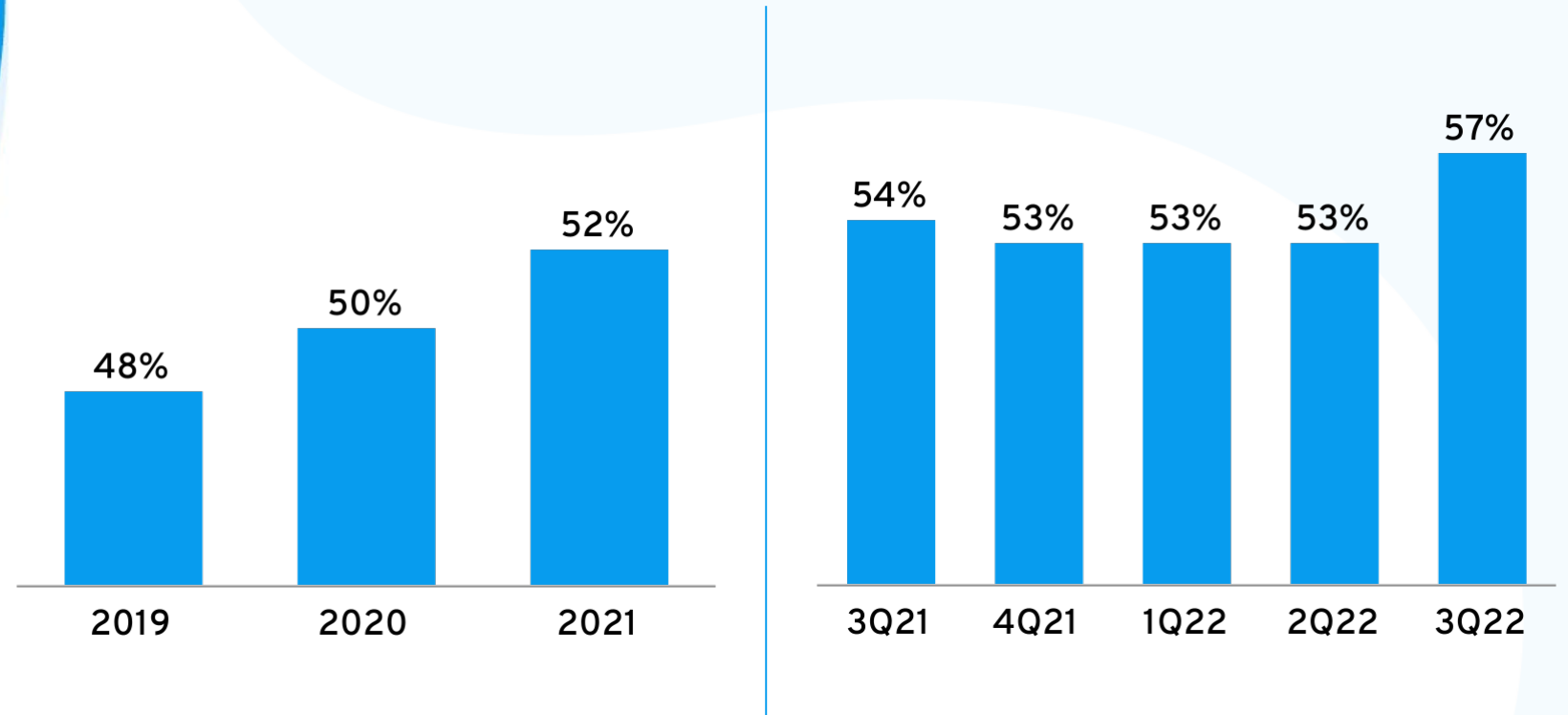
Note: As a result of the change in revenue segment reporting, our active customers disclosed in previous SEC filings, press releases and presentations prior to reporting periods ended March 31, 2022, will not be directly comparable to our active customers reported going forward. To facilitate comparison between the periods presented in the chart above, active customers have been conformed to the current period methodology. Additional information regarding active customers and how it is calculated is included in the Appendix.

