

Bandwidth Investor Day 2023

FEBRUARY 23, 2023

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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.

Vision

DAVID MORKEN

Co-Founder, Chairman, Chief Executive Officer

Leading the worldwide cloud communications revolution



Creating exceptional experiences for global enterprises

\$12b¹

2022 Total
Addressable
Market

Google zoom

Powering
business-critical
communications

Microsoft RingCentral
Uber

55%²

2022 Non-GAAP
Gross Margin

 bandwidth

A communications cloud covering

>60 countries
and >90% GDP

\$573m

2022 Revenue

 IDC






Worldwide CPaaS
Leader

¹Source: Analyst and company estimates.

²See appendix for GAAP to non-GAAP reconciliation.

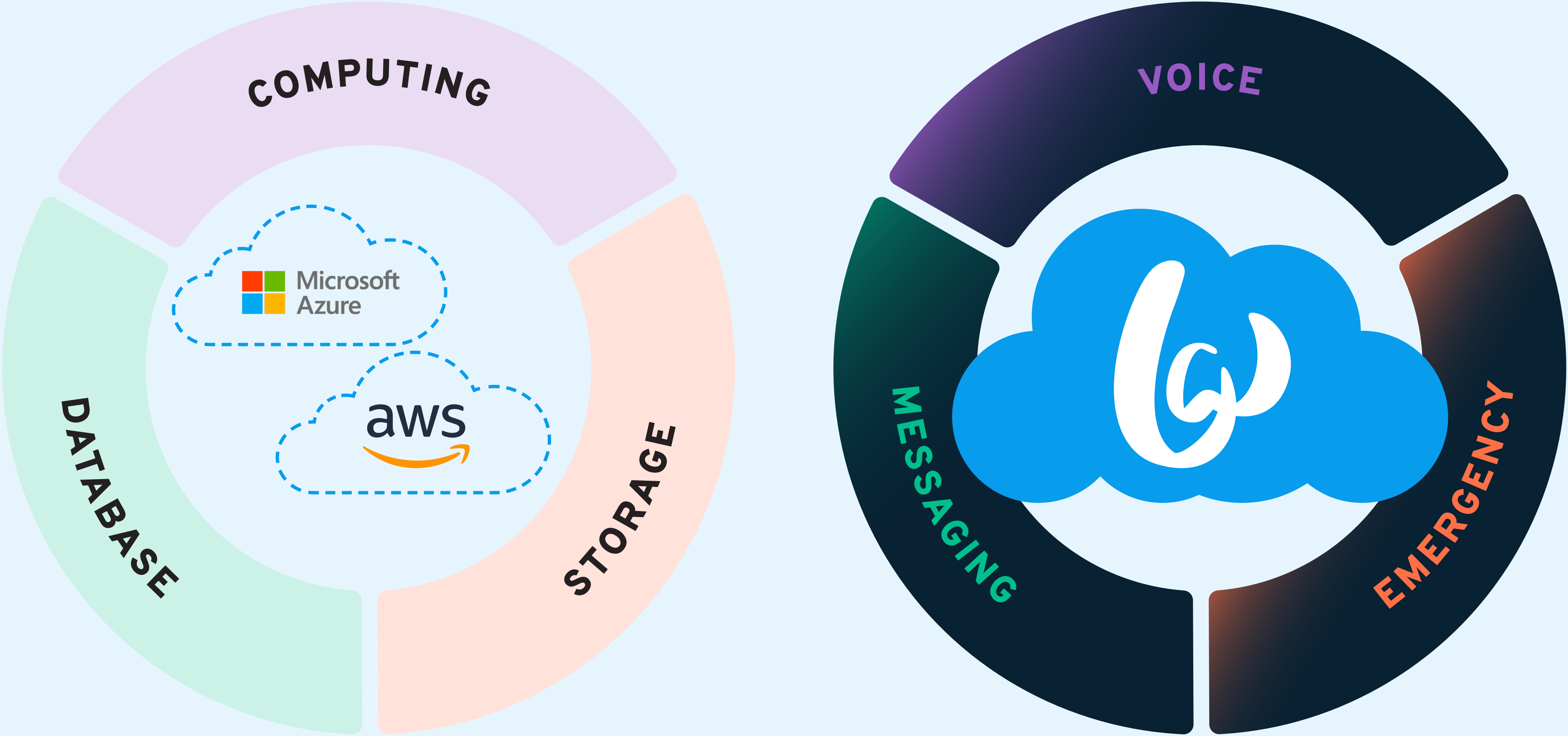
Bandwidth APIs power the digital communications revolution

Today

8:00 AM	<p>Connect customers through voice calls to virtual meetings</p> 	<p>Receive a text reminder about a doctor's appointment</p> 	<p>Transfer contact center calls across the globe</p> 
11:00 AM	<p>Assign 911 location addresses to a university campus</p> 	<p>Check a dog walker notification</p> 	<p>Resolve customer questions through call support</p> 
12:00 PM	<p>Handle massive amounts of support call volume</p> 	<p>See a package text alert</p> 	<p>Deliver employee location to first responders during e911 call</p> 
3:00 PM	<p>Call into a meeting on your drive home</p> 	<p>Receive a parking spot notification for dinner</p> 	<p>Connect between two offices across the globe</p> 
6:00 PM	<p>Set up new customer in Brazil</p> 	<p>See a text receipt for an online purchase</p> 	<p>Chat with a resident over text on Microsoft Teams</p> 

USE CASES

Bandwidth is to global enterprise communications what Azure or AWS are for enterprise computing



To recreate the Bandwidth Communications Cloud, we estimate you'd need...

15+

YEARS

500+

MILLION DOLLARS

...And a DeLorean

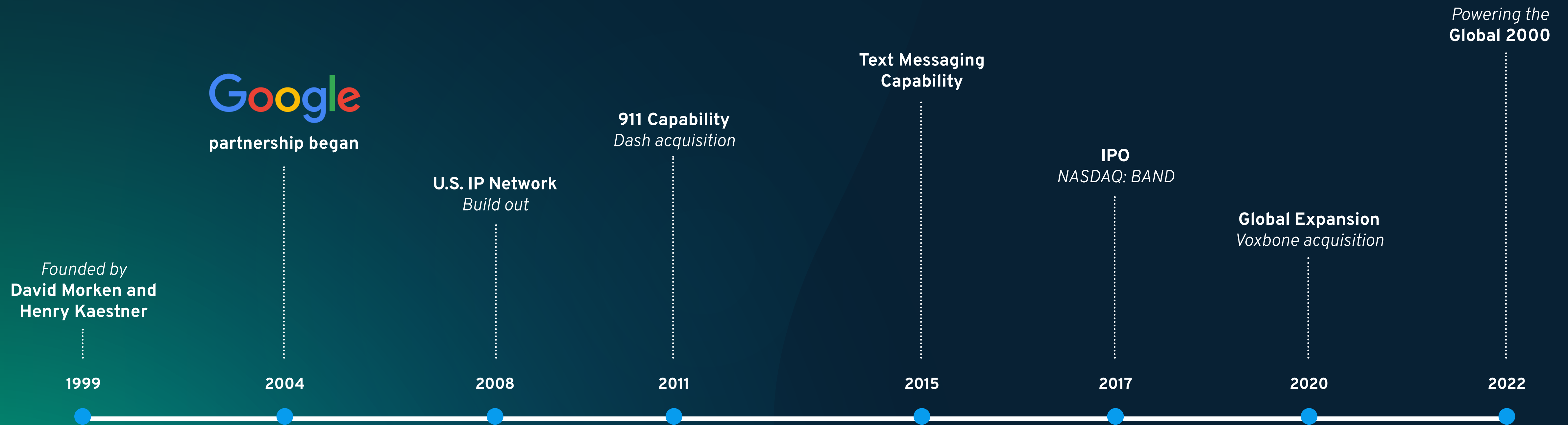
Powering the leaders of UCaaS, CCaaS, and messaging

Powering
100%
of the UCaaS and CCaaS Leaders

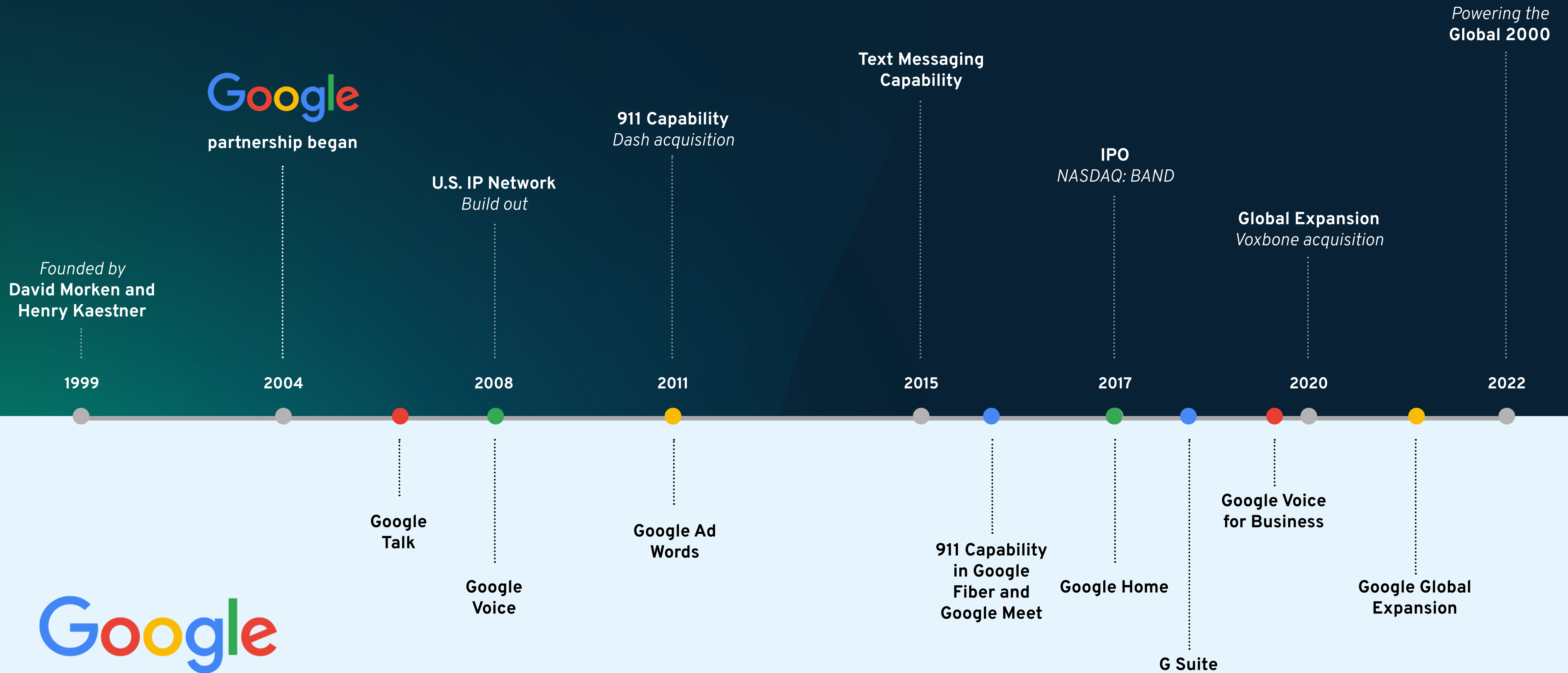
Bandwidth is the
#1
sender in toll-free messaging



A history of leading the Cloud Communications space



A history of leading the Cloud Communications space



Fruitful innovation partnership with Google

Messaging dynamics influencing 2023 *and beyond*

Point of sale confirmation



Package text alert



SMS patient engagement



Political campaign
messaging



Civic engagement text
reminder



Bandwidth then and now

2022
(now)

\$573m
Total revenue

\$12b¹
Addressable market

>60
Countries and territories

BAND
Cloud covers **global**



2017
(then)

