Bandwidth Q3 2025 Earnings Prepared Remarks

Sarah Walas, VP of IR

Good morning, and welcome to Bandwidth's third 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 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. Thank you for joining us.

Bandwidth delivered another solid quarter of execution, with outperformance in revenue and profitability that extended our momentum from the first half. We again saw accelerating growth in our core voice business, driven by broad-based demand across our Global Voice Plans and

Enterprise market offers, as real-world AI voice usage continued to grow. And we closed more million-dollar-plus deals in the third quarter, bringing us to a record pace year-to-date as the largest Global 2000 enterprises increasingly choose Bandwidth. To our customers: thank you for placing your trust in us for your most essential communications. To our Bandmates, thank you for the talent, energy, and commitment you bring to our customers' success. And I thank God for the blessings and purpose that continue to guide our work.

Our third quarter performance strengthens the foundation for continued growth, fueled by large customer wins, conversational AI adoption, and disciplined execution. At the same time, we're evolving our business model toward a higher mix of recurring, software-driven revenue – adding intelligent automation and value-added services that customers love.

We're seeing especially strong traction in financial services and healthcare, where performance and trust matter most in mission-critical communications. An example of how much Bandwidth is valued is the "Technology Disruptor" award we won from Ally Financial, which recognized our key role in transforming their customer experience. It was especially meaningful to be honored by Ally, which is one of the original disruptors in digital banking.

REVERB25: INNOVATION IN ACTION

The story of this quarter is innovation - powering our growth, strengthening our customer relationships, and moving AI voice from potential to production.

At Reverb25, our award-winning annual product and customer showcase, we announced the next chapter of Bandwidth's AI and software strategy to make cloud communications more intelligent, more automated, and more trusted. It was part of an entire "Reverb Week" of customer roundtables, market offer deep dives, and hands-on sessions – attended live by more than 100 customers and partners, along with nearly 3000 online. Customer feedback was overwhelmingly positive, as they saw how our product roadmap connected directly to their priorities and real-world use cases.

Last year at Reverb, we talked about the promise of AI. This year, we're delivering it. Let me give you some highlights.

BANDWIDTH AI: FREEDOM TO INTEGRATE CONVERSATIONAL AI

We shared our vision to be the most open and flexible provider for enterprises to integrate conversational AI into cloud communications – through four key paths:

- Native AI within CCaaS platforms,
- Pre-built partner integrations,
- Bring Your Own AI with third-party apps,
- And public APIs like OpenAI's Realtime interface.

Whatever path customers choose, our new MCP server empowers AI voice agents to control Bandwidth APIs in real time using natural language – enabling actions like searching phone numbers, sending texts, or triggering other actions mid-conversation – no custom code required.

This open, freedom of choice strategy gives customers the power to innovate on their terms and keep control over their tech stack, without sacrificing optionality or scalability. It also reinforces our role as a platform partner that supports the full lifecycle of customer engagement. By building on Bandwidth, enterprises can move faster now – and de-risk changes in the future. In short, we are strongly positioned to be the provider of choice for conversational AI deployment, no matter what path our customers choose.

This strategy is already translating into meaningful deployments. For example, a longtime Bandwidth customer in digital commerce, serving tens of millions of small business customers, expanded their partnership with us for their new, AI-powered voice ordering system for food venues nationwide. The service answers 100 percent of incoming calls with natural, conversational AI – and is sophisticated enough to allow customers to place complex orders by phone just as they would with a staff member. This is large-scale AI voice in production today, made possible by our Maestro software and AI-optimized edge infrastructure enabling enterprises to integrate AI voice on their terms.

AI RECEPTIONIST DELIVERS A PROFESSIONAL, ALWAYS-ON EXPERIENCE

At Reverb we also did a live demo of the prototype for our AI Receptionist – an automated front door for any business. It uses conversational AI to handle most calls without human intervention, answer questions in detail, and route inquiries efficiently. For small businesses, sold through our resellers, it can deliver a professional, always-on customer experience at scale. For large enterprises, it could serve as a modern IVR replacement, streamlining call handling and improving operational efficiency.

AI Receptionist processes calls natively within our Communications Cloud to ensure natural, human-like conversations and protection of customer data. Our team built the AI Receptionist to showcase our ability to develop intelligent voice solutions that unlock new opportunities for recurring, scalable software revenue over time. We also see it as a potential extension of our Maestro software platform.