Non-GAAP Gross Margin Performance

+300 bps

3Q22 Non-GAAP Gross Margin⁽¹⁾ increase y/y

Consistent
annual margin
expansion

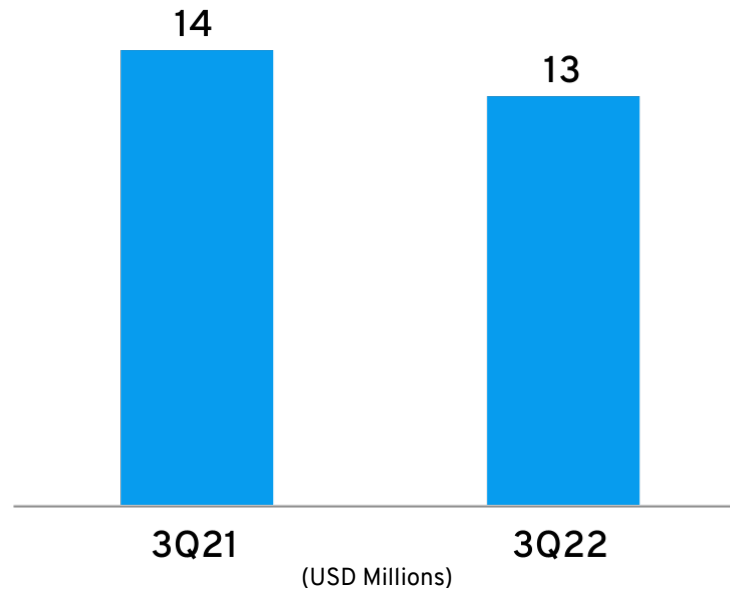


(1) We calculate Non-GAAP gross margin by dividing non-GAAP gross profit by revenue less pass through messaging surcharges. See Appendix for GAAP to Non-GAAP reconciliation.

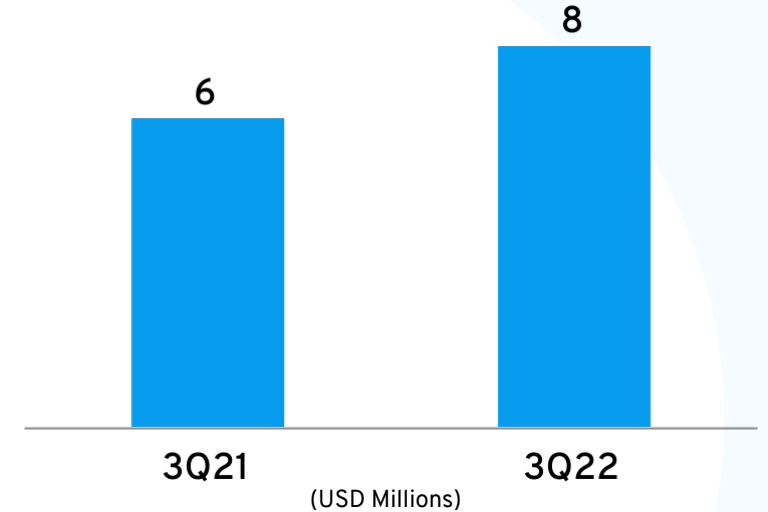
Longstanding
commitment
to invest in
our future
with profitable
discipline

Profitability Performance

Adjusted EBITDA



Non-GAAP Net Income



Note: See Appendix for definitions and GAAP to Non-GAAP reconciliations.

4Q and Full Year 2022 Outlook

Raising full year outlook on strong performance and operating discipline

	4Q 2022	FY 2022
Total Revenue	\$146M-\$148M	\$562M-\$564M
Non-GAAP EPS ⁽¹⁾	\$0.03-\$0.05	\$0.35-\$0.37

(1) Assumes weighted average diluted share count of approximately 29.4 million in 4Q 2022 and FY 2022.

