

Bandwidth Q2 2025 Earnings Prepared Remarks

Sarah Walas, VP of IR

Good morning, and welcome to Bandwidth's second quarter 2025 earnings call. I'm joined today by David Morken, our CEO and Daryl Raiford, our CFO. They will begin with prepared remarks, and then, we will open up the call for Q&A. Our earnings press release was issued earlier today. The press release and an earnings presentation with historical financial highlights and a reconciliation of GAAP to non-GAAP financial results can be found on the Investor Relations page at investors.bandwidth.com

During the call, we will make statements related to our business that may be considered forward-looking, including statements concerning our financial guidance for the third quarter and full-year 2025. We caution you not to put undue reliance on these forward-looking statements, as they may involve risks and uncertainties that could cause actual results to vary materially from any future results or outcomes expressed or implied by the forward-looking statements.

Any forward-looking statements made on this call and in the presentation slides reflect our analysis as of today, and we have no plans or obligation to update them. For a discussion of material risks and other important factors that could affect our actual results, please refer to those contained in our latest 10-K filing as updated by other SEC filings. With that let me turn the discussion over to David.

David Morken, CEO

Thank you, Sarah, and good morning everyone. Welcome to Bandwidth's second quarter 2025 earnings call.

We delivered a solid second quarter, demonstrating continued momentum and disciplined execution across the business. Revenue of \$180 million and adjusted EBITDA of \$22 million exceeded expectations. We gained good traction in customer acquisition and achieved continued improvement in operating metrics.

This quarter underscores a strong performance over the last 12 months, where we grew revenue 15 percent, EBITDA 36 percent, and free cash flow 26 percent. The demand for mission-critical enterprise communications is durable, and our platform is essential for companies transforming their customer experience with AI.

To our customers, thank you for your partnership. To our Bandmates, thank you for your incredible work and dedication. And I thank God for blessing our journey together.

OUR AI STRATEGY IN ACTION

The story of this quarter is the tangible progress of our AI strategy. Our investments in AI voice are now translating into customer adoption and laying the groundwork for a powerful new layer of revenue. We're seeing meaningful traction, including new, 1 million-dollar-plus, multi-year deals, as enterprises leverage the software-driven capabilities of Maestro and AIBridge within the Bandwidth Communications Cloud, allowing them to seamlessly integrate AI voice into their customer experience call flows. These platforms provide the essential APIs and orchestration tools for advanced deployment. This is particularly evident with our existing customers in the

financial services, healthcare, and hospitality verticals. We believe Bandwidth is the essential platform for the enterprise AI voice revolution. Whether a customer is using a standalone AI model or the tools embedded in their CCaaS platform, they rely on Bandwidth for the scale, reliability, and orchestration required to succeed.

Let me share how this is creating value today.

A longtime customer, one of the largest banks in the U.S., utilized our Maestro platform's robust software integrations to seamlessly incorporate a third-party conversational AI provider. This provided them with the programming flexibility to innovate across their multiple CCaaS systems, leveraging Maestro's agnostic orchestration layer. And combined with our network-level voice anomaly detection, the bank can deliver even more reliable, resilient, and intelligent customer experiences – across all their business lines.

The impact is clear: they can now test and deploy new AI-powered customer experiences with speed and confidence, all while maintaining control of their technology stack. This is a blueprint for how we will expand our business across our enterprise customer base.

Another large existing customer, a leader in digital banking, is using the native AI features within their Genesys contact center. In this scenario as well, Bandwidth is critical. The low latency, high call quality, and high availability of our Communications Cloud was essential. As their team told us directly, “Our AI story only works with Bandwidth.” This is powerful validation that the underlying communications cloud is the lynchpin for any successful AI voice strategy.

CONSUMPTION MULTIPLIER FROM AI VOICE

These examples highlight a fundamental shift that is expanding our economic engine. As we've said before, AI is not replacing voice – it's enriching it.

Each AI-powered call has the potential to drive significantly more usage of our cloud platform, largely due to the software-driven value-added services we layer on. With capabilities like Maestro's orchestration modules, integrated transcription, and our fraud detection software solutions, we see a path to potentially generating as much as 3 to 4 times the revenue of a standard voice call. This is a powerful consumption multiplier that expands our share of wallet and makes our platform stickier.

In regulated sectors like financial services, customers rely upon us for compliance and security as well as performance. As AI is further integrated into enterprise workflows, ensuring trust and transparency in voice applications is becoming as essential as uptime – and may also drive future revenue opportunities.

ENTERPRISE VOICE MOMENTUM

Every new enterprise win this quarter included our Maestro platform, underscoring its role as a core software differentiator. This isn't just an add-on; it's the programmable intelligence layer that drives higher revenue per customer and deeper integration, enabling sophisticated call routing and service orchestration that legacy systems cannot match. This AI-driven growth potential is built upon the strong foundation of our core voice business. This quarter, we continued to win high-value customers, reinforcing the strength of both our integrated direct and channel sales strategies.

Our direct sales team closed one of Tennessee's largest healthcare providers, serving millions of customers. They initially planned to split their traffic between two vendors but ultimately selected Bandwidth as their sole provider. Why? Because the resilience of our Call Assure solution was the only one that could meet their strict up-time requirements for essential Medicare and Medicaid services. When service cannot fail, enterprises choose Bandwidth.