AI ACTIVATION AGENT AUTOMATES COMPLEX BACK-OFFICE OPERATIONS

We're also applying AI to simplify our customers' back-office workflows. At Reverb, we introduced our first AI Agent – the Bandwidth Activation Agent – to automate complex number activation through a guided, compliance-aware chat interface. Designed for customers managing high-volume, multi-country deployments, it reduces operational workload and accelerates time to value. We'll continue expanding its capabilities to help customers operate more efficiently, reduce support tickets, and scale faster. It's another step toward embedding automation into the core of our cloud platform – improving customer experience while lowering our cost to serve.

EXPANDED TRUST SERVICES PORTFOLIO PROTECTS CALL ANSWER RATES

As we expand AI-driven intelligence and automation, we're also strengthening the foundation every customer interaction depends on: Trust. At Reverb, we announced an expanded Trust Services portfolio with new capabilities for our Number Reputation Management solution. Originally launched as an Enterprise offering, we've now expanded NRM to serve our Global

Voice Plans customers as well. This reflects growing interest from the power platforms we serve across the UCaaS and CCaaS landscape.

NRM addresses an urgent customer challenge to protect call answer rates in an era of spoofing and fraud. If end-users don't trust who's calling, they don't answer – leading to lost revenue and missed critical calls, like medical test results or service notifications.

Because we own the network layer, Bandwidth can embed trust directly into our cloud platform – authenticating identity, managing number reputation, and controlling how brands appear on mobile devices. The result is higher connection rates, stronger engagement, and greater platform usage as we elevate outbound phone calling as an essential and high-performing channel for enterprise communication.

Number Reputation Management was the deciding factor for a leading transportation and logistics provider. They chose Bandwidth to modernize their communications stack, consolidated 161 call paths to 10, and installed Number Reputation Management to resolve "spam likely" flags that were negatively impacting answer rates with carriers and distributors. Our Trust Services software portfolio was a key lever for this win, and we expect it to deliver a significant competitive advantage going forward.

RCS FOR BUSINESS PARTNERSHIP TO LAUNCH NEW BRAND EXPERIENCES

Finally, we advanced our vision for next-generation messaging through a new RCS for Business partnership with Out There Media, which we announced at Reverb25. Based in Europe and trusted by global brands like Coca-Cola, Unilever, Disney, and Netflix, Out There Media chose Bandwidth as the sole provider to launch its RCS portfolio in the United States. It's a strong validation of our platform's deliverability and scalability as we partner to launch a new wave of exciting, mobile-first brand experiences from some of the world's most recognized companies.

Trust and scalability continue to resonate with enterprises that depend on both messaging and voice – and this quarter brought another powerful example of Bandwidth as their unified

platform for mission-critical communications. A leading property-management software company chose Bandwidth as their primary voice and messaging provider for a cloud contact center migration. Using Genesys with our Bring Your Own Carrier model, they ported more than 300,000 toll-free and local numbers from multiple legacy carriers, and unified programmable voice and text messaging on the Bandwidth platform. They also activated our built-in transcription and call recording APIs for compliance. It's a textbook Bandwidth win, showing how we can consolidate providers and deliver total communications transformation as a trusted partner.

While many of our Reverb announcements scale over coming quarters, Global 2000 enterprises are choosing Bandwidth today for reliability, flexibility, scalability, and AI voice. Let me walk through a few highlights.

A financial services firm responsible for nearly $2 trillion in client assets chose Bandwidth to move their legacy on-premises call center to the cloud. Their need to run both environments simultaneously during the migration is proof of our Maestro software's strength in orchestrating complex, compliance-driven contact center call flows.

In another financial services win, a credit union serving employees of a U.S. government space administration selected Bandwidth for a comprehensive communications upgrade – integrating Microsoft Teams Operator Connect for employee communications, and Five9 with Pindrop for a new cloud contact center build. Our Maestro software's ability to support the customer's chosen multi-vendor environment across UCaaS, CCaaS, and fraud prevention – without being locked in – was the key differentiator. It's our freedom-of-choice strategy in action.

ANOTHER QUARTER OF EXECUTION, INNOVATION, AND PROFITABLE GROWTH

In summary, this quarter combined three powerful drivers of our business: disciplined execution, continuous innovation, and deep customer trust in our mission-critical communications platform.
- We delivered another quarter of solid growth and profitability,

- We showcased at Reverb how Bandwidth is shaping the future of trusted, intelligent communications enabled by AI,
- And we expanded customer adoption, with more multi-solution deployments and a record number of million-dollar wins.

These are all clear demonstrations of solid momentum and durable growth – powered by a trusted platform our customers rely upon, and a team committed to delivering long-term value.

