Bandwidth Q2 2026 Earnings Prepared Remarks

Nils Erdmann, SVP of IR

Good morning, and welcome to Bandwidth's second quarter 2026 earnings conference call. I'm joined today by David Morken, Chief Executive Officer, and Daryl Raiford, Chief Financial Officer. We will begin with prepared remarks and then open up the call for Q&A.

During this call, we will make forward-looking statements, including statements related to our future financial performance, expectations regarding the growth of our business, our outlook for the third quarter and full-year 2026, and other indications of future opportunities. These forward-looking statements are subject to certain risks, uncertainties and assumptions, and actual results may differ materially. These forward-looking statements represent our beliefs and assumptions only as of today, and we undertake no obligation to revise or update any statements to reflect changes that occur after this call.

Further information on factors and other risks that could cause actual results to differ materially from those forward-looking statements is included in our reports filed with the SEC, including our most recent Form 10-K and our forthcoming Form 10-Q, and in our second quarter earnings press release and earnings presentation that were issued this morning.

During the call, we refer to certain metrics, including non-GAAP financial measures. Definitions of these non-GAAP metrics and other operating metrics as well as reconciliations with the most comparable historical GAAP measures are available in our earnings press release and our earnings presentation, both of which can be found on the Investor Relations page of our website at investors.bandwidth.com. With that, I will now turn the discussion over to David.

David Morken, CEO

Thank you, and welcome everyone.

We are pleased to report outstanding second quarter results, with revenue and profitability exceeding expectations. Based upon our performance, we are raising our full year financial outlook.

AI is changing how enterprises buy communications infrastructure, shifting the decision toward providers that can support mission-critical AI interactions. AI and AI voice agents are driving customers to highly value our services that provide trust, compliance and global performance.

This is creating numerous strategic opportunities for Bandwidth. We're capitalizing on this shift to secure larger customer wins across a wide range of AI-native companies, Global 2000 enterprises, hyperscalers, and software platforms. And we're innovating to strengthen our competitive position, growing faster, and creating durable, long-term shareholder value.

In the second quarter, these themes yielded revenue growth of 22 percent, EBITDA growth of 27 percent, and five new million-dollar-plus customer wins and expansions. Additionally, we strengthened our balance sheet with a convertible notes offering in June. This offering reduces our financing costs, retires the large bulk of our 2028 maturity, and reinforces our capacity to invest profitably in AI voice infrastructure.

Daryl will walk through all the details shortly.

I'd like to thank our customers for trusting Bandwidth with their most important customer interactions. I'd also like to thank our Bandmates, whose passion for innovation and serving customers continues to set us apart. And I thank God for the opportunity to serve alongside such an exceptional team.

AI Adoption Is Reshaping Customer Buying Behavior

A year ago, AI came up in only a fraction of our customer conversations. Today, it leads nearly every time. Whether we're talking with AI-native startups, global enterprises, or hyperscalers, they're increasingly reaching the same conclusion: AI is only as good as the communications platform it runs on. That means customer buying decisions are now driven by a partner's ability to consistently deliver the trusted, compliant, high-performance communications foundation that production AI demands.

We're seeing that shift play out across every category of our business.

Fast-growing AI voice platform selects Bandwidth for infrastructure performance

A great example is one of the fastest-growing AI-native voice agent developers, which we signed in the second quarter.

As the company scaled, they quickly outgrew the provider they used to initially build their business. To serve larger enterprises, they needed the higher quality voice infrastructure, global reach, regulatory compliance, and higher control, observability and auditability that Bandwidth provides.

This win demonstrates something we're seeing across this space. Many AI-native companies began with speed and experimentation. As they mature into enterprise platforms, we see them needing high-performing, trusted communications infrastructure that can support production workloads around the world.

That's exactly where Bandwidth is uniquely positioned – and where our business model creates more value. As agentic voice adds more legs to every interaction, each of those legs becomes a new source of usage on our platform — sentiment analysis, transcription, translation, and orchestration between systems.

Bandwidth Build enables voice agents to launch services in minutes

We're also making it easier for these next-generation AI companies to build on our platform.

In June, we introduced Bandwidth Build, enabling authenticated AI agents to autonomously provision and launch communications services on our network. We're already seeing early sign-ups generating real traffic. As AI voice agents proliferate, we're ensuring Bandwidth is easy to discover, authenticate with, integrate, and deploy.