\$163m
Total revenue

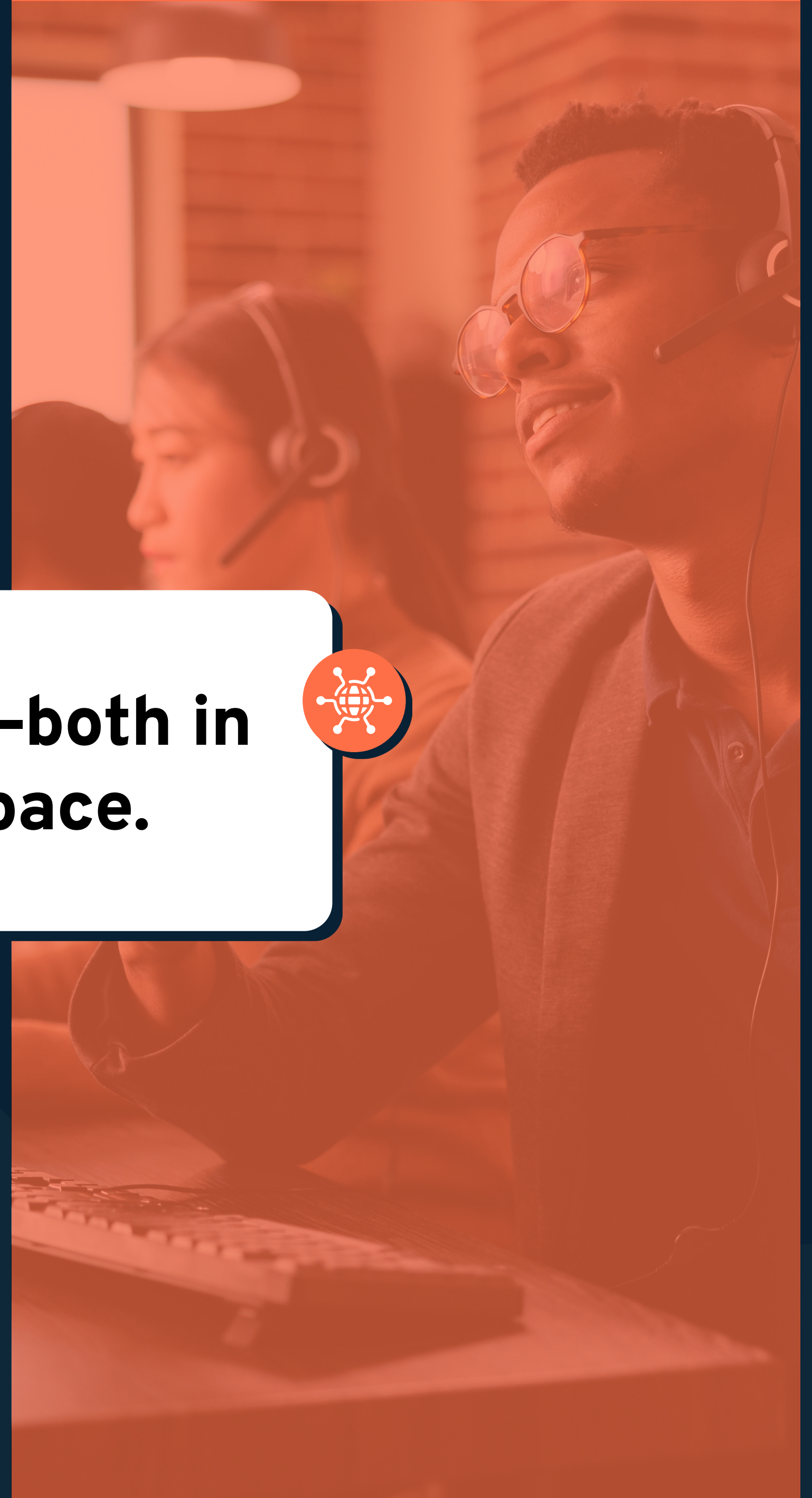
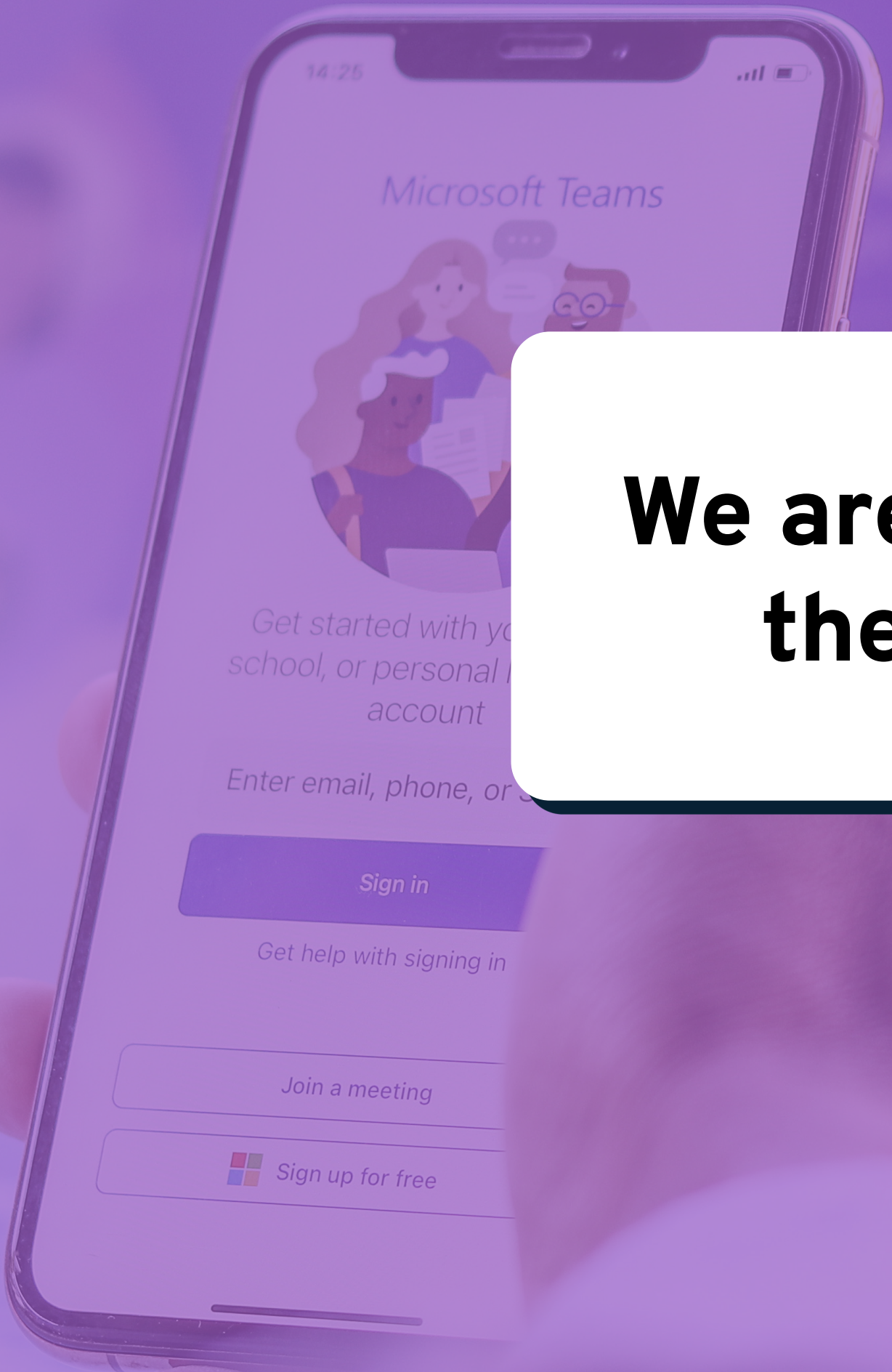
\$3.3b¹
Addressable market

3
Countries and territories

BAND
Cloud covers **domestic**

¹Source: Analyst and company estimates.






We are at another key inflection point—both in the growth of Bandwidth and our space.




Core operating principles expected to guide profitable growth through 2026



Profitable growth



Operating leverage



Cash flow generation

15-20%

REVENUE CAGR¹

>60%

NON-GAAP GROSS MARGIN



>20%

ADJUSTED EBITDA MARGIN

>15%

FCF MARGIN

¹2023-2026 revenue CAGR.

Note: The Company has not reconciled its long-term targets for non-GAAP gross margin, Adjusted EBITDA and FCF margin, to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time. Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

An experienced leadership team



David Morken
Cofounder, Chief Executive
Officer, and Chairman



Daryl Raiford
Chief Financial Officer



Anthony Bartolo
Chief Operating Officer



Rebecca Bottorff
Chief People Officer and
Director



Brandon Asbill
General Counsel



Kade Ross
Chief Information Officer



Devesh Agarwal
Chief Software Strategy
Officer



John Bell
Chief Product Officer



Michelle Birch
SVP, Operations



Amaya Lantero
GM, International



Scott Mullen
Chief Technology Officer



Karl Perkins
Chief Innovation Officer



Sandy Preizler
Chief Revenue Officer

Operationalizing our vision

ANTHONY BARTOLO

Chief Operating Officer

Market choices are limited for power platforms

Limitations of Pure-play CPaaS

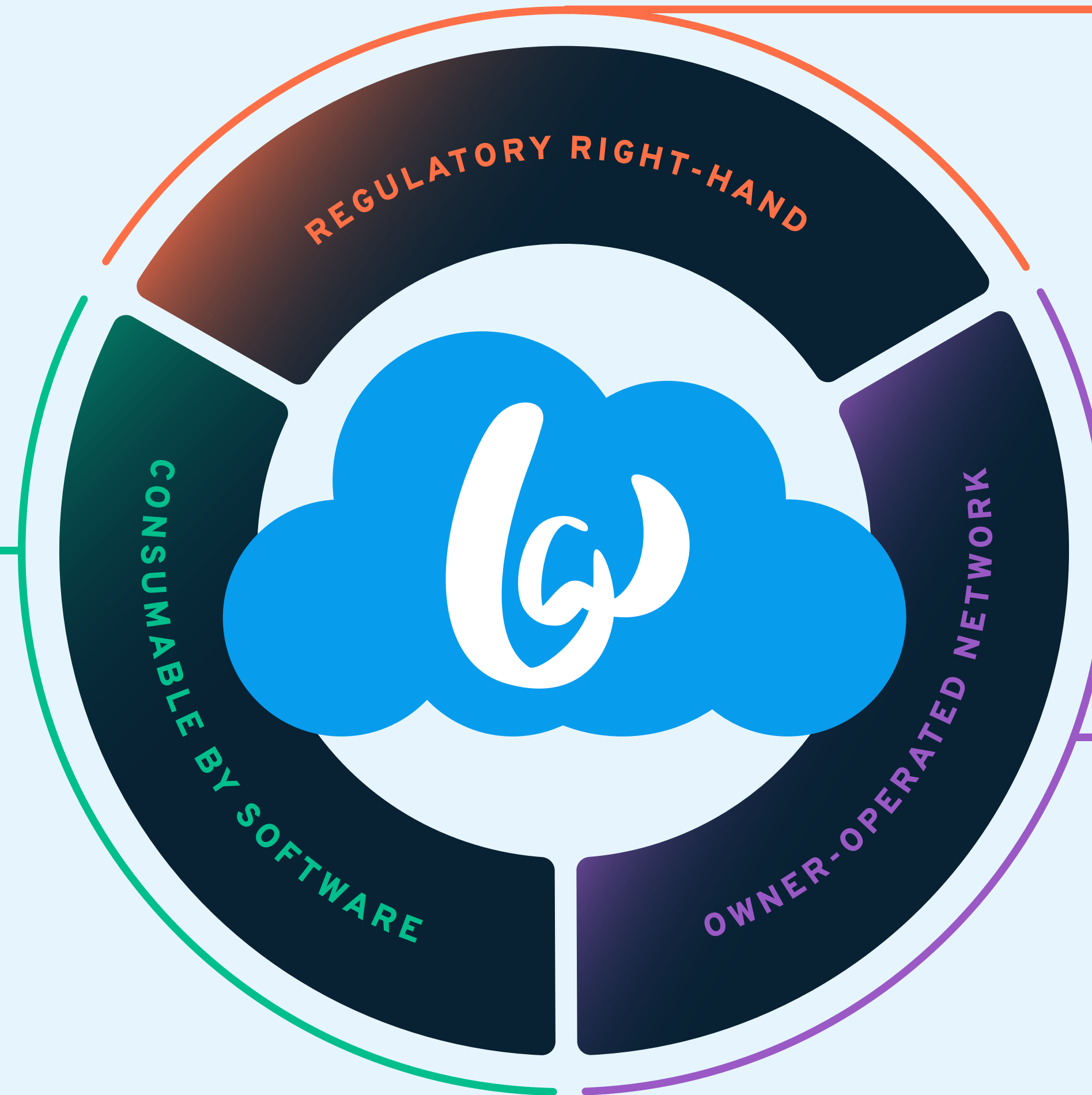
Limited scalability
Lacks direct network control
Poor support experience



Limitations of Network only Operators

Geographically restricted
Slow-to-market on new
innovations
Lacks software automation
and integration

The Bandwidth Experience



Making telecom consumable by software, ensuring automation and management efficiency