Across AI Voice, Trust, and Messaging, our focus is the same: to evolve Bandwidth toward a higher mix of software-driven revenue that broadens market differentiation and deepens customer loyalty, while expanding margin performance.

We're building toward a future where every enterprise interaction is more than a transaction – it's a conversation that is trusted, intelligent, secure, and AI-optimized.

Now, I'll turn it over to Daryl to detail our financial results.

Daryl Raiford, CFO

Thank you, David and good morning, everyone.

Building on our solid performance in the first half of the year, Bandwidth delivered another good quarter, highlighted by further accelerating momentum in Voice. Profitability remains central to our strategy, and this quarter's results reflect that discipline — with both revenue and Adjusted EBITDA exceeding the high end of our guidance ranges.

LET ME NOW WALK YOU THROUGH OUR THIRD QUARTER 2025 RESULTS:

- Total revenue of $192 million increased 11 percent year-over-year normalized for third quarter 2024 cyclical political campaign revenue.
- Included within that result, cloud communications revenue reached $142 million, an 8 percent year-over-year increase on a normalized basis.

- Non-GAAP gross margin remained strong at 58 percent. We are really pleased with that result, as we had expected, and did experience, third quarter cross currents, namely, the tougher comparison to last year's quarter given the absent benefit of political campaign messaging, completely overcome by the growing contribution from software and services revenue. That growing contribution is accelerating – and has long term staying power, positioning us for continuing margin expansion over the next year.
- Adjusted EBITDA was $24 million, exceeding our expectations due to a combination of higher revenue and lower spending from timing of cloud expansion operating expenses.
- We generated $13 million of free cash flow in the quarter, modestly below last year, driven by normal timing of working capital and capital investments for cloud expansion. Our trailing twelve-month free cash flow grew 35 percent year-over-year, underscoring the durability of our cash generation.

FOCUSING ON OUR THREE MARKET OFFERS:

- Enterprise Voice revenue increased 22 percent year-over-year, reflecting strong adoption among existing customers expanding through Maestro software integrations and AI voice initiatives, along with contributions from new customers ramping on our Bandwidth cloud.
- Global Voice Plans, our largest customer category, grew revenue 7 percent year-over-year, more than doubling the growth rate from last year.
- It's worth noting that the combined voice growth of our Enterprise Voice and Global Voice Plans was 9 percent year-over-year, an acceleration from last year, driven in part by expanding software revenue.
- Programmable Messaging achieved a normalized 6 percent year-over-year growth, in line with our expectations.

MOVING TO OPERATING METRICS:

- Net retention rate for the third quarter was 105 percent, and 107 percent when excluding the benefit from political campaign revenue in 2024.
- Customer name retention remained well above 99 percent.

- Average Annual Revenue per customer set another record at $231,000, or $224,000, when excluding political campaign revenue in the twelve month period. Over the last 3 years, Average Annual Revenue per customer has grown 46 percent.

Reflecting on the quarter performance, both our operating and financial results again demonstrate the strength, resilience, and long-term value of our business model. AI is NOT a standalone product for Bandwidth — it's integrated throughout our cloud and embedded in the services our customers use every day. You see its influence in our revenue growth, our gross margin expansion, and in the continued durability of our cash generation. AI is everywhere, and is a central theme in every customer discussion. We are creating a synergistic effect. At times we are leading our customers to AI with our advanced offerings, and at other times we are supporting our customers as they rapidly deploy their AI initiatives. We believe this is just the beginning of how AI is accelerating innovation and creating new sources of value. Value that we believe will continue to set us apart in 2026 and beyond.

LOOKING AHEAD TO THE REMAINDER OF 2025:

For full year revenue guidance, we are tightening the range, with the midpoint yielding 10 percent organic revenue growth year-over-year. This is due to moderated expectations for messaging surcharge growth and increased expectations for voice growth. As a result, we've increased our full-year Cloud Communications revenue growth to 8 percent organically year-over-year. And for the third time this year, we are raising our full-year Adjusted EBITDA outlook, now reaching $91 million at the midpoint, reflecting our third-quarter overperformance – and strong execution and financial discipline. We now expect the updated EBITDA outlook of $91 million to represent about $1.30 Non-GAAP Earnings Per Share.

IN CLOSING:

We believe the growing momentum in Voice AI, our increasing software revenue, strong customer focus and our sharp business execution position us for a solid fourth quarter and start to the new year. Looking ahead to 2026, we anticipate continued momentum within our Global Voice Plans and Enterprise Voice customers, as well as another robust political campaign messaging season to drive us toward our 2026 medium-term financial targets.