Thank you!

Appendix

Historical Metrics

USD millions

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22
Total Revenue	232.6	68.5	76.8	84.8	113.0	343.1	113.5	120.7	130.6	126.1	490.9	131.4	136.5	148.3
Total Gross Profit	104.2	31.2	33.8	38.3	50.6	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5
Non-GAAP Gross Profit	111.3	33.8	36.2	40.7	54.8	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8
Non-GAAP Gross Margin ⁽¹⁾	48%	50%	48%	50%	51%	50%	52%	51%	54%	53%	52%	53%	53%	57%
Net Income (Loss)	2.5	(1.1)	(20.6)	(2.4)	(19.9)	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)
Non-GAAP Net Income (Loss)	(5.3)	1.1	3.1	6.5	3.5	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0
Adjusted EBITDA	(1.1)	3.1	5.5	9.3	8.3	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8
Adjusted EBITDA Margin	0%	5%	7%	11%	7%	8%	12%	11%	11%	7%	10%	6%	4%	9%
Cash and Investments	185.0	517.9	522.7	532.1	121.4	121.4	339.3	319.0	331.1	332.3	332.3	317.0	303.8	312.5
Operating Cash Flows	(1.3)	(7.6)	7.3	11.6	(6.8)	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0
Net cash used in investing capital assets ⁽²⁾	(25.8)	(4.4)	(4.6)	(2.3)	(3.2)	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)
Free Cash Flow	(27.0)	(12.0)	2.7	9.3	(10.0)	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5
Active Customers	1,736	1,832	1,918	2,050	2,879	2,879	2,999	3,085	3,220	3,300	3,300	3,372	3,362	3,380
DBNRR	109%	117%	122%	126%	131%	131%	131%	128%	125%	117%	117%	114%	112%	109%

(1) Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$1.3M in FY19, \$1.3M in 1Q20, \$1.6M in 2Q20, \$2.6M in 3Q20, \$5.6M in 4Q20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, \$21.0M in 2Q22, and \$26.9M in 3Q22.

(2) Represents the acquisition cost of property, 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

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22
Net income (Loss)	2.5	(1.1)	(20.6)	(2.4)	(19.9)	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)
Stock-based compensation	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9
Amortization of acquired intangibles	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1
Amortization of debt discount and issuance costs for convertible debt	-	1.7	4.5	4.6	4.7	15.6	5.2	7.1	7.2	7.3	26.7	0.8	0.8	0.8
Acquisition-related expenses	-	-	-	1.7	12.7	14.5	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment	0.5	0.2	0.0	0.0	0.1	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1
Gain on sale of business	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(2.9)	-
Estimated tax effects of adjustments	(15.4)	(2.5)	16.6	0.0	0.1	14.3	(1.0)	0.1	(2.3)	(4.8)	(8.1)	(0.6)	(1.7)	(1.1)
Non-GAAP net income (Loss)	(5.3)	1.1	3.1	6.5	3.5	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0
Cash interest expense on convertible notes ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	0.4	0.7	0.6
Numerator used to compute Non-GAAP diluted net income per share⁽²⁾	(5.3)	1.1	3.1	6.5	3.5	14.2	8.3	8.6	6.5	2.3	25.7	2.9	(0.9)	8.6

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

(2) As the Company was at a Non-GAAP net loss for the three months ended June 30, 2022, the cash 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 cash 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