We also won a leading insurance brokerage with more than 10,000 associates across 200 offices nationwide. They needed to migrate both their UC and contact center to the cloud – and chose Bandwidth after our proof-of-concept demonstrated not only the technical excellence of our support team but also the programmable power of Maestro's software to handle their sophisticated, multi-site call routing requirements. This win once again showcases our role as the go-to partner for complex cloud migrations in regulated industries.

Our channel partnerships are also becoming a powerful growth engine, delivering a record number of deals this quarter across a variety of industry verticals. A great example is our work with a top systems integrator, where we've built a successful playbook for migrating large enterprises from on-premises Cisco systems to the cloud.

Two of this partner's significant healthcare accounts were moving to Cisco Webex Contact Center. Both had a critical need for reliability – and each chose Bandwidth because we de-risk the entire migration. With proven uptime, automated porting, and total visibility through our dashboard, we gave them the confidence to move to the cloud without fear of disruption.

The message to the market is clear: For the thousands of enterprises that are still on-premises, Bandwidth is the fastest and most reliable path to the cloud.

LEANING INTO THE CLARITY OF OUR VOICE STRATEGY

To summarize, we are executing on a clear and focused strategy.

First, we continue to prioritize business execution – delivering solid financial results, exceeding our guidance, and demonstrating the efficiency of our business model.

Second, we are scaling our global enterprise business by winning larger customers with multi-year, higher margin engagements, who rely on us for their most mission-critical communications.

And third, we're accelerating our AI voice innovation, creating a powerful revenue multiplier and cementing our role as the essential platform for the future of the AI-powered customer experience.

Voice is the most durable and important channel for customer engagement, and with the rise of AI, it will be even more indispensable. We are uniquely positioned to lead this market, and we are confident in our ability to create significant long-term value for our shareholders.

Now, I'll turn it over to Daryl to discuss the financial results in more detail.

Daryl Raiford, CFO

Thank you, David and good morning, everyone.

We're pleased to report a solid second quarter, driven by accelerating momentum in our core voice offerings. This performance demonstrates the strength of Bandwidth's cloud communications platform, the effectiveness of our go to market strategy, and our ability to

scale efficiently. Our team's execution led to solid revenue performance with Adjusted EBITDA exceeding the high end of our guidance.

LOOKING AT OUR SECOND QUARTER 2025 RESULTS:

- Total revenue of \$180 million increased 9 percent year-over-year normalized for 2024 cyclical political campaign revenue of \$8 million.
- Included within that result, cloud communications revenue reached \$136 million, an 8 percent year-over-year increase on a normalized basis.
- Non-GAAP Gross profit of \$79 million marked an increase of 11 percent year-over-year, or 13 percent growth when normalized.
- Non-GAAP gross margin improved to 58 percent, a 2-percentage point increase year-over-year.
- Adjusted EBITDA grew by 17 percent year-over-year to \$22 million, driven by higher revenue and stronger margins.
- Free cash flow was \$26 million, representing 19 percent margin.

FOCUSING ON OUR THREE MARKET OFFERS:

- Enterprise Voice revenue grew 29 percent year-over-year, fueled by robust demand on our core platform—from both customers expanding usage and new customers migrating contact centers and employee communications to the cloud.
- Global Voice Plans, our largest customer category, grew revenue 7 percent year-over-year, which is our highest growth rate achieved since 2021, driven by channel

partnership traction, along with continued expansion from long-term customers and onboarding of new ones.

- Programmable Messaging likewise achieved a normalized 7 percent year-over-year growth.

MOVING TO OPERATING METRICS:

- Net retention rate for the first quarter was 112 percent.
- Customer name retention remained well above 99 percent.
- Average Annual Revenue per customer set another record at \$230,000, or a record \$216,000 when excluding political campaign revenue.

AFTER REACHING MID-YEAR:

We're encouraged by our strong performance with first half revenue growth in our core voice offerings exceeding expectations due to higher demand from existing customers and the addition of new ones. We also achieved record-high first half non-GAAP gross margins, EBITDA, and operating cash flows.

LOOKING AHEAD TO THE REMAINDER OF 2025:

Three months ago, we raised our full-year 2025 guidance, anticipating continued acceleration in the second half. Following solid second quarter results, and while monitoring the expected typical holiday season uptick, we remain confident in this second-half acceleration, which underpins our previously raised full-year guidance. We continue to project 10 percent organic revenue growth at the midpoint for the full year, and are once again increasing our full-year



EBITDA outlook to \$88 million at the midpoint. We believe this outlook for the second half is an achievable plan that keeps us firmly on track toward our strategic and financial goals.

IN SUMMARY:

We are pleased with our operating and financial performance in the first half. We're building on a foundation of strong execution, expanding customer value through AI-powered use cases, and leveraging our platform's scale and flexibility. As David remarked, we're executing with discipline, scaling our global enterprise presence, and accelerating AI voice innovation to place Bandwidth at the center of the AI-powered customer experience. This strategy positions us to deliver sustained revenue growth, continued margin expansion, and robust cash generation.

With that, I'll now turn the call over to the Operator for the question-and-answer portion of today's call.