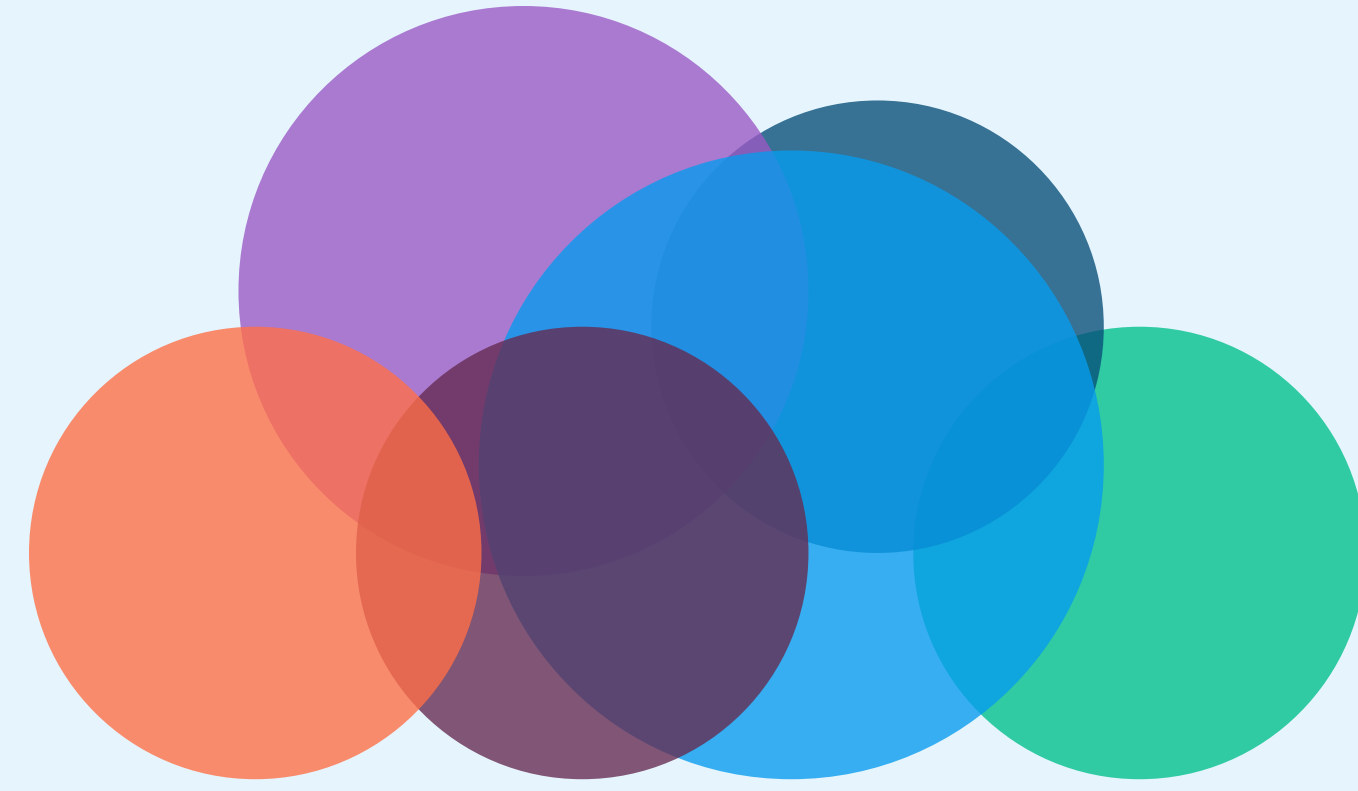
- API-first platform
- Simple UI/UX

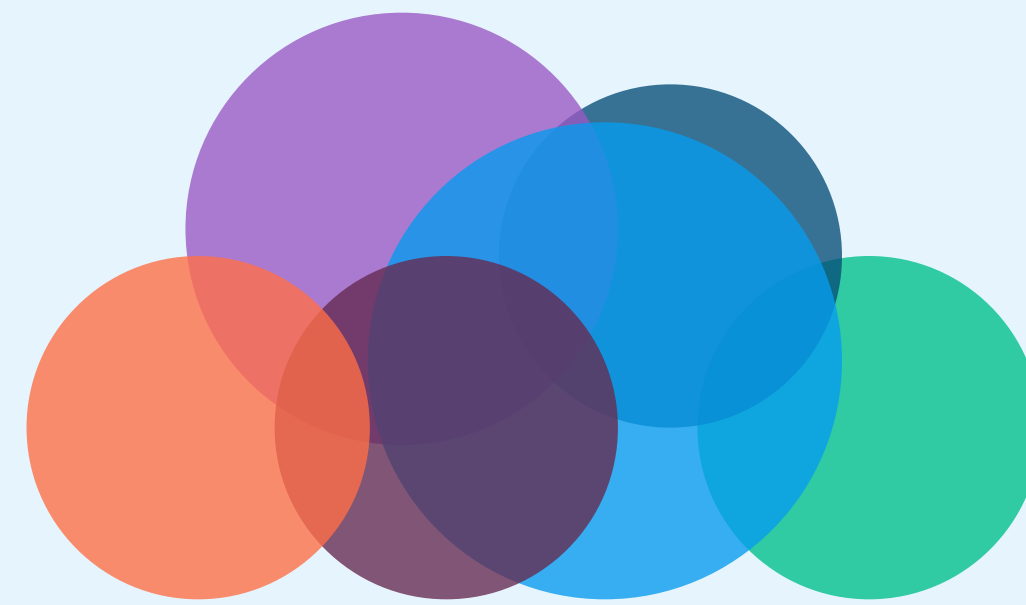
A trusted expert with broad global regulatory experience

- Global regulatory insights to help simplify an ever-changing global compliance landscape

Owner-operated global network delivers quality, insights, and deep monitoring

- Global reach in >60 countries covering >90 percent of GDP
- Network redundancy





Owner-operated global network delivers quality, insights, and deep monitoring

Making telecom **consumable by software**, ensuring automation and management efficiency

A trusted expert simplifying ever-changing global regulations

Cloud communications leaders; propelling innovation in multiple ways

Fast growing **messaging-first customers** pushing omni-channel innovation

Global 2000 asking for help to transform their communications

OUR DIFFERENCE

OUR CUSTOMER BASE

Bandwidth solves complex communications challenges across multiple target markets

Global communication plans

Automate voice and phone numbers globally

Programmable services

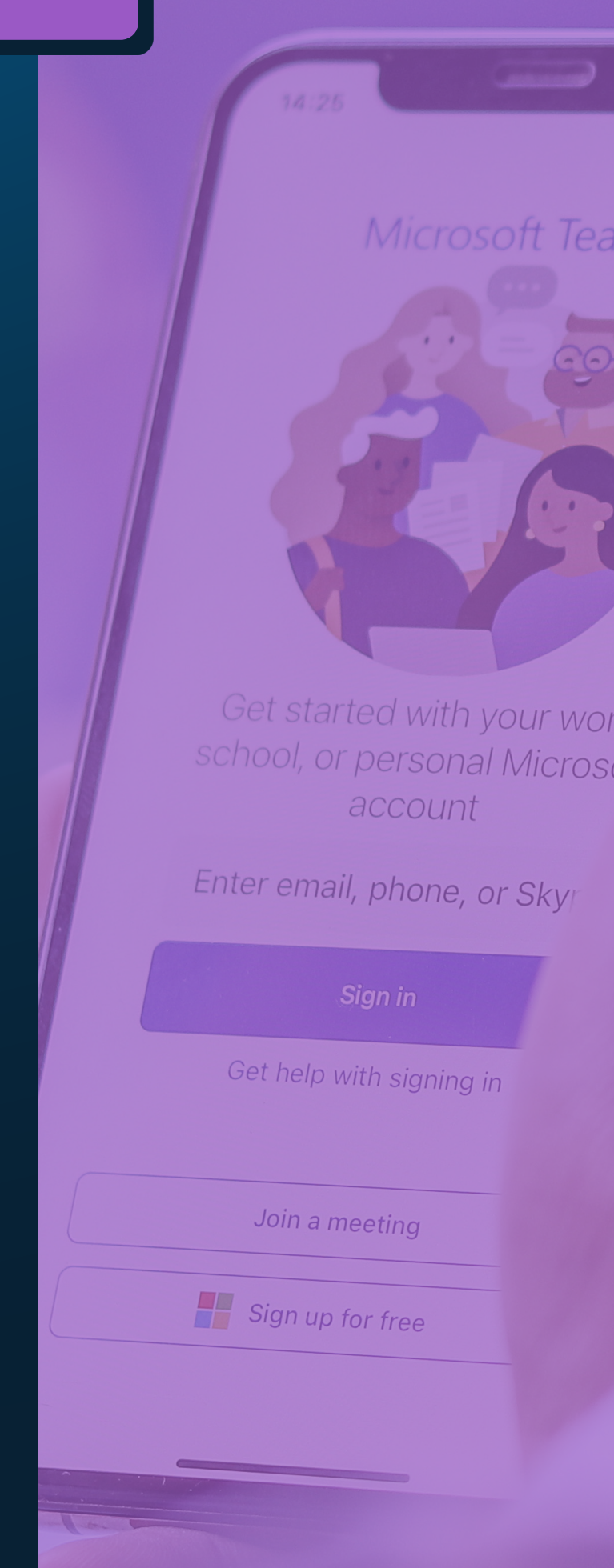
Unleash high-capacity text messaging

Direct enterprise solutions

Transform communications for the Global 2000



B 2 B 2 B



B 2 B 2 C



B 2 B



Rapidly diversifying portfolio is balancing revenue mix



Global communication plans

Automate voice and phone numbers globally



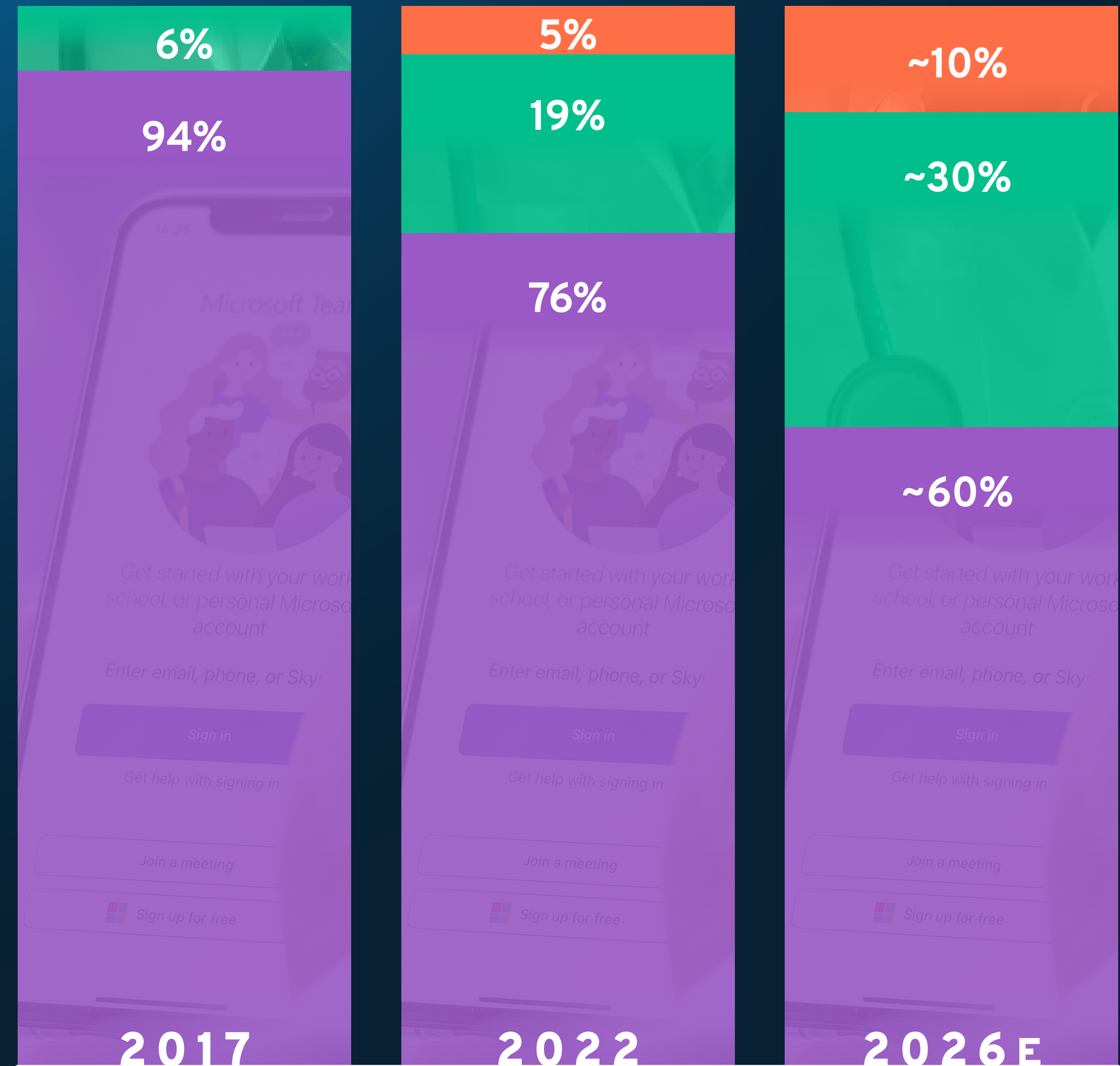
Programmable services

Unleash high-capacity text messaging



Direct enterprise solutions

Transform communications for the Global 2000

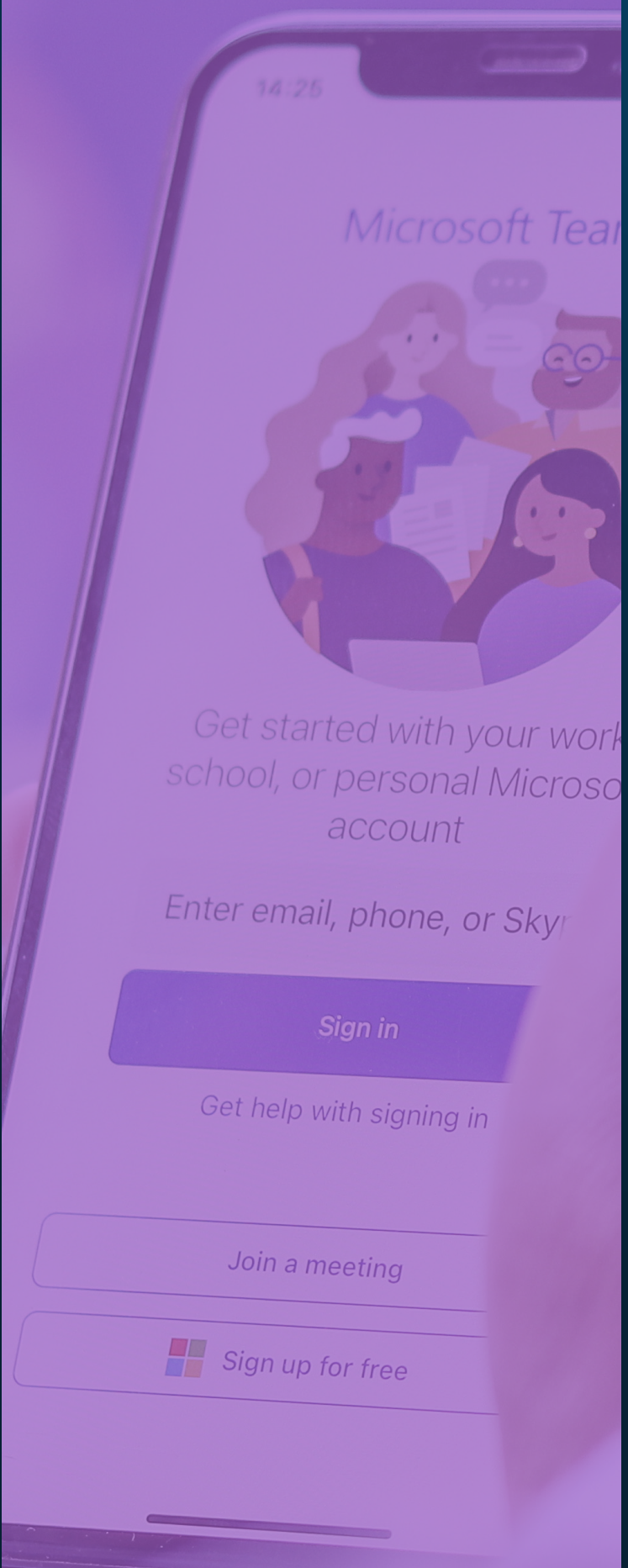


Note: All revenue represented here excludes pass-through messaging surcharges. Please refer to forward-looking statements disclaimer on Slide 1 of this presentation.