Every major frontier AI lab is racing toward the same conclusion – that the primary way people will engage with AI is through speaking and listening. This is a conclusion being heard by our customers around the world. They require the same carrier-grade, regulated global voice network we've spent two decades building. And it's why we're already integrating leading voice agents into Maestro, so our customers can deploy them faster and with more control over their voice AI tech stack. And there are elements of that voice AI tech stack infrastructure which belong closer to the end user in our global network, in order to perform faster, better, and more cost effectively.

Enterprise modernization continues to drive $1 million+ deals

We're seeing those same AI-driven requirements translate into larger opportunities with Global 2000 enterprises as they modernize customer engagement for the next generation of AI-enabled experiences.

That trend continued in the second quarter with five new one-million-dollar-plus customer wins and expansions -- 100 percent of which included Maestro or AI services.

A great example is a growing healthcare system operating dozens of hospitals and 400 clinics across five states in the Midwest. This million-dollar plus opportunity came through one of our channel partners as the customer needed to modernize their complex legacy environment for the cloud. They selected Bandwidth's Communications Cloud and

Maestro™ orchestration platform for our native Webex Calling integration, automated migration capabilities that reduce porting times from weeks to days, and centralized operational control. This modernization with Bandwidth creates a foundation for the customer's planned cloud contact center adoption and future AI-enabled communications.

Another new million-dollar-plus customer is a leading European appliance care and warranty provider that selected Bandwidth to modernize its customer engagement platform.

Operating across multiple European markets left the customer with a fragmented communications environment across different incumbent carriers and regulatory requirements in each country. The customer simplified that complexity by consolidating onto a single trusted communications partner.

Bandwidth's global Communications Cloud, combined with our native Genesys Cloud BYOC integration, enables the customer to improve performance, simplify operations, and increase control across its European communications environment. As the customer expands its use of AI within Genesys Cloud, it will do so on our trusted, carrier-grade infrastructure required to deliver those experiences at scale.

Existing customers deepen strategic partnerships

In addition to these new logos, here are three million-dollar-plus examples of existing customers deepening their strategic partnerships with Bandwidth.

A global electronic brokerage serving investors in more than 200 countries expanded a multi-year messaging relationship into global voice, replacing regional carriers across its highly regulated markets with one global partner in Bandwidth.

And one of our longest-standing hyperscaler partners significantly expanded our role supporting a key digital service internationally – which is continued proof that as these partners scale their AI and cloud platforms, they scale on Bandwidth.

We also saw this pattern in messaging, with a million-dollar-plus existing customer expansion by one of the largest text messaging platforms in the U.S., serving approximately 2,500 brands.

This customer had been managing traffic across six different vendors. As their business scaled, they needed more capacity, better deliverability, and stronger digital campaign management.

Consolidating with Bandwidth, they've moved over 95 percent of their messaging volume onto our platform. We now support their business across all key channels, and expect to add RCS as they evaluate a 2027 launch.

This is a strong example of how our messaging business continues to win when customers need scale, deliverability, and operational discipline – not just volume.

Salesforce partnership momentum grows

We announced in March that Salesforce selected Bandwidth as its exclusive critical infrastructure partner for voice and messaging within Agentforce Contact Center.

Salesforce has publicly discussed customer momentum following the March launch, including wins across both mid-sized organizations and growing interest from large enterprises. We're encouraged by what we're seeing and pleased to have already begun supporting the opportunities Salesforce is bringing to market. It's exciting to see the first traffic flowing across our platform and we expect revenue to begin growing as customer deployments scale.

This is a relationship we believe in deeply. Salesforce's own vision is that every customer call should become a conference call – with a human, an AI agent, and the full context of that customer relationship on the line together. We share that vision, and we built Maestro on top of our global network to make it possible. We're embedded in Salesforce's governed workflows today, with the control, observability, and integration depth their platform requires.

Broadening our portfolio to drive long-term growth

Over the last 18 months, we have been accelerating innovation behind the opportunities we believe will create the greatest value proposition for our customers. That decision reflects our confidence that we've just begun one of the most significant technology shifts in history. We are already seeing these investments pay off: the upgrades to our owned-and-operated network have contributed to the gross-margin and Adjusted EBITDA expansion we reported this quarter, giving us confidence that continued investment is self-reinforcing.

Our innovation investments are broadening our portfolio in four key areas.