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22
Net income (loss) per share														
Basic	0.11	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)
Diluted	0.10	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)
Non-GAAP net income (loss) per Non-GAAP share														
Basic	(0.23)	0.05	0.13	0.27	0.14	0.59	0.33	0.34	0.26	0.09	1.02	0.10	(0.04)	0.32
Diluted	(0.23)	0.04	0.13	0.24	0.13	0.55	0.30	0.32	0.25	0.09	0.97	0.09	(0.04)	0.27
Weighted average number of common shares outstanding														
Basic shares	22.6	23.6	24.0	24.2	24.7	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3
Diluted shares	23.9	23.6	24.0	24.2	24.7	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3
Non-GAAP basic shares	22.6	23.6	24.0	24.2	24.7	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3
Convertible debt conversion	-	-	-	1.7	2.0	1.0	1.8	1.2	0.9	-	1.0	5.8	-	5.8
Stock options issued and outstanding	-	0.7	0.4	0.3	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.1	-	0.1
Nonvested RSUs outstanding	-	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.2	0.1	0.2	-	-	-
Non-GAAP diluted shares	22.6	24.5	24.7	26.5	27.2	25.9	27.3	26.7	26.4	25.4	26.5	31.1	25.3	31.2

Note: Totals may not sum due to rounding.

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

USD millions

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22
Gross Profit	104.2	31.2	33.8	38.3	50.6	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5
Gross Margin %	45 %	46 %	44 %	45 %	45 %	45 %	45 %	44 %	44 %	41 %	44 %	42 %	41 %	43%
Depreciation	6.6	2.4	2.5	2.4	2.7	10.0	3.1	3.1	3.1	3.3	12.6	3.4	3.4	3.4
Stock-based compensation	0.2	0.2	0.0	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1
Amortization of acquired intangible	-	-	-	-	1.4	1.4	2.2	2.2	2.1	2.1	8.5	2.0	1.9	1.8
Non-GAAP Gross Profit	111.3	33.8	36.2	40.7	54.8	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8
Non-GAAP Gross Margin %⁽¹⁾	48%	50%	48%	50%	51%	50%	52%	51%	54%	53%	52%	53%	53%	57%
Net Income (Loss)	2.5	(1.1)	(20.6)	(2.4)	(19.9)	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)
Income tax provision (benefit)	(17.7)	(2.7)	16.5	0.0	1.2	15.0	(0.3)	0.3	0.3	(4.1)	(3.8)	0.2	(0.4)	(0.9)
Interest expense, net	(2.4)	0.9	3.9	4.2	4.7	13.7	5.4	7.7	7.7	8.0	28.8	1.3	0.9	0.7
Depreciation	9.0	3.2	3.2	3.2	3.6	13.1	4.2	4.3	4.5	4.5	17.5	4.6	4.6	4.7
Amortization	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1
Acquisition-related expenses	-	-	-	1.7	12.7	14.5	-	-	-	-	-	-	-	-
Stock-based compensation	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9
Loss on disposal of property and equipment	0.5	0.2	0.0	0.0	0.1	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1
Gain on sale of business	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(2.9)	-
Adjusted EBITDA	(1.1)	3.1	5.5	9.3	8.3	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8
Net cash provided by (used in) operating activities	(1.3)	(7.6)	7.3	11.6	(6.8)	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0
Net cash provided by (used in) investing in capital assets⁽²⁾	(25.8)	(4.4)	(4.6)	(2.3)	(3.2)	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)
Free cash flow	(27.0)	(12.0)	2.7	9.3	(10.0)	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5

(1) Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$1.3M in FY19, \$1.3M in 1Q20, \$1.6M in 2Q20, \$2.6M in 3Q20, \$5.6M in 4Q20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, \$21.0M in 2Q22, and \$26.9M in 3Q22.

(2) Represents the acquisition cost of property, 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, amortization of debt discount and issuance costs for convertible debt, acquisition related expenses, impairment charges of intangibles assets, loss (gain) on disposal of property and equipment, net cost associated with early lease terminations and leases without economic benefit, estimated tax impact of above adjustments, income tax (benefit) provision resulting from excess tax benefits associated with the exercise of stock options, vesting of restricted stock units and equity compensation, and expense resulting from recording the valuation allowance on our deferred tax assets (“DTA”). See Appendix for non-GAAP reconciliation.

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, loss (gain) from disposal of property and equipment and net cost associated with early lease terminations and leases without economic benefit.

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 generate revenue and that were customers 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.