First growth phase:

Powering the platform leaders



First growth phase: powering the platform leaders

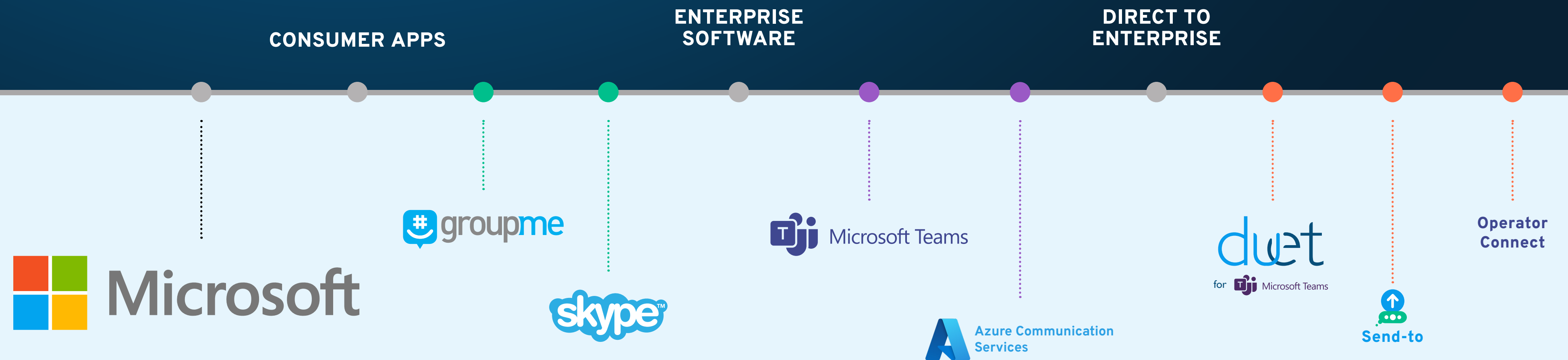
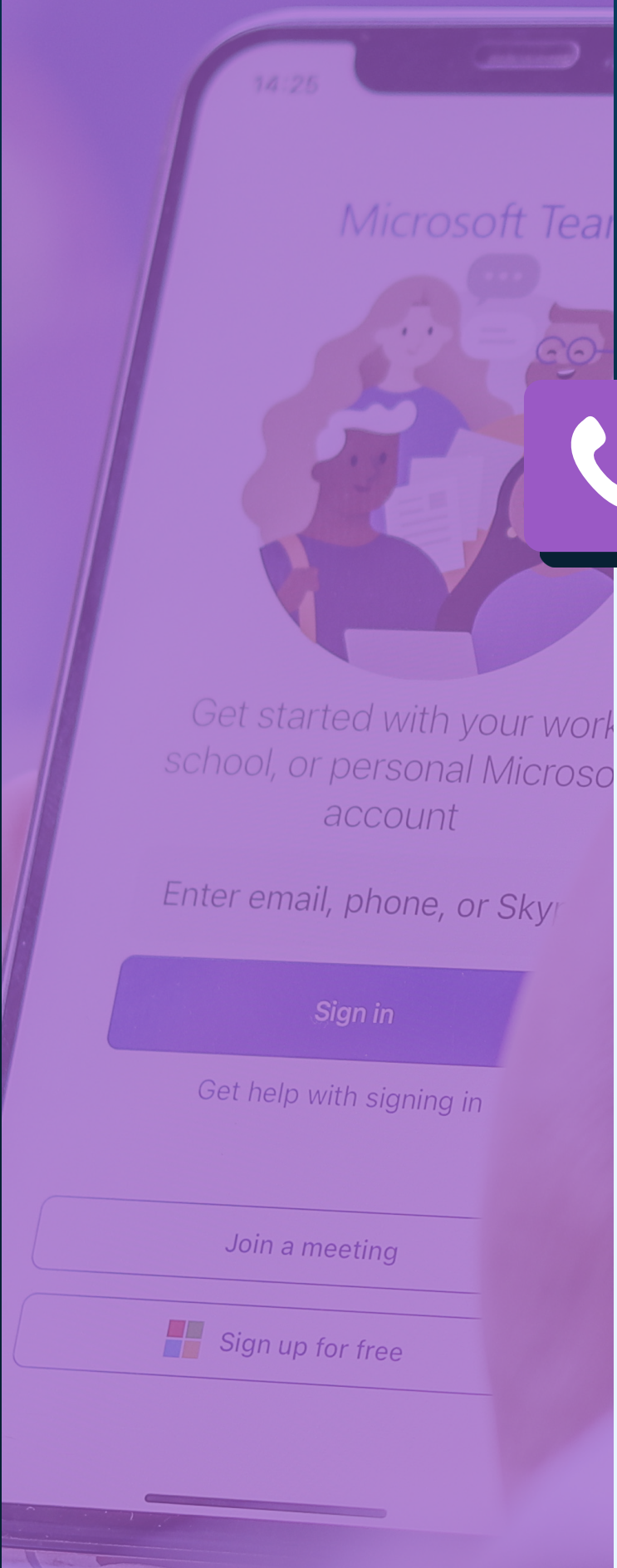
Powering
100%
of the UCaaS and
CCaaS Leaders

Everyone uses them.
Virtual and hybrid
collaboration depends
on them.

**Bandwidth powers
ALL of them.**



A strategic, multi-threaded partnership with Microsoft



AUTOMATE

Voice and phone numbers globally

Co-creating cloud communications for a decade; propelling innovation **together** in multiple ways

Global communications plans by the numbers

\$360m¹ 2022 revenue

>50% Estimated non-GAAP gross margin

~8% 2022 - 2026 estimated market CAGR²

~\$1.6b 2026 estimated total addressable market²



AUTOMATE

Voice and phone numbers globally

Power platforms across UCaaS, CCaaS, CPaaS, and Conferencing

¹\$360m excludes revenue from pass through messaging surcharges.

²Source: Analyst and company estimates.



Next growth phase:

Business critical
programmable services

Next growth phase: programmable services

SMS yields

98%

open rate

You've likely never heard of them, but like Bandwidth, they power platforms behind strong brands delivering best-in-class customer experiences—**and they rely on Bandwidth.**

yotpo.

 emotive

SimpleTexting

omnisend

TextMagic

 Birdeye

Accelerated innovation for message centric power platforms

attentive[®]

Bandwidth is the

#1

sender/leader in
toll-free messaging



CUSTOMER STORY

SMS

Attentive scaled with their sms aspirations using Bandwidth's software-powered messaging.

Programmable services by the numbers

\$91m¹ 2022 revenue

>60% Estimated non-GAAP gross margin

~21% 2022 - 2026 estimated market CAGR²

~\$17.9b 2026 estimated total addressable market²

UNLEASHING
High-capacity text messaging

Fast growing messaging-first customers are advancing omni-channel innovation

¹\$91m excludes revenue from pass-through messaging surcharges

²Source: Analyst and company estimates.



Emerging growth phase:

The global 2000 enterprise

The trend is our friend: a shift still in its early stages



The Global 2000 is moving to cloud-only communications¹

IDC



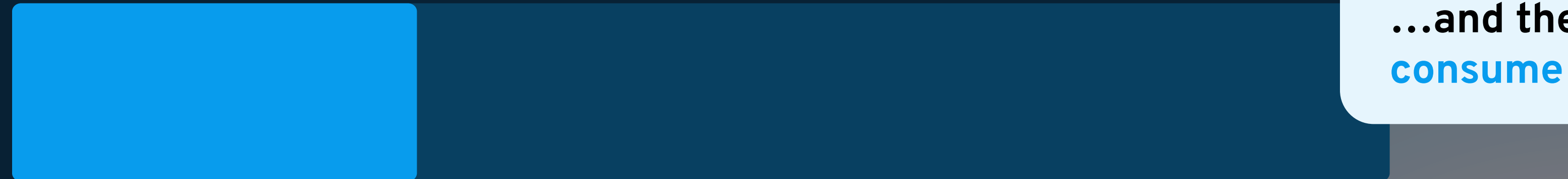
Enterprises understand they need to **move to the cloud...**

Only 24% of enterprises have moved their mission-critical communications stack to the cloud

96% of enterprises plan to be cloud-only and decommission on-prem equipment

Developing with CPaaS will become a strategic IT digital competency by 2026²

Gartner



...and they need to **consume it via software.**

As of 2022, 30% of global enterprises leverage CPaaS as a strategic IT skill set for digital competency

90% of global enterprises will leverage CPaaS as a strategic IT skill set for digital competency by 2026

Source:

¹IDC U.S. Enterprise Communications Survey (August 2022)

²Gartner Market Guide for Communications Platform as a Service, 2022 (September 2022)



The communications cloud for global enterprises



TRANSFORM

Communications for the global 2000 enterprise

- One contract
- One customer experience
- One operating procedure
- One source for insights on regulatory compliance, everywhere we operate
- One click integrations for best-in-class third-party apps
- One simplified technology
- One relationship



GLOBAL 2000 ENTERPRISE





Telecomplexity

\ ˈte-li-,kəm-ˈplek-sə-tē \ • noun

The quality or state of telecommunications befuddlement when attempting to contact the known, or unknown, universe.

DocuSign



CUSTOMER STORY

Modernize, simplify, and consolidate global comms

DocuSign needed to overhaul its complex 15-country contact center setup, made up of old-school on-premises equipment and legacy contracts with 9 different geographically dispersed carriers.

“

Choosing Bandwidth made our entire cloud migration process stress-free.

Vipin Kalra

Sr. Engineer - Collaboration and Contact Center

DocuSign





Largest credit card issuing bank in the U.S.

CUSTOMER STORY

Future-proofing mission-critical communications

As a network owner-operator, Bandwidth enabled access to critical call information, paired with the software automation that allowed the customer to compose their best-in-class contact center communications flow.



Fall 2020

A complex cloud contact center buildout for their vast credit card services operation

Winter 2021

Expanded their Bandwidth partnership to include retail banking network

Spring 2021

Relied on Bandwidth innovation to move their banking authentication system to our cloud

Direct Enterprise by the numbers



\$24m¹ 2022 revenue

>70% Estimated non-GAAP gross margin

~14% 2022 - 2026 estimated market CAGR²

~\$4.2b 2026 estimated total addressable market²

TRANSFORM

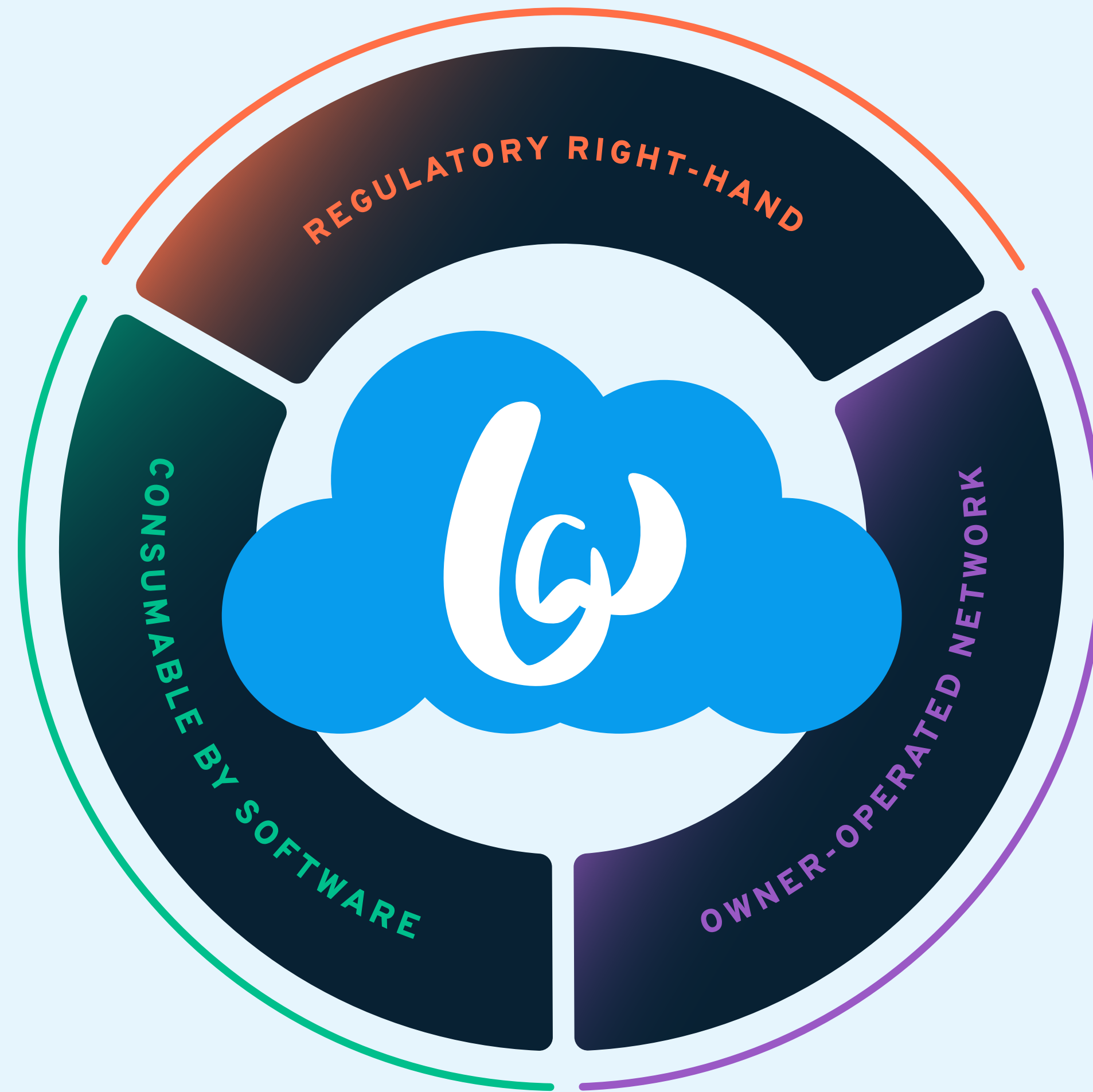
Communications for the Global 2000

Global 2000 needs help in navigating telecomplexity globally

¹\$24m excludes revenue from pass through messaging surcharges.

²Source: Analyst and Company estimates.

The Bandwidth Experience



THE
DIFFERENCE

Inside the owner economics of..