- First, we're extending our global Communications Cloud's network footprint, regulatory coverage, and capacity into additional strategic markets where our Global 2000 customers are growing. This positions us to support our customers wherever they choose to do business.
- Second, we're expanding Maestro and have launched Bandwidth Build to give enterprises even more integration choices and flexibility in how they deploy, orchestrate, and manage AI-powered communications across their technology environments.
- Third, we're continuing to broaden our trust portfolio with capabilities that help enterprises improve answer rates, strengthen customer trust, mitigate fraud, and protect their brands at a time when trust and security have never been more important. We're also protecting new IP in this area, with a patent awarded for AI

voicebot authentication this quarter, which reinforces the defensibility of the platform we're building.

- And finally, we're investing in our global infrastructure at the edge and data center level to power even more secure, compliant, high-performance AI-driven communications.

In total, investments like these examples with rapid returns are designed to widen our competitive moat, increase the value we deliver to customers, and strengthen our ability to create durable growth and shareholder value.

Bandwidth's momentum is strong

As we progress into the second half of 2026, our momentum is strong. We see Voice AI adoption driving enterprise modernization and larger platform wins, and we expect those wins to translate into stronger owner economics, growing software services attachment, and continued expansion of profitability and cash generation.

The examples we shared today span AI-native startups, Global 2000 enterprises, messaging and software platforms, and hyperscalers. Different customers. Different verticals. Different use cases. Yet they're all increasingly making the same strategic decision: to standardize on Bandwidth.

We've spent years building the owned infrastructure, orchestration software, and consumption pricing model needed for this moment. As AI reshapes enterprise communications, we believe our innovations position us to be the mission-critical foundation of AI-driven communications – creating more value for our customers and for our shareholders.

Now I'll turn it over to Daryl to walk through the financial details of the quarter.

Daryl Raiford, CFO

Thank you, David, and good morning, everyone.

We delivered another outstanding quarter, with results exceeding our expectations.

Our performance reflects disciplined execution, durable customer demand, and the growing benefits of the strategic innovation we've made over the past several years.

This comprehensive execution across all key metrics—including revenue, gross profit, Adjusted EBITDA, non-GAAP earnings per share, and Free Cash Flow—provides us with the confidence to raise our full-year financial guidance today.

Second Quarter 2026 Results

Now diving into our second quarter 2026 results.

- Total revenue was $220 million, an increase of 22 percent year-over-year.
- Cloud communications revenue, which is total revenue less messaging surcharge revenue of $68 million, reached $152 million, a 12 percent year-over-year increase.
- Non-GAAP Gross profit of $90 million increased 14 percent year-over-year, representing a gross profit yield of approximately 68 percent on incremental cloud communications revenue growth.
- Non-GAAP gross margin improved one percentage point to 59.4%, illustrating the structural margin advantage of our trusted, global owned and operated communications platform.
- Adjusted EBITDA grew by 27 percent to $28 million. Adjusted EBITDA margin reached a record 18.3 percent, demonstrating the scalability of our business model and our ability to convert revenue growth into meaningful profit expansion.
- Non-GAAP net income was 15 percent higher, while Non-GAAP Earnings per Share was $0.37, reflecting net movement in fully diluted shares from our new convertible issuance, 2028 convertible repurchase, and other capital activities during the quarter.

- Free Cash flow was $24 million, showing another quarter of strong execution and reinforcing our confidence in the long-term earnings and cash-generating power of our business.

Focusing on our Second Quarter Cloud Communications Revenue Growth of 12 percent:

Both Voice and Programmable Messaging solutions exceeded our expectations.
For our Voice solutions, we reported revenue of $121 million, growing 9 percent.
In Programmable Messaging, revenue of $31 million grew 22 percent, resulting from strong commercial messaging growth of 18 percent combined with approximately $1 million of earned messaging revenue during the quarter from political campaign activities.
Additionally, attached revenue across both Voice and Messaging from Software Services grew 66 percent compared with last year. While software services remained a relatively small contributor to total revenue last quarter, because we monetize on usage rather than seats or licenses, AI adoption converts directly into revenue as interactions scale. As a result, growing AI activity across our platform flows through to our top line rather than remaining an adoption metric alone.

Operating Metrics:

Turning to our operating metrics:

- Our reported net retention rate for the second quarter was 107 percent. Adjusted to normalize for the cyclical political campaign revenue impact, our commercial net retention rate was 113 percent, growing 3 percent sequentially.
- Customer name retention rate remained above 99 percent, reflecting the mission-critical nature of our Communications Cloud and the very low churn we have consistently delivered.
- Average annual revenue per customer reached a record $256 thousand, reflecting both continued customer expansion and our success attracting larger enterprise customers to the platform.