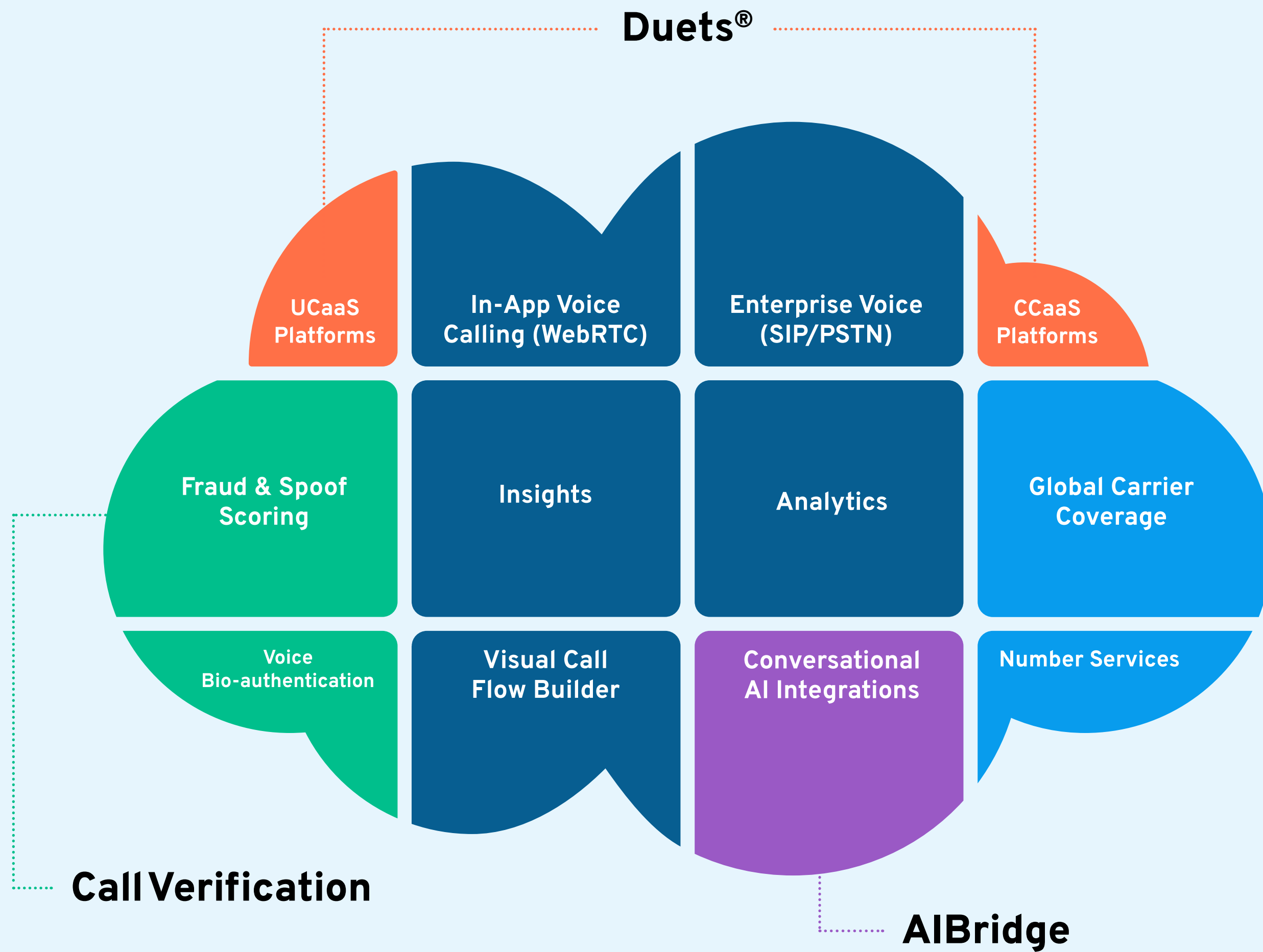
a Communications Cloud



As our customer base grows,
the model grows

This is happening globally.

Ambitious goals for a massive opportunity



...with a continued winning business model

- hyper-focused market strategy
- expansive global reach
- operational excellence

2022 financial results and long term targets

DARYL RAIFORD

Chief Financial Officer

4Q22 and 2022 financial highlights

Strong finish
to the year

Exceeded guidance

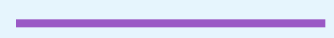
Record non-GAAP
gross margin

	4Q22	2022
Total Revenue	\$157m	\$573m
Net Income	\$33m	\$20m
Non-GAAP Net Income	\$5m	\$15m
Adjusted EBITDA	\$8m	\$35m

Note: See appendix for definitions and GAAP to Non-GAAP reconciliation.

Strong customer metric performance

Strong customer retention



No customers represent >10% of revenue

112%

DBNRR

3,405

ACTIVE CUSTOMERS



\$171k

AVERAGE ANNUAL CUSTOMER REVENUE

Note: Customer metrics as of 12/31/2022

Financial operating principles:

Then AND now



Profitable growth



Operating leverage

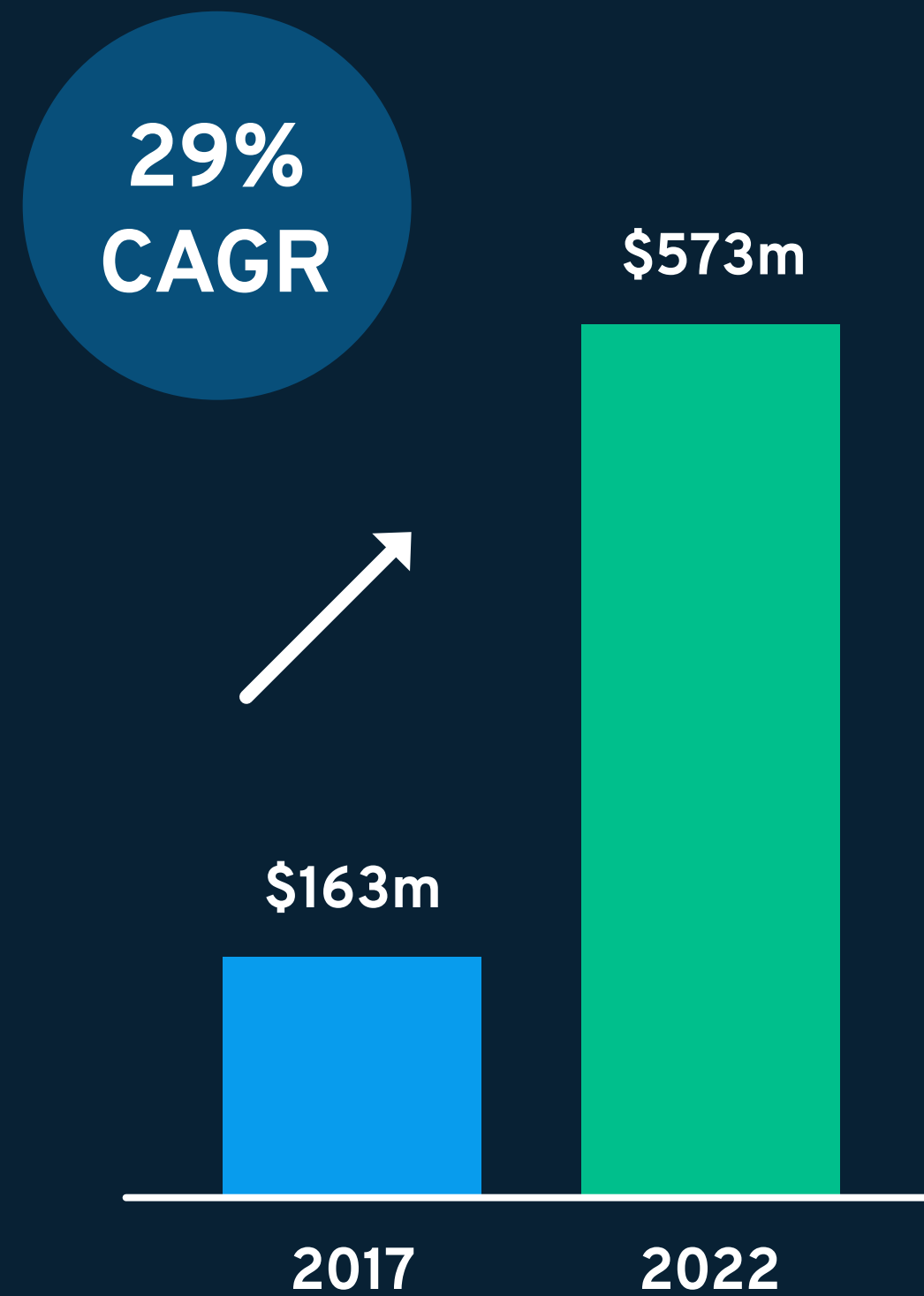


Cash flow generation

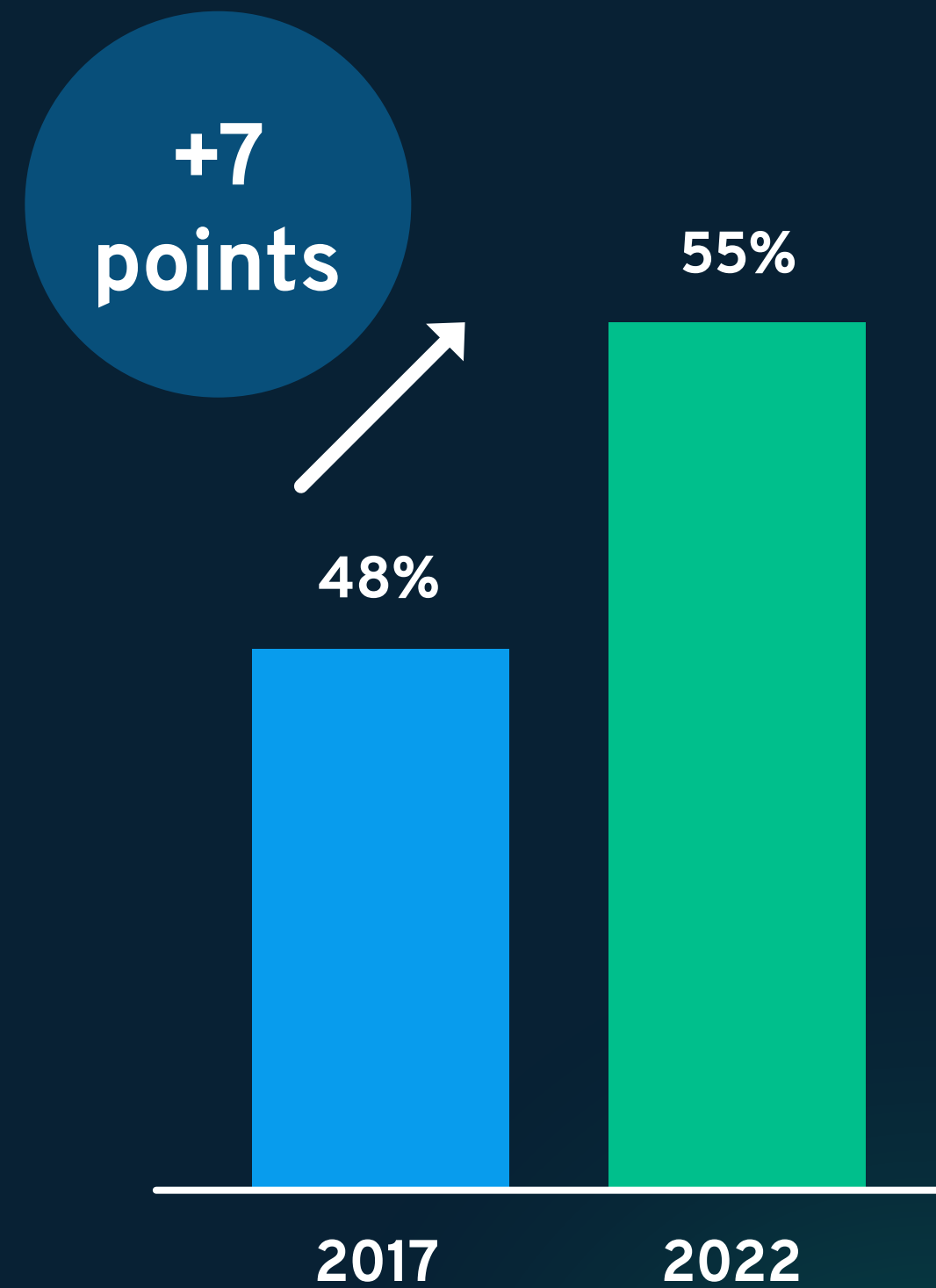
Longstanding
commitments guiding
our path forward

Strong growth over five years since IPO

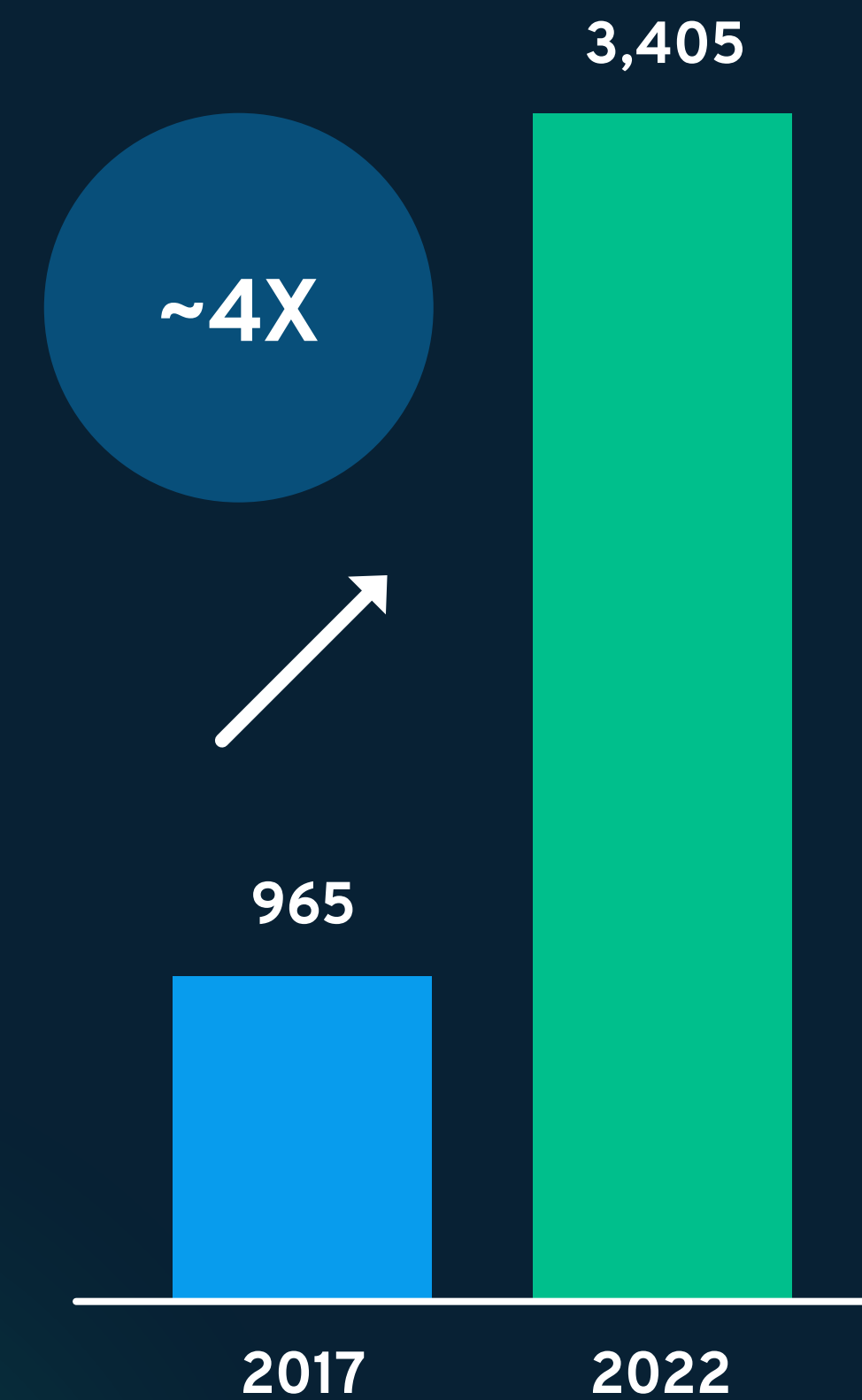
Revenue



Non-GAAP Gross Margin



Customer Count



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

PROFITABLE
GROWTH

Full year 2023 outlook

Macroeconomic considerations

Expected strong customer retention

Lower cyclical campaign messaging

Capturing operating leverage

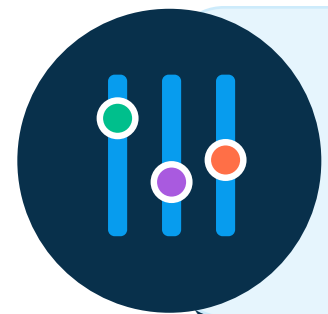
	Full Year 2023 Guidance
Revenue	\$576m-\$584m
y/y growth (adjusted for campaign messaging)	8%
Adjusted EBITDA	\$43m-\$47m
y/y growth	30%

Business model expected to drive increased profitability

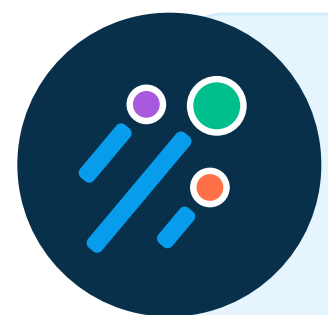
Guiding principles



Profitable growth



Operating leverage



Cash flow generation

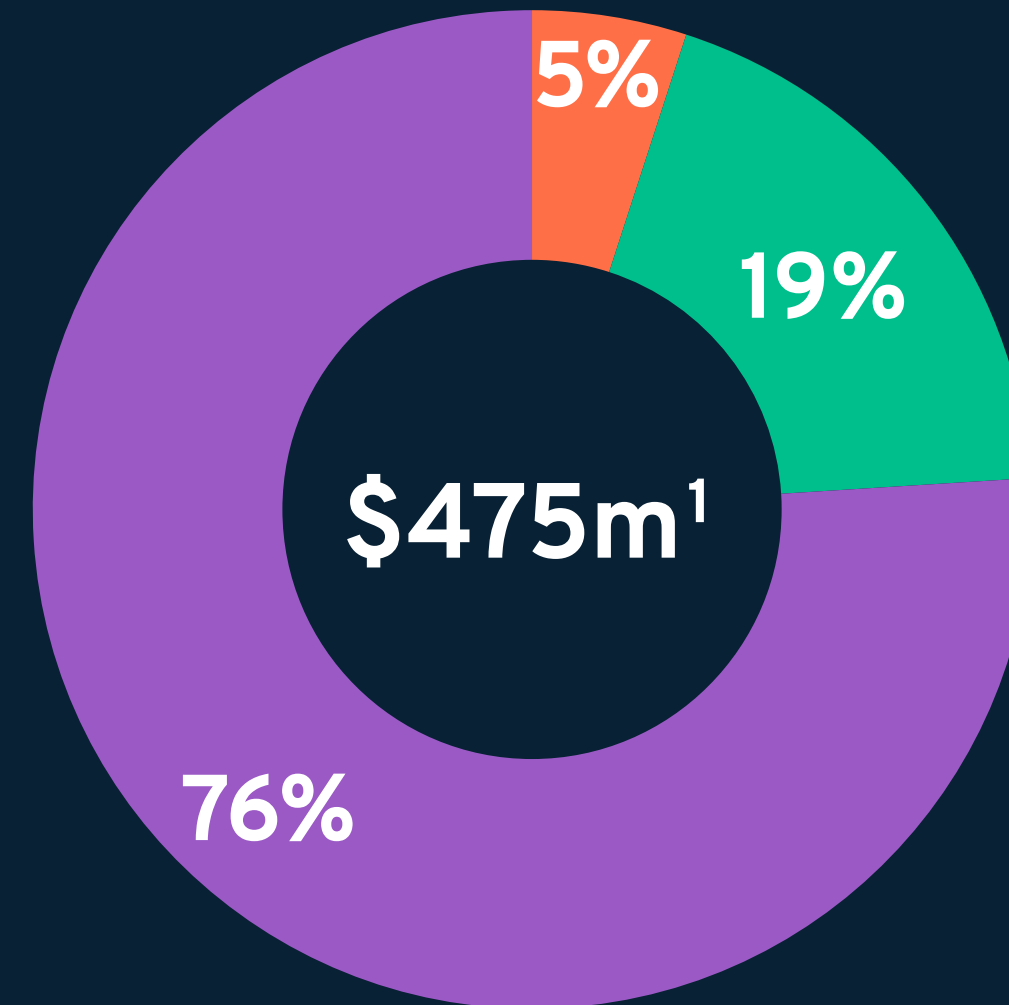
	Medium-term Target ^{1,2}
Revenue CAGR	15%-20%
Non-GAAP Gross Margin	>60%
Adjusted EBITDA Margin	>20%
Free Cash Flow Margin	>15%

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

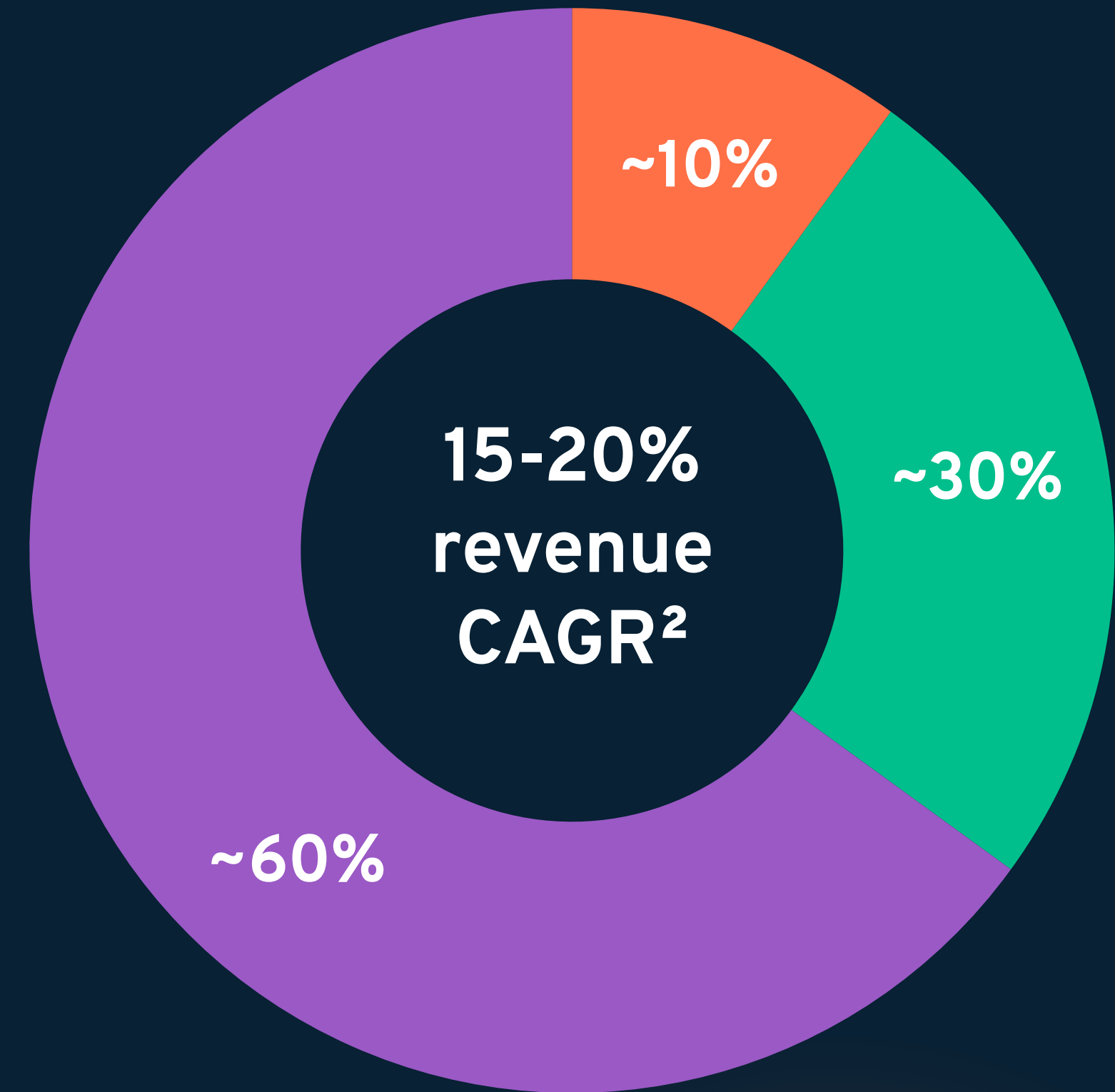
²The Company has not reconciled its long-term goals for the non-GAAP measures of gross margin, adjusted EBITDA margin or free cash flow margin to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

Diversifying customer revenue expected to drive higher gross margin

Customer Category	Non-GAAP Gross Margin
Global comms plans	Corporate average
Programmable services	Above corporate average
Direct to enterprise solutions	Well above corporate average



2022



Medium-term Target

¹Revenue shown of \$475m in 2022 excludes revenue from pass through messaging surcharges of \$98m.

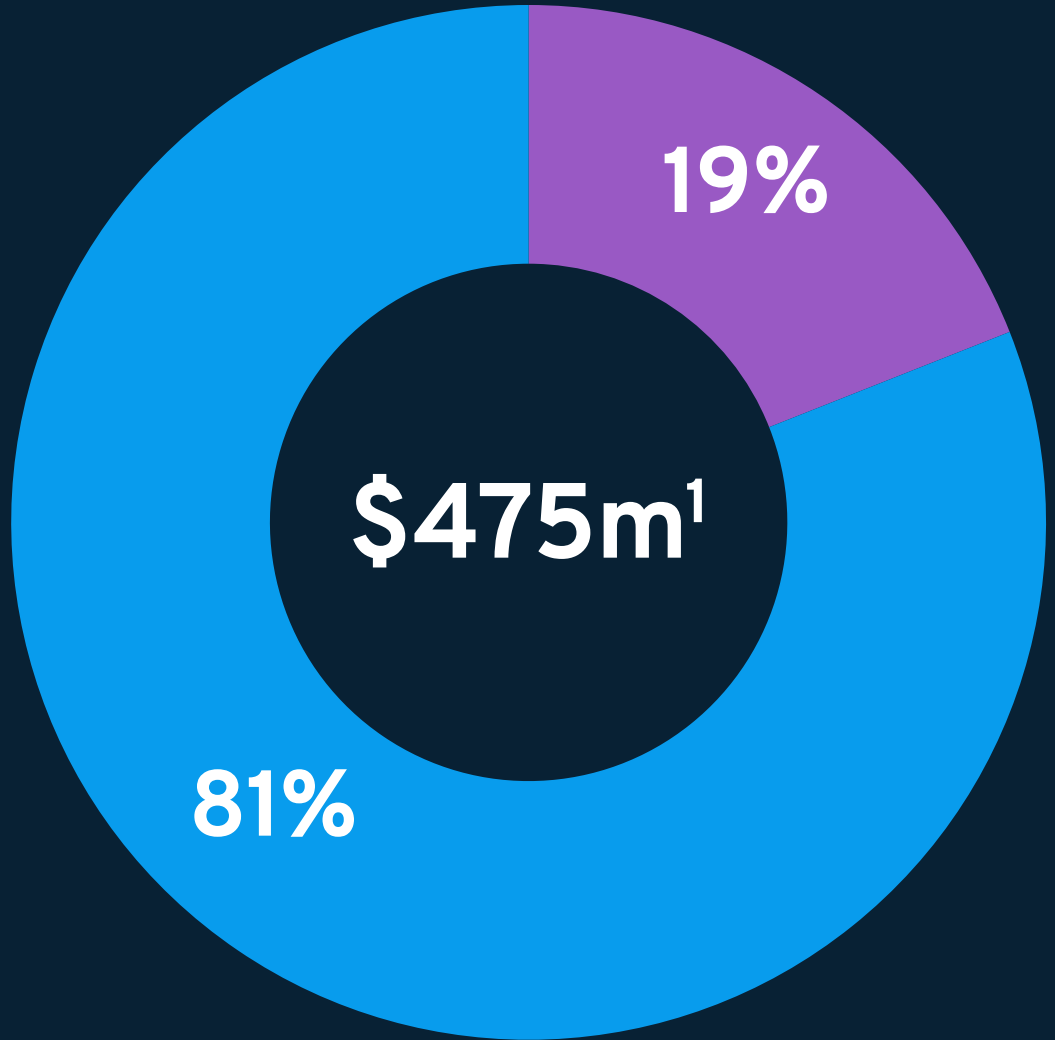
²15-20% revenue CAGR excludes revenue from pass through messaging surcharges.