Collectively, these metrics underscore the strength of our existing customer relationships, as customers expand their usage, adopt more of our solutions, and trust our platform for a broader set of mission-critical communications.

Turning to our Capital Allocation Strategy:

During the quarter, we deployed an incremental $15 million toward share repurchases, opportunistically buying back 263 thousand shares at an average price of $57.06. This brings the total cash used this year for share repurchases to $20 million.

We further completed an offering of $316 million of 0.00 percent Convertible Senior Notes due 2032, which included the full exercise of the initial purchasers' option. Strong demand for the offering reflected deep investor confidence in our long-term strategy and financial profile.

After underwriting discounts, capped call costs, and other transaction expenses, the offering generated approximately $282 million in net proceeds. We utilized approximately $122 million of these proceeds to repurchase a large portion of our 2028 Convertible Notes, reducing that outstanding principal balance to approximately $28 million.

Our net leverage closed the quarter at 1.6x, compared with 1.5x at the end of the first quarter of 2026, resulting in an essentially stable leverage ratio while adding cash to the balance sheet, lowering financing costs, and improving the maturity profile.

Third Quarter 2026 Outlook

Turning to our third quarter 2026 outlook, we expect:

- Revenue to be in the range of $231 million and $235 million, representing approximately 21 percent growth year-over-year
- Adjusted EBITDA to be in the range of $32 million and $34 million, representing approximately 36 percent growth year-over-year
- And Non-GAAP EPS to be in the range of $0.45 and $0.49 implying approximately 66 percent Non-GAAP Net Income Growth.

Full Year 2026 Outlook

For the full year 2026, we are raising our guidance to reflect our second-quarter beat and sustained demand strength. Our confidence in the remainder of the year is supported by two key growth drivers:

First, the revenue ramp from our recent enterprise customers wins. With a total of 13 new million-dollar-plus annual contracts won since the beginning of last year (that is, 6 last year and 7 already this year, with 2 in 1Q and 5 in 2Q), the phased deployment of these large-scale implementations provides meaningful visibility into future revenue growth that we expect to layer into our financial results over the next twelve months.

Second, our owned-and-operated global network is driving structural margin and efficiency gains. As transaction volumes scale, our unique infrastructure allows us to capture higher incremental gross profit, converting top-line growth into efficient, bottom-line Adjusted EBITDA and cash flow. Thanks to our usage-based model, our platform and software innovations begin contributing to cash flow almost immediately after release.

We now expect for the full year 2026:

- Total revenue to be in the range of $900 million and $910 million, representing 20 percent growth year-over-year at the midpoint, compared to our prior range of $880 million and $900 million.
- Within Total Revenue, we expect Cloud Communications to be in the range of $622 million and $626 million, representing 11 percent growth year-over-year at the midpoint,
- Adjusted EBITDA outlook to be in the range of $123 million and $125 million, representing 33 percent growth year-over-year at the midpoint, and a 20 percent EBITDA margin, compared to our prior range of $119 million and $125 million.
- Non-GAAP EPS to be in the range of $1.71 and $1.79, implying full year Non-GAAP net income growth of 48 percent, and the true-up for a higher fully diluted share count

estimate resulting from the second quarter convertible offering and other capital activities.

Additional modeling details underlying our full-year 2026 outlook are as follows:

- We expect net interest income to be in the range of $0.5 million and $1.0 million.
- Depreciation expense to be in the range of $38 million and $42 million.
- Adjusted effective tax rate to be in the range of 20 and 22 percent.
- Weighted average diluted shares outstanding of approximately 39 million.
- And for Capital Expenditures, we expect these to be in the range of $24 million and $26 million.

In summary, our second quarter results reinforce that Bandwidth is becoming a larger, more profitable, and increasingly differentiated communications platform. We continue to benefit from durable customer demand, growing adoption of AI-enabled communications, and the structural advantages of our usage-based, owned-and-operated global network. Combined with our strengthened balance sheet and disciplined capital allocation strategy, we believe we are well positioned to deliver sustainable profitable growth and create long-term value for our shareholders.

CLOSING REMARKS - DAVID MORKEN

Thank you operator. The themes we opened with today played out across our business. AI is reshaping enterprise buying decisions. Those decisions are driving record customer wins. And we're innovating to lead the AI transformation.

Before we conclude, I'd like to invite you to join us at Reverb 2026 here in Raleigh, North Carolina on November 10. Reverb has become our flagship customer and product event, where we'll showcase how enterprises are deploying AI into production – and how Bandwidth is making it possible. We hope to see you then. Thank you.