Note: Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

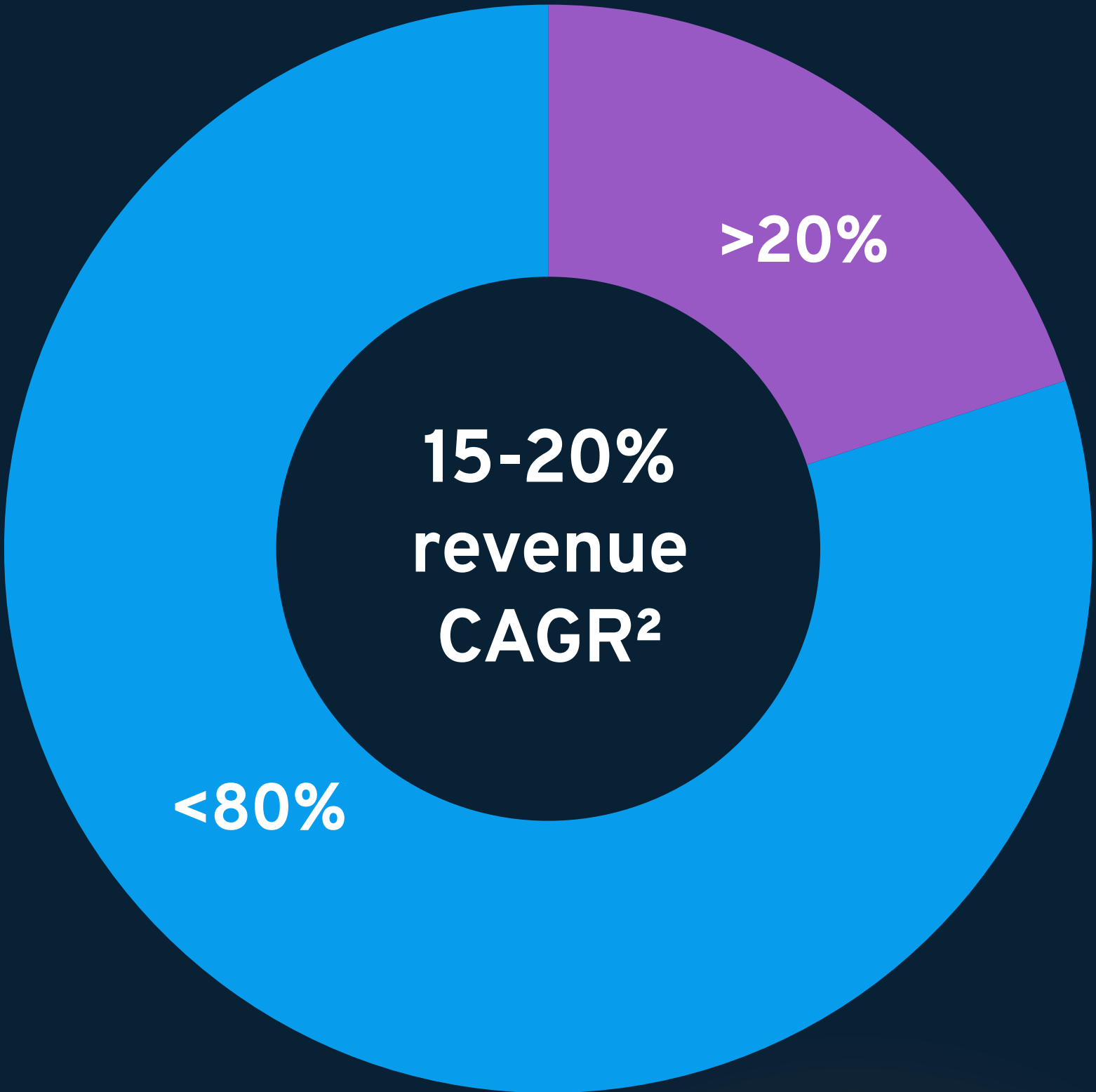
Diversifying global footprint expected to drive profitable growth

- North America
- Rest of the world

Global expansion expected to drive higher margin



2022



Medium-term Target

¹Revenue shown of \$475m in 2022 excludes revenue from pass through messaging surcharges of \$98m.
²15-20% revenue CAGR excludes revenue from pass through messaging surcharges.
Note: Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.



Gross margin expansion fueled by four value drivers



1

Scale and platform ownership

2

Product mix

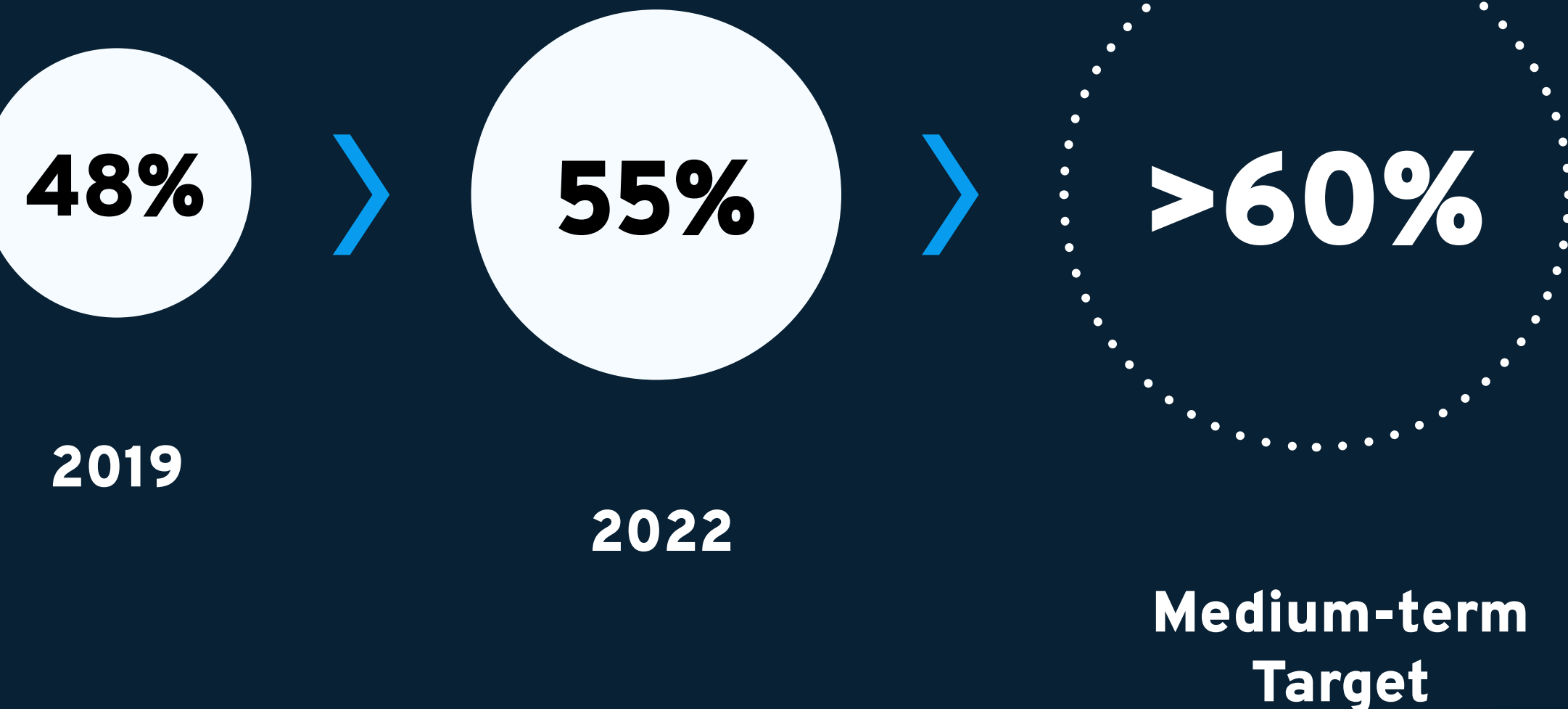
3

Global coverage

4

Operational efficiencies

NON-GAAP GROSS MARGIN



Note: Non-GAAP gross margin calculated by dividing non-GAAP gross profit by revenue less pass through messaging surcharges. See Appendix for GAAP to Non-GAAP reconciliation. Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

Improving operating expense leverage

Economies of scale

Prioritization

Efficiency

	Medium-term Target ^{1,2}
Sales and Marketing	14-15%
Research and Development	14-15%
General and Administrative	6-7%
Total Non-GAAP Operating Expenses	34-37%

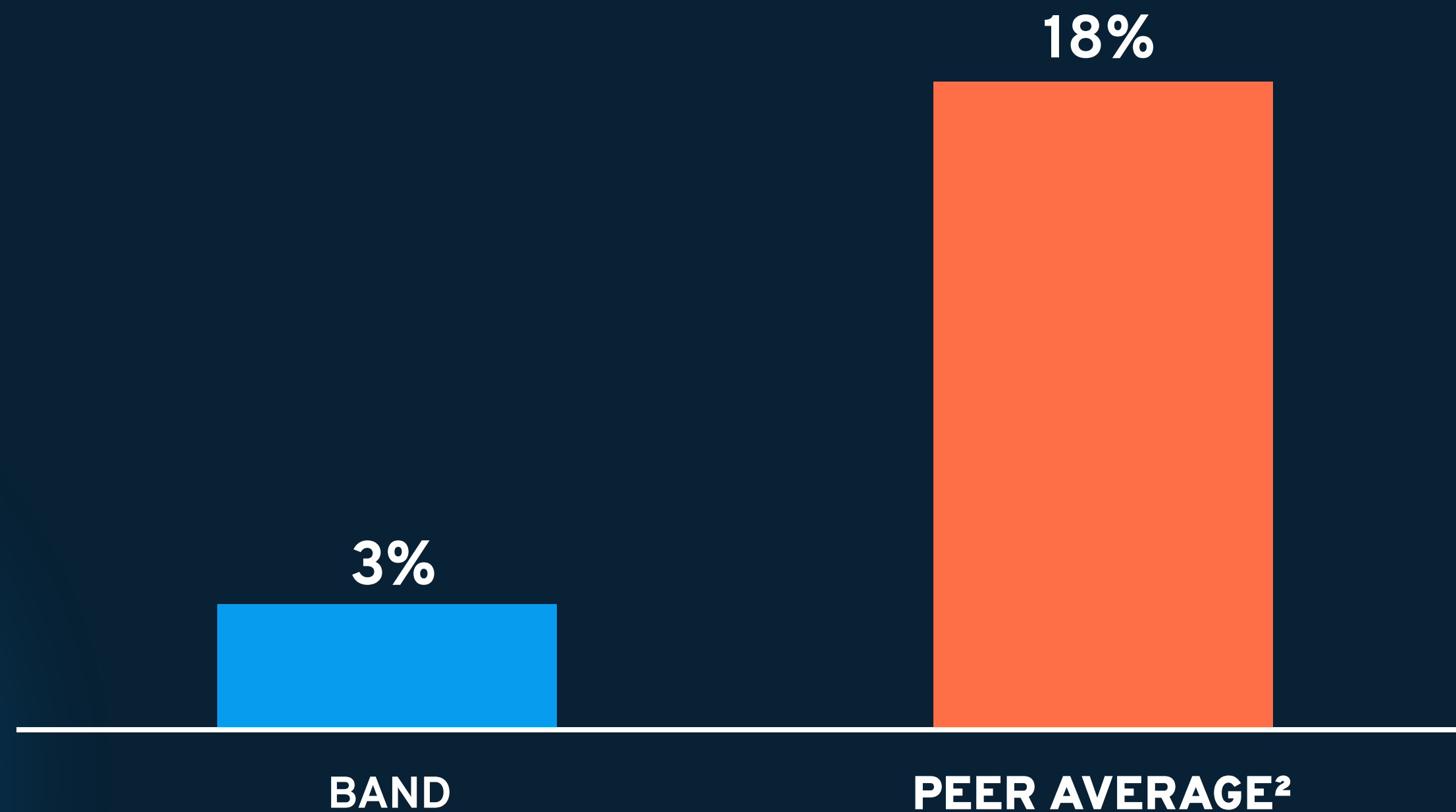
¹Operating expense ratios shown as a percent of total revenue.

²These are non-GAAP measures. The Company has not reconciled its long-term targets for non-GAAP Sales and Marketing, Research and Development, and General and Administrative to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

Note: Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

Stock-based compensation well-below communications average

Stock-based compensation expense as percent of revenue¹



Balancing talent attraction and retention with low dilution

¹Stock-based compensation expense and revenue represents TTM ended 9/30/22.
²Peer Average includes 8x8, Five9, Nice, RingCentral, and Twilio

Adjusted EBITDA produced from gross profit

- Non-GAAP Operating expenses
- EBITDA produced from gross profit

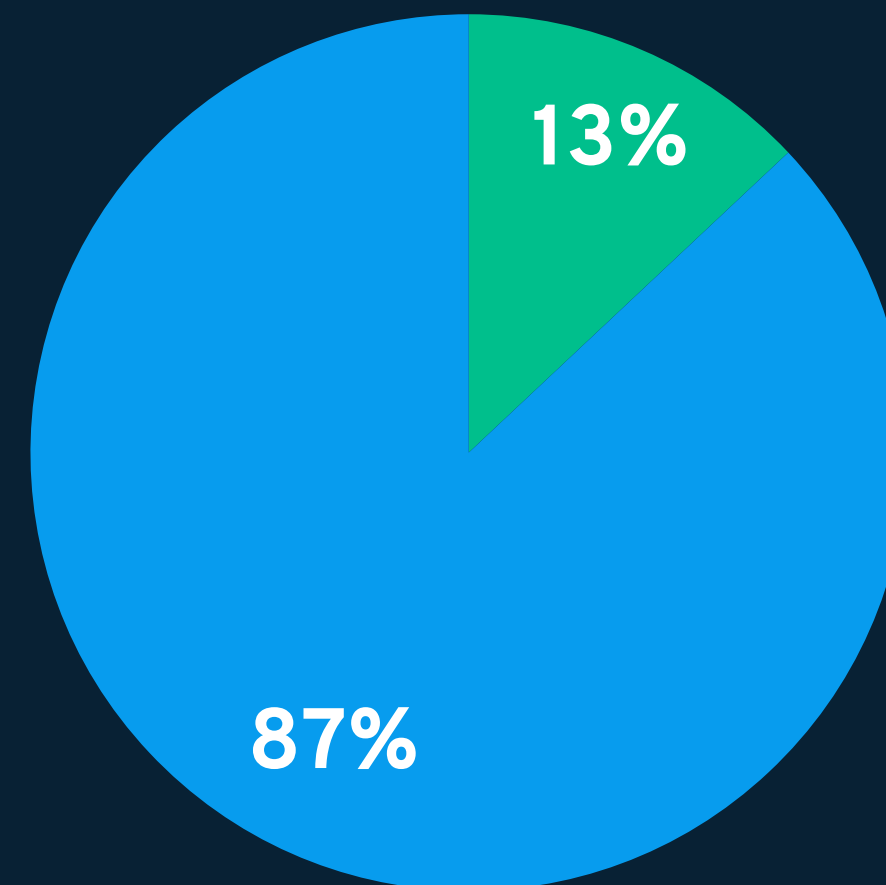
Medium-Term Targets

Revenue CAGR 15%-20%

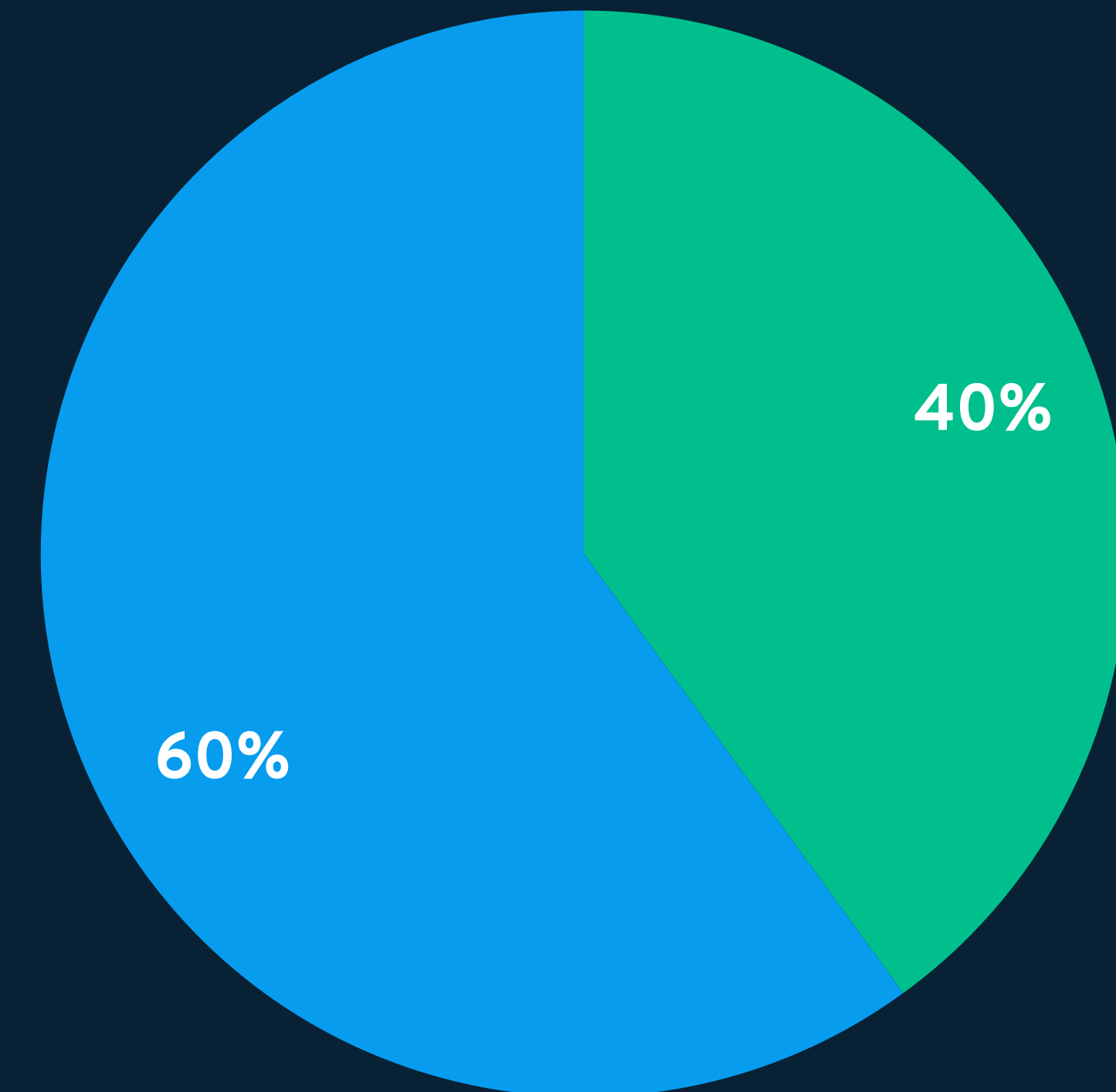
Non GAAP-Gross Margin >60%

Adjusted EBITDA Margin >20%

FCF Margin >15%



**2022 Non-GAAP
Gross Profit Dollars¹**



**Medium-Term Non-GAAP
Gross Profit Target²**

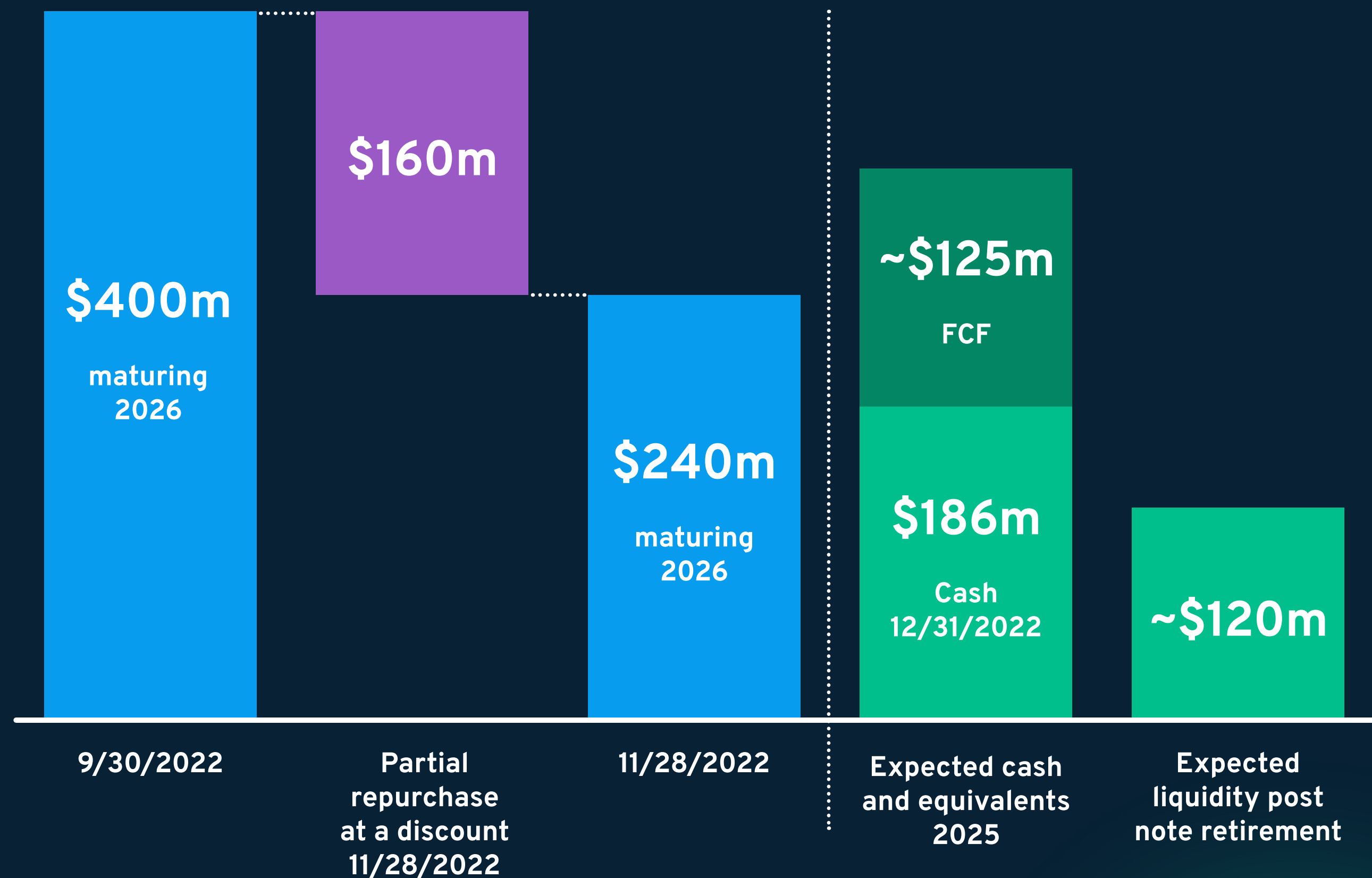
¹See appendix for GAAP to non-GAAP reconciliation.

²The Company has not reconciled its long-term targets for non-GAAP Gross Profit, Adjusted EBITDA, and Non-GAAP Operating Expenses, to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

Note: Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.




Well positioned to address outstanding debt

Ability to retire
2026 notes
with expected
cash-on-hand and
free cash flow



Note: Please refer to the forward-looking statements disclaimer on Slide 1 on this presentation.

Core operating principles expected to guide profitable growth through 2026

-  Profitable growth
-  Operating leverage
-  Cash flow generation

15-20%

REVENUE CAGR¹

>60%

NON-GAAP GROSS MARGIN



>20%

ADJUSTED EBITDA MARGIN

>15%

FCF MARGIN

¹2023-2026 revenue CAGR

Note: The Company has not reconciled its long-term targets for non-GAAP gross margin, Adjusted EBITDA and FCF margin, to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time. Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

Live Q&A

DAVID MORKEN

Co-Founder, Chairman, Chief Executive Officer

ANTHONY BARTOLO

Chief Operating Officer

DARYL RAIFORD

Chief Financial Officer

SARAH WALAS

Vice President, Investor Relations

THANK YOU

GAAP TO NON-GAAP RECONCILIATION - GROSS PROFIT

USD millions

	FY17	FY19	4Q22	FY22
Gross Profit	73.7	104.2	64.1	238.4
Gross Margin %	45%	45 %	41%	42%
Depreciation	4.3	6.6	3.5	13.6
Stock-based compensation	0.1	0.2	0.1	0.4
Amortization of acquired intangible assets	-	-	1.9	7.7
Non-GAAP Gross Profit	78.1	111.3	69.5	260.0
Non-GAAP Gross Margin %¹	48%	48%	56%	55%

¹Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$0 in FY17, \$1.3m in FY19, \$33.3m in 4Q22, and \$98.6m in 2022. Totals may not sum due to rounding.

GAAP TO NON-GAAP RECONCILIATION - NET INCOME

USD millions

	4Q22	FY22
Net income (Loss)	33.4	19.6
Stock-based compensation	5.6	20.7
Amortization of acquired intangibles	4.2	17.2
Amortization of debt discount and issuance costs for convertible debt	0.7	3.0
Acquisition-related expenses	-	-
Gain on sale of business	-	(3.8)
Net gain on extinguishment of debt	(40.2)	(40.2)
Non-recurring items not indicative of ongoing operations and other ¹	1.7	2.0
Estimated tax effects of adjustments	0.0	(3.4)
Non-GAAP net income	5.3	15.0
Interest expense on convertible notes ²	0.4	1.7
Numerator used to compute Non-GAAP diluted net income per share	5.8	16.7

¹Non-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 of losses on disposals of property, plant and equipment during the year ended December 31, 2022.

²Upon 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.

Note: Totals may not sum due to rounding.

GAAP TO NON-GAAP RECONCILIATION - NET INCOME (CONT.)

USD millions, except per share amounts

	4Q22	FY22
Net income (loss) per share		
Basic	1.32	0.77
Diluted	(0.16)	(0.48)
Non-GAAP net income (loss) per Non-GAAP share		
Basic	0.21	0.59
Diluted	0.19	0.54
Weighted average number of common shares outstanding		
Basic shares	25.3	25.3
Diluted shares	30.5	30.9
Non-GAAP basic shares	25.3	25.3
Convertible debt conversion	5.1	5.6
Stock options issued and outstanding	0.1	0.1
Nonvested RSUs outstanding	-	-
Non-GAAP diluted shares	30.5	31.0

Note: Totals may not sum due to rounding.

GAAP TO NON-GAAP RECONCILIATION - ADJUSTED EBITDA

USD millions

	4Q22	FY22
Net Income	33.4	19.6
Income tax provision (benefit)	(1.1)	(2.3)
Interest expense, net	0.2	3.0
Depreciation	4.6	18.4
Amortization	4.2	17.2
Acquisition-related expenses	-	-
Stock-based compensation	5.6	20.7
Gain on sale of business	-	(3.8)
Net gain on extinguishment of debt	(40.2)	(40.2)
Non-recurring items not indicative of ongoing operations and other ¹	1.7	2.0
Adjusted EBITDA	8.3	34.6

¹Non-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 of losses on disposals of property, plant and equipment during the year ended December 31, 2022.

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

Active Customer: 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.

Revenue by geography: Revenue is geographically apportioned based on the destination of the service provided. This allocation differs from our revenue disaggregated by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the billing addresses of